

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2022

MIFFLINBURG AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Mifflinburg Area School District
Mifflinburg, 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 the Mifflinburg Area School District (the "District"), as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the 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 the District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

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Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Adoption of New Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2022 the District adopted the provisions of Governmental Accounting Standards Board's Statements No. 87, "Leases", Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period", Statement No. 92, "Omnibus 2020", and part of Statement No. 99, "Omnibus 2022". Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance - budget and actual - General Fund, the schedule of changes in the total OPEB liability and related ratios - district other postemployment benefits plan, the schedule of the district's proportionate share of the net OPEB liability - PSERS plan, the schedule of the district's contributions - PSERS plan, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions - pension plan on pages 4 through 12 and pages 55 through 60, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.



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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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023, 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 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.

Zelenkofske Axlerod LLC

ZELENKOSKE AXELROD LLC

Harrisburg, Pennsylvania
March 27, 2023

Mifflinburg Area School District
Management Discussion and Analysis for Fiscal Year Ended June 30, 2022
(Unaudited)

The Management, Discussion and Analysis (MD&A) of the Mifflinburg Area School District (District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. The purpose of the MD&A is to provide the reader friendly insight into management's analysis of the financial statements. This MD&A looks at the District's financial performance as a whole, although readers should review the notes to the financial statements to augment their understanding of the District's financial performance.

Financial Highlights

- General fund federal revenues were \$4,664,386, 11.88% of the District's revenue, of which was approximately 85.91% was COVID related funding. The fund balance of the District's general fund increased by \$3,259,100 during the current fiscal year. A vast majority of this increase is attributed to the COVID relief funding, specifically the ARP ESSER grant
- At June 30, 2022, the District's governmental funds reported combined fund balances of \$14,633,291, an increase of \$3,256,843 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,358,773, while total fund balance increased to \$13,098,773. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Unassigned fund balance represents 7% of total general fund expenditures, while total fund balance represents 37% of that same amount.
- Unrestricted net position of the food service fund at the end of the year was \$257,637. The total increase in net position was \$231,327. The increase for the food service fund results from the universal free meals offered for lunch and breakfast districtwide and increased student participation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the governmental-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are

Mifflinburg Area School District
Management Discussion and Analysis for Fiscal Year Ended June 30, 2022
(Unaudited)

intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instruction and instruction student support programs, administrative and financial support services, operation and maintenance of plant services, pupil transportation, student activities, community services, capital acquisition and interest on long-term debt. The business-type activities of the District includes food service operations.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds. The focus of fund financial statements is short-term. Fund financial statements are prepared using the modified accrual basis of accounting. The District uses several different types of funds but the two most significant types are the governmental and proprietary fund types.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains one general fund, one student activity fund and one capital reserve fund all of which are categorized as governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary Funds

The District maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District used enterprise funds to account for its food service operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the food service operation, of which is considered to be a major fund of the District.

Mifflinburg Area School District
Management Discussion and Analysis for Fiscal Year Ended June 30, 2022
(Unaudited)

The basic proprietary fund financial statements can be found on pages 20-22 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 23-55 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District's progress in funding its obligations to provide pension and OPEB benefits to its employees, and budget to actual schedules.

Required supplementary information can be found immediately after the notes to the financial statements on pages 57-62.

Mifflinburg Area School District Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$ 18,199,635	\$ 15,995,623	\$ 297,114	\$ 134,185	\$ 18,496,749	\$ 16,129,808
Capital assets	34,791,935	36,556,239	40,779	44,203	34,832,714	36,600,442
Total Assets	\$ 52,991,570	\$ 52,551,862	\$ 337,893	\$ 178,388	\$ 53,329,463	\$ 52,730,250
Total deferred outflows of resources	\$ 8,426,011	\$ 7,644,828	\$ -	\$ -	\$ 8,426,011	\$ 7,644,828
Liabilities:						
Current Liabilities	\$ 4,606,607	\$ 4,997,093	\$ 39,477	\$ 111,299	\$ 4,646,084	\$ 5,108,392
Long-Term Liabilities	76,986,494	84,622,470	-	-	76,986,494	84,622,470
Total Liabilities	\$ 81,593,101	\$ 89,619,563	\$ 39,477	\$ 111,299	\$ 81,632,578	\$ 89,730,862
Total Deferred Inflows of Resources	\$ 8,241,222	\$ 3,295,841	\$ -	\$ -	\$ 8,241,222	\$ 3,295,841
Net Position:						
Net investment in capital assets	\$ 1,785,870	\$ 2,004,538	\$ 40,779	\$ 44,203	\$ 1,826,649	\$ 2,048,741
Restricted	476,759	-	-	-	476,759	-
Unrestricted	(30,679,371)	(34,723,252)	257,637	22,886	(30,421,734)	(34,700,366)
Total Net Position	\$ (28,416,742)	\$ (32,718,714)	\$ 298,416	\$ 67,089	\$ (28,118,326)	\$ (32,651,625)

Current and other assets increased in governmental activities by \$2,204,012 from the prior year. This was because of an increase of both state and federal receivables, specifically ESSERs.

Current liabilities in governmental decreased by \$390,486.

Long-term liabilities, which consist of bonds, compensated absences, and postemployment benefit obligations, decreased by \$7,635,976 from the previous year for governmental activities. The District's net pension liability decreased \$6.5 million due to the decrease in the collective net pension liability of PSERS. The District's compensated absences decreased by \$32K due to a reduction of retirement payment obligations. Additionally, the reduction included \$7,668 of compensated absences reported in governmental activities for business-type activities.

Mifflinburg Area School District
Management Discussion and Analysis for Fiscal Year Ended June 30, 2022
(Unaudited)

A portion of the District's net position, \$1,785,870, reflects its investment in capital assets (e.g. construction in progress, land, buildings, machinery, and equipment), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The District used these capital assets to provide a variety of services to our students. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As of the end of the current year, the District's unrestricted net position was a deficit balance of \$30,679,371. The deficit is caused primarily by the approximately \$42.8 million in postemployment liabilities for the District's pension plan and other postemployment benefits.

Mifflinburg Area School District
Management Discussion and Analysis for Fiscal Year Ended June 30, 2022
(Unaudited)

Mifflinburg Area School District Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 383,834	\$ 201,401	\$ 41,628	\$ 27,095	\$ 425,462	\$ 228,496
Operating grants and contributions	11,343,481	8,971,061	1,274,564	826,370	12,618,045	9,797,431
General revenues:						
Property Tax	12,421,265	11,833,334	-	-	12,421,265	11,833,334
Other taxes	6,010,950	5,648,219	-	-	6,010,950	5,648,219
Unrestricted Grants, Subsidies and Contributions	8,878,778	8,665,622	-	-	8,878,778	8,665,622
Investment Earnings	65,721	41,535	47	21	65,768	41,556
Other	127,021	306,052	-	-	127,021	306,052
Disposal of Capital Assets/Transfer	(133,808)	(156,524)	96,577	158,827		2,303
Total Revenues	39,097,242	35,510,700	1,412,816	1,012,313	40,547,289	36,523,013
Expenses:						
Instruction	21,066,351	21,272,251	-	-	21,066,351	21,272,251
Instruction student support	2,363,788	2,294,592	-	-	2,363,788	2,294,592
Administrative and financial support	4,524,072	4,312,572	-	-	4,524,072	4,312,572
Operation and maintenance of plant	2,964,362	3,483,667	-	-	2,964,362	3,483,667
Pupil transportation	1,984,131	1,849,602	-	-	1,984,131	1,849,602
Student Activities	884,000	645,289	-	-	884,000	645,289
Community Services	6,834	6,046	-	-	6,834	6,046
Interest and Fiscal Charges	1,001,733	853,209	-	-	1,001,733	853,209
Food Service	-	-	1,181,489	932,028	1,181,489	932,028
Total Expenses	34,795,271	34,717,228	1,181,489	932,028	35,976,760	35,649,256
Increase (decrease) in net position	4,301,971	793,472	231,327	80,285	4,570,529	873,757
Net position - beginning	(32,718,713)	(33,512,186)	67,089	(13,196)	(32,651,624)	(33,525,382)
Net position - ending	\$ (28,416,742)	\$ (32,718,714)	\$ 298,416	\$ 67,089	\$ (28,081,095)	\$ (32,651,625)

Governmental Activities

During the current fiscal year, net position for governmental activities increased \$4,301,972 for an ending deficit balance of \$28,416,742. While the COVID-19 pandemic certainly had an impact on the District, management was able to take various actions to reduce certain non-essential expenses. The increase in net position during the current year is primarily due to various state and federal COVID related funding, along with the reduction of certain non-essential expenses.

During the current fiscal year, total revenues increased \$3,586,542 for governmental activities from the prior fiscal year for a total balance of \$39,097,242. Local revenues, primarily property taxes remain the largest single source of revenue for the District. Total local revenues were \$19,449,551 or 49.54%. The District increased property taxes to the maximum index for the current fiscal year, which was a necessary action to maintain operations. State funding in the current fiscal year amounted to \$15,148,366 or 38.58% of the District's revenue. Federal revenues were \$4,664,386, 11.88% of the District's revenue, of which 85.91% was COVID related funding.

Expenses increased \$78,043 over the prior fiscal year.

Mifflinburg Area School District
Management Discussion and Analysis for Fiscal Year Ended June 30, 2022
(Unaudited)

Revenues generated by the District's programs are not sufficient to cover the costs. The District relies on property taxes, earned income taxes and other general revenues to cover the costs associated with the various programs.

Business-type Activities

For the District's business-type activities, the result for the current fiscal year reflects an increase in overall net position to reach an ending balance of \$298,416. The total increase in net position for business-type activities (food service operations) was \$231,327. The increase, in large part, is attributable to the universal free meals offered for lunch and breakfast districtwide and increased student participation.

Financial Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

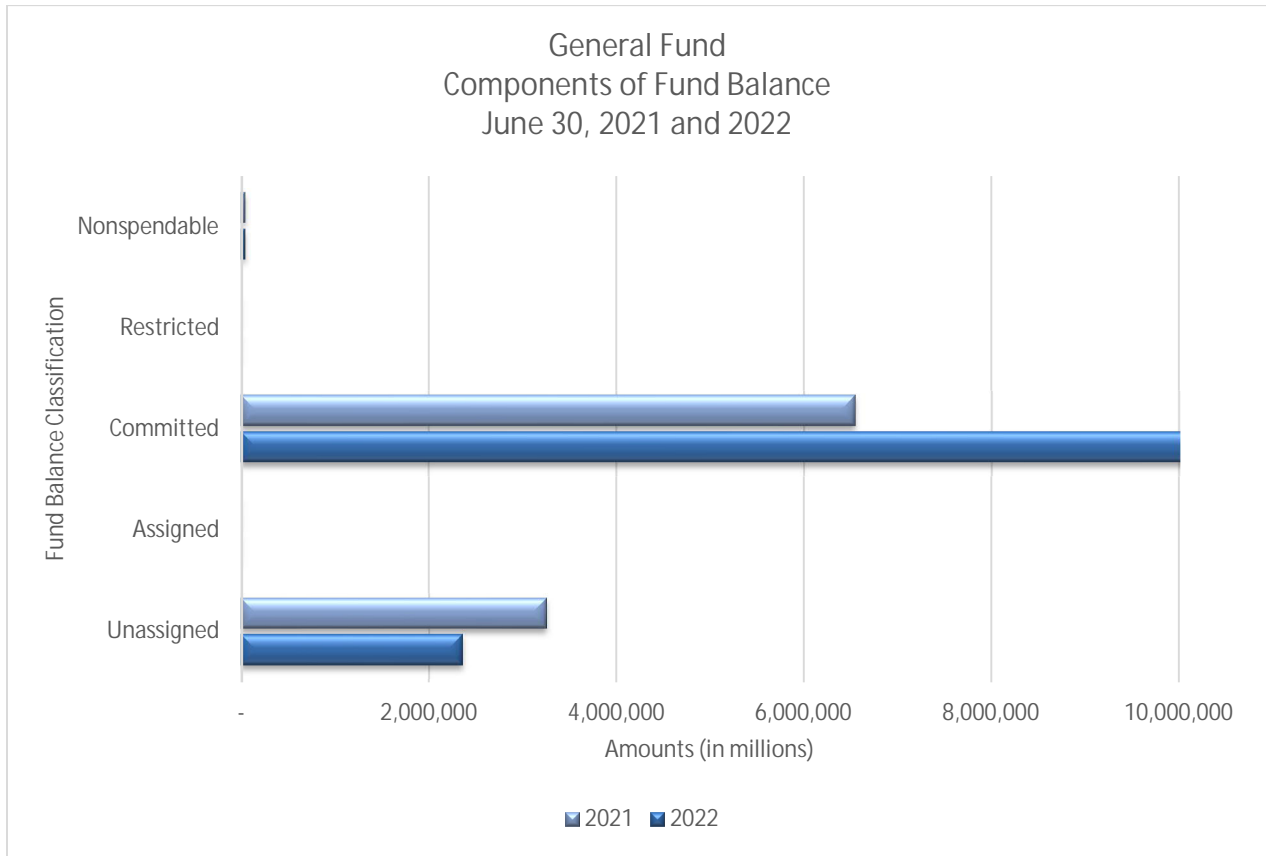
The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Board of Directors.

At June 30, 2022, the District's governmental funds reported combined fund balances of \$14,633,291, an increase of \$3,256,843 in comparison with the prior year. Of this amount, \$2,358,773 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *nonspendable, restricted, committed or assigned* to indicate that it is (1) not in spendable form; 40,000; (2) not spendable because it is legally required to be maintained intact, \$0; (3) restricted for particular purposes, \$476,759; (4) committed for particular purposes, \$11,757,759; or (5) assigned for particular purposes, \$0.

Analysis of Individual Funds

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,358,773, while total fund balance increased to \$13,098,773. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Unassigned fund balance represents 7% of total general fund expenditures, while total fund balance represents 37% of that same amount.

Mifflinburg Area School District
Management Discussion and Analysis for Fiscal Year Ended June 30, 2022
(Unaudited)



The fund balance of the District’s general fund increased by \$3,259,100 during the current fiscal year. A vast majority of this increase is attributed to the COVID relief funding, specifically the ARP ESSER grant.

Proprietary Funds

The District’s proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements, but in more detail.

Unrestricted net position of the food service fund at the end of the year was \$257,637. The total increase in net position \$231,327. As noted earlier in the discussion of business-type activities, the increase for the food service fund results from the universal free meals offered for lunch and breakfast districtwide and increased student participation.

Capital Assets and Debt Administration

Capital Assets

The District’s investment in capital assets for its governmental and business-type activities as of June 30, 2022, amount to \$34,832,714(net of accumulated depreciation/amortization). This investment in capital assets includes construction in progress, land, buildings, machinery, and equipment.

Mifflinburg Area School District
Management Discussion and Analysis for Fiscal Year Ended June 30, 2022
(Unaudited)

Mifflinburg Area School District Capital Assets
(Net of depreciation/amortization)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Construction in Progress	\$ 103,669	\$ -	\$ -	\$ -	\$ 103,669	\$ -
Land	955,915	1,042,885	-	-	955,915	1,042,885
Buildings and Building Improvemen	33,308,193	35,099,838	-	-	33,308,193	35,099,838
Furniture and Equipment	424,158	413,516	40,779	44,203	464,937	457,719
Total	<u>\$ 34,791,935</u>	<u>\$ 36,556,239</u>	<u>\$ 40,779</u>	<u>\$ 44,203</u>	<u>\$ 34,832,714</u>	<u>\$ 36,600,442</u>

Additional information on the District's capital assets can be found in Note 7 of this report.

Long-term Debt

As of June 30, 2022, the District had total bonded debt outstanding of \$34,918,817, which includes bond premiums. The District's long-term obligations is comprised of net pension liability, net OPEB liability and compensated absences.

Mifflinburg Area School District Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Series A of 2020	\$18,855,000	\$19,190,000	-	-	18,855,000	19,190,000
Series B of 2020	\$13,070,000	\$13,600,000	-	-	13,070,000	13,600,000
Bond Premium/(Discount)	\$2,993,817	\$3,160,140	-	-	\$2,993,817	\$3,160,140
Compensated Absences	\$458,520	\$491,308	7,668	-	466,188	491,308
Net Pension Liability	\$37,649,000	\$44,167,000	-	-	37,649,000	44,167,000
Net OPEB Liability	\$5,225,157	\$4,879,022	-	-	5,225,157	4,879,022
Total	<u>\$78,251,494</u>	<u>85,487,470</u>	<u>7,668</u>	<u>-</u>	<u>78,259,162</u>	<u>85,487,470</u>

The District's governmental activities debt decreased by \$7,235,976 during the current fiscal year. During the current year the District net pension liability decreased by \$6.5 million due to the decrease in the District's proportionate share of collective net pension liability. The District's net OPEB liability increased by \$346,135 and its compensated absences decreased by \$32,788.

Additional information on the District's long-term debt can be found in Note 8 of this report.

Mifflinburg Area School District
Management Discussion and Analysis for Fiscal Year Ended June 30, 2022
(Unaudited)

Summary

March 11, 2020, the World Health Organization characterized the Coronavirus (COVID-19) as a pandemic. Subsequently, March 13, 2020, the Governor of Pennsylvania announced K-12 Pennsylvania Schools would be closed for 10 business days, effective March 16, 2020. Pennsylvania Schools did not return to in-person instruction in the fiscal year. By order of the Governor, stay at home orders were issued in March and continued through mid-May 2020, restrictions were lifted gradually. The continued uncertainty of the pandemic and its trajectory cannot be ultimately projected with respect to the District's finances and operations.

The District has continued to face many financial challenges in the school years that have followed. The issues surrounding the global pandemic has impacted all school districts. In addition to normal operating concerns, the results of the pandemic have created additional financial challenges.

The passage of Act 1, The Tax Payer Relief Act will continue to greatly limit school districts ability to raise taxes to generate the revenue to fund its educational programs. Any increases in Real Estate taxes the administration sees necessary, will be based upon an index that is provided by the Dept of Education.

The Funding of the Commonwealth Retirement system (PSERS) has demonstrated a steep incline in the funding percentage that school districts are mandated to contribute. The funding percentage is set by the legislature and mandates school districts to contribute to the plan based on actual annual salaries and wages paid to employees who are eligible to participate. The funding level is currently at 35.26%. The District will relieve temporary budget relief in the upcoming school year, as the funding percentage will be 34%, which is the first decrease in over ten years, however it is projected to increase to over 37% in just the next few years.

The Commonwealth of Pennsylvania provides a "Basic Education Subsidy" that is distributed to school districts. The Mifflinburg Area School District relies on the state aide funding to provide approx. 50% of its total revenue. Any type of reduction in this funding could result in financial burden on the school district local taxpayers.

Due to anticipated future budget shortfalls and the districts inability to generate additional local revenue, the District may be forced to reevaluate its expenditures in order to reduce operating costs. Although the District was able to operate without utilizing fund balance reserves for this year, it is probable that it will need to utilize fund balance reserves in the future in order to balance budgets. Although this trend is not advisable, it seems inevitable. The District is undoubtedly likely to see more programmatic changes.

Requests for Information

This financial report is designed to provide a general overview of the District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Administrator, Mifflinburg Area School District, 178 Maple Street, Mifflinburg, PA 17844.

BASIC FINANCIAL STATEMENTS

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2022

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Current assets:			
Cash and Cash Equivalents	\$ 10,808,893	\$ 216,422	\$ 11,025,315
Restricted Cash	1,484,551	-	1,484,551
Investments	248,000	-	248,000
Restricted Investments	134,795	-	134,795
Taxes Receivables, net	543,929	-	543,929
Due from Other Governments	4,642,632	-	4,642,632
Internal Balances	3,436	(3,436)	-
Other Receivables	293,399	1,553	294,952
Inventories	40,000	82,575	122,575
Total Current Assets	18,199,635	297,114	18,496,749
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation			
Land and Site Improvements	955,915	-	955,915
Buildings and Building Improvements	33,308,193	-	33,308,193
Furniture, Equipment, and Vehicles	424,158	40,779	464,937
Construction in Progress	103,669	-	103,669
Total Noncurrent Assets	34,791,935	40,779	34,832,714
TOTAL ASSETS	52,991,570	337,893	53,329,463
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions	7,395,488	-	7,395,488
Deferred Amounts Related to Other Postemployment Benefits	737,117	-	737,117
Deferred Loss on Refunding	293,406	-	293,406
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,426,011	-	8,426,011
LIABILITIES			
Current Liabilities:			
Accounts Payable	678,717	-	678,717
Current Portion of Long-Term Debt	1,265,000	-	1,265,000
Accrued Salaries and Benefits	2,406,286	-	2,406,286
Payroll Deductions and Withholdings	86,106	-	86,106
Accrued Interest Payable	46,609	-	46,609
Other Current Liabilities	-	7,668	7,668
Unearned Revenue	123,889	31,809	155,698
Total Current Liabilities	4,606,607	39,477	4,646,084
Noncurrent Liabilities:			
Bonds and Notes Payable, net	33,653,817	-	33,653,817
Other Postemployment Benefits Liability	5,225,157	-	5,225,157
Net Pension Liability	37,649,000	-	37,649,000
Compensated Absence Liability	458,520	-	458,520
Total Noncurrent Liabilities	76,986,494	-	76,986,494
TOTAL LIABILITIES	81,593,101	39,477	81,632,578
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions	6,846,000	-	6,846,000
Deferred Amounts Related to Other Postemployment Benefits	1,395,222	-	1,395,222
TOTAL DEFERRED INFLOWS OF RESOURCES	8,241,222	-	8,241,222
NET POSITION			
Net Investment in Capital Assets	1,785,870	40,779	1,826,649
Restricted	476,759	-	476,759
Unrestricted	(30,679,371)	257,637	(30,421,734)
TOTAL NET POSITION	\$ (28,416,742)	\$ 298,416	\$ (28,118,326)

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Function/Programs	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:						
Instruction	\$ 21,066,351	\$ 70,420	\$ 8,922,070	\$ (12,073,861)	\$ -	\$ (12,073,861)
Instructional Student Support	2,363,788	-	266,801	(2,096,987)	-	(2,096,987)
Administrative and Financial Support Services	4,524,072	-	590,034	(3,934,038)	-	(3,934,038)
Operation and Maintenance of Plant Services	2,964,362	16,974	269,793	(2,677,595)	-	(2,677,595)
Pupil Transportation	1,984,131	-	1,220,649	(763,482)	-	(763,482)
Student Activities	884,000	296,440	74,134	(513,426)	-	(513,426)
Community Services	6,834	-	-	(6,834)	-	(6,834)
Interest and Fiscal Charges	1,001,733	-	-	(1,001,733)	-	(1,001,733)
Total Governmental Activities	34,795,271	383,834	11,343,481	(23,067,956)	-	(23,067,956)
Business-type Activities:						
Food service	1,181,489	41,628	1,274,564	-	134,703	134,703
Total Business-type Activities	1,181,489	41,628	1,274,564	-	134,703	134,703
Total	\$ 35,976,760	\$ 425,462	\$ 12,618,045	(23,067,956)	134,703	(22,933,253)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				12,421,265	-	12,421,265
Public Utility Realty and Earned Income Taxes, Levied for General Purposes, net				6,010,950	-	6,010,950
Unrestricted Grants, Subsidies, and Contributions				8,878,778	-	8,878,778
Investment Earnings				65,721	47	65,768
Transfers				(97,898)	97,898	-
Miscellaneous Income				127,021	-	127,021
Loss on Disposal of Capital Assets				(35,910)	(1,321)	(37,231)
Total General Revenues				27,369,927	96,624	27,466,551
Changes in Net Position				4,301,971	231,327	4,533,298
Net Position - Beginning				(32,718,713)	67,089	(32,651,624)
Net Position - Ending				\$ (28,416,742)	\$ 298,416	\$ (28,118,326)

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:				
Cash and Cash Equivalents	\$ 10,808,893	\$ -	\$ -	\$ 10,808,893
Restricted Cash	-	1,142,587	341,964	1,484,551
Investments	248,000	-	-	248,000
Restricted Investments	-	-	134,795	134,795
Taxes Receivable	543,929	-	-	543,929
Due From Other Governments	4,642,632	-	-	4,642,632
Due From Other Funds	3,436	-	-	3,436
Other Receivables	293,399	-	-	293,399
Inventories	40,000	-	-	40,000
Total Assets	\$ 16,580,289	\$ 1,142,587	\$ 476,759	\$ 18,199,635
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 593,889	\$ 84,828	\$ -	\$ 678,717
Accrued Salaries and Benefits	2,406,286	-	-	2,406,286
Payroll Withholdings and Deductions	86,106	-	-	86,106
Unearned Revenues	123,889	-	-	123,889
Total Liabilities	3,210,170	84,828	-	3,294,998
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Tax Revenue - Property Taxes	271,346	-	-	271,346
Total Deferred Inflows of Resources	271,346	-	-	271,346
FUND BALANCES:				
Nonspendable:				
Inventories	40,000	-	-	40,000
Restricted For:				
Scholarships	-	-	321,074	321,074
Student Activities	-	-	155,685	155,685
Committed For:				
Future Pension Costs	1,300,000	-	-	1,300,000
Other Post Employment Benefits	1,000,000	-	-	1,000,000
Capital Projects	3,900,000	1,057,759	-	4,957,759
Construction and Improvements	1,000,000	-	-	1,000,000
Future Funding Stabilization	3,500,000	-	-	3,500,000
Unassigned	2,358,773	-	-	2,358,773
Total Fund Balances	13,098,773	1,057,759	476,759	14,633,291
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,580,289	\$ 1,142,587	\$ 476,759	\$ 18,199,635

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

TOTAL FUND BALANCES, GOVERNMENTAL FUNDS	\$ 14,633,291
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$68,434,773 and the accumulated depreciation is \$33,642,838	34,791,935
The funds record only the tax revenue received through a period of 60 days subsequent to year end. The statement of net position includes a receivable for the District's anticipated collections on the levy	271,346
Deferred inflows and outflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds:	
Deferred Outflows Pension/OPEB	8,132,605
Deferred Inflows Pension/OPEB	(8,241,222)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds and Notes Payable, net	(34,918,817)
Deferred Loss on Refunding	293,406
Accrued Interest on Bonds and Notes	(46,609)
Compensated Absences	(458,520)
Net Pension Liability	(37,649,000)
Other Postemployment Benefits	(5,225,157)
TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES	<u>\$ (28,416,742)</u>

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	GENERAL	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local Sources	\$ 19,449,551	\$ 1,506	\$ 225,359	\$ 19,676,416
State Sources	15,148,366	-	-	15,148,366
Federal Sources	4,664,386	-	-	4,664,386
Total Revenues	<u>39,262,303</u>	<u>1,506</u>	<u>225,359</u>	<u>39,489,168</u>
EXPENDITURES:				
Instruction	21,866,260	-	-	21,866,260
Support Services	11,250,416	-	-	11,250,416
Operation of Noninstructional Services	591,903	-	250,847	842,750
Facilities Acquisition, Construction and Improvement Services	-	181,126	-	181,126
Debt Service				
Principal	865,000	-	-	865,000
Interest	1,147,933	-	-	1,147,933
Refund Prior Year Receipt	4,085	-	-	4,085
Total Expenditures	<u>35,725,597</u>	<u>181,126</u>	<u>250,847</u>	<u>36,157,570</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,536,706</u>	<u>(179,620)</u>	<u>(25,488)</u>	<u>3,331,598</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	-	200,000	2,851	202,851
Transfers Out	(284,930)	-	-	(284,930)
Insurance Recoveries	7,324	-	-	7,324
Total Other Financing Sources/(Uses)	<u>(277,606)</u>	<u>200,000</u>	<u>2,851</u>	<u>(74,755)</u>
NET CHANGE IN FUND BALANCES	3,259,100	20,380	(22,637)	3,256,843
FUND BALANCE, BEGINNING,	<u>9,839,673</u>	<u>1,037,379</u>	<u>499,396</u>	<u>11,376,448</u>
FUND BALANCE , ENDING	<u>\$ 13,098,773</u>	<u>\$ 1,057,759</u>	<u>\$ 476,759</u>	<u>\$ 14,633,291</u>

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

NET CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS	\$ 3,256,843
Amounts reports for governmental activities in the statement of activities are different because:	
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. This is the amount by which capital outlays exceeded depreciation in the current period	
Capital Outlays	236,941
Disposals	(37,785)
Depreciation	(1,963,460)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This amount is the net change in revenues accrued between the prior and current year:	
Property Taxes	(263,567)
Repayment of the principal of long-term obligations consumes the current financial resources of governmental funds	
Bond principal payments	865,000
Governmental funds report the effect of discounts and premiums, when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities	
Bond discount, net	166,323
Deferred loss on refundings	(17,259)
Change in accrued interest on bonds and notes payable	1,221
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
Decrease in compensated absences	32,788
Increase in other postemployment benefits	(32,824)
Decrease in pension expense	2,057,750
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,301,971</u>

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2022

	FOOD SERVICE
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 216,422
Other Receivables	1,553
Inventories	82,575
Total Current Assets	300,550
Noncurrent Assets:	
Furniture and Equipment, net	40,779
TOTAL ASSETS	\$ 341,329
LIABILITIES:	
Current Liabilities:	
Due to Other Funds	\$ 3,436
Unearned Revenues	31,809
Compensated Absences Payable	7,668
Total Current Liabilities	42,913
Total Liabilities	42,913
NET POSITION:	
Net Investment in Capital Assets	40,779
Unrestricted	257,637
Total Net Position	298,416
TOTAL NET POSITION AND LIABILITIES	\$ 341,329

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
 PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2022

	FOOD SERVICE
OPERATING REVENUES:	
Food Service Revenue	\$ 41,628
Total Operating Revenues	41,628
OPERATING EXPENSES:	
Salaries	438,022
Employee Benefits	216,345
Purchased Professional and Technical Service	1,290
Food and Supplies Consumed	507,217
Equipment and Depreciation	17,922
Other Expenses	693
Total Operating Expenses	1,181,489
OPERATING (LOSS)	(1,139,861)
NONOPERATING REVENUES (EXPENSES):	
Earnings on Investments	47
State Sources	136,722
Federal Sources	1,137,842
Loss on Disposal of Assets	(1,321)
Total Nonoperating Revenues	1,273,290
INCOME BEFORE TRANSFERS	133,429
TRANSFERS	
Capital Contribution	15,819
Transfer In	82,079
TOTAL TRANSFERS	97,898
CHANGE IN NET POSITION	231,327
NET POSITION, Beginning of year	67,089
NET POSITION, End of year	\$ 298,416

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2022

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Users	\$ 38,645
Cash Payments to Employees for Services	(643,263)
Cash Payments to Suppliers for Goods and Services	(605,762)
Cash Payments for Other Operating Expenses	(693)
Net Cash Used by Operating Activities	(1,211,073)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating Transfers In	82,079
Federal Subsidies	1,174,441
State Subsidies	136,722
Net Cash Provided by Noncapital Financing Activities	1,393,242
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:	
Earnings on Investments	47
Net Increase in Cash and Cash Equivalents	182,216
Cash and Cash Equivalents, Beginning	34,206
Cash and Cash Equivalents, Ending	\$ 216,422
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:	
Donated Commodities	94,917
Contributions of Capital Assets	15,819
Total Supplemental Disclosure of Noncash Transactions:	\$ 110,736
RECONCILIATION OF OPERATING (LOSS)/INCOME TO NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (1,139,861)
Adjustment to reconcile operating (loss)/income to net cash (used in)/provided by operating activities:	
Depreciation	17,922
Increase or Decrease in Assets and Liabilities	
Receivables	(206)
Inventories	(20,542)
Accounts Payable	(76,713)
Due To Other funds	3,436
Compensated Absences	7,668
Unearned Revenue	(2,777)
Total Adjustments	(71,212)
Net Cash (Used In)/Provided by Operating Activities	\$ (1,211,073)

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The Mifflinburg Area School District (the "District") provides public education to the residents of six townships and three boroughs with one elementary school, one intermediate school, one middle school, and one high school in Union County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine member Board, which has responsibility and control over all activities related to public school education within the District.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

Governmental Accounting Standards Board ("GASB") Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"* established the criteria used by the District to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. Based on the foregoing criteria, the District has no component units that are required to be included in the District's financial statements.

C. Joint Venture

The District participates in the SUN Area Technical Institute (SUN ATI) located in New Berlin, Pennsylvania. This joint venture does not meet the criteria for inclusion within the reporting entity because the SUN ATI is separately chartered from the school districts it serves; its joint operating committee controls the employment of personnel; its joint operating committee has the power to approve all operating expenditures of the SUN ATI; and the SUN ATI is maintained in a separate operating unit.

The District has one member on the joint operating committee which governs the SUN ATI. The committee is comprised of one member from each of the member school districts who are appointed annually. The SUN ATI provides vocational and technical education for students of the member school districts. Each member school district pays tuition to the SUN ATI based upon its enrollment percentage. At the end of each fiscal year, actual expenditures are divided among the member districts based upon the prior year's enrollment percentage. The excess of tuition paid over allocated expenditures is refundable by the SUN ATI to the member districts. If allocable expenditures exceed the tuition paid by any member school district, the school district will pay the additional amount due to the SUN ATI. The member school districts approve the budget of the SUN ATI.

Audited financial statements for the year ended June 30, 2022 for the SUN ATI are available at its business office.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Intermediate Unit

The District is a participating member of the Central Susquehanna Intermediate Unit #16 (CSIU) located in Montandon, Pennsylvania. The CSIU is a self-sustaining organization that provides services for fees to participating districts. Through their membership, the District is able to secure various special services including federal program assistance and special education services.

E. Measurement Focus, Basis of Accounting

The basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and custodial fund financial statements which incorporates noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

1. Government-wide Financial Statements (Continued)

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the District are reported as a reduction of the related liability, rather than an expenditure.

2. Fund Financial Statements

The operations of the District are organized and are recorded in individual funds. Each fund is a separate accounting entity, with self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate.

Governmental Funds

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the District.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Proprietary Funds

The District's Food Service Fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position.

The proprietary fund's operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

F. Basis of Presentation

The following are the District's major funds:

Governmental Fund Types

- The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for financial resources to be used in acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

F. Basis of Presentation (Continued)

Additionally, the District reports the following Other Governmental Funds:

- The Scholarship Funds are used to account for assets held by the District under an agreement for individuals, private organizations, or other governments and therefore not available to support the District's own programs. However, the District has the ability to direct how the funds are applied towards their intended purposes established.
- Student Activity Funds account for assets held by the District for various student activities. The District has the ability to direct how the funds are applied towards their intended purposes established.

Proprietary Fund Type

- The Food Service Fund is used to account for the operations of the District's food service operations. Operating Revenues consist of charges for food served. Operating expenses consist mainly of food, food preparation costs, supplies, and other direct costs. All other revenues and expenses are reported as non-operating.

G. Assets, Liabilities, Net Position or Fund Balance

1. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, and pooled fund investments subject to daily withdrawal.

2. Investments

The Pennsylvania School Code and the District's investment policy establish criteria for the type of investments that can be held by the District. Investments held by the District are reported at their fair market value, except for investments in external investment pools, which are valued at amortized cost.

3. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding for goods or services rendered at the end of the fiscal year are referred to as "due to/from other funds."

MIFFLINBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

4. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost of governmental fund inventories are recorded as expenditures when purchased rather than when consumed. Food Service fund inventory consisted of expendable supplies valued at cost on a first-in, first-out basis, and federal government donated commodities received from the U.S. Department of Agriculture (USDA) recorded at estimated fair values provided by the USDA. Inventory in the Food Service Fund is recorded as an expense when consumed.

5. Prepaid Expenses

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.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the governmental or business-type activity column in the government-wide and the proprietary fund financial statements. The District defines capital assets with an initial, individual cost of more than: \$1,500 and an estimated useful life in excess of one year. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed.

Capital assets of the District are depreciated using the straight line method over the following intended useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Building Improvements	20 years
Site Improvements	15 years
Furniture	20 years
Vehicles	4 years
Equipment	5-15 years

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

7. Compensated Absences

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences using the termination method.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. 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 applicable bond premium or discount and issuance costs are expensed.

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

9. Unearned Revenues

Revenues that are received but not yet earned are recorded as unearned revenue in the District's financial statements. In the District's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

10. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

The classifications used in the governmental fund financial statements are as follows:

- Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of School Directors. These amounts cannot be used for any other purpose unless the Board of School Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- Assigned fund balance – This classification includes amounts that are constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. The Board of School Directors delegated this responsibility to the Business Administrator.
- Unassigned fund balance – This classification represents amounts that are available for any purpose. The District strives to maintain an unassigned general fund balance of not less than six percent (6%) of the annual operating budget.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

11. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

11. Net Position (Continued)

- *Net Investment in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the School District, not restricted for any project or other purpose.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

12. Accounting Estimates

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

13. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund, and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

14. Deferred Inflows/Outflows of Resources

The Statements of Net Position report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The District has six items that qualify for reporting in these categories: deferred outflows and inflows related to pensions, deferred outflows and inflows related to other postemployment benefits, deferred loss on refunding and unavailable tax revenue.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

14. Deferred Inflows/Outflows of Resources (Continued)

Deferred outflows and inflows of resources related to pensions are described further in Note 10 and deferred outflows and inflows related to other postemployment benefits are described further in Note 11. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension or other postemployment benefits (“OPEB”) expense over a closed period, which reflects the weighted average remaining service life of all PSERS members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on PSERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). *Deferred loss of refunding* is the result of differences 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. *Unavailable tax revenue*, which arises under the modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

15. PSERS Pension and OPEB

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

H. Adoption of Governmental Accounting Standards Board Statements

The District adopted the provisions of GASB Statement No. 87, “*Leases*”. The adoption of this statement did not result in modification of previously reported amounts.

The District adopted the provisions of GASB Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*”. The adoption of this statement did not result in modification of previously reported amounts.

The District adopted the provisions of Statement No. 92, “*Omnibus 2020*”. The adoption of this statement did not result in modification of previously reported amounts.

The District adopted part of the provisions of GASB issued Statement No. 99, “*Omnibus 2022*”. The adoption of this statement did not result in modification of previously reported amounts.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

I. Pending Changes in Accounting Principles

In May 2019, the GASB issued Statement No. 91, "*Conduit Debt Obligations*". The District is required to adopt the provisions of Statement No. 91 for its fiscal year 2023 financial statements.

In March 2020, the GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*". The District is required to adopt the provisions of Statement No. 94 for its fiscal year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". The District is required to adopt the provisions of Statement No. 96 for its fiscal year 2023 financial statements.

In April 2022, the GASB issued Statement No. 99, "*Omnibus 2022*". The provisions of Statement No. 99 are effective as follows:

- The requirements related to leases, public-private and public-public partnerships, and subscription-based information technology arrangements are effective for the District's fiscal year 2023 financial statements.
- The requirements related to financial guarantees and the reporting of derivative instruments are effective for the District's fiscal year 2024 financial statements.

In June 2022, the GASB issued Statement No. 100, "*Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*". The District is required to adopt the provisions of Statement No. 100 for its fiscal year 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, "*Compensated Absences*". The District is required to adopt the provisions of Statement No. 101 for its fiscal year 2025 financial statements.

The District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

The budget is adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. Project-length financial plans are used for capital projects funds. All unencumbered budget appropriations, except capital projects, lapse at the end of each fiscal year.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the school board, budgetary transfers between funds accounts can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all transfers.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 3: DEPOSIT AND INVESTMENT RISK

The District's investment policy is in accordance with the Public School Code of 1949, Section 440.1 which requires monies to be invested in the following types of investments: U.S. Treasury bills, short-term obligations of the U.S. government or its agencies or instrumentalities, savings or time accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent 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, obligations of the United States of America or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities, or obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

Custodial Credit Risk – For deposits, 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 deposits or collateral securities that are in the possession of an outside party. As of June 30, 2022, the District's cash balances for its governmental activities and business-type activities were \$12,509,866 and its bank balances were \$12,498,021. Of these bank balances, \$9,657,827 were exposed to custodial credit risk and they were collateralized by the pledging of pooled assets held by the pledging financial institutions and uninsured. The balance of \$1,979,103 was invested in external investment pools as described in more detail below.

At June 30, 2022, the District had investments classified as cash equivalents in money market holdings and other short-term investments through the Pennsylvania School District Liquid Asset Fund ("PSDLAF") of \$1,810,650 and the Pennsylvania Local Government Investment Trust ("PLGIT") of \$168,453.

PSDLAF and PLGIT were established to enable school districts and other local government agencies to pool funds for investments in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

Participation in External Investment Pools. Investment Pool investments are multiple investment portfolios with PSDLAF similar to a money market fund. The portfolio investments are valued at amortized costs, which approximates market value. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees. The pool is audited annually by PricewaterhouseCoopers LLP. The pool is rated AAA by Standard & Poor's. PSDLAF issues separate financial statements available at www.psdlaf.org.

The Pennsylvania Local Government Trust ("PLGIT") I-Class is a 2a7-like pool. The District's investment in PLGIT is reported at amortized cost, which approximates fair value. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. The pool is audited annually Ernst & Young, LLP. The pool is rated AAA by Standard & Poor's. PLGIT issues separate financial statements available at www.plgit.com.

Restrictions on Qualified Investment Pool Withdrawals. The District is limited to two withdrawals per calendar month from the PLGIT account.

MIFFLINBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments– District investments consists of investment pool deposits held in the General Fund and equities held in the Private Purpose Trust Fund. Investments are measured at fair value on a recurring basis in accordance with the framework established by GASB Statement No. 72, “*Fair Value Measurement and Application*”. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as below:

Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets or inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of June 30, 2022, the District’s investment fair value measurements were as follows:

<u>Investment Type</u>	<u>Market</u>	<u>Level 1</u>	<u>NAV</u>
Equities	\$ 134,795	\$ 134,795	\$ -
Investment Pool	248,000	-	248,000
Total	<u>\$ 382,795</u>	<u>\$ 134,795</u>	<u>\$ 248,000</u>

As of June 30, 2022, the District’s investment maturities were as follows:

<u>Investment Type</u>	<u>Market</u>	<u>Less than 1 Year</u>
Investment Pool	\$ 248,000	\$ 248,000
Total	<u>\$ 248,000</u>	<u>\$ 248,000</u>

Interest Rate Risk – The District does not have a formal policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of failure by 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.

Credit Risk – The District does not have a formal investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2022 investment pool investments are held by PSDLAF and are rated AAA in accordance with the portfolio.

MIFFLINBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 4: RESTRICTED CASH AND INVESTMENTS

Assets whose use is limited to a specific purpose have been classified as “restricted” in the balance sheet. Restricted assets are composed of the following:

Restricted Cash and Investments Governmental Funds

Restricted for future capital projects	\$ 1,142,587
Restricted for student activities	155,685
Restricted for scholarships	321,074
Total restricted cash and investments	\$ 1,619,346

NOTE 5: TAXES ASSESSED

Real estate taxes are assessed on July 1, of each year and become due and payable on that date. For the 2021-2022 year the tax rate was 13.81 mills levied upon assessed valuations provided by Union County of approximately \$932,249,180. Taxpayers are given a two percent discount if they pay their taxes by September 30. All taxes levied on July 1, become delinquent on December 1, and are charged a ten percent penalty. On December 31, of the following year, all delinquent taxpayers are turned over to the Union County Tax Claim Bureau for collection. Uncollected real estate taxes attach as an enforceable lien on property when recorded.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. Delinquent taxes receivable at June 30, 2022 were \$379,481.

Taxes receivable also include estimated earned income taxes, real estate transfer taxes, and per capita taxes due to the District at June 30, with the amount not collected within 60 days after year end being deferred in the general fund.

NOTE 6: DUE FROM OTHER GOVERNMENTS

The following table summarizes the amounts due from other governments at June 30, 2022 as related to the District’s governmental activities:

Governmental Activities:	
Commonwealth of Pennsylvania	
Federal Sources	\$ 3,621,469
State Sources	1,021,163
Total	\$ 4,642,632

NOTE 7: CAPITAL ASSETS

Capital Assets are recorded as expenditures at the time of purchase. The amounts recorded for land and site improvements, buildings and improvements, and furniture and equipment represent primarily estimates of historical cost prepared by an independent appraiser. During the fiscal years ended June 30, 2008 and June 30, 2018, a fixed asset appraisal of assets held was performed and through the use of alternative methods, an estimate of historical cost was developed. Balances were restated to reflect the appraisal.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 7: CAPITAL ASSETS (CONTINUED)

Depreciation, where applicable, is straight line over the useful life of the asset. Property additions made subsequent to the appraisal are recorded at cost.

A summary of Capital Asset transactions for the year ended June 30, 2022 is as follows:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
GOVERNMENTAL ACTIVITIES				
Land and Site Improvements	\$ 2,408,368	\$ -	\$ (30,000)	\$ 2,378,368
Building and Building Improvements	59,896,330	-	-	59,896,330
Furniture, Equipment, and Vehicles	6,120,523	133,272	(197,389)	6,056,406
Construction in Progress	-	103,669	-	103,669
Total at Cost	<u>68,425,221</u>	<u>236,941</u>	<u>(227,389)</u>	<u>68,434,773</u>
Land and Site Improvements	(1,365,483)	(56,970)	-	(1,422,453)
Building and Building Improvements	(24,796,492)	(1,791,645)	-	(26,588,137)
Furniture, Equipment, and Vehicles	<u>(5,707,007)</u>	<u>(114,845)</u>	<u>189,604</u>	<u>(5,632,248)</u>
Total Accumulated Depreciation	<u>(31,868,982)</u>	<u>(1,963,460)</u>	<u>189,604</u>	<u>(33,642,838)</u>
Governmental Activities Capital Assets, Net	<u>\$ 36,556,239</u>	<u>\$ (1,726,519)</u>	<u>\$ (37,785)</u>	<u>\$ 34,791,935</u>
BUSINESS-TYPE ACTIVITIES				
Furniture and Equipment	\$ 664,711	\$ 15,819	\$ (12,668)	\$ 667,862
Less: Accumulated Depreciation (627,083)	(620,508)	(17,922)	11,347	
Business-Type Activities Capital Assets, Net	<u>\$ 44,203</u>	<u>\$ (2,103)</u>	<u>\$ (1,321)</u>	<u>\$ 40,779</u>

The capital asset addition of \$15,819 in the business-type activities was purchased through expenditures in the capital projects fund. The transfer of assets is reflected in the transfers in the Statement of Activities and a capital contribution in the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund Types.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Instruction	\$ 1,255,088
Instructional Student Support	129,070
Administrative and Financial Support Service	247,028
Operation and Maintenance of Plant Service	175,665
Pupil Transportation	108,340
Student Activities	48,269
Total Depreciation Expense	<u>\$ 1,963,460</u>

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 8: LONG TERM OBLIGATIONS

As of June 30, 2022, the District's long-term debt consisted of the following:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 32,790,000	\$ -	\$ (865,000)	\$ 31,925,000	\$ 1,265,000
Bond Premium/(Discount)	3,160,140	-	(166,323)	2,993,817	-
Compensated Absences	491,308	-	(32,788)	458,520	-
Other Post Employment Benefits	4,879,022	346,135	-	5,225,157	-
Net Pension Liability	44,167,000	-	(6,518,000)	37,649,000	-
Total Long Term Obligations	<u>\$ 85,487,470</u>	<u>\$ 346,135</u>	<u>\$ (7,582,111)</u>	<u>\$ 78,251,494</u>	<u>\$ 1,265,000</u>
Business-Type Activities:					
Compensated Absences	<u>\$ -</u>	<u>\$ 7,668</u>	<u>\$ -</u>	<u>\$ 7,668</u>	<u>\$ 7,668</u>

Pertinent information regarding long-term debt obligations outstanding is presented below:

Issue	Amount of Original Issue	Purpose	Amounts Outstanding
Series A of 2020	\$ 20,365,000	In 2020, the District issued General Obligation Bonds Series A of 2020 for the purpose of refunding the General Obligation Bonds Series of 2012, 2014, and 2015. The bond matures serially through June 15, 2040 with an interest rate of 3.00% to 4.00%.	\$ 18,855,000
Series B of 2020	13,710,000	In 2020, the District issued General Obligation Bonds Series B of 2020 for the purpose of financing Capital Projects of the school district. The bond matures serially through June 15, 2040 with an interest rate of 2.00% to 4.00%.	13,070,000
Total			<u>\$ 31,925,000</u>

The following summarized the District's estimated future debt service requirements on these bonds and notes as of June 30, 2022:

	Principal	Interest	Total
2023	\$ 1,265,000	\$ 1,118,650	\$ 2,383,650
2024	1,335,000	1,068,050	2,403,050
2025	1,390,000	1,014,650	2,404,650
2026	1,445,000	959,050	2,404,050
2027	1,500,000	901,250	2,401,250
2028-2032	8,390,000	3,601,250	11,991,250
2033-2037	9,870,000	2,131,231	12,001,231
2038-2040	6,730,000	458,850	7,188,850
	<u>\$ 31,925,000</u>	<u>\$ 11,252,981</u>	<u>\$ 43,177,981</u>

MIFFLINBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

Refunded Bond Issues

The District has advance-refunded various issues by creating a separate irrevocable trust fund to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2022, the amount of defeased debt outstanding but removed from the statement of net position for a portion of the Series of 2010 General Obligation Bonds equaled \$9,170,000.

NOTE 9: COMPENSATED ABSENCES

The District's Administrative Compensation Policy and current Collective Bargaining Contracts provides for an unlimited accumulation of sick leave. Employees forfeit accumulated sick leave upon termination or retirement, except as follows. Each administrative and professional employee with twenty-five (25) years of service in the PA Public School Employees' Retirement System (PSERS) and fifteen (15) years of service in the Mifflinburg Area School District, upon retirement, shall be entitled to \$50 per day for each unused accumulated sick leave day.

Each classified employee is entitled to a sick day payout based on their year of service with the District as follows:

Years of Service	5	15	20
Payout per Day	\$15	\$20	\$25

The payment for each sick day is not additional compensation. The payment is calculated, and the employee is given the choice of either an employer contribution to a district sponsored 403B or district sponsored Health Retirement Account (HRA).

NOTE 10: PENSION BENEFITS

General Information about the Pension Plan

Plan Description

The Pennsylvania Public School Employees' Retirement System ("PSERS") is a governmental cost-sharing multi-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.

The administrative staff of PSERS administers the plan. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two Governor appointees, at least one of whom shall not be a school employee or an officer or employee of the State of Pennsylvania; three who are elected by the active professional members of PSERS from among their number; one who is elected by annuitants from among their number; one who is elected by the active nonprofessional members of PSERS from among their number; and one who is elected by members of Pennsylvania public school boards from among their number.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Plan Description (Continued)

The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

PSERS was established on July 18, 1917, under the provisions of Pamphlet Law, No. 343. Benefit payments to members and contribution provision by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code ("Code"). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, 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) preserved 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% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service.

For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

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

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

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

Benefits Provided (Continued)

All members are fully vested in their individual balance in the Members' Saving Account. All non-vested members may receive a refund of their individual balance of member contributions and interest from the Members' Savings Account upon termination of public school employment. Vested members who enrolled prior to July 1, 2011, may elect to receive a return of their accumulated contributions and interest upon their retirement which results in a reduced monthly annuity. Vested Class T-E and T-F members cannot withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

Contributions

Employer Contributions:

The contribution policy is set by the Code. The District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14% of covered payroll which includes 0.15% for the Act 5 defined contribution plan members, 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 \$4,618,488 for the year ended June 30, 2022.

Member Contributions:

Member contribution rates are set by law (redefined with the provisions of act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rate are as follows:

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

* This contribution is subject to a shared risk provision as follows:

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

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

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 \$37,649,000 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 covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.0917 percent, which was an increase of 0.002 from its proportion measured as of June 30, 2021.

For the fiscal year ended June 30, 2022, the District recognized pension expense of \$2,570,000. 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
Net difference between projected and actual investment earnings	\$ -	\$ 5,993,000
Changes in proportion	923,000	358,000
Changes in assumptions	1,826,000	-
Difference between expected and actual experience	28,000	495,000
Contributions subsequent to the measurement date	4,618,488	-
Total	\$ 7,395,488	\$ 6,846,000

\$4.618 million reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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:

Year ended June 30:	
2023	\$ (976,000)
2024	(669,000)
2025	(488,000)
2026	(1,936,000)
Total	\$ (4,069,000)

Actuarial Assumptions

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

- Investment rate of return was 7.00%
- The inflation assumption was 2.50%

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

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

Actuarial Assumptions (Continued)

- Salary growth changed from an effective range of 4.50%, which was comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases
- Mortality rates were 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 Mortality Improvement Scale.

Changes in Actuarial Assumptions

- The discount rate used to measure the Total Pension Liability decreased from 7.25% as of June 30, 2020 to 7.00% as of June 30, 2021.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00% respectively.
 - Mortality rates – previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

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

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

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

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

Actuarial Assumptions (Continued)

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

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

Discount Rate

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

Sensitivity of the School District's proportionate share of the net pension liability to change in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 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	\$ 49,416,000	\$ 37,649,000	\$ 27,723,000

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 10: PENSION BENEFITS (CONTINUED)

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

Pension Plan Fiduciary Net Position

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

At June 30, 2022, the District reported a payable of \$358,785 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

Act 5 of 2017

On June 12, 2017, the Commonwealth of Pennsylvania Act 5 of 2017 as signed into law. This legislation established a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan options under Act 5 include two hybrid plans consisting on defined benefit and defined contribution components and a stand-alone defined contribution plan. The current stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN

District Specific Plan

Plan Description

Plan Administration. The District School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the "Plan") that is used to provide healthcare retirement benefits for teachers and administrative employees who retire under the qualifications of the Pennsylvania School Employee's Retirement System. Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded and no financial report is prepared.

Plan Membership. As of June 30, 2022, the Plan's membership consisted of the following:

Active Participants	214
Retired Participants	9
Total	<u>223</u>

Benefits Provided. The Plan provides healthcare benefits to eligible retirees (teachers and administrators) and for eligible retirees retired prior to 2007, their spouses. For eligible retirees who retired prior to 2007, the District pays premiums, less a \$100 supplement paid by the member, for medical and prescription drug coverage. For eligible retirees who retired before 2011 with 30 years of PSERS service and 15 years of District service, the District will pay \$10,000 to an HRA and an additional \$10,000 for each additional year of PSERS service up to 35 years. For eligible employees who retired before 2014 with 25 years of PSERS service and 15 years of District service, the District will pay \$10,000 to an HRA for 3 years with 25-34 years of PSERS service or \$10,000 to an HRA for 5 years if the employee has more than 35 years of PSERS service.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District Specific Plan (Continued)

Plan Description (Continued)

Benefits Provided (Continued)

For eligible employees who retire after 2014 with 25 years of PSERS service and 15 years of District service, the District make a payment to an HRA based on the following: \$15,000 for 1 year with 25-29 years of PSERS service, \$30,000 for 1 year with 30-34 years of PSERS service, and \$10,000 for 4 years with more than 35 years of PSERS service. The School Board of Directors has the authority to periodically negotiate the benefit terms established in the bargaining agreements.

Contributions. The contribution requirements of plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund. Retiree contribution rates and amounts vary depending on classification and years of service with the District.

Total OPEB Liability

The District's total OPEB liability of \$3,049,157 was measured as of July 1, 2021 and was rolled forward using the actuarial assumptions to the valuation date of July 1, 2020, subject to adjustments.

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

Salary Increases	3.50% average, including inflation
Discount Rate	2.28% (adjusted at 7/1/2021)
Healthcare Cost Trend Rates	5.50% for 2020 through 2023, decreasing to 5.40% in 2024, to 4.00% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2021.

Mortality rates are assumed using the rates assumed in the PSERS defined benefit pension plan actuarial valuation with projections incorporated based on the Buck Modified 2016 projection scale to reflect mortality improvement.

The actuarial assumptions used in the July 1, 2020, valuation were based on historical results, as a recent experience study was not completed.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District Specific Plan (Continued)

Total OPEB Liability (Continued)

Changes in the District's total OPEB liability for the plan for the fiscal year ended June 30, 2022, was as follows:

	Total OPEB Liability
Beginning Balance	\$ 2,930,022
Service Cost	197,081
Interest	57,481
Changes in Assumptions	(67,593)
Benefit Payments	(67,834)
Net Changes	119,135
Ending Balance	\$ 3,049,157

Changes in assumptions reflect a change in the discount rate from 1.86% to 2.28%.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. 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 healthcare cost trend rate that is 1-percentage point lower (4.5%) or 1-percentage higher (6.5%) than the current discount rate:

	1% Decrease 4.5%	Current discount rate 5.5%	1% Increase 6.5%
District's total OPEB liability	\$ 2,872,836	\$ 3,049,157	\$ 3,258,038

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 1-percentage point lower (1.28%) or 1-percentage higher (3.28%) than the current discount rate:

	1% Decrease 1.28%	Current discount rate 2.28%	1% Increase 3.28%
District's total OPEB liability	\$ 3,211,079	\$ 3,049,157	\$ 2,891,268

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$131,733. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

MIFFLINBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

District Specific Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 202,208	\$ 505,951
Difference between expected and actual experience	-	829,271
Contributions subsequent to the measurement date	121,684	-
Total	\$ 323,892	\$ 1,335,222

\$121,684 is reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended 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:

Year ended June 30:

2023	\$ (122,829)
2024	(122,829)
2025	(122,829)
2026	(122,829)
2027	(122,829)
Thereafter	(518,869)
Total	\$ (1,133,014)

PSERS Healthcare Insurance Premium Assistance Plan

Plan Description

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, 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 administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the PSERS Plan 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 services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits Provided

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

Employer Contributions. The school districts' contractually required contribution rate for fiscal year ended June 30, 2022, was 0.80% of covered payroll, an actuarially determined 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 PSERS Plan from the District were \$108,225 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$2,176,000 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 of all School Districts in the PSERS Plan. At June 30, 2022, the District's proportion was 0.0918 percent, 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 \$132,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

MIFFLINBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 4,000	\$ -
Changes in assumptions	232,000	29,000
Changes in proportion	49,000	31,000
Difference between expected and actual experience	20,000	-
Contributions subsequent to the measurement date	108,225	-
Total	\$ 413,225	\$ 60,000

\$108,225 is reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended 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:

Year ended June 30:

2023	\$ 37,000
2024	37,000
2025	51,000
2026	49,000
2027	37,000
Thereafter	34,000
Total	\$ 245,000

Actuarial Assumptions. The total OPEB liability as of June 30, 2021 was determined by rolling forward the System's total OPEB liability as of the June 30, 2020 actuarial valuation to June 30, 2021 measurement date 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 and seniority increases.
- Premium assistance reimbursement 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%.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

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

Actuarial Assumptions (Continued)

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.

The actuarial assumptions used in the June 30, 2020 valuation were based on the experience study adopted by the Board at its June 30, 2015 Board meeting.

Changes in Actuarial Assumptions

- The discount rate decreased from 2.66% as of June 30, 2020 to 2.18% as of June 30, 2021
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

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

Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	79.8%	0.1%
US Core Fixed Income	17.5%	0.7%
Non-US Developed Fixed	2.7%	(0.3)%
Total	<u>100.0%</u>	

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.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2021, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. 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 as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	<u>1% Decrease (4% to 6%)</u>	<u>Current discount rate (5% to 7%)</u>	<u>1% Increase (6% to 8%)</u>
District's proportionate share of the net OPEB liability	\$ 2,176,000	\$ 2,176,000	\$ 2,176,000

MIFFLINBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

PSERS Healthcare Insurance Premium Assistance Plan (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.18 percent) or higher (3.18 percent) than the current discount rate:

	1% Decrease 1.18%	Current discount rate 2.18%	1% Increase 3.18%
District's proportionate share of net OPEB liability	\$ 2,497,000	\$ 2,176,000	\$ 1,911,000

OPEB Plan Fiduciary Net Position

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

At June 30, 2022 the District reported a payable of \$8,887 for the outstanding amount of contributions to the OPEB plan.

NOTE 12: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District provides for these risks through the purchase of commercial insurance coverage.

The District is a participant of the Central Susquehanna Region School Employees' Health and Welfare Trust, a local consortium of schools participating in self-insurance and health maintenance programs for staff medical, dental, and vision benefits, life insurance coverage, and a wellness program. The Trust is organized as consortium of participants in order to offer rate consistency regardless of claims.

NOTE 13: COMMITMENTS AND CONTINGENCIES

The District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the District.

MIFFLINBURG AREA SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2022

NOTE 13: COMMITMENTS AND CONTINGENCIES (CONTINUED)

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulation governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2022 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The District has contracted with Weatherproofing Technologies, Inc. to undertake a roof restoration project to the District facilities with the remaining amount due being approximately \$264,259 as of June 30, 2022.

The District has entered into a contracted transportation service agreement with an external party to provide busing service for elementary and secondary pupils. This agreement does not meet the criteria of a lease under GASB 87 as the terms and conditions for payment specify a rate of reimbursement per mile calculated by the Commonwealth. Since the payments are variable based on the usage of the underlying asset, the District has not recorded a liability in the financial statements for this agreement in accordance with GASB 87.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund balances at June 30, 2022 are as follows:

	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 3,436	\$ -	\$ -	\$ 284,930
Capital Projects Fund	-	-	200,000	-
Food Service Fund	-	3,436	82,079	-
Student Activities Fund	-	-	2,851	-
Total	<u>\$ 3,436</u>	<u>\$ 3,436</u>	<u>\$ 284,930</u>	<u>\$ 284,930</u>

Receivables and Payables between funds result primarily from a time lag between when reimbursable expenditures occur and payments between funds are made. Transfers within the District are substantially for the purposes of subsidizing operating functions, or funding capital projects and asset acquisitions. Resources are accumulated in funds to support and simplify the administration of various projects or programs.

NOTE 15: EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN MAJOR FUND

The following major fund had an excess of actual expenditures over budget for the year ended June 30, 2022.

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Percent of Excess Expenditures Over Appropriations</u>
General Fund	\$ 34,518,115	\$ 35,725,597	3.1%

The excess expenditures over appropriations in the General fund was funded by increased revenue from local and federal sources.

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2022

NOTE 16: SUBSEQUENT EVENTS

The District had evaluated all subsequent events through the report issue date of March 27, 2023. No events have taken place that effect the financial statements or require disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

MIFFLINBURG AREA SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	\$ 17,873,186	\$ 17,873,186	\$ 19,449,551	\$ 1,576,365
State Sources	15,078,893	15,078,893	15,148,366	69,473
Federal Sources	687,750	687,750	4,664,386	3,976,636
Total Revenues	33,639,829	33,639,829	39,262,303	5,622,474
EXPENDITURES:				
Instruction:				
Regular Programs	15,033,987	15,033,987	15,334,908	(300,921)
Special Programs	4,014,859	4,014,859	4,785,745	(770,886)
Vocational Educational Programs	1,788,277	1,788,277	1,586,437	201,840
Other Instructional Programs	122,000	122,000	157,456	(35,456)
Pre-Kindergarten Programs	3,875	3,875	1,714	2,161
Total Instruction	20,962,998	20,962,998	21,866,260	(903,262)
Support services:				
Pupil Personnel	1,293,077	1,293,077	1,107,716	185,361
Instructional Staff	917,455	917,455	800,738	116,717
Administration	1,981,774	1,981,774	2,216,122	(234,348)
Pupil Health	287,789	287,789	326,759	(38,970)
Business	477,201	477,201	547,132	(69,931)
Operation and Maintenance of Plant Services	2,941,379	2,941,379	2,861,005	80,374
Student Transportation Services	1,984,932	1,984,932	1,876,207	108,725
Central and Other Support Services	1,006,444	1,006,444	1,514,737	(508,293)
Total Support Services	10,890,051	10,890,051	11,250,416	(360,365)
Operation of Noninstructional Services:				
Student Activities	647,116	647,116	585,069	62,047
Community Services	3,000	3,000	6,834	(3,834)
Total Operation of Noninstructional Services	650,116	650,116	591,903	58,213
Debt Service	2,014,950	2,014,950	2,017,018	(2,068)
Total Expenditures	34,518,115	34,518,115	35,725,597	(1,207,482)
EXCESS OF REVENUES OVER EXPENDITURES	(878,286)	(878,286)	3,536,706	4,414,992
OTHER FINANCING SOURCES (USES):				
Transfers Out	(500,000)	(500,000)	(284,930)	215,070
Insurance Recovery	-	-	7,324	7,324
Total Other Financing Sources/(Uses)	(500,000)	(500,000)	(277,606)	222,394
NET CHANGE IN FUND BALANCE	\$ (1,378,286)	\$ (1,378,286)	\$ 3,259,100	\$ 4,637,386

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS -DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN
JUNE 30, 2022

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB liability					
Service cost	\$ 227,632	\$ 224,161	\$ 193,670	\$ 194,013	\$ 197,081
Interest	101,292	128,595	102,695	116,493	57,481
Differences between expected and actual experience	-	(221,375)	-	(805,632)	-
Changes of assumptions	(40,588)	(548,384)	(74,443)	238,974	(67,593)
Benefit payments	(279,825)	(214,310)	(215,280)	(189,566)	(67,834)
Net change in total OPEB liability	8,511	(631,313)	6,642	(445,718)	119,135
Total OPEB liability - beginning	3,991,900	4,000,411	3,369,098	3,375,740	2,930,022
Total OPEB liability - ending	<u>\$ 4,000,411</u>	<u>\$ 3,369,098</u>	<u>\$ 3,375,740</u>	<u>\$ 2,930,022</u>	<u>\$ 3,049,157</u>
Covered payroll	\$ 10,328,606	\$ 11,043,471	\$ 11,043,471	\$ 11,466,109	\$ 11,466,109
District's total OPEB liability as a percentage of covered payroll	38.73%	30.51%	30.57%	25.55%	26.59%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Changes of assumptions

Effective 7/1/18: The discount rate changed from 3.13% to 2.98% and the trend assumptions were updated.
Effective 7/1/19: The discount rate changed from 2.98% to 3.36%.
Effective 7/1/20: The discount rate changed from 3.36% to 1.86% and the trend assumptions were updated.
Effective 7/1/21: The discount rate changed from 1.86% to 2.28%.

MIFFLINBURG AREA SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN
 JUNE 30, 2022

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
District's proportion of the net OPEB liability	0.0913%	0.0912%	0.0895%	0.0912%	0.0902%	0.0918%
District's proportionate share of the net OPEB liability	\$ 1,967,000	\$ 1,858,000	\$ 1,866,000	\$ 1,940,000	\$ 1,949,000	\$ 2,176,000
District's covered payroll	\$ 11,821,224	\$ 12,139,708	\$ 12,054,951	\$ 12,581,036	\$ 12,664,753	\$ 13,015,493
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	17%	15%	15%	15%	15%	17%
Plan fiduciary net position as a percentage of the total OPEB liability	5%	6%	6%	6%	6%	5%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

MIFFLINBURG AREA SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS PLAN
 JUNE 30, 2022

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually determined contribution	\$ 98,954	\$ 98,613	\$ 103,477	\$ 105,414	\$ 107,000	\$ 108,225
Contributions in relation to the contractually determined contribution	<u>98,954</u>	<u>98,613</u>	<u>103,477</u>	<u>105,414</u>	<u>107,000</u>	<u>108,225</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 12,139,708	\$ 12,054,951	\$ 12,581,036	\$ 12,664,753	\$ 13,015,493	\$ 13,554,756
Contributions as a percentage of covered payroll	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

The covered payroll has been revised from prior year presentation to reflect adjustments processed by PSERS after the fiscal year end.

Mifflinburg Area School District

Schedule of the District's Proportionate Share of the Net Pension Liability - Last 10 Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022
District's proportion of the net pension liability	0.0899%	0.0908%	0.0899%	0.0913%	0.0912%	0.0895%	0.0912%	0.0897%	0.0917%
District's proportionate share of the net pension liability	\$ 36,802,000	\$ 35,939,000	\$ 38,941,000	\$ 45,245,000	\$ 45,042,000	\$ 42,964,000	\$ 42,666,000	\$ 44,167,000	\$ 37,649,000
District's covered payroll	\$ 11,541,645	\$ 11,589,244	\$ 11,564,315	\$ 11,821,224	\$ 12,139,708	\$ 12,054,951	\$ 12,581,036	\$ 12,664,753	\$ 13,015,493
District's proportionate share of the net pension liability as a percentage of its covered payroll	319%	310%	337%	383%	371%	356%	339%	349%	289%
Plan fiduciary net position as a percentage of the total pension liability	54%	57%	54%	50%	52%	54%	54%	54%	54%

The District adopted GASB 68 on a prospective basis; therefore information is presented only for those years for which information is available.

Mifflinburg Area School District

Schedule of District Contributions - Pension Plan - Last 10 Years

Fiscal Year End	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Contractually required contribution	\$ 1,854,279	\$ 2,309,330	\$ 2,959,096	\$ 3,481,271	\$ 3,771,046	\$ 4,064,289	\$ 4,197,746	\$ 4,355,738	\$ 4,618,488
Contributions in relation to the contractually required contribution	<u>1,854,279</u>	<u>2,309,330</u>	<u>2,959,096</u>	<u>3,481,271</u>	<u>3,771,046</u>	<u>4,064,289</u>	<u>4,197,746</u>	<u>4,355,738</u>	<u>4,618,488</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,589,244	\$ 11,564,315	\$ 11,821,224	\$ 12,139,708	\$ 12,054,951	\$ 12,581,036	\$ 12,664,753	\$ 13,015,493	\$ 13,554,756
Contributions as a percentage of covered payroll	16%	20%	25%	29%	31%	32%	33%	33%	34%

The District adopted GASB 68 on a prospective basis; therefore information is presented for those years only for which information is available.

The covered payroll has been revised from prior year presentation to reflect adjustments processed by PSERS after the fiscal year end.

OTHER SUPPLEMENTAL INFORMATION

MIFFLINBURG AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal AL Number	Pass Through Grantors' Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2021	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2022	Subrecipient Expenditures
U.S. DEPARTMENT OF EDUCATION											
Passed Through State Department of Education											
Title I Grants to Local Agencies	(I)	84.010A	013-210252	\$ 540,710	7/1/20 - 9/30/21	\$ 150,935	\$ 150,935	\$ -	\$ -	\$ -	\$ -
Title I Grants to Local Agencies	(I)	84.010A	013-220252	535,239	7/1/21 - 9/30/22	344,089	-	535,239	535,239	191,150	-
Total Title I Grants to Local Agencies				1,075,949		495,024	150,935	535,239	535,239	191,150	-
Title II Supporting Effective Instruction State Grants	(I)	84.367	020-210252	91,318	7/1/20 - 9/30/21	19,265	19,265	-	-	-	-
Title II Supporting Effective Instruction State Grants	(I)	84.367	020-220252	80,755	7/1/21 - 9/30/22	52,591	-	76,478	76,478	23,887	-
Total Title II Supporting Effective Instruction State Grants				172,073		71,856	19,265	76,478	76,478	23,887	-
Title IV Grants to Student Support and Academic Enrichment Program	(I)	84.424	144-210252	35,104	7/1/20 - 9/30/21	4,995	4,995	-	-	-	-
Title IV Grants to Student Support and Academic Enrichment Program	(I)	84.424	144-220252	39,494	7/1/21 - 9/30/22	31,013	-	32,152	32,152	1,139	-
Total Title IV Grants to Student Support and Academic Enrichment Program				74,598		36,008	4,995	32,152	32,152	1,139	-
COVID-19 Education Stabilization Fund (ESSER)	(I)	84.425D	200-200252	378,706	3/13/20 - 9/30/22	39,864	(17,970)	57,834	57,834	-	-
COVID-19 Education Stabilization Fund (ESSER II)	(I)	84.425D	200-210252	1,939,331	3/13/20 - 9/30/22	225,504	-	439,649	439,649	214,145	-
COVID-19 Education Stabilization Fund (ESSER III)	(I)	84.425U	223-210252	3,922,706	3/13/20 - 9/30/22	285,288	-	3,420,681	3,420,681	3,135,393	-
COVID-19 Education Stabilization Fund (ARP - Learning Loss)	(I)	84.425U	225-210252	217,773	3/13/20 - 9/30/22	11,879	-	4,208	4,208	(7,671)	-
COVID-19 Education Stabilization Fund (ARP - Summer Programs)	(I)	84.425U	225-210252	43,555	3/13/20 - 9/30/22	2,376	-	14,376	14,376	12,000	-
COVID-19 Education Stabilization Fund (ARP - After School)	(I)	84.425U	225-210252	43,555	3/13/20 - 9/30/22	2,376	-	43,555	43,555	41,179	-
COVID-19 Education Stabilization Fund (ARP - Homeless)	(I)	84.425U	181-212259	12,440	3/13/20 - 9/30/22	638	-	-	-	(638)	-
Passed Through Pennsylvania Commission on Crime and Delinquency											
COVID-19 Education Stabilization Fund (ESSER)	(I)	84.425D	2020-ES-01 35402	58,818	7/1/20 - 9/30/22	8,776	-	8,776	8,776	-	-
COVID-19 Education Stabilization Fund (ESSER)	(I)	84.425D	2020-ES-01 35402	58,818	7/1/20 - 9/30/22	32,717	-	26,704	26,704	(6,013)	-
Total Education Stabilization Fund				6,675,702		609,418	(17,970)	4,015,783	4,015,783	3,388,395	-
Passed Through State Department of Education											
COVID-19 Special Education Impact Mitigation Grant	(I)	84.027	252-200252	14,649	7/1/20 - 6/30/22	9,766	2,430	7,336	7,336	-	-
Passed Through Intermediate Units											
CENTRAL SUSQUEHANNA INTERMEDIATE UNIT											
Special Education - Grants to States (IDEA, Part B)	(I)	84.027	062-220016	335,338	7/1/21 - 6/30/22	122,796	-	335,338	335,338	212,542	-
COVID-19 Special Education - Grants to States (ARP IDEA, Part B)	(I)	84.027X	062-220016	70,466	7/1/21 - 6/30/22	-	-	70,466	70,466	70,466	-
Special Education - Grants to States (IDEA, 619)	(I)	84.173	131-210016	3,703	7/1/21 - 6/30/22	-	-	3,703	3,703	3,703	-
Total Passed Through Intermediate Units				409,507		122,796	-	409,507	409,507	286,711	-
Total Special Education Cluster				424,156		132,562	2,430	416,843	416,843	286,711	-
TOTAL DEPARTMENT OF EDUCATION				8,422,478		1,344,868	159,655	5,076,495	5,076,495	3,891,282	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES											
Passed Through PA Department of Human Services											
Medical Assistance Program (Medicaid Cluster)	(I)	93.778	N/A	3,601	7/1/21 - 6/30/22	3,601	-	3,601	3,601	-	-
Total U.S. Department of Health and Human Services				3,601		3,601	-	3,601	3,601	-	-
U.S. DEPARTMENT OF AGRICULTURE											
Passed Through State Department of Education:											
State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	(I)	10.649	358	N/A	7/1/21 - 6/30/22	614	-	614	614	-	-
Child Nutrition Cluster											
National School Lunch	(I)	10.555	362	N/A	7/1/21 - 6/30/22	822,597	35,307	787,290	787,290	-	-
National School Lunch	(S)	N/A	N/A	N/A	7/1/21 - 6/30/22	24,917	1,293	23,624	23,624	-	-
School Breakfast	(I)	10.553	365	N/A	7/1/21 - 6/30/22	168,360	-	168,360	168,360	-	-
School Breakfast	(S)	N/A	N/A	N/A	7/1/21 - 6/30/22	6,846	-	6,846	6,846	-	-
Supply Chain Assistance	(I)	10.555	356	N/A	7/1/21 - 6/30/22	39,318	-	39,318	39,318	-	-
SNP Emergency Operating Costs	(I)	10.555	357	N/A	7/1/21 - 6/30/22	47,344	-	47,344	47,344	-	-
PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE:											
National School Lunch Program	(I)	10.555	N/A	N/A	7/1/21 - 6/30/22 (A)	94,277 (B)	-	94,277 (C)	94,277 (D)	-	-
LESS: STATE FUNDS											
Total Child Nutrition Cluster						31,563	1,293	30,270	30,270	-	-
						1,171,896	35,307	1,136,589	1,136,589	-	-
TOTAL DEPARTMENT OF AGRICULTURE						1,172,510	35,307	1,137,203	1,137,203	-	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT											
Passed Through Union County:											
COVID-19 - Community Development Block Grant	(I)	14.228	5330FY20-12570	97,552	7/1/21 - 6/30/22	97,552	-	-	-	(97,552)	-
Total U.S. Department of Housing and Urban Development				97,552		97,552	-	-	-	(97,552)	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 8,523,631		\$ 2,618,531	\$ 194,962	\$ 6,217,299	\$ 6,217,299	\$ 3,793,730	-

Source Code Legend:

- (I) Indicates indirect funding.
- (S) Indicates State matching funding.

*Denotes tested as a major program

Other Code Legend:

- (A) Indicates total commodities received.
- (B) Indicates beginning commodity inventory
- (C) Indicates commodities used.
- (D) Indicates ending commodity inventory

MIFFLINBURG AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

NOTE 1: REPORTING ENTITY

Mifflinburg Area School District (the "District") is the reporting entity for financial reporting purposes as defined in Note 1B to the District's basic financial statements. For purposes of preparing the schedules of expenditures of federal awards, the District's reporting entity is the same that was used for financial reporting.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the District and is presented using the accrual basis of accounting, which is described in Note 1E to the District's basic financial statements. The District did not use the 10% de minimis indirect cost rate.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2022 threshold for determining Type A and Type B programs is \$750,000. The School District had two type A programs.

The following Type A program was audited as major:

Education Stabilization Fund

The amount expended under the program audited as a major federal program for the year ended June 30, 2022, totaled \$4,015,783 or 64.6% of total federal awards expended.

NOTE 4: MEDICAL ASSISTANCE

Access reimbursement received under ALN #93.778, Revenue Code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purpose of the Schedule of Expenditures of Federal Awards.



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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

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Mifflinburg Area School District
Mifflinburg, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mifflinburg Area School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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



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Mifflinburg Area School District

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Zelenkofske Axlerod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, PA
March 27, 2023



Zelenkofske Axlerod LLC

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

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Mifflinburg Area School District
Mifflinburg, Pennsylvania

Report on Compliance for Major Federal Program

Qualified Opinion

We have audited the Mifflinburg Area School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund for the year ended June 30, 2022.

Basis for Qualified Opinion

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

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

Matters Giving Rise to Qualified Opinion on the Education Stabilization Fund

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the following:

Finding #	ALN #	Program Name	Compliance Requirement
2022-003	84.425	Education Stabilization Fund	Equipment and Real Property Management
2022-004	84.425	Education Stabilization Fund	Reporting

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.



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Mifflinburg Area School District

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.



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Board of School Directors
Mifflinburg Area School District

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004 to be material weaknesses.

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 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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Zelenkofske Axelrod LLC

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania
March 27, 2023

MIFFLINBURG AREA 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 no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?
 yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?
 yes none reported

Type of auditor’s report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

<u>ALN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee? yes no

MIFFLINBURG AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding 2022-001

Accounting Records

Criteria: The accounts of the District should include all significant transactions in the period of benefit.

Condition: During the audit, adjustments were required to record additional payables and receivables/revenues.

Cause: Transactions were not recorded in the period of benefit.

Effect: The financial records did not reflect the correct financial activity of the period which would result in a material misstatement of the financial statements.

Questioned Costs: None

Recommendation: The District should ensure that internal control procedures over financial reporting are sufficient to identify and record all material adjustments.

Management's Response: The District will continue to develop and adopt year-end closing procedures with the intent of accurately capturing the District's financial position and activity for the fiscal year end prior to the audit engagement.

Finding 2022-002

Cash Disbursements

Criteria: The expenditures of the District should be approved prior to payment to ensure transactions are recorded in the correct account, amount, and period.

Condition: 3 of the 85 disbursements sampled did not have evidence of approval prior to payment, and 1 was paid in the incorrect amount.

Cause: Controls over expenditures were not functioning as designed since purchase order and/or invoices had no evidence of being approved due to oversight.

Effect: Funds could be misappropriated, and the financial statements materially misstated.

Questioned Costs: None

Recommendation: The District should ensure that internal control procedures over disbursements function as designed.

Management's Response: The District will continue to review its internal control procedures over disbursements and increase its usage of the financial accounting system to aide in the management of the approval process prior to disbursements.

MIFFLINBURG AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2022-003

Equipment and Real Property Management
Education Stabilization Fund (ESSER) – ALN# 84.425

Criteria: Pursuant to 2 CFR part 200 section 439, capital expenditures for equipment are allowable as direct costs, provided that items with a unit cost of the lessor of \$5,000 or the entity's capitalization threshold have the prior written approval of the Federal awarding agency or pass-through entity. Furthermore, section 313(d)(1) specifies that property records must be maintained that include a description of the property, a serial or identification number, the source of funding for the property, who holds title, the acquisition date, and cost of the property.

Condition: During testing, it was noted the District purchased two pieces of equipment over the capitalization threshold using ESSER funds without receiving prior approval from the Pennsylvania Department of Education. These assets were also not included in the District's property records.

Cause: Due to staff oversight, the District was not aware that certain costs needed to be pre-approved under the grant.

Effect: Internal controls are not functioning as designed and the District is not in compliance with equipment and real property management requirements of the program.

Questioned Costs: None

Recommendation: The District should establish procedures to ensure all equipment purchased with grant funding is appropriately approved prior to purchase and property records are maintained in sufficient detail to allow for the adequate tracking of all equipment purchased with grant funds.

Management's Response: The District obtained guidance from PDE resources on the approval process for equipment over the capitalization threshold when utilizing ESSER funds. The District further identified its capitalization threshold of \$1,500 is lower than the standard minimum capitalization threshold of \$5,000. The capitalization policy will be updated. The value of any single item for inclusion in the fixed assets accounts shall be not less than \$5,000 and have an estimated useful life of one (1) year or more.

MIFFLINBURG AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

<u>Finding 2022-004</u>	<u>Reporting</u> Education Stabilization Fund (ESSER) – ALN# 84.425
Criteria:	Pursuant to 2 CFR part 200 section 302(b)(2), a non-Federal entity must provide for accurate, current, and complete disclosure of the financial results of each Federal award or program.
Condition:	During testing, it was noted two of the four PDE-2030 reports did not contain accurate information as the expenditures reported did not agree to the District's general ledger.
Cause:	Due to oversight, the District was not reporting expenditures on a cumulative basis.
Effect:	Internal controls are not functioning as designed and the District is not in compliance with reporting requirements of the program.
Questioned Costs:	None
Recommendation:	The District should develop procedures to ensure accurate information is reported to allow for adequate tracking of the financial results of each Federal award. In addition, reports should be reviewed by an appropriate individual prior to submission to ensure the data entered into the reports is consistent with the District's records.
Management's Response:	The District developed procedures for assigning expenditures for State and Federal awards and created reporting specific to funding sources to identify all awards. Prior to submissions to reporting agencies, quarterly and annual reports will be reviewed by the Business Administrator to ensure accuracy for the reporting period(s).

MIFFLINBURG AREA SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Program</u>	<u>Prior Year Finding</u>	<u>Description</u>	<u>Current Year Status</u>
None noted.			