



GOVERNOR MIFFLIN SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2022



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INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors
Governor Mifflin School District
Shillington, Pennsylvania**

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

As described in Note 1 to the financial statements, effective July 1, 2021, Governor Mifflin School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 86 through 90 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 Governor Mifflin School District's basic financial statements. The accompanying individual general fund schedules, the combining fiduciary fund financial statements, and the 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 individual general fund schedules, combining fiduciary fund financial statements, and the 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 December 19, 2022, 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 the District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
December 19, 2022**



Management's Discussion and Analysis (MD&A)

The following is a discussion and analysis of the Governor Mifflin School District's annual financial performance during the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- District-wide revenue of \$79.7 million exceeded expenditures of \$70.5 million by \$9.2 million. General revenues in the form of property and other taxes along with state subsidies and investment earnings accounted for \$60.1 million or 75.4% of all revenues. Program specific revenues in the form of charges for services, grants and contributions totaled \$19.6 million or 24.6% of total revenues. Instruction, instructional student support, and student transportation expenses accounted for \$50.7 million or 71.9% of total expenses. Operation and maintenance of plant, administrative, financial support and other services totaled \$19.8 million or 28.1% of total expenses.
- The Taxpayer Relief Act of 2006, or more commonly referred to as Act 1, subjects Pennsylvania Public Schools to a real estate property base tax cap, or adjusted tax cap, if applicable, annually. For fiscal year 2021-22, the District's adjusted tax cap was 3.8%, or 1.0868 Mills. Millage was set at 29.1 Mills, which was an increase of only 0.5 mills and therefore did not need to include any exceptions approved by the Pennsylvania Department of Education.
- Under the provisions of the Homestead Property Exclusion Program Act and the Taxpayer Relief Act, the School Board passed the 2021-22 Homestead and Farmstead Exclusion Resolution in June 2021 whereby County approved homestead and farmstead property taxpayers received an assessment reduction on the July 1, 2021 real estate tax bills of \$4,201 each, which resulted in a \$122.25 tax reduction per homestead and farmstead. This property tax reduction was the result of the District's allocation of gambling tax funds as well as Philadelphia tax credit reimbursement funds totaling \$865,272.
- Act 1 also requires each school district to offer homestead and farmstead property owners the option of paying the flat rate of their real estate taxes in installments. Act 25 of 2011 broadened the mandatory real estate tax installment option to include small business owners. The District allows all District property owners to choose the installment option. In fiscal year 2021-22 the District offered installments with three equal installment payments due July 31, September 30, and November 30. Approximately 3.02% of District real estate properties elected the installment method for the 2021-22 fiscal year.
- Salary increases during the 2021-22 school year were as follows: Governor Mifflin Education Association, 3.25 %; Act 93 Professionals, 3%, Act 93 Support, 3%, and AFSCME Support, \$.50/hr.

- The required District contribution to the Pennsylvania School Employees Retirement System (PSERS) increased from 34.51% to 34.94% for 2021-22, with additional rate increases projected in future years. As of June 30, 2022, \$1.25 million of the general fund balance that was once committed by the School Board to be used toward future PSERS contribution increases has been committed to Construction.
- Effective July 1, 2017, the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, to be in conformity with generally accepted accounting principles. Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for other postemployment benefit plans. At June 30, 2022, the District reported deferred outflows of resources of \$1,643,551, deferred inflows of resources of \$818,318 and a liability of \$10,332,735, related to other postemployment benefit plans. The District does not fund this liability, but rather pays for benefits as they become due. See Note 11 for details and further explanation.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, adopted by the District establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting for pensions by governments and establishes standards for recording and reporting contributions made to a defined benefit plan after the measurement date of the government's net pension liability. Pension expense recognized in the Statement of Activities for the year ended June 30, 2022 totaled \$4.9 million, with a District-wide net pension liability of \$88,765,000 as of June 30, 2022 in the Statement of Net Position. Deferred outflows of resources of \$16.3 million and deferred inflows of resources of \$16.4 million as of June 30, 2022 related to the pension calculation in accordance with these GASB statements. See Note 10 for details and further explanation.
- GASB Statement No. 84, *Fiduciary Activities*, adopted by the District effective July 1, 2020, was established to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Under this standard, the District's scholarship and student activities funds continue to be reported as fiduciary funds, however they are now reported as custodial finds which reports net position and changes in net position.
- GASB Statement No. 87, *Leases*, adopted by the District effective July 1, 2021, was established to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. Right-to-use lease assets are recognized in the Statement of Net Position as \$836,859 and lease liability is recognized as \$829,786.

Overview of the Financial Statements

This annual report consists of three parts: (1) management's discussion and analysis, (2) the basic financial statements, and (3) required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements include two District-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The remaining statements are the fund financial statements that focus on individual parts of the District - reporting the District's operations in more detail than the District-wide statements. The governmental fund statements indicate how basic services such as regular and special education were financed in the short-term as well as indicate future spending plans. Proprietary fund statements offer short-term and long-term financial information about the activities the District operates like a business, such as food services. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and scholarship funds.

The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure 1 shows how the various parts of this annual report are arranged and related to one another.

Figure 1
Organization of the Governor Mifflin School District Annual Financial Report

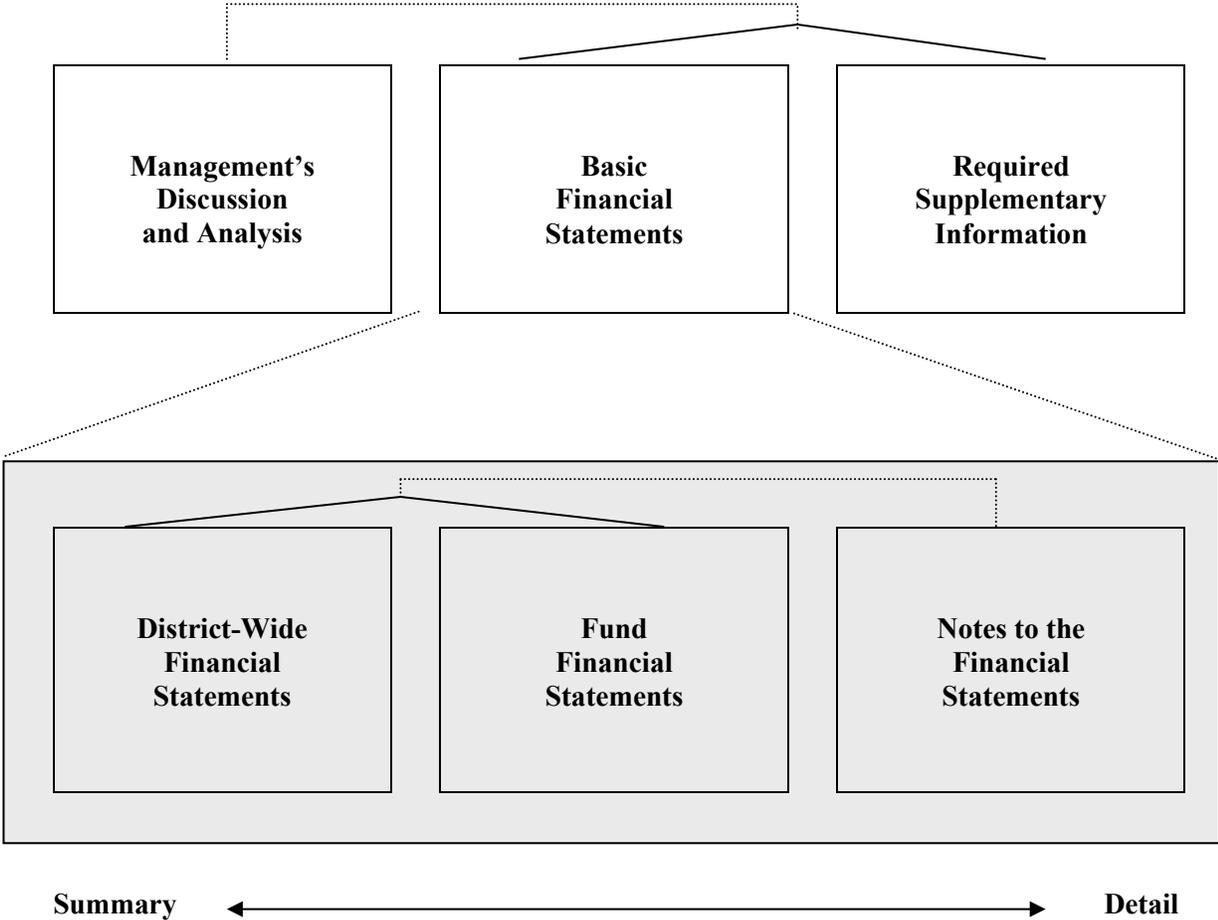


Figure 2 summarizes the major features of the District’s financial statements including the portion of the District activity they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each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

Figure 2

<u>Major Features of the District-Wide and Fund Financial Statements</u>				
	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects	Activities the District operates similar to private businesses, such as food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of net position • Statement of changes in net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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, current and noncurrent, and deferred inflows and outflows of resources	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or noncurrent liabilities included	All assets and liabilities, both financial and capital, current and noncurrent	All assets and liabilities, both current and noncurrent; funds do not currently contain capital assets, although they can
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 the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

The District-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 presents all of the District's assets and liabilities, deferred inflows and outflows of resources with the difference reported as "net position." Over time, increases and decreases in net position measure whether the District's financial condition is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some events that will result in cash flows in future periods: uncollected taxes, accrued interest expense, retirement incentives, and unused sick leave.

Both statements report two activities:

- **Governmental Activities** - Most of the District's basic services such as regular and special education, maintenance and operation of plant services are reported under this category. Taxes, state subsidies, and state and federal grants generally finance these programs.
- **Business-Type Activities** - The District charges fees to cover the costs of business-type services it provides. For food service operations these consist of charges for meal purchases, federal and state subsidies, and in-district catering.

Fund Financial Statements

The fund financial statements provide more detailed information about the major individual funds of the District. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to keep track of specific sources of funding and spending for particular programs. The District's funds are divided into three categories - (1) governmental, (2) proprietary, and (3) fiduciary.

- **Governmental Funds** - Most of the District's basic services are included in governmental funds that focus on how money flows into and out of these funds and the balances left at the year-end for future spending. The governmental fund financial statements provide a detailed short-term view of the general operations and the basic services provided and provide some direction as to whether there will be more or fewer resources that can be spent in the near future to finance the District's programs.

Because this information does not encompass the additional long-term focus of the district-wide statements, an explanation of the relationship (and differences) between the fund statements and District-wide statements is provided on the reconciliations following the fund statements.

- **Proprietary Funds (Enterprise)** - Services for which the District charges a fee are generally reported in the proprietary fund and utilize the accrual accounting method - the same method used by private sector businesses.
- **Fiduciary Funds** - The District acts as a trustee or fiduciary for assets that belong to others, such as scholarship funds or student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for the intended purposes and by those to whom the assets belong. These activities are excluded from the District-wide financial statements since these assets cannot be used to finance the District's operations.

Financial Analysis of the District as a Whole

The Statement of Net Position contains information about what the District owns, owes, i.e., assets, liabilities, deferred inflows and outflows of resources and the remaining financial position. Figure 3 shows a comparative summary of the District's net position for the fiscal years ended June 30, 2021 and June 30, 2022.

Figure 3
Condensed Statements of Net Position

	Fiscal Years Ended June 30, 2021 and June 30, 2022					
	Governmental Activities		Business-Type Activities		Total	
	2021 (restated)	2022	2021	2022	2021 (restated)	2022
Current and other assets	\$ 85,374,601	\$ 74,146,587	\$ 773,629	\$ 1,563,396	\$ 86,148,230	\$ 75,709,983
Capital assets	73,325,998	80,849,189	179,424	213,139	73,505,422	81,062,328
Total Assets	158,700,599	154,995,776	953,053	1,776,535	159,653,652	156,772,311
Deferred Outflows of Resources	17,367,729	18,292,619	348,713	351,559	17,716,442	18,644,178
Current liabilities	18,663,802	17,063,473	86,906	83,509	18,750,708	17,146,982
Noncurrent liabilities	216,670,753	196,111,839	2,642,775	1,822,880	219,313,528	197,934,719
Total Liabilities	235,334,555	213,175,312	2,729,681	1,906,389	238,064,236	215,081,701
Deferred Inflows of Resources	5,193,009	16,489,867	250,267	780,234	5,443,276	17,270,101
Net investment in capital assets	11,694,948	13,662,545	179,424	213,139	11,874,372	13,875,684
Restricted	17,331,918	18,431,042	-	-	17,331,918	18,431,042
Unrestricted (Deficit)	(93,486,102)	(88,470,371)	(1,857,606)	(771,668)	(95,343,708)	(89,242,039)
Total Net Position (Deficit)	<u>\$(64,459,236)</u>	<u>\$(56,376,784)</u>	<u>\$(1,678,182)</u>	<u>\$(558,529)</u>	<u>\$(66,137,418)</u>	<u>\$(56,935,313)</u>

Total assets decreased by \$2.8 million from the prior year primarily due to an overall decrease in cash and investments of \$10.9 million with an increase in capital assets of \$7.6 million and the increase in lease assets. Deferred outflows of resources increased by just under \$1 million due to an increase in deferred pension and other postemployment benefits. The overall decrease in liabilities of \$22.9 million is primarily the result of a \$4.8 million decrease in bonds and notes payable, and a \$16.7 million decrease in net pension liability related to GASB Statements No. 68 and No. 71. Deferred inflows of resources increased over the prior year by \$11.8 million related to a \$11 million increase for pension.

District-wide revenue exceeded expenses by \$9.2 million, which effectively decreased the net deficit for the year ended June 30, 2022. Governmental activities' net deficit decreased by \$8 million over the prior year primarily from a \$4 million increase in revenues and an overall \$4 million decrease in expense. Net deficit in business-type activities decreased due an additional year of free breakfast and lunch for students which reflects a shift in revenues from charges for services to federal revenue.

The results of operations for the fiscal year ended June 30, 2022 as a whole are reported in the Statement of Activities. Figure 4 is a comparative summary of changes in net position for the years ended June 30, 2021 and June 30, 2022.

Figure 4
Changes in Net Position from Operating Results

	Fiscal Years Ended June 30, 2021 and June 30, 2022					
	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Revenues						
Program Revenues						
Charges for services	\$ 232,285	\$ 526,021	\$ 95,315	\$ 265,353	\$ 327,600	\$ 791,374
Operating grants and contributions	13,400,968	14,875,684	1,901,865	2,817,223	15,302,833	17,692,907
Capital grants and contributions	933,019	1,108,993	-	-	933,019	1,108,993
General Revenues						
Property taxes and other taxes levied for general purposes	50,495,133	51,969,463	-	-	50,495,133	51,969,463
Grants, Subsidies, and Contributions not restricted	7,499,775	7,985,677	-	-	7,499,775	7,985,677
Other	201,821	176,863	(47,251)	(26,466)	154,570	150,397
Total Revenues	72,763,001	76,642,701	1,949,929	3,056,110	74,712,930	79,698,811
Expenses						
Instruction	43,794,516	41,385,262	-	-	43,794,516	41,385,262
Instructional student support	6,986,491	6,546,297	-	-	6,986,491	6,546,297
Administrative and financial support services	6,941,509	5,743,355	-	-	6,941,509	5,743,355
Operation and maintenance of plant services	8,413,567	7,650,479	-	-	8,413,567	7,650,479
Pupil transportation	2,574,444	2,783,318	-	-	2,574,444	2,783,318
Other	3,628,714	4,451,538	1,690,395	1,936,457	5,319,109	6,387,995
Total Expenses	72,339,241	68,560,249	1,690,395	1,936,457	74,029,636	70,496,706
Change in Net Position	423,760	8,082,452	259,534	1,119,653	683,294	9,202,105
Beginning Net Position	(64,882,996)	(64,459,236)	(1,937,716)	(1,678,182)	(66,820,712)	(66,137,418)
Ending Net Position	\$ (64,459,236)	\$ (56,376,784)	\$ (1,678,182)	\$ (558,529)	\$ (66,137,418)	\$ (56,935,313)

Revenues are defined as either program or general revenues. Program revenues are generated by the services themselves or provided externally for use in a particular function. Program revenues reduce the net expense to the public. Program revenues are categorized as charges for services, operating grants and contributions and capital grants and contributions. General revenues include the basic education subsidy provided by the State of Pennsylvania, local taxes assessed to community taxpayers, and other general revenues the District uses to finance the total net cost of programs. District-wide revenues totaled \$79.7 million, an increase of \$4.9 million or 6% over the prior year, which represents the increase in governmental activities' revenue and business-type activities revenues. Figure 5 depicts the 2021-22 sources of revenues as of percentage of district-wide revenues.

District-wide expenses are categorized into six major activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. Figure 6 presents these categories of expenditures as a percentage of 2021-22 district-wide expenses. District-wide expenses totaled \$70.5 million, a decrease of \$3.5 million or 4% over the prior year.

Figure 5
Sources of District-Wide Revenues for Fiscal Year 2022

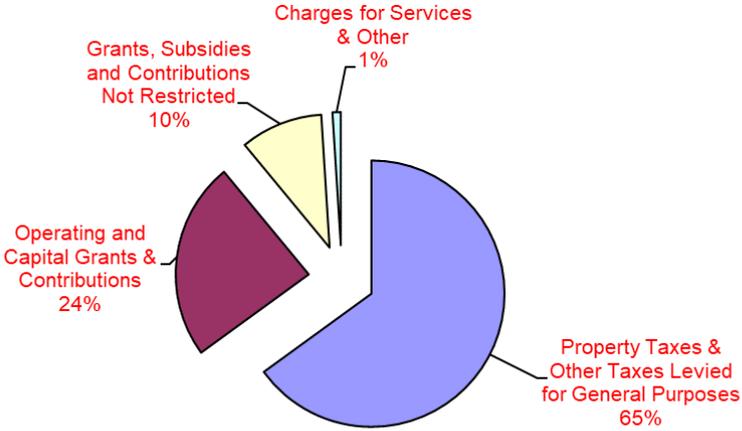


Figure 6
District-Wide Expenses for Fiscal Year 2022

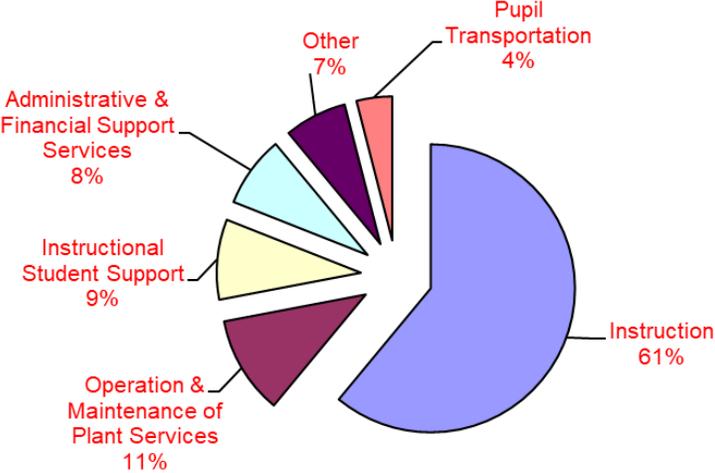


Figure 7 represents the cost of six major District governmental activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). For the year ended June 30, 2022, general revenue supported 87% of governmental activities' costs, and program revenue supported 24% of governmental activities' costs.

Figure 7
Net Cost of Governmental Activities

	Fiscal Years Ended June 30, 2021 and June 30, 2022			
	Total Cost of Services		Net Cost of Services	
	2021	2022	2021	2022
Instruction	\$ 43,794,516	\$ 41,385,262	\$ 33,831,807	\$ 30,454,955
Instructional Student Support	6,986,491	6,546,297	5,953,711	5,103,057
Administrative and Financial Support Services	6,941,509	5,743,355	6,313,847	4,869,762
Operation and Maintenance of Plant Services	8,413,567	7,650,479	7,643,048	7,077,110
Pupil Transportation	2,574,444	2,783,318	1,661,250	1,659,299
Other	3,628,714	4,451,538	2,369,306	2,885,368
Total	\$ 72,339,241	\$ 68,560,249	\$ 57,772,969	\$ 52,049,551

Figure 8 represents the total cost and net cost (income) of services in the District's business-type activities. Program revenue supported 100% of food services activities for the year ended June 30, 2022.

Figure 8
Net Cost (Income) of Business-Type Activities

	Fiscal Years Ended June 30, 2021 and June 30, 2022			
	Total Cost of Services		Net Cost (Income) of Services	
	2021	2022	2021	2022
Food Services	\$ 1,690,395	\$ 1,936,457	\$ (306,785)	\$ (1,146,119)

Financial Analysis of the District's Funds

The District's governmental funds include the general fund, capital projects fund, and debt service fund. Figure 9 details the current and prior year end fund balances and change therein for the fiscal year ended June 30, 2022.

Figure 9
Fund Balances

	For Fiscal Years Ended June 30, 2021 and June 30, 2022		
	Fund Balance		Increase (Decrease)
	2021	2022	
General Fund	\$ 7,629,694	\$ 7,629,694	\$ -
Capital Projects Fund	63,300,130	54,152,932	(9,147,198)
Debt Service Fund	-	-	-
	\$ 70,929,824	\$ 61,782,626	\$ (9,147,198)
Total	\$ 70,929,824	\$ 61,782,626	\$ (9,147,198)

The District's governmental funds reported combined fund balances as of June 30, 2022 of \$61.8 million. The decrease of \$9.1 million compared to the prior year is due to the construction beginning in the capital projects fund.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be classified into the following categories: nonspendable, restricted, committed, assigned and unassigned. As of June 30, 2022, general fund balance of \$7.6 million consisted of \$1.25 million in committed fund balance for the District's construction project, \$0.5 million in assigned fund balance which represents the 2022-23 budgeted deficit, \$0.14 million in nonspendable fund balance which represents prepaid expenses, and unassigned fund balance of \$5.7 million. The capital projects fund had \$54.1 million in restricted fund balance, consisting of reserve funds for capital expenditures and anticipated construction projects.

Governmental Funds' Revenues and Expenditures

In the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds, for the year ended June 30, 2022, total revenues of \$76.6 million are comprised of local revenues of 69.8% with state and federal revenues contributing 26.5% and 3.7%, respectively. Expenditures of governmental funds totaling \$86.4 million are categorized as current (instructional, support and operation of noninstructional services) representing 79.4% of the total, capital outlay represents 11.4%, with debt service comprising 9.2% of total expenditures. Other Financing Sources (Uses) of \$0.59 million consists of proceeds from issuance of leases. Figures 10 and 11 depict the percentages of total governmental revenue and expenditure categories for the fiscal year 2021-22.

Figure 10
Sources of Governmental Funds' Revenues for Fiscal Year 2022

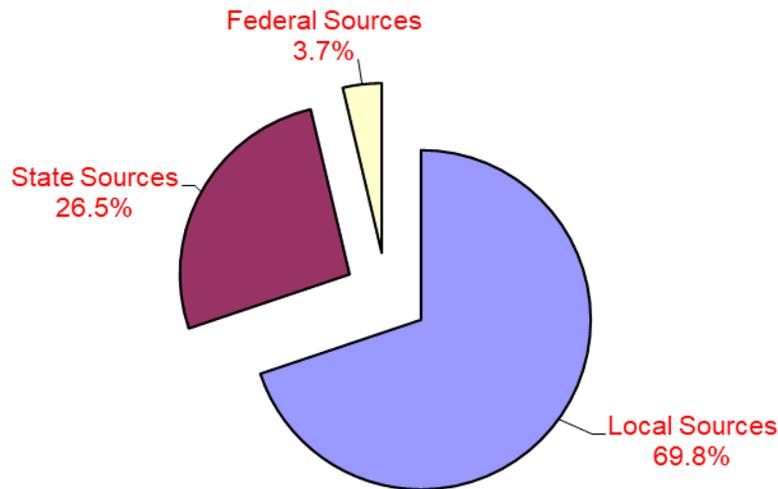
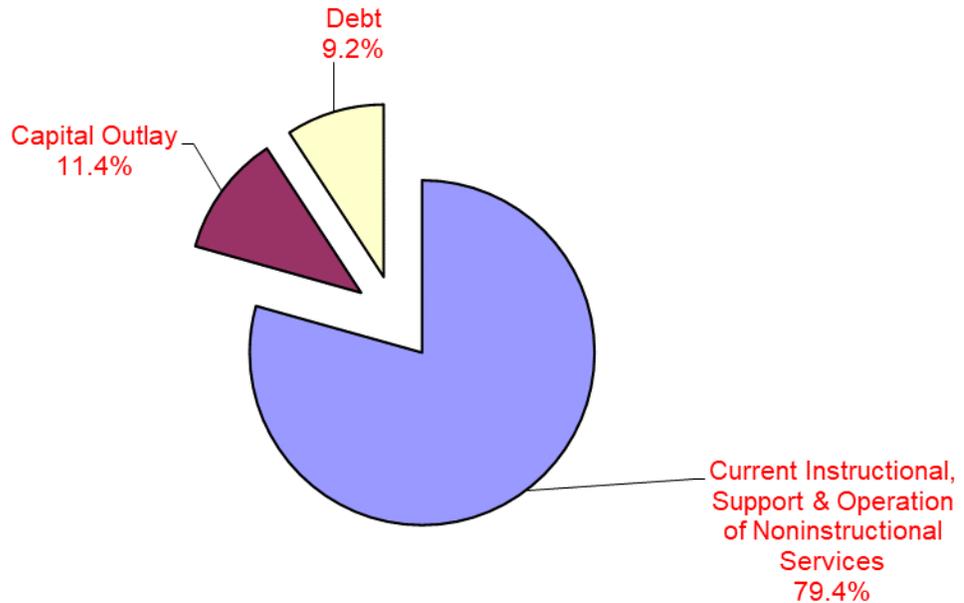


Figure 11
Governmental Funds' Expenditures for Fiscal Year 2022



Capital Assets and Debt Administration

Capital Assets

In total, net capital assets increased \$7.6 million as a result of nearly \$10 million in construction in progress, \$0.88 million of net capital additions related to land improvements, building improvements, and new machinery and equipment, the addition of right-to-use lease assets, and current year depreciation and amortization of \$3.8 million.

Figure 12
Capital Assets (net of depreciation and amortization)

	Fiscal Years Ended June 30, 2021 and June 30, 2022					
	Governmental Activities		Business-Type Activities		Total	
	2021 (restated)	2022	2021	2022	2021 (restated)	2022
Land	\$ 14,780,338	\$ 14,780,338	\$ -	\$ -	\$ 14,780,338	\$ 14,780,338
Construction in progress	5,238,443	15,079,838	-	-	5,238,443	15,079,838
Site Improvements	413,122	417,997	-	-	413,122	417,997
Building and Building Improvements	49,863,002	47,229,332	-	-	49,863,002	47,229,332
Machinery and Equipment	2,456,139	2,504,825	179,424	213,139	2,635,563	2,717,964
Right-to-use lease assets	574,954	836,859	-	-	574,954	1,411,813
Total	\$ 73,325,998	\$ 80,849,189	\$ 179,424	\$ 213,139	\$ 73,505,422	\$ 81,637,282

Long-Term Debt

Outstanding long-term debt totaling \$103.6 million as of June 30, 2022, consists of general obligation bonds and notes of \$96.9 million with varying maturities through year 2046, bond premiums of \$5.7 million, and leases payable of \$0.8 million. Principal payments totaled \$5.1 million during the fiscal year, with interest payments totaling \$2.8 million.

Figure 13
Outstanding Long-Term Debt

	For Fiscal Years Ended June 30, 2021 and June 30, 2022		
	Total		Change
	2021 (restated)	2022	
General Obligation Bonds & Notes	\$ 101,782,000	\$ 96,960,000	\$ (4,822,000)
Bond Premiums	6,041,081	5,796,997	(244,084)
Lease Payable	574,954	829,786	254,832
Total	\$ 108,398,035	\$ 103,586,783	\$ (4,811,252)

More detailed information on capital assets and long-term debt can be found in the notes to the financial statements.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that may affect its future financial growth.

- Under Act 1, Pennsylvania Public Schools are subject to a real estate property base tax cap of 3.4% for fiscal years 2022-23 and 4.1% for 2023-24. Due to the District's aid ratio exceeding 0.4 for both the 2022-23 and the 2023-24 fiscal years, the District's millage is limited to a 4.3% and a 5.2% increase, respectively. The District's 2022-23 millage increased from 29.1 mills to 29.6 mills. If the District anticipates the need to exceed the cap, it must have exceptions approved through the courts or the Pennsylvania Department of Education or seek voter approval. The adoption of the preliminary budget or a resolution stating that the District will not raise the millage by more than the Act 1 index is due in January 2023.
- The District's collective bargaining agreement with the Governor Mifflin Education Association is effective for July 1, 2022 through June 30, 2025. Salary increases will be 3.9% for 2022-23, 3.9% for 2023-24, and 3.9% for 2024-25.
- The District's collective bargaining agreement with AFSCME for support personnel is effective for July 1, 2021 through June 30, 2024. Wage increases will be \$0.50 for 2021-2022, \$0.60 for 2022-23, and \$0.60 for 2023-2024.
- The required District contribution to the Pennsylvania School Employees Retirement System increased from 34.94% to 35.26% for 2022-23 with rate increases projected in future years.
- Health Trust insurance premiums for 2022-23 increased 1.5% over the prior year.
- The District will be required to implement the following new GASB Statement in future fiscal years: Statement No. 96, *Subscription-Based Information Technology Arrangements*. The District has not yet completed the analysis necessary to estimate the financial statement impact of this new pronouncements.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Office of the Chief Financial Officer, Governor Mifflin School District, 10 S. Waverly St, Shillington PA 19607.

GOVERNOR MIFFLIN SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and investments	\$ 65,276,759	\$ 1,228,098	\$ 66,504,857
Restricted cash	3,350,561	-	3,350,561
Internal balances	(978)	978	-
Taxes receivable, net	1,839,939	-	1,839,939
Intergovernmental receivables	3,449,032	285,997	3,735,029
Other receivables	89,087	-	89,087
Inventories	-	48,323	48,323
Prepaid expenses	142,187	-	142,187
Capital assets not being depreciated	29,860,176	-	29,860,176
Capital assets, net of accumulated depreciation	50,152,154	213,139	50,365,293
Right-to-use lease assets, net of accumulated amortization	836,859	-	836,859
TOTAL ASSETS	154,995,776	1,776,535	156,772,311
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	678,249	-	678,249
Deferred outflows of resources for pension	16,001,286	321,092	16,322,378
Deferred outflows of resources for other postemployment benefits	1,613,084	30,467	1,643,551
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,292,619	351,559	18,644,178
LIABILITIES			
Accounts payable	2,609,251	33,585	2,642,836
Accrued interest	698,393	-	698,393
Accrued salaries and benefits	8,229,686	3,227	8,232,913
Unearned revenues	42,180	46,697	88,877
Noncurrent liabilities due within one year	5,483,963	-	5,483,963
Noncurrent liabilities:			
Bonds and notes payable, net	97,899,997	-	97,899,997
Lease payable	396,432	-	396,432
Long-term portion of compensated absences	459,805	-	459,805
Long-term portion of retirement severances	66,750	-	66,750
Long-term portion of early retirement incentives	14,000	-	14,000
Net pension liability	87,211,612	1,553,388	88,765,000
Net other postemployment benefit liabilities	10,063,243	269,492	10,332,735
TOTAL LIABILITIES	213,175,312	1,906,389	215,081,701
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for pension	15,688,560	763,223	16,451,783
Deferred inflows of resources for other postemployment benefits	801,307	17,011	818,318
TOTAL DEFERRED INFLOWS OF RESOURCES	16,489,867	780,234	17,270,101
NET POSITION			
Net investment in capital assets	13,662,545	213,139	13,875,684
Restricted for capital projects	17,451,401	-	17,451,401
Restricted for debt service	979,641	-	979,641
Unrestricted (deficit)	(88,470,371)	(771,668)	(89,242,039)
TOTAL NET POSITION (DEFICIT)	\$ (56,376,784)	\$ (558,529)	\$ (56,935,313)

See accompanying notes.

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GOVERNOR MIFFLIN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue 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	\$ 41,385,262	\$ 229,276	\$ 10,701,031	\$ -	\$ (30,454,955)	\$ -	\$ (30,454,955)
Instructional student support	6,546,297	-	1,443,240	-	(5,103,057)	-	(5,103,057)
Administrative and financial support services	5,743,355	-	873,593	-	(4,869,762)	-	(4,869,762)
Operation and maintenance of plant services	7,650,479	67,582	505,787	-	(7,077,110)	-	(7,077,110)
Pupil transportation	2,783,318	-	1,124,019	-	(1,659,299)	-	(1,659,299)
Student activities	1,615,592	229,163	213,205	-	(1,173,224)	-	(1,173,224)
Community services	135,735	-	14,809	-	(120,926)	-	(120,926)
Interest on long-term debt	2,700,211	-	-	1108993	(1,591,218)	-	(1,591,218)
Total Governmental Activities	68,560,249	526,021	14,875,684	1,108,993	(52,049,551)	-	(52,049,551)
Business-Type Activities:							
Food services	1,936,457	265,353	2,817,223	-	-	1,146,119	1,146,119
Total Primary Government	<u>\$ 70,496,706</u>	<u>\$ 791,374</u>	<u>\$ 17,692,907</u>	<u>\$ 1,108,993</u>	(52,049,551)	1,146,119	(50,903,432)
General Revenues							
Taxes:							
Property taxes					45,341,604	-	45,341,604
Earned income tax					5,165,555	-	5,165,555
Public utility realty, and mercantile tax					1,462,304	-	1,462,304
Grants, subsidies, and contributions not restricted for a specific program					7,985,677	-	7,985,677
Investment earnings					85,916	680	86,596
Miscellaneous income					63,801	-	63,801
Transfers					27,146	(27,146)	-
Total General Revenues and Transfers					60,132,003	(26,466)	60,105,537
Change in Net Position					8,082,452	1,119,653	9,202,105
Net Position (Deficit) - Beginning of Year					(64,459,236)	(1,678,182)	(66,137,418)
Net Position (Deficit) - End of Year					<u>\$ (56,376,784)</u>	<u>\$ (558,529)</u>	<u>\$ (56,935,313)</u>

See accompanying notes.

GOVERNOR MIFFLIN SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2022

	General	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Cash and investments	\$ 14,924,479	\$ 50,352,280	\$ -	\$ 65,276,759
Restricted cash	-	3,350,561	-	3,350,561
Interfund receivables	744	2,161,179	-	2,161,923
Taxes receivable	1,866,250	-	-	1,866,250
Intergovernmental receivables	3,449,032	-	-	3,449,032
Other receivables	89,087	-	-	89,087
Prepaid expenditures	142,187	-	-	142,187
TOTAL ASSETS	\$ 20,471,779	\$ 55,864,020	\$ -	\$ 76,335,799
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Interfund payables	\$ 2,162,901	\$ -	\$ -	\$ 2,162,901
Accounts payable	898,163	1,711,088	-	2,609,251
Accrued salaries and benefits	8,423,295	-	-	8,423,295
Unearned revenues	42,180	-	-	42,180
TOTAL LIABILITIES	11,526,539	1,711,088	-	13,237,627
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	1,315,546	-	-	1,315,546
FUND BALANCES				
Nonspendable	142,187	-	-	142,187
Restricted	-	54,152,932	-	54,152,932
Committed for:				
Construction	1,250,000	-	-	1,250,000
Assigned	500,000	-	-	500,000
Unassigned	5,737,507	-	-	5,737,507
TOTAL FUND BALANCES	7,629,694	54,152,932	-	61,782,626
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 20,471,779	\$ 55,864,020	\$ -	\$ 76,335,799

GOVERNOR MIFFLIN SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION**

June 30, 2022

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 61,782,626
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$155,049,822 and the accumulated depreciation/amortization is \$74,200,633.		80,849,189
Property and other taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts.		1,289,235
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds and notes payable	\$ (96,960,000)	
Leases payable	(829,786)	
Accrued interest on bonds and leases	(698,393)	
Unamortized bond premium	(5,796,997)	
Deferred charge on bond refunding	678,249	
Long-term portion of compensated absences	(459,805)	
Long-term portion of retirement severances	(66,750)	
Long-term portion of early retirement incentives	(14,000)	(104,147,482)
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(86,898,886)
The net other postemployment benefit liabilities and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.		(9,251,466)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		\$ (56,376,784)

GOVERNOR MIFFLIN SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2022

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Local sources	\$ 53,450,081	\$ 68,150	\$ -	\$ 53,518,231
State sources	20,281,751	-	-	20,281,751
Federal sources	2,831,028	-	-	2,831,028
TOTAL REVENUES	76,562,860	68,150	-	76,631,010
EXPENDITURES				
Current:				
Instructional services	44,628,216	-	-	44,628,216
Support services	21,368,103	672,686	-	22,040,789
Operation of noninstructional services	1,875,829	-	-	1,875,829
Capital outlay	-	9,866,259	-	9,866,259
Debt service:				
Principal	311,266	-	4,822,000	5,133,266
Interest	29,141	979,225	1,819,650	2,828,016
TOTAL EXPENDITURES	68,212,555	11,518,170	6,641,650	86,372,375
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,350,305	(11,450,020)	(6,641,650)	(9,741,365)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of leases	566,098	-	-	566,098
Transfers in	27,146	2,302,822	6,641,650	8,971,618
Sale of capital assets	923	-	-	923
Transfers out	(8,944,472)	-	-	(8,944,472)
TOTAL OTHER FINANCING SOURCES (USES)	(8,350,305)	2,302,822	6,641,650	594,167
NET CHANGE IN FUND BALANCES	-	(9,147,198)	-	(9,147,198)
FUND BALANCES - BEGINNING OF YEAR	7,629,694	63,300,130	-	70,929,824
FUND BALANCES - END OF YEAR	\$ 7,629,694	\$ 54,152,932	\$ -	\$ 61,782,626

See accompanying notes.

GOVERNOR MIFFLIN SCHOOL DISTRICT

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

For the Year Ended June 30, 2022

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (9,147,198)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 11,285,905	
Less: depreciation and amortization expense	<u>(3,762,714)</u>	7,523,191

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. (16,378)

Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Repayment of bond and note principal	4,822,000	
Issuance of leases	(566,098)	
Repayment of lease principal	311,266	
Amortization of bond premium	244,084	
Amortization of deferred charge on bond refunding	<u>(120,524)</u>	4,690,728

Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. 4,245

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and amount paid of these activities is:

Long-term portion of compensated absences	(4,307)	
Long-term portion of retirement severances	(650)	
Long-term portion of early retirement incentives	500	
Net pension liability and related deferred outflows and inflows	5,366,073	
Net OPEB liability and related deferred outflows and inflows	<u>(333,752)</u>	<u>5,027,864</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ 8,082,452

GOVERNOR MIFFLIN SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

June 30, 2022

	Enterprise Fund Food Service
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 1,228,098
Interfund receivables	978
Intergovernmental receivables	285,997
Inventories	48,323
TOTAL CURRENT ASSETS	1,563,396
NONCURRENT ASSETS	
Machinery and equipment, net	213,139
TOTAL ASSETS	1,776,535
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources for pension	321,092
Deferred outflows of resources for other postemployment benefits	30,467
TOTAL DEFERRED OUTFLOWS OF RESOURCES	351,559
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	33,585
Accrued salaries and benefits	3,227
Unearned revenues	46,697
TOTAL CURRENT LIABILITIES	83,509
NONCURRENT LIABILITIES	
Net pension liability	1,553,388
Net other postemployment benefit liabilities	269,492
TOTAL NONCURRENT LIABILITIES	1,822,880
TOTAL LIABILITIES	1,906,389
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources for pension	763,223
Deferred inflows of resources for other postemployment benefits	17,011
TOTAL DEFERRED INFLOWS OF RESOURCES	780,234
NET POSITION	
Investment in capital assets	213,139
Unrestricted (deficit)	(771,668)
TOTAL NET POSITION (DEFICIT)	\$ (558,529)

See accompanying notes.

GOVERNOR MIFFLIN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Year Ended June 30, 2022

	Enterprise Fund Food Service
OPERATING REVENUES	
Food service revenue	\$ 265,353
TOTAL OPERATING REVENUES	265,353
OPERATING EXPENSES	
Salaries	658,348
Employee benefits	371,143
Pension and OPEB valuation adjustments	(292,774)
Purchased professional services	3,282
Purchased property services	39,495
Other purchased services	2,165
Supplies	1,126,829
Depreciation	26,504
Other operating expenses	1,465
TOTAL OPERATING EXPENSES	1,936,457
OPERATING LOSS	(1,671,104)
NONOPERATING REVENUES	
Earnings on investments	680
State sources	192,515
Federal sources	2,624,708
TOTAL NONOPERATING REVENUES	2,817,903
INCOME BEFORE TRANSFERS	1,146,799
TRANSFERS OUT	(27,146)
CHANGE IN NET POSITION	1,119,653
NET POSITION (DEFICIT) - BEGINNING OF YEAR	(1,678,182)
NET POSITION (DEFICIT) - END OF YEAR	\$ (558,529)

See accompanying notes.

GOVERNOR MIFFLIN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2022

	<u>Enterprise Fund Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from users	\$ 251,314
Payments to employees for services	(1,037,194)
Payments to suppliers for goods and services	<u>(866,807)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(1,652,687)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State sources	184,324
Federal sources	2,459,727
Transfers out	<u>(27,146)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	2,616,905
CASH FLOWS CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of equipment	(60,219)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>680</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	904,679
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>323,419</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,228,098</u></u>

GOVERNOR MIFFLIN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND

For the Year Ended June 30, 2022

Enterprise Fund
Food Service

Reconciliation of Operating Loss to Net Cash
Used For Operating Activities:

Operating loss	\$ (1,671,104)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	26,504
Donated commodities used	161,181
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Interfund receivables	144,363
Inventories	(15,808)
Deferred outflows of resources for pension	2,737
Deferred outflows of resources for other postemployment benefits	(5,583)
Accounts payable	16,693
Accrued salaries and benefits	(7,703)
Unearned revenues	(14,039)
Net pension liability	(831,341)
Net other postemployment benefits liabilities	11,446
Deferred inflows of resources for pension	530,678
Deferred inflows of resources for other postemployment benefits	(711)
Total adjustments	<u>18,417</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (1,652,687)</u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$161,181 of commodities from the U.S. Department of Agriculture.

GOVERNOR MIFFLIN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION -
CUSTODIAL FUNDS

June 30, 2022

	<u>Custodial Funds</u>
ASSETS	
Cash and investments	\$ 395,903
	<u>395,903</u>
TOTAL ASSETS	395,903
LIABILITIES	
Accounts payable	8,708
	<u>8,708</u>
TOTAL LIABILITIES	8,708
NET POSITION	<u><u>\$ 387,195</u></u>

GOVERNOR MIFFLIN SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
CUSTODIAL FUNDS

For the Year Ended June 30, 2022

	Custodial Funds
ADDITIONS	
Earnings on investments	\$ 15
Contributions	378,177
	<hr/>
TOTAL ADDITIONS	378,192
DEDUCTIONS	
Scholarships and fees	4,138
Student activities	357,591
	<hr/>
TOTAL DEDUCTIONS	361,729
CHANGE IN NET POSITION	16,463
NET POSITION - BEGINNING OF YEAR	<hr/> 370,732
NET POSITION - END OF YEAR	<hr/> <u>\$ 387,195</u>

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

Governor Mifflin School District ("School District" or the "District") is located in Berks County, Pennsylvania. The District tax base consists of Brecknock Township, Cumru Township, Kenhorst Borough, Mohnton Borough, and Shillington Borough. Governor Mifflin School District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district between the ages of 6 and 21 years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any school herein provided, or to pay any school indebtedness which the School District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the School District, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual state appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Governor Mifflin School District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting principles are as follows:

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District and its component units.

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, fiduciary activities, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

Based on the foregoing criteria, the District has determined it has no component units.

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. The District has one of each of these relationships:

Joint Venture: The District is a participating member of the Berks Career & Technology Center. See Note 12 for details of involvement and financial information of the joint venture.

Jointly Governed Organizations: The District is a participating member of the Berks County Intermediate Unit (BCIU). BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of school directors of each participating district must approve BCIU's annual operating budget.

BCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in the BCIU. BCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

B. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function to the District are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include: 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items properly not included in program revenues are reported as general revenues.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements - continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the contributions made to any component units from the District's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are reported by fund type.

The District Reports the Following Major Governmental Funds:

General Fund: This fund is established to account for resources devoted to financing the general services that the District performs. Intergovernmental revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

Capital Projects Fund: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by proprietary funds).

Debt Service Fund: This fund is established to account for the accumulation of resources for, and the payment of long-term debt principal, interest, and related costs.

The District has the Following Major Enterprise Fund:

Food Service Fund: This fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is the District's only major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

Additionally, the District Reports the Following Fund Type:

Fiduciary Funds: The District's fiduciary funds are custodial funds. Custodial funds are fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The District's custodial funds are the scholarship and student activities funds.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables and payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *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. Property taxes are recognized as revenue 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.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charges to customers for sales and services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and state subsidies are considered non-operating revenues as no exchange transaction occurs.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. If time-eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

In accordance with Act 1 of 2006, the board shall annually, but not later than 110 days before the primary election, decide the budget option to be used for the following fiscal year. The board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

Accelerated Budget Process Option

Under this option, a preliminary budget must be adopted 90 days prior to the primary election. The preliminary budget must be available for public inspection at least 20 days prior to the budget adoption. The board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption.

If the primary budget exceeds the increase authorized by the Index, an application for an exception may be filed with the Pennsylvania Department of Education and made available for public inspection. The board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The board shall annually adopt the final budget by a majority vote of all members of the board prior to June 30.

Board Resolution Option

Under the Board Resolution Option, the board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The board shall annually adopt the final budget by a majority vote of all members of the board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the school board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized cost if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of financial position.

3. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Inventories and Prepaid Items

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

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, are not valued since it is the policy of the District to charge these items to expense upon acquisition.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

4. Inventories and Prepaid Items - continued

Inventories of the enterprise fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2022, consist of the following:

Purchased food	\$ 25,975
Supplies	14,254
Donated commodities	<u>8,094</u>
	<u>\$ 48,323</u>

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital Assets, Depreciation, and Amortization

The District's capital assets with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at the estimated acquisition value at the date of donation. Right-to-use lease assets are reported when a qualifying lease liability is incurred.

The District generally capitalizes assets with costs of \$2,500 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than \$2,500 as composite groups for financial reporting purposes. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization - continued

Estimated useful lives for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Building and building improvements	20 - 50
Land improvements	5 - 10
Machinery and equipment	3 - 20
Right-to-use lease assets	3 - 5

6. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The District periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the District's long-lived assets were considered to be impaired as of June 30, 2022.

7. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental and proprietary 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.

8. Compensated Absences

District policies permit employees to accumulate earned but unused vacation days based on employment agreements. Payments for vacation days are expensed as paid in the governmental fund statements. Accumulated vacation leave that is expected to be liquidated with expendable available financial resources and that has matured is reported as an expenditure and a fund liability in the governmental fund that will pay it. Accumulated vacation leave that is not expected to be liquidated with expendable available financial resources and that has not matured is reported as a long-term liability in the proprietary funds and the government-wide financial statements and is expensed as incurred.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

9. Retirement Severances

The District offers a retirement severance for teaching-level professional employees. To be eligible for a severance payment, the commitment to retire must be officially submitted by April 1 of the school year of retirement or 60 days prior to the date of retirement if not at the end of the school year. Upon actual retirement from the District under the provisions of the Public School Employees Retirement System of Pennsylvania, each professional employee shall be paid a severance payment based on years of service. The rate varies from \$75 - \$150 per year of service and shall be made to a 403(b) plan of the employee's choice from the District's approved vendors.

10. Early Retirement Incentives

The District offers an early retirement incentive plan for teaching-level professional employees. In order to obtain the benefit, the employee must apply on or before January 31st of the current school year, qualify for retirement in accordance with the provisions of the Public School Employees Retirement System (PSERS), and have 25 years of PSERS eligibility prior to the effective date of retirement. The early retirement incentive is a one-time district-funded payment that varies from \$3,500 to \$10,000 according to years of service as recognized by PSERS. All payments shall be made to a 403(b) plan of the employee's choice from the District's approved vendors.

11. Long-Term Obligations

In the government-wide 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. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Other bond issuance costs are expensed at the time the debt is issued.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

12. Leases

Governor Mifflin School District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. Governor Mifflin School District recognizes lease liabilities with an initial, individual value of \$2,500 or more.

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

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Also included within the lease term are any qualifying lease renewals or early termination options that the District is reasonably certain to exercise or not exercise. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. Pension

The District contributes to the Public School Employees' Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The District accounts for the plan under the provisions of GASB Statement No. 68, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

For the purpose of measuring net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. Other Postemployment Benefits (OPEB)

The District's other postemployment benefit plans are accounted for under the provisions of GASB Statement No. 75, which establishes standards for the measurement, recognition, and display of other postemployment benefit expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. The District provides OPEB under the following two plans:

PSERS OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

District 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 District OPEB plan is unfunded.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

15. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses) until then. The District has three items that qualify for reporting in this category:

A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows of resources for pension relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year.

Deferred outflows of resources for other postemployment benefit liabilities relate to the District's liability for postemployment benefits other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net other postemployment benefit liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions or benefit payments made subsequent to the measurement date and prior to the District's year end. These payments will be recognized as a reduction to the net other postemployment benefit liability in the following year.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

15. Deferred Outflows/Inflows of Resources - continued

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category:

Unavailable revenue arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source - property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows of resources for pension relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Deferred inflows of resources for other postemployment benefit liabilities relate to the District's liability for postemployment benefits other than pensions and related expenses and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the other postemployment benefit liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

16. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in the capital assets component of net position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

17. Fund Balance Policies and Flow Assumptions

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The restricted fund balance classification represents funds that are limited in use due to constraints for a specific purpose through restrictions by external parties, grant agreements, or enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of school directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The finance committee or business manager may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

17. Fund Balance Policies and Flow Assumptions - continued

The District's unassigned fund balance of the general fund should not be less than 5% of the following year's budgeted expenditures. In any fiscal year where the school district is unable to maintain this minimum reservation of fund balance, the school district shall not budget any amount of unassigned fund balance for the purpose of balancing the general fund budget until this level is achieved.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. The District's policy states that committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts for unrestricted fund balances used. However, the District reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Adoption of Accounting Standards

During the year ended June 30, 2022 the District adopted new accounting guidance GASB Statement No. 87, retroactive to July 1, 2021. GASB Statement No. 87 was issued to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. As a result of this standard implementation, right-to-use lease assets were increased \$574,954 with an offsetting lease payable of the same amount. There was no change in beginning net position.

Effective July 1, 2021, the District adopted new accounting standard guidance GASB Statement No. 89 related to accounting requirements for interest expenses incurred before the end of a construction period. Under this statement, interest expenses incurred before the end of a construction period must be recognized as an expense in the period in which the expenses are incurred for financial statements prepared using the economic resources measurement focus. The adoption of this standard resulted in no restatement to beginning net position.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

The District had no material violations of finance related legal and contractual provisions.

B. Deficit Fund Balance or Net Position of Individual Funds

Deficit Net Position - Proprietary Fund (Food Service Fund)

For the year ended June 30, 2022, the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions*, GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, created a deficiency in net position at year-end of \$558,529. The District will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at a rate required by the PSERS and future benefit payments.

NOTE 3 - CASH AND INVESTMENTS

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

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

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

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

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

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

The breakdown of total cash and investments at June 30, 2022, is as follows:

Petty cash	\$	3,450
Cash		10,128,177
Certificates of deposit		1,751,998
Pooled cash and investments		58,367,696
	\$	70,251,321

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned. The District does have a policy for custodial credit risk on deposits. At June 30, 2022, the carrying amount of the District’s deposits was \$11,880,175 and the bank balance was \$12,747,601. Of the bank balance, \$2,511,552 was covered by federal depository insurance, and \$10,236,049 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly. Included in investments are certificates of deposit (CDs) that have original maturity dates of greater than three months. The CDs are considered deposits for the purposes of this disclosure and included as deposits in the custodial credit risk disclosure above. The District has CDs outstanding totaling \$1,751,998.

Pooled Cash and Investments

As of June 30, 2022, the District had the following pooled cash and investments:

	Maturities	Fair Value	Carrying	Level
PA Local Government Investment Trust (PLGIT):				
PLGIT/Prime		\$ 5,343,815	\$ 5,343,815	N/A
PLGIT/Class		476,397	476,397	N/A
PLGIT/Term	< 2 years	52,324,268	52,324,268	N/A
PA School District Liquid Asset Fund (PSDLAF):				
MAX Account Balance		387,281	387,281	N/A
Duncan - Williams Inc.:				
U.S. Treasuries	<1 year	10,274	10,274	2
Total			58,542,035	
Less: reconciling items			(174,339)	
Total Pooled Cash and Investments			\$ 58,367,696	

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pooled Cash and Investments - continued

Certain external 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 participating government level consistent with GASB Statement No. 79. The District measures those investments, which include \$58,144,480 (PLGIT) and \$387,281 (PSDLAF) at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

PLGIT invests primarily in U.S. Treasury and federal agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money-market funds as contained in Rule 2a-7 of the Investment Company Act of 1940.

PLGIT/Prime is a variable rate investment portfolio. There is no minimal balance requirement and redemptions/exchanges are limited to two per calendar month.

PLGIT/Class Shares are a flexible option within the PLGIT fund which requires no minimum balance, no minimum initial investment, and a one-day minimum investment period. Dividends are paid monthly.

PLGIT/Term is a fixed term investment portfolio with maturity of up to one year, depending on the termination date of any particular series within the PLGIT/TERM portfolio. This option requires a minimum initial investment of \$100,000, a minimum investment period of 60 days, and has a premature withdrawal penalty.

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.

As of June 30, 2022, the entire PLGIT and PSDLAF book balance of \$58,357,422 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

The District's U.S. Treasury securities are valued using quoted market prices for similar assets (Level 2 input) as defined in Note 1.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2022, the District's investments were rated as:

<u>Investment</u>	<u>Standard & Poor's</u>
PLGIT	AAAm
PSDLAF	AAAm
U.S. Treasuries	AAA

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2022, the District has no investments subject to concentration of credit risk.

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 subject to custodial credit risk.

Restricted Cash

Restricted cash consists of \$979,641 of bond proceeds restricted for capitalized interest and \$2,370,920 of cash held in escrow related to the District's current construction projects.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District has five independently elected tax collectors who are responsible for the collection of real estate taxes. Assessed values are established by the County Board of Assessment. All taxable real property was assessed at \$1,606,725,500. In accordance with Act 1 of 2006, the District received \$865,272 in property tax reduction funds for the 2021/2022 fiscal year. The District tax rate for the year ended June 30, 2022, was 29.10 mills (\$29.10 per \$1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for the current fiscal year was as follows:

July 1	Levy date
July 1 - August 31	2% discount period
September 1 - November 30	Face payment period
December 1 - January 14	10% penalty period
January 15	All taxes unpaid become delinquent and are turned over to the County Tax Claim Bureau for collection.

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance unavailable in the fund financial statements.

The balances at June 30, 2022, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate tax	\$ 1,428,137	\$ 26,311	\$ 1,401,826	\$ 112,591	\$ 1,315,546
Other taxes - earned income, real estate transfer	438,113	-	438,113	438,113	-
	<u>\$ 1,866,250</u>	<u>\$ 26,311</u>	<u>\$ 1,839,939</u>	<u>\$ 550,704</u>	<u>\$ 1,315,546</u>

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 5 - TAX ABATEMENT

On February 22, 2022, the District approved a resolution providing for tax exemption for certain improvements to deteriorated property in the Township of Cumru pursuant to the Pennsylvania Local Economic Revitalization Tax Assistance Act (LERTA), defining deteriorated property, providing for an exemption period, and establishing a schedule of percentage exemption for that time period. The LERTA was approved in accordance with Pennsylvania Assembly Act No. 76 of 1977, as amended, for the purpose of joining together with the Township of Cumru to revitalize the economic vitality of the Governor Mifflin community. The LERTA authorized local taxing authorities to exempt property taxes of improvements and new construction in certain deteriorated areas. Any property owner undertaking improvements within a deteriorated area may apply and receive from the District an exemption from School District real property taxes due to the increased or additional assessed valuation attributable to those improvements. The resolution automatically terminates February 15, 2032; provided, however, that any taxpayer who has received or applied for the exemption granted by this resolution prior to the expiration date shall, if said exemption is granted, be entitled to the full exemption authorized.

The exemption is limited to a period of ten years using the following schedule:

<u>Year</u>	<u>% of Eligible Assessment Abated</u>
1	100%
2	90%
3	80%
4	70%
5	60%
6	50%
7	40%
8	30%
9	20%
10	10%

The District has no Local Economic Revitalization Tax Assistance Act (LERTA) agreements as of June 30, 2022.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 6 - INTERGOVERNMENTAL RECEIVABLES

The following schedule represents intergovernmental receivables at June 30, 2022:

	General Fund	Enterprise Food Service
Commonwealth of Pennsylvania:		
Retirement	\$ 2,064,189	\$ -
Social Security	430,680	-
PCCD Safety Grant	5,780	-
Pre-K Counts	29,167	-
National School Breakfast and Lunch Program	-	8,191
Berks County IU - Special Education Grants to States	302,970	-
Berks County IU - Other	39,302	-
Other LEA's	88,963	-
Other	7,952	-
Federal Subsidies:		
Supporting Effective Instruction State Grant	19,185	-
English Language Acquisition State Grant	1,568	-
Student Support and Academic Enrichment Program	17,550	-
COVID-19 - Education Stabilization Fund	435,289	-
Medical Assistance Program	6,437	-
National School Breakfast and Lunch Program	-	268,795
Summer Food Programs	-	9,011
	\$ 3,449,032	\$ 285,997
Total		

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 7 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2022:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 744	\$ 2,162,901
Capital Projects	2,161,179	-
Enterprise Fund - Food Service	978	-
	<u>\$ 2,162,901</u>	<u>\$ 2,162,901</u>

Interfund receivables and payables exist as a result of a time lag between dates when payments between funds are made. All will be paid within one year.

The District made the following interfund operating transfers during the fiscal year ended June 30, 2022:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 27,146	\$ 8,944,472
Capital Projects Fund	2,302,822	-
Debt Service Fund	6,641,650	-
Enterprise Fund - Food Service	-	27,146
	<u>\$ 8,971,618</u>	<u>\$ 8,971,618</u>

Transfers were made to pay debt service and to fund current and future capital needs. Transfers from the food service fund to the general fund were made to cover indirect costs.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 8 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2022, were as follows:

	Beginning Balance (Restated)	Increase	Reclass/ Decrease	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 14,780,338	\$ -	\$ -	\$ 14,780,338
Construction in progress	5,238,443	9,841,395	-	15,079,838
Totals not being depreciated	20,018,781	9,841,395	-	29,860,176
Capital assets being depreciated:				
Buildings and building improvements	100,006,103	233,143	-	100,239,246
Land improvements	6,529,403	174,638	-	6,704,041
Machinery and equipment	16,634,676	419,583	-	17,054,259
Totals being depreciated	123,170,182	827,364	-	123,997,546
Less accumulated depreciation for:				
Buildings and building improvements	50,143,101	2,866,813	-	53,009,914
Land improvements	6,116,281	169,763	-	6,286,044
Machinery and equipment	14,178,537	370,897	-	14,549,434
Total accumulated depreciation	70,437,919	3,407,473	-	73,845,392
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	52,732,263	(2,580,109)	-	50,152,154
Right-to-use lease assets being amortized:				
Machinery and equipment	574,954	617,146	-	1,192,100
Less accumulated amortization for:				
Machinery and equipment	-	355,241	-	355,241
Total right-to-use lease assets being amortized, net	574,954	261,905	-	836,859
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	\$ 73,325,998	\$ 7,523,191	\$ -	\$ 80,849,189
Business-Type Activities				
Capital assets being depreciated:				
Machinery and equipment	\$ 1,223,037	\$ 60,219	\$ -	\$ 1,283,256
Less accumulated depreciation for:				
Machinery and equipment	1,043,613	26,504	-	1,070,117
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 179,424	\$ 33,715	\$ -	\$ 213,139

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 8 - CHANGES IN CAPITAL ASSETS - CONTINUED

Depreciation and amortization expense was charged to functions/program of the governmental activities of the primary government as follows:

Instruction	\$ 388,132
Instructional student support	417,243
Administrative and financial support services	66,068
Operation and maintenance of plant services	2,878,461
Pupil transportation	4,024
Student activities	8,786
	<hr/>
TOTAL DEPRECIATION AND AMORTIZATION EXPENSE - GOVERNMENTAL ACTIVITIES	\$ 3,762,714

NOTE 9 - LONG-TERM LIABILITIES

Bonds and Notes Payable

The District issues general obligation notes and bonds to provide resources for major capital improvements. The bonds and notes are issued on a pledge of the full faith and credit of the District as well as their general taxing authority.

Bonds and notes payable are as follows at June 30, 2022:

General Obligation Notes - Series A of 2020 (Bond Issue):

The District is liable for a general obligation note dated July 1, 2020, in the original principal amount of \$26,680,000. Principal maturities occur on April 1, 2021 through the year 2046. Interest is payable semi-annually on October 1st and April 1st. Interest rates vary from 1.00% to 4.00%. The proceeds of this note were used to finance various capital projects and to pay debt issuance costs.

\$ 26,670,000

General Obligation Notes - Series B of 2020 (Bond Issue):

The District is liable for a general obligation note dated July 1, 2020, in the original principal amount of \$14,575,000. Principal maturities occur on April 1, 2021 through the year 2034. Interest is payable semi-annually on October 1st and April 1st. Interest rates vary from 1.998% to 2.378%. The proceeds of this note were used to advance refund a portion of the District's outstanding General Obligation Bonds, Series A of 2012, to advance refund the District's outstanding General Obligation Bonds, Series B of 2012, and to pay debt issuance costs. This refunding was performed as a restructuring of the District debt. No savings were realized.

14,575,000

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - LONG-TERM LIABILITIES - CONTINUED

Bonds and Notes Payable - continued

General Obligation Notes - Series C of 2020 (Bank Loan):

The District is liable for a general obligation note dated July 1, 2020, in the original principal amount of \$24,960,000. Principal maturities occur on April 1, 2021 through the year 2030. Interest is payable semi-annually on October 1st and April 1st at a fixed interest rate of 1.46%. The proceeds of this note were used to advance refund a portion of the District's outstanding General Obligation Bonds, Series A of 2012 and to pay debt issuance costs. The District realized a savings of \$374,935 as a result of the refunding.

23,330,000

General Obligation Notes - Series D of 2020 (Bank Loan):

The District is liable for a general obligation note dated August 13, 2020, in the original principal amount of \$9,285,000. Principal maturities occur on March 15, 2021 through the year 2024. Interest is payable semi-annually on March 15 and September 15 at an interest rate of 0.85%. The proceeds of this note were used to currently refund the District's outstanding General Obligation Bonds, Series of 2015 and to pay debt issuance costs. The District realized a savings of \$189,241 as a result of the refunding.

4,645,000

General Obligation Bonds - Series of 2021:

The District is liable for general obligation bonds dated April 1, 2021, in the original principal amount of \$27,740,000. Principal maturities occur on April 1, 2023, through the year 2046. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 1.00% to 4.00%. The proceeds of this issuance were used for the funding of various capital projects and to pay debt issuance costs.

27,740,000

Total Bonds and Notes Payable \$ 96,960,000

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - LONG-TERM LIABILITIES - CONTINUED

Bonds and Notes Payable - continued

The future annual payments required to amortize all notes and bonds payable for the years ending June 30 are as follows:

	Direct Borrowings		Total Direct Borrowings	General Obligation Notes, Series A of 2020	General Obligation Notes, Series B of 2020
	General Obligation Notes, Series C of 2020	General Obligation Notes, Series D of 2020			
2023	\$ 1,240,000	\$ 3,607,000	\$ 4,847,000	\$ 5,000	\$ -
2024	2,695,000	1,038,000	3,733,000	5,000	-
2025	3,185,000	-	3,185,000	5,000	30,000
2026	3,240,000	-	3,240,000	5,000	20,000
2027	3,300,000	-	3,300,000	5,000	10,000
2028 - 2032	9,670,000	-	9,670,000	25,000	7,625,000
2033 - 2037	-	-	-	5,920,000	6,890,000
2038 - 2042	-	-	-	10,595,000	-
2043 - 2046	-	-	-	10,105,000	-
Total	\$ 23,330,000	\$ 4,645,000	\$ 27,975,000	\$ 26,670,000	\$ 14,575,000

	General Obligation Bonds, Series of 2021	Total General Long-Term Debt	Total Interest
2023	\$ 5,000	\$ 4,857,000	\$ 2,750,438
2024	5,000	3,743,000	2,701,575
2025	190,000	3,410,000	2,653,305
2026	195,000	3,460,000	2,604,254
2027	195,000	3,510,000	2,553,551
2028 - 2032	715,000	18,035,000	11,960,092
2033 - 2037	5,730,000	18,540,000	9,912,140
2038 - 2042	10,625,000	21,220,000	6,584,900
2043 - 2046	10,080,000	20,185,000	2,057,800
Total	\$ 27,740,000	\$ 96,960,000	\$ 43,778,055

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - LONG-TERM LIABILITIES - CONTINUED

Events of Default

The District’s general obligation bonds and notes contain a provision that in the event of default of non-payment of principal and interest, the School Code allows for the Commonwealth of Pennsylvania to withhold monies from the School District subsidies and pay any past due amounts directly to the paying agent for payment to the bond holders.

Defeased Debt

During the year ended June 30, 2021, the District issued General Obligation Notes, Series B and C of 2020 in the amount of \$14,575,000 and \$24,960,000, respectively. Proceeds were used to advance refund the District’s outstanding General Obligation Bonds, Series A of 2012 and General Obligation Bonds, Series B of 2012. These advance refundings met the requirements of in-substance debt defeasances and the bonds were removed from the District’s long-term liabilities. As of June 30, 2022, outstanding general obligation bonds of the District in the amount of \$32,990,000 were considered to be defeased with a related \$34,067,151 (market value at June 30, 2022) held in escrow funds.

Leases

The District has entered into lease agreements for various technology equipment including copiers, printers, and computers. The leases have various termination dates through February 2027. These leases include either monthly or quarterly payments of principal and interest at rates ranging from 4.44% to 4.99%.

Future lease maturities as of June 30 are as follows:

	Principal	Interest	Total
2023	\$ 433,354	\$ 32,943	\$ 466,297
2024	210,265	14,833	225,098
2025	84,138	7,474	91,612
2026	77,726	3,446	81,172
2027	24,303	317	24,620
	\$ 829,786	\$ 59,013	\$ 888,799

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 9 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balances and activity for the year ended June 30, 2022, are as follows:

	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds and Notes:					
Bonds/notes payable	\$ 68,990,000	\$ -	\$ 5,000	\$ 68,985,000	\$ 10,000
Premiums	6,041,081	-	244,084	5,796,997	-
Total bonds/notes payable	<u>75,031,081</u>	<u>-</u>	<u>249,084</u>	<u>74,781,997</u>	<u>10,000</u>
Direct borrowings	32,792,000	-	4,817,000	27,975,000	4,847,000
Leases payable	574,954	566,098	311,266	829,786	433,354
Bonds, notes, and leases payable, net	108,398,035	566,098	5,377,350	103,586,783	5,290,354
Compensated absences	597,677	111,603	142,179	567,101	107,296
Retirement severance	101,150	86,963	35,050	153,063	86,313
Early retirement incentive	14,500	-	500	14,000	-
Net pension liability	103,134,271	-	15,922,659	87,211,612	-
Net other postemployment benefit liabilities	9,424,349	1,074,476	435,582	10,063,243	-
Total governmental long-term liabilities	<u>\$ 221,669,982</u>	<u>\$ 1,839,140</u>	<u>\$ 21,913,320</u>	<u>\$ 201,595,802</u>	<u>\$ 5,483,963</u>
Business-Type Activities					
Net pension liability	\$ 2,384,729	\$ -	\$ 831,341	\$ 1,553,388	\$ -
Net other postemployment benefit liabilities	258,046	19,330	7,884	269,492	-
Total business-type long-term liabilities	<u>\$ 2,642,775</u>	<u>\$ 19,330</u>	<u>\$ 839,225</u>	<u>\$ 1,822,880</u>	<u>\$ -</u>

Total interest paid during the year ended June 30, 2022, was \$2,828,016. Payments on bonds and notes payable are made by the general fund via transfer to the debt service fund. The lease, compensated absence, retirement severance, and early retirement incentive liabilities will be liquidated by the general fund. The net pension and PSERS OPEB Plan portion of the OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general and food service funds. The District OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general and food service funds.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 10 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

General Information About the Pension Plan

Plan Description

PSERS (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 under Title 24 Part IV of the Pennsylvania General Assembly. 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 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of 5 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 10 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan 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).

Class T-G and Class T-H members who qualify for a defined benefit normal retirement benefit must work until age 67 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 97 with a minimum 35 years of service.

Defined benefits for T-G and T-H are 1.25% or 1.00%, 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. A member's right to a defined benefit is vested in 10 years.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Benefits Provided - continued

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

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

Contributions

The contribution policy is set by state statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania. 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	7.50%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	10.30%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	8.25%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	7.50%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions - continued

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%	12.50%
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, 2022, was 33.99% of covered payroll, actuarially determined as an amount that when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$10,576,322 for the year ended June 30, 2022. Contributions to the defined contribution pension plan from the District were \$46,674 for the year ended June 30, 2022.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare (OPEB). This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2022, for pension and OPEB benefits was \$5,689,894.

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

At June 30, 2022, the District reported a liability of \$88,765,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021. 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 contributions. At June 30, 2022, the District's proportion was 0.2162%, which was an increase of 0.0019% from the proportion measured as of June 30, 2021.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

For the year ended June 30, 2022, the District recognized pension expense of \$4,912,323. At June 30, 2022, 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	\$ 65,000	\$ 1,166,000
Change in assumptions	4,305,000	-
Net difference between projected and actual investment earnings	-	14,129,000
Changes in proportion - plan level	686,000	673,000
Changes in proportion - internal	483,783	483,783
Difference between employer contributions and proportionate share of total contributions	206,273	-
Contributions made subsequent to the measurement date	10,576,322	-
	\$ 16,322,378	\$ 16,451,783

The \$10,576,322 reported as deferred outflows of resources resulting from District pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2023	\$ (3,264,229)
2024	(1,420,139)
2025	(1,459,016)
2026	(4,562,343)
	\$ (10,705,727)

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

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

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 PSERS pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions - continued

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

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

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.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 10 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 116,507,000	\$ 88,765,000	\$ 65,363,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2022, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$2,683,453. This amount represents the District's contractually obligated contributions for wages earned in April 2022 through June 2022.

403(b) Tax Shelter Plan

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. The District does not contribute to the Plan.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefit Plans

The District has other postemployment benefits (OPEB) under two different plans: (1) a cost-sharing, multiple employer, employee defined benefit other postemployment benefits plan administered through PSERS (PSERS OPEB Plan) and (2) a single employer defined benefit healthcare plan (District OPEB Plan). The District's aggregate net OPEB liability and deferred outflows and inflows of resources related to OPEB at June 30, 2022, are as follows:

Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
PSERS OPEB Plan	\$ 5,125,000	\$ 885,928	\$ 183,000
District OPEB Plan	5,207,735	757,623	635,318
Total	\$ 10,332,735	\$ 1,643,551	\$ 818,318

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

PSERS provides Premium Assistance which is a governmental cost sharing, multiple-employer other postemployment 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. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 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, and
- Participate in the Health Option Program or employer-sponsored health insurance program.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The School District's contractually required contribution rate for the fiscal year ended June 30, 2022, was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the 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 \$248,928 for the year ended June 30, 2022.

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net PSERS OPEB liability and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2022, for pension and OPEB benefits was \$5,689,894.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the District reported a liability of \$5,125,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.2162%, which was an increase of 0.0016% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$275,791. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 546,000	\$ 68,000
Net difference between projected and actual investment earnings	10,000	-
Difference between expected and actual experience	48,000	-
Changes in proportion - plan level	33,000	115,000
Contributions made subsequent to the measurement date	248,928	-
	\$ 885,928	\$ 183,000

The \$248,928 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2023	\$ 52,000
2024	51,000
2025	102,000
2026	88,000
2027	88,000
Thereafter	73,000
Total	\$ 454,000

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB - continued

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 2.18% - S&P 20 Year Municipal Bond Rate
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit 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 actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

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

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB - continued

Actuarial Assumptions - continued

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 PSERS 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.

The PSERS Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021 is:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	0.1%
U.S. Core fixed income	17.5%	0.7%
Non-U.S. developed fixed	2.7%	(0.3%)
	100.0%	

Discount Rate

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

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB - continued

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

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

The following presents the District's proportionate share of the net OPEB liability for the June 30, 2021 measurement date, calculated using current Healthcare cost trends as well as what the District's proportionate share of the net OPEB liability would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 5,125,000	\$ 5,125,000	\$ 5,126,000

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

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

	1% Decrease (1.18%)	Current Discount Rate (2.18%)	1% Increase (3.18%)
District's proportionate share of the net OPEB liability	\$ 5,882,000	\$ 5,125,000	\$ 4,502,000

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Liability, Expense, and Deferred Outflows and Deferred Inflows of Resources Related to OPEB - continued

OPEB Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2022, the District had an accrued balance due to PSERS of \$2,683,453, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2022 through June 2022.

District OPEB Plan

General Information About the District OPEB Plan

Plan Description

Governor Mifflin School District administers a single-employer defined benefit healthcare plan (the OPEB Plan). The District OPEB Plan provides medical and prescription drug insurance for eligible retirees through the District's health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the District and the unions representing the District's employees. The OPEB Plan does not issue a publicly available financial report and no assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement No. 75 to pay related benefits.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided

The District classifies employees in the following categories: Administrators, Teachers, Non-Professional Union, and Non-Professional Nonunion. Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

Administrators, Teachers, Non-Professional Union, and Non-Professional Nonunion:

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Must be eligible for PSERS retirement	<u>Coverage</u> Medical and Prescription Drug <u>Premium Sharing</u> Member and spouse must pay full premium for coverage <u>Dependents</u> Spouse and Family included	<ul style="list-style-type: none"> • Member is covered until Medicare age • Spouse is covered until the earlier of member reaches Medicare age or spouse reaches Medicare age

Pennsylvania Act 110 of 1988 and Act 43 of 1989 require school employers in Pennsylvania to give retirees and their dependents the right to continue coverage in the group health plan to which they belonged as employees. To be eligible for this benefit, retirees must have taken superannuation retirement on or after age 65, retired with 30 years of service, or receive PSERS disability benefits.

PSERS Retirement:

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS retirement if he (or she) is eligible for either: a) PSERS early retirement while under 62 with 5 years of PSERS service or b) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 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 prior to July 1, 2011.

- 2) Pension Class T-E or T-F: An employee is eligible for PSERS retirement if he (or she) is eligible for either: a) PSERS early retirement while under 65 with 10 years of PSERS service or b) 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 became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

- 3) Pension Class T-G: An employee is eligible for PSERS retirement if he (or she) is eligible for either: a) PSERS early retirement while under 67 with 10 years of PSERS service or b) 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 retirement if he (or she) is eligible for either: a) PSERS early retirement while under 67 with 10 years of PSERS service or b) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.

- 5) All individuals except those in Pension Class T-G are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service. Individuals in Pension Class T-G are eligible for a special early retirement upon reaching age 57 with 25 years of PSERS service.

Employees Covered by Benefit Terms

At July 1, 2020, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	460
Retired participants	<u>29</u>
Total	<u><u>489</u></u>

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2021, was determined by rolling forward the District's total OPEB liability as of July 1, 2020 to July 1, 2021, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate - 2.28% - based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index at July 1, 2021.
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Healthcare cost trend rates - 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 60% of employees are assumed to elect coverage.

The actuarial assumptions were selected using input from the District based on actual experience.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at July 1, 2021	\$ 5,045,395
Changes for the year:	
Service cost	415,158
Interest	99,636
Changes of assumptions	(160,829)
Benefit payments	(191,625)
Net changes	162,340
Balance at June 30, 2022	\$ 5,207,735

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 1.86% to 2.28%.

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

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

	1% Decrease 1.28%	Current Discount Rate 2.28%	1% Increase 3.28%
OPEB Plan - Total OPEB liability	\$ 5,595,723	\$ 5,207,735	\$ 4,838,309

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability - continued

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

The following presents total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage point lower or one-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
OPEB Plan - Total OPEB liability	\$ 4,556,326	\$ 5,207,735	\$ 5,984,382

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$510,801. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 539,960	\$ 247,336
Difference between expected and actual experience	18,903	387,982
Benefit payments made subsequent to the measurement date	198,760	-
	\$ 757,623	\$ 635,318

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 11 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

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

The \$198,760 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2023		\$ (3,993)
2024		(3,993)
2025		(3,993)
2026		(3,993)
2027		(3,993)
Thereafter		<u>(56,490)</u>
 Total		 <u><u>\$ (76,455)</u></u>

NOTE 12 - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of Berks Career & Technology Center operations is the responsibility of the joint board. The District's share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2021/2022 year was \$1,411,771. The District also paid \$10,752 for additional services provided.

Summary financial information as of June 30, 2021 (the most recent information available) is as follows:

<u>Berks Career & Technology Center (Governmental Activities)</u>	
Total assets and deferred outflows of resources	\$ 32,849,856
Total liabilities and deferred inflows of resources	<u>31,170,792</u>
 Total net position	 <u><u>\$ 1,679,064</u></u>

Separate financial statements of the Berks Career & Technology Center have been prepared and are available.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. The District's Workmen's Compensation policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance carrier. For insured programs, there were no significant reductions in insurance coverages for the 2021/2022 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 - CONTINGENT LIABILITIES AND COMMITMENTS

The District receives federal, state, and local funding through a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

The District has entered into an agreement for the transportation of students. The agreement is for the period of July 1, 2018 through June 30, 2023, with the option to renew for an additional 5-year term. The contractor provides all equipment, fuel, and labor necessary. The District is billed monthly, based on rates per mile and per hour as stipulated in the contract.

At June 30, 2022, the District has entered into a number of contracts related to school expansion and renovation projects. Commitments outstanding are as follows at June 30, 2022 and will be satisfied through the capital projects fund:

	<u>Contract Amount</u>	<u>Commitment Remaining</u>
Guaranteed Energy Savings Project	\$ 13,304,046	\$ 1,393,933
Community Athletic Center	27,381,312	24,645,613
District VOIP Project	147,634	41,804
High School Renovation	479,816	315,498
Building Automation System Project	128,850	116,780
Middle School Renovation	335,241	193,402
	<u>\$ 41,776,899</u>	<u>\$ 26,707,030</u>

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 15 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2022, were as follows:

General Fund

The general fund has nonspendable funds of \$142,187, committed funds of \$1,250,000 for construction, assigned funds of \$500,000 appropriated for the 2022/2023 budget, and unassigned fund balance of \$5,737,507. The commitment was authorized by the board of school directors' motion to set aside resources to fund anticipated increases in PSERS contributions.

Capital Projects Fund

The capital projects fund has restricted funds of \$54,152,932 comprised of \$43,965,652 of unspent bond funds and \$10,187,280 of surplus monies transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 96, *Subscription-Based IT Arrangements* - This statement establishes guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - 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. This statement is effective for the District's fiscal year ending June 30, 2023.
- Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of Statement No. 62* - The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2022

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

- Statement No. 101, *Compensated Absences* - The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

The District has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION

GOVERNOR MIFFLIN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2022

	BUDGET		ACTUAL (GAAP Basis)	VARIANCE Final to Actual
	Original	Final		
REVENUES				
Local sources	\$ 51,809,791	\$ 51,809,791	\$ 53,450,081	\$ 1,640,290
States sources	19,503,903	19,503,903	20,281,751	777,848
Federal sources	4,992,833	4,992,833	2,831,028	(2,161,805)
TOTAL REVENUES	76,306,527	76,306,527	76,562,860	256,333
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular programs - elementary/secondary	30,081,762	29,919,089	29,792,470	126,619
Special programs - elementary/secondary	12,591,498	12,524,273	12,712,413	(188,140)
Vocational education	1,411,771	1,411,771	1,411,771	-
Other instructional programs - elementary/secondary	393,281	450,508	343,229	107,279
Nonpublic school programs	17,072	17,072	18,333	(1,261)
Pre-kindergarten	350,000	350,000	350,000	-
TOTAL INSTRUCTIONAL SERVICES	44,845,384	44,672,713	44,628,216	44,497
SUPPORT SERVICES:				
Students	2,782,276	2,803,805	2,802,458	1,347
Instructional staff	3,319,890	3,496,485	3,723,877	(227,392)
Administration	3,627,479	3,626,447	3,532,278	94,169
Pupil health	662,387	662,387	678,227	(15,840)
Business	1,179,063	1,179,063	1,220,302	(41,239)
Operation and maintenance of plant	5,293,510	5,309,510	5,138,439	171,071
Student transportation	2,757,659	2,757,659	2,784,345	(26,686)
Central	1,294,710	1,327,637	1,434,221	(106,584)
Other	56,500	56,500	53,956	2,544
TOTAL SUPPORT SERVICES	20,973,474	21,219,493	21,368,103	(148,610)
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Student activities	1,680,697	1,680,697	1,733,372	(52,675)
Community services	226,756	226,756	142,457	84,299
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	1,907,453	1,907,453	1,875,829	31,624
CAPITAL OUTLAY	2,302,118	2,228,770	-	2,228,770
DEBT SERVICE	-	-	340,407	(340,407)
TOTAL EXPENDITURES	70,028,429	70,028,429	68,212,555	1,815,874
EXCESS OF REVENUES OVER EXPENDITURES	6,278,098	6,278,098	8,350,305	2,072,207
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of leases	-	-	566,098	566,098
Transfers in	25,000	25,000	27,146	2,146
Sale of capital assets	-	-	923	923
Transfers out	(6,641,650)	(6,641,650)	(8,944,472)	(2,302,822)
Budgetary reserve	(500,000)	(500,000)	-	500,000
TOTAL OTHER FINANCING SOURCES (USES)	(7,116,650)	(7,116,650)	(8,350,305)	(1,233,655)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (838,552)	\$ (838,552)	-	\$ 838,552
FUND BALANCE - BEGINNING OF YEAR			7,629,694	
FUND BALANCE - END OF YEAR			\$ 7,629,694	

See note to required supplementary information.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

BUDGETARY DATA

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2021/2022 budget transfers.

Excess of Expenditures Over Appropriations in Individual Funds

No individual governmental fund required to have a legally adopted budget had an excess of expenditures over appropriations.

Budgetary Compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2022. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

GOVERNOR MIFFLIN SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS -
PENSION PLAN

LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the collective net pension liability	0.2162%	0.2143%	0.2143%	0.2200%	0.2213%	0.2268%	0.2207%	0.2221%	0.2196%
District's proportionate share of the collective net pension liability	\$ 88,765,000	\$ 105,519,000	\$ 100,255,000	\$ 105,611,000	\$ 109,297,000	\$ 112,395,000	\$ 95,597,000	\$ 87,909,000	\$ 89,896,000
District's covered payroll	\$ 30,654,823	\$ 30,118,234	\$ 29,550,691	\$ 29,623,412	\$ 29,466,062	\$ 29,376,144	\$ 28,392,397	\$ 28,336,379	\$ 28,179,341
District's proportionate share of the net pension liability as a percentage of its covered payroll	289.56%	350.35%	339.26%	356.51%	370.93%	382.61%	336.70%	310.23%	319.01%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.50%

The District's covered payroll noted above is as of the measurement date of the net pension liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes in benefit terms

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

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2021

- The Discount Rate decreased from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an 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 modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

- The Investment Rate of Return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

GOVERNOR MIFFLIN SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 10,576,322	\$ 10,289,687	\$ 10,148,076	\$ 9,821,362	\$ 9,454,544	\$ 8,420,726	\$ 7,509,949	\$ 5,889,211	\$ 4,593,178	\$ 3,323,126
Contributions in relation to the contractually required contribution	<u>10,576,322</u>	<u>10,289,687</u>	<u>10,148,076</u>	<u>9,821,362</u>	<u>9,454,544</u>	<u>8,420,726</u>	<u>7,509,949</u>	<u>5,889,211</u>	<u>4,593,178</u>	<u>3,323,126</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 31,068,717	\$ 30,654,823	\$ 30,118,234	\$ 29,550,691	\$ 29,623,412	\$ 29,466,062	\$ 29,376,144	\$ 28,392,397	\$ 28,336,379	\$ 28,179,341
Contributions as a percentage of covered payroll	34.04%	33.57%	33.69%	33.24%	31.92%	28.58%	25.56%	20.74%	16.21%	11.79%

GOVERNOR MIFFLIN SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND RELATED RATIOS -
PSERS OPEB PLAN**

LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018	2017
District's proportion of the collective net PSERS OPEB liability	0.2162%	0.2146%	0.2143%	0.2200%	0.2213%	0.2268%
District's proportionate share of the collective net PSERS OPEB liability	\$ 5,125,000	\$ 4,637,000	\$ 4,558,000	\$ 4,587,000	\$ 4,509,000	\$ 4,885,000
District's covered payroll	\$ 30,654,823	\$ 30,118,234	\$ 29,550,691	\$ 29,623,412	\$ 29,466,062	\$ 29,376,144
District's proportionate share of the net PSERS OPEB liability as a percentage of its covered payroll	16.72%	15.40%	15.42%	15.48%	15.30%	16.63%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

The District's covered payroll noted above is as of the measurement date of the net PSERS OPEB liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes in benefit terms

None.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2021

- The Discount Rate decreased from 2.66% to 2.18%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an 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 modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

Changes in assumptions used in measurement of the Total OPEB liability beginning June 30, 2016

- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

For each year presented, the discount rate is updated using the S&P 20-year Municipal Bond Rate.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown. 88

GOVERNOR MIFFLIN SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 248,928	\$ 251,791	\$ 255,528	\$ 250,053	\$ 247,236	\$ 239,356	\$ 252,334	\$ 258,551	\$ 266,978	\$ 248,512
Contributions in relation to the contractually required contribution	248,928	251,791	255,528	250,053	247,236	239,356	252,334	258,551	266,978	248,512
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 31,068,717	\$ 30,654,823	\$ 30,118,234	\$ 29,550,691	\$ 29,623,412	\$ 29,466,062	\$ 29,376,144	\$ 28,392,397	\$ 28,336,379	\$ 28,179,341
Contributions as a percentage of covered payroll	0.80%	0.82%	0.85%	0.85%	0.83%	0.81%	0.86%	0.91%	0.94%	0.88%

GOVERNOR MIFFLIN SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS -
DISTRICT OPEB PLAN**

LAST TEN FISCAL YEARS

	2022	2021	2020	2019	2018
Total OPEB liability:					
Service cost	\$ 415,158	\$ 314,683	\$ 314,974	\$ 276,268	\$ 269,782
Interest	99,636	164,061	142,092	140,812	104,997
Difference between expected and actual experience	-	(458,524)	-	27,303	-
Changes of assumptions	(160,829)	555,123	(128,542)	4,733	108,819
Benefit payments	(191,625)	(213,907)	(213,385)	(224,304)	(188,848)
Net change in total OPEB liability	162,340	361,436	115,139	224,812	294,750
Total OPEB liability, beginning	5,045,395	4,683,959	4,568,820	4,344,008	4,049,258
Total OPEB liability, ending	<u>\$ 5,207,735</u>	<u>\$ 5,045,395</u>	<u>\$ 4,683,959</u>	<u>\$ 4,568,820</u>	<u>\$ 4,344,008</u>
Covered Employee Payroll	<u>\$ 27,794,850</u>	<u>\$ 27,794,850</u>	<u>\$ 27,141,063</u>	<u>\$ 27,141,063</u>	<u>\$ 24,952,172</u>
Total OPEB Liability as a Percentage of Covered Employee Payroll	18.74%	18.15%	17.26%	16.83%	17.41%

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes in assumptions for the July 1, 2021 measurement date are as follows:

- The discount rate changed from 1.86% to 2.28%.
- Healthcare cost trend assumption updated each valuation

Significant changes in assumptions for prior measurement dates are as follows:

- The discount rate was updated each year based on the S&P Municipal Bond 20-year High Grade Index.
- The healthcare cost trend assumption was updated each year.

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

SUPPLEMENTARY INFORMATION

GOVERNOR MIFFLIN SCHOOL DISTRICT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2022

		Budget	Actual	Variance
6000 Revenues from Local Sources				
<u>Taxes</u>				
6111	Current real estate taxes	\$ 44,092,253	\$ 44,302,401	\$ 210,148
6112	Interim real estate taxes	80,000	39,417	(40,583)
6113	Public utility realty tax	48,450	49,896	1,446
6114	Payments in lieu of current taxes	1,488	1,489	1
6120	Current per capita taxes, Section 679	90,000	88,404	(1,596)
6141	Current Act 511 per capita taxes	90,000	88,404	(1,596)
6142	Current Act 511 occupation taxes	68,000	65,730	(2,270)
6143	Current Act 511 local services taxes	40,000	51,520	11,520
6151	Current Act 511 earned income taxes	4,500,000	5,165,555	665,555
6153	Current Act 511 real estate transfer taxes	600,000	1,083,278	483,278
6400	Delinquent taxes (all levies)	830,000	1,049,747	219,747
	Total	50,440,191	51,985,841	1,545,650
<u>Other</u>				
6510	Earnings on investments	100,000	17,766	(82,234)
6700	Admissions and fees	135,000	229,163	94,163
6830	Federal revenue from intermediary sources	757,600	857,575	99,975
6910	Rentals	117,000	67,582	(49,418)
6920	Contributions	30,000	27,318	(2,682)
6940	Tuition from patrons	215,000	229,276	14,276
6991	Refund of prior year expenditure	-	23,498	23,498
6990	Miscellaneous revenue	15,000	12,062	(2,938)
	Total	1,369,600	1,464,240	94,640
	TOTAL REVENUES FROM LOCAL SOURCES	51,809,791	53,450,081	1,640,290
7000 Revenues from State Sources				
7111	Basic education formula payments	6,606,639	6,986,625	379,986
7112	Basic education social security reimbursement	1,175,136	1,138,978	(36,158)
7160	Tuition/court placed institutions	125,000	133,780	8,780
7270	Special education of exceptional pupils	2,300,946	2,501,555	200,609
7292	Pre-K Counts Grant	350,000	350,000	-
7310	Transportation	1,060,000	1,084,604	24,604
7320	Rental and Sinking Fund Payments	1,057,668	1,108,993	51,325
7330	Health services	77,000	77,849	849
7340	State property tax reduction allocation	865,272	865,272	-
7361	School safety and security grants	-	7,325	7,325
7505	Ready to Learn Block Grant	436,905	436,905	-
7820	State share of retirement	5,449,337	5,589,865	140,528
	TOTAL REVENUES FROM STATE SOURCES	19,503,903	20,281,751	777,848

GOVERNOR MIFFLIN SCHOOL DISTRICT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED**

For the Year Ended June 30, 2022

		Budget	Actual	Variance
8000 Revenues from Federal Sources				
8390	Other restricted federal grants	-	141,643	141,643
8514	Title I	603,792	590,210	(13,582)
8515	Title II	111,106	109,134	(1,972)
8516	Title III	19,603	20,041	438
8517	Title IV	41,632	41,391	(241)
8741	Elementary and Secondary School Emergency Relief Fund (ESSER)	-	61,555	61,555
8742	Governor's Emergency Relief Fund (GEER)	-	84,990	84,990
8743	ESSER II - Elementary and Secondary School Emergency Relief Fund (ESSER)	1,022,147	913,600	(108,547)
8744	ARP ESSER - Elementary and Secondary School Emergency Relief Fund (ESSER)	2,934,553	513,630	(2,420,923)
8749	Other CARES Act, CRRSA Act, and ARP Act Funding	-	3,436	3,436
8751	ARP ESSER - Learning Loss	-	13,274	13,274
8753	ARP ESSER - Afterschool Program	-	28,984	28,984
8754	ARP ESSER Homeless Children & Youth Funds	-	29,399	29,399
8755	ARP ESSER Emergency Relief for Other Educational Entities	-	18,194	18,194
8810	Access Medical Assistance Reimbursement	250,000	250,000	-
8820	Access Medical Assistance Reimbursement - Admin	10,000	11,547	1,547
TOTAL REVENUES FROM FEDERAL SOURCES		4,992,833	2,831,028	(2,161,805)
9000 Other Financing Sources				
9220	Proceeds from issuance of leases	-	566,098	566,098
9350	Transfers in	25,000	27,146	2,146
9400	Sale of capital assets	-	923	923
TOTAL OTHER FINANCING SOURCES		25,000	594,167	569,167
TOTAL REVENUES AND OTHER FINANCING SOURCES		<u>\$ 76,331,527</u>	<u>\$ 77,157,027</u>	<u>\$ 825,500</u>

GOVERNOR MIFFLIN SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
1000 Instructional Services			
1100 Regular programs - elementary/secondary	\$ 29,919,089	\$ 29,792,470	\$ 126,619
1200 Special programs - elementary/secondary	12,524,273	12,712,413	(188,140)
1300 Vocational education	1,411,771	1,411,771	-
1400 Other instructional programs - elementary/secondary	450,508	343,229	107,279
1500 Nonpublic school programs	17,072	18,333	(1,261)
1800 Pre-kindergarten	350,000	350,000	-
Total instructional services	44,672,713	44,628,216	44,497
2000 Support Services			
2100 Students	2,803,805	2,802,458	1,347
2200 Instructional staff	3,496,485	3,723,877	(227,392)
2300 Administration	3,626,447	3,532,278	94,169
2400 Pupil health	662,387	678,227	(15,840)
2500 Business	1,179,063	1,220,302	(41,239)
2600 Operation and maintenance of plant	5,309,510	5,138,439	171,071
2700 Student transportation	2,757,659	2,784,345	(26,686)
2800 Central	1,327,637	1,434,221	(106,584)
2900 Other	56,500	53,956	2,544
Total support services	21,219,493	21,368,103	(148,610)
3000 Operation of Noninstructional Services			
3200 Student activities	1,680,697	1,733,372	(52,675)
3300 Community services	226,756	142,457	84,299
Total operation of noninstructional services	1,907,453	1,875,829	31,624
4000 Capital Outlay			
4000 Capital outlay	2,228,770	-	2,228,770
5000 Other Expenditures and Financing Uses			
5100 Debt service	-	340,407	(340,407)
5200 Fund transfers	6,641,650	8,944,472	(2,302,822)
5900 Budgetary reserve	500,000	-	500,000
Total other financing uses	7,141,650	9,284,879	(2,143,229)
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 77,170,079</u>	<u>\$ 77,157,027</u>	<u>\$ 13,052</u>

GOVERNOR MIFFLIN SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION -
CUSTODIAL FUNDS

June 30, 2022

	Scholarship	Student Activities	Total Custodial Funds
ASSETS			
Cash and investments	\$ 41,090	\$ 354,813	\$ 395,903
TOTAL ASSETS	41,090	354,813	395,903
LIABILITIES			
Accounts payable	-	8,708	8,708
TOTAL LIABILITIES	-	8,708	8,708
NET POSITION	\$ 41,090	\$ 346,105	\$ 387,195

GOVERNOR MIFFLIN SCHOOL DISTRICT

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

For the Year Ended June 30, 2022

	Scholarship	Student Activities	Total Custodial Funds
ADDITIONS			
Earnings on investments	\$ -	\$ 15	\$ 15
Contributions	9,565	368,612	378,177
TOTAL ADDITIONS	9,565	368,627	378,192
DEDUCTIONS			
Scholarships and fees	4,138	-	4,138
Student activities	-	357,591	357,591
TOTAL DEDUCTIONS	4,138	357,591	361,729
CHANGE IN NET POSITION	5,427	11,036	16,463
NET POSITION - BEGINNING OF YEAR	35,663	335,069	370,732
NET POSITION - END OF YEAR	\$ 41,090	\$ 346,105	\$ 387,195

GOVERNOR MIFFLIN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Receipts for the Year	Accrued/ (Unearned) Revenue at June 30, 2021	Revenue Recognized/ Expenditures	Accrued/ (Unearned) Revenue at June 30, 2022
U.S. DEPARTMENT OF EDUCATION									
Passed through Commonwealth of Pennsylvania Department of Education:									
Title I Grants to Local Educational Agencies	I	84.010	013-22-0167	07/01/21 - 09/30/22	\$ 590,210	\$ 603,792	\$ -	\$ 590,210	\$ (13,582)
Supporting Effective Instruction State Grant	I	84.367	200-20-0167	11/20/19 - 09/30/21	25,000	(13,636)	(13,636)	-	-
Supporting Effective Instruction State Grant	I	84.367	020-21-0167	07/01/20 - 09/30/21	107,297	-	(1,064)	1,064	-
Supporting Effective Instruction State Grant	I	84.367	020-22-0167	07/01/21 - 09/30/22	109,704	88,885	-	108,070	19,185
Subtotal - ALN 84.367						75,249	(14,700)	109,134	19,185
English Language Acquisition State Grants	I	84.365	010-22-0167	07/01/21 - 09/30/22	20,041	18,473	-	20,041	1,568
Student Support and Academic Enrichment Program	I	84.424	144-21-0167	07/01/20 - 09/30/21	42,496	5,666	4,029	1,637	-
Student Support and Academic Enrichment Program	I	84.424	144-22-0167	07/01/21 - 09/30/22	41,657	22,204	-	39,754	17,550
Subtotal - ALN 84.424						27,870	4,029	41,391	17,550
Education Stabilization Fund									
Passed through Commonwealth of Pennsylvania Department of Education:									
COVID-19 - Governor's Emergency Education Relief Fund	I	84.425C	254-20-0167	03/13/20 - 09/30/21	94,092	69,331	7,503	61,828	-
COVID-19 - Governor's Emergency Education Relief Fund	I	84.425C	252-20-0167	03/13/20 - 09/30/21	43,111	31,766	8,604	23,162	-
COVID-19 - Governor's Emergency Education Relief Fund	I	84.425C	224-21-0167	03/13/20 - 09/30/24	86,605	4,724	-	18,194	13,470
Subtotal - ALN 84.425C						105,821	16,107	103,184	13,470
COVID-19 - Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-20-0167	03/13/20 - 09/30/22	460,242	121,116	57,747	61,555	(1,814)
COVID-19 - Elementary and Secondary School Emergency Relief Fund	I	84.425D	200-21-0167	03/13/20 - 09/30/23	2,045,520	761,124	-	913,600	152,476
Passed through the Pennsylvania Commission on Crime & Delinquency:									
COVID-19 - Elementary and Secondary School Emergency Relief Fund	I	84.425D	2020-ES-01-35350	03/13/20 - 09/30/22	115,706	43,751	40,315	3,436	-
Subtotal - ALN 84.425D						925,991	98,062	978,591	150,662
Passed through Commonwealth of Pennsylvania Department of Education:									
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief	I	84.425U	223-21-0167	03/13/20 - 09/30/24	4,137,495	300,909	-	513,630	212,721
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief	I	84.425U	225-21-0167	03/13/20 - 09/30/24	45,939	2,506	-	28,984	26,478
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief	I	84.425U	225-21-0167	03/13/20 - 09/30/24	45,939	2,506	-	-	(2,506)
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief	I	84.425U	225-21-0167	03/13/20 - 09/30/24	229,698	12,529	-	13,274	745
Subtotal - ALN 84.425U						318,450	-	555,888	237,438
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	I	84.425W	181-21-2258	07/01/21 - 09/30/24	29,399	-	-	29,399	29,399
Total Education Stabilization Fund - ALN 84.425						1,350,262	114,169	1,667,062	430,969
Special Education Cluster (IDEA)									
Passed through Berks County Intermediate Unit:									
Special Education - Preschool Grants	I	84.173	N/A	07/01/21 - 06/30/22	8,055	8,055	-	8,055	-
Special Education - Grants to States	I	84.027	N/A	07/01/20 - 09/30/21	742,003	277,442	277,442	-	-
Special Education - Grants to States	I	84.027	N/A	07/01/21 - 09/30/22	734,625	480,851	-	734,625	253,774
COVID-19 - American Rescue Plan - Grants to States	I	84.027X	N/A	07/01/21 - 09/30/23	171,471	61,682	-	110,878	49,196
Subtotal - ALN 84.027						819,975	277,442	845,503	302,970
Total Special Education Cluster (IDEA)						828,030	277,442	853,558	302,970
TOTAL U.S. DEPARTMENT OF EDUCATION						2,903,676	380,940	3,281,396	758,660

See notes to schedule of expenditures of federal awards.

GOVERNOR MIFFLIN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Receipts for the Year	Accrued/ (Unearned) Revenue at June 30, 2021	Revenue Recognized/ Expenditures	Accrued/ (Unearned) Revenue at June 30, 2022
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Medicaid Cluster									
Passed through Pennsylvania Department of Human Services:									
Medical Assistance Program	I	93.778	N/A	07/01/20 - 06/30/21	N/A	6,568	6,568	-	-
Medical Assistance Program	I	93.778	N/A	07/01/21 - 06/30/22	N/A	5,110	-	11,547	6,437
TOTAL MEDICAID CLUSTER AND									
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						11,678	6,568	11,547	6,437
U.S. DEPARTMENT OF AGRICULTURE									
Child Nutrition Cluster									
Passed through Commonwealth of Pennsylvania Department of Education:									
COVID-19 - School Breakfast Program	I	10.553	N/A	07/01/21 - 06/30/22	N/A	285,206	-	330,968	45,762
COVID-19 - Summer Food Program	I	10.559	N/A	07/01/20 - 06/30/21	N/A	274,006	274,006	-	-
COVID-19 - Summer Food Program	I	10.559	N/A	07/01/21 - 06/30/22	N/A	77,129	-	86,140	9,011
Subtotal - ALN 10.559						351,135	274,006	86,140	9,011
COVID-19 - National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	1,633,646	-	1,856,679	223,033
COVID-19 - National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	83,832	-	83,832	-
COVID-19 - National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	102,845	-	102,845	-
Passed through Commonwealth of Pennsylvania Department of Agriculture:									
National School Lunch Program	I	10.555	N/A	07/01/21 - 06/30/22	N/A	162,833	(6,442)	161,181	(8,094)
Subtotal - ALN 10.555						1,983,156	(6,442)	2,204,537	214,939
Total Child Nutrition Cluster						2,619,497	267,564	2,621,645	269,712
Passed through Commonwealth of Pennsylvania Department of Education:									
Pandemic EBT Administrative Costs	I	10.649	N/A	07/01/21 - 06/30/22	N/A	3,063	-	3,063	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE						2,622,560	267,564	2,624,708	269,712
TOTAL FEDERAL AWARDS						\$ 5,537,914	\$ 655,072	\$ 5,917,651	\$ 1,034,809

Source Code: I = Indirect

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2022.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business for amounts reported as expenditures in prior years.

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

The District did not elect to use the de minimis rate for indirect costs.

NOTE 4 - ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding classified as fee-for-service and recognized for the year ended June 30, 2022 was \$250,000.

NOTE 5 - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District had \$8,094 of food commodity inventory.

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

**To the Board of School Directors
Governor Mifflin School District
Shillington, 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 the Governor Mifflin School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Governor Mifflin School District’s basic financial statements, and have issued our report thereon dated December 19, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Herbein + Company, Inc.

**Reading, Pennsylvania
December 19, 2022**

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

**To the Board of School Directors
Governor Mifflin School District
Shillington, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, Governor Mifflin School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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.

Herbein + Company, Inc.

Reading, Pennsylvania
December 19, 2022

GOVERNOR MIFFLIN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

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 not considered to be
material weaknesses? 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 not considered to be
material weaknesses? yes X none reported
Type of auditor's report issued on compliance for
major programs: Unmodified
Any audit findings disclosed that are required to be
reported in accordance with 2 CFR Section 200.516(a)? yes X no

Identification of major program(s):

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	COVID-19 - Education Stabilization Fund

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

Auditee qualified as low-risk auditee? X yes no

GOVERNOR MIFFLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section II - Financial Statement Findings

There were no financial statement findings reported.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs reported.



STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

Section II - Financial Statement Findings

There were no financial statement findings reported for the year ended June 30, 2021 .

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs reported for the year ended June 30, 2021.