

JOHNSONBURG AREA SCHOOL DISTRICT

***FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION***

FISCAL YEAR ENDED JUNE 30, 2022

***WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS***

JOHNSONBURG AREA SCHOOL DISTRICT

2022 FINANCIAL STATEMENTS

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TRANSMITTAL LETTER

**Pennsylvania Department of Education
Bureau of Budgets and Fiscal Management
Bureau Director
333 Market Street – 4th Floor
Harrisburg, PA 17126-0333**

Enclosed you will find the audit package for the **Johnsonburg Area School District** for the year ended June 30, 2022.

We have audited the financial statements of the **Johnsonburg Area School District** for the year ended June 30, 2022 and have issued our report thereon dated December 14, 2022. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In addition, we have issued a management letter dated December 14, 2022, which is included in the audit package.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 14, 2022**

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF REPORT DISTRIBUTION

<u>Agency</u>	<u>No. of Copies</u>
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Commonwealth of Pennsylvania Bureau of Audits 555 Walnut Street – 8 th Floor Harrisburg, Pennsylvania 17101	1

INDEPENDENT AUDITOR'S REPORT

**To the President and Members of
The Board of Education
Johnsonburg Area School District
Johnsonburg, Pennsylvania**

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Prior Period Adjustment

As described in Note to the financial statements, a correction was made to the District's capital asset records that resulted in a prior period adjustment. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the *Johnsonburg Area School District's* June 30, 2021 financial statements, and our report dated December 14, 2021, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5 through 12), schedule of changes in the District's net OPEB liability and related ratios – District plan (page 41), schedule of changes in the District's net OPEB liability and related ratios – PSERS plan (page 42), schedule of District contributions – OPEB – District plan (page 43), schedule of District contributions – OPEB – PSERS plan (page 44), schedule of District's proportionate share of the net pension liability (page 45) and the schedule of District contributions - pension (page 46) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Johnsonburg Area School District's** basic financial statements. The comparative statements of revenue and expenditures – general fund, statement of cash receipts and disbursements – activity fund, and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative statements of revenue and expenditures – general fund, statement of cash receipts and disbursements – activity fund, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2022, on our consideration of the **Johnsonburg Area School District's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the **Johnsonburg Area School District's** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Johnsonburg Area School District's** internal control over financial reporting and compliance.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 14, 2022**

**JOHNSONBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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I. Discussion and Analysis

The following is a discussion and analysis of the *Johnsonburg Area School District's* financial performance for the year ended June 30, 2022. The section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which follows this section.

II. Financial Highlights

The following items are the financial highlights experienced by the *Johnsonburg Area School District* during the fiscal year ended June 30, 2022:

- Overall net position from operations of the District increased \$2,400,194 during the fiscal year ended June 30, 2022. This increase was the result of a surplus from current year operations of which \$2,270,997 was related to governmental activities and a surplus of \$129,197 which was related to business-type activities.
- The District's total revenue increased \$453,011 from \$11,557,186 during year ended June 30, 2021 to \$12,010,197 during June 30, 2022 or 4% due to an increase in operating grants and contributions including grants related to the COVID-19 pandemic and federal reimbursements of meals in the food service fund.
- The District's total expenses decreased \$186,256 from \$9,796,259 during the year ended June 30, 2021 to \$9,610,003 during the year ended June 30, 2022. This decrease was the result of a decrease in the actuarially calculated pension expenses.
- The District had capital additions during the current fiscal year of approximately \$81,000, which was comprised of \$75,000 in the governmental activities and \$ 6,000 in the business-type activities.

III. Overview of the Financial Statements

This annual report consists of three parts: MD&A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of *Johnsonburg Area School District*.

A. Reporting the School District as a Whole (District-wide Financial Statements):

The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. Activities that are fiduciary in nature are not included in these statements.

1. Statement of Net Position

The Statement of Net Position (page 13) shows the School District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and the net position. The Statement categorizes assets to show that some assets are very liquid, such as cash and cash equivalents. Some assets are restricted for certain purposes or reserved for emergencies and cash flow purposes. Some assets are invested in "fixed" or "capital" assets, such as buildings, equipment and other long-lived property; and some assets are available to fund budgets of the following year.

2. Statement of Activities

The Statement of Activities (page 14) shows amounts of program-specific and general District revenue used to support the various functions.

The Statement of Net Position and Statement of Activities divide the activities of the District into two categories: governmental activities (the school functions, including instruction, support services, non-instructional services, etc.; property taxes, state and federal revenue usually support most of these functions) and proprietary activities.

The two district-wide statements report the School District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and the District's liabilities and deferred inflows of resources – is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

**JOHNSONBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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**III. Overview of the Financial Statements
(continued)**

B. *Reporting the District's Most Significant Funds (Fund Financial Statements):*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to the District's operations, and the existence of legal budget requirements. Internal Service funds are never reported as major funds, but are combined and presented in a separate column.

The District has two kinds of funds:

1. Governmental Funds

Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end that are available for spending. Consequently the governmental funds statements provide a detailed short-term

**III. Overview of the Financial Statements
(continued)**

B. *Reporting the District's Most Significant Funds (Fund Financial Statements) (continued):*

1. Governmental Funds (continued)

view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

2. Fiduciary Funds

The District does not have activities that qualify for reporting as a fiduciary.

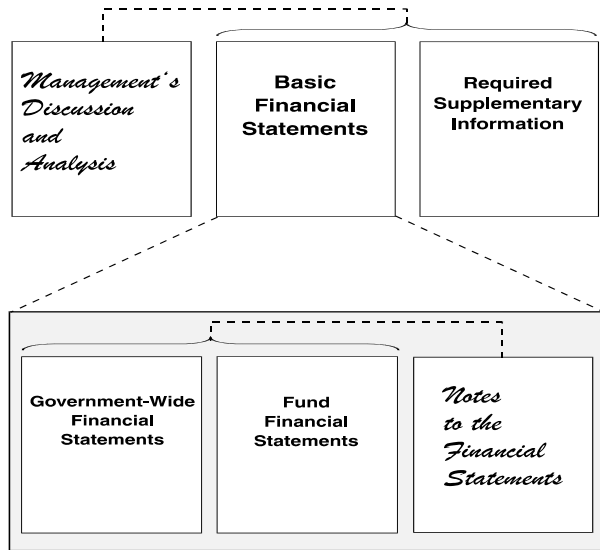
Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

	Fund Financial Statements		
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Funds used to account for resources held for the benefit of parties outside the District
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflow/liability/deferred inflow information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term	Generally, assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows (if any), liabilities, and deferred inflows (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**JOHNSONBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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Figure A-2 - Required Components of the District's Annual Financial Report



Summary  **Detail**

IV. Financial Analysis of the School District as Whole

Net Position - Deficit

The District's total reporting entity net position was a deficit of \$615,793 as of June 30, 2022. The components of net position include: invested in capital assets, net of related debt of \$7,116,794 and an unrestricted net deficit of \$7,732,587.

Changes in Net Position

The District's total government-wide revenue increased by 4% to \$12,010,197. Approximately 22%, 30% and 46% of total revenue is derived from the property taxes, operating grants and state sources, respectively. The remaining 2% comes from federal aid, interest earned, local sources, charges for services and other sources.

The total cost of all programs and services of the District decreased 2% to \$9,610,003. The District's expenses cover a range of services, with 56% related to instruction and 37% related to support services.

Figure A-3 – Condensed Statement of Net Position

<i>Johnsonburg Area School District</i> Condensed Statement of Net Position									
	Governmental Activities			Business-type Activities			Total		
	2022	2021	% Change	2022	2021	% Change	2022	2021	% Change
Assets									
Current and other assets	\$ 7,234,585	\$ 5,922,496	22%	\$ 267,770	\$ 142,861	87%	\$ 7,502,355	\$ 6,065,357	24%
Capital assets	7,095,695	7,342,393	-3%	21,099	18,130	n/a	7,116,794	7,360,523	-3%
Total assets	14,330,280	13,264,889	8%	288,869	160,991	79%	14,619,149	13,425,880	9%
Deferred Outflows of Resources	2,757,222	2,429,281	13%	-	-	n/a	2,757,222	2,429,281	13%
Total deferred outflows of resources and assets	\$ 17,087,502	\$ 15,694,170	9%	\$ 288,869	\$ 160,991	79%	\$ 17,376,371	\$ 15,855,161	10%
Liabilities									
Other liabilities	\$ 1,040,976	\$ 936,596	11%	\$ 46,070	\$ 47,389	-3%	\$ 1,087,046	\$ 983,985	10%
Long-term debt outstanding	13,964,524	16,135,980	-13%	-	-	n/a	13,964,524	16,135,980	-13%
Total liabilities	15,005,500	17,072,576	-12%	46,070	47,389	-3%	15,051,570	17,119,965	-12%
Deferred Inflows of Resources	2,940,594	1,834,540	60%	-	-	n/a	2,940,594	1,834,540	60%
Net position (deficit)									
Net investment in capital assets	7,095,695	7,342,393	-3%	21,099	18,130	n/a	7,116,794	7,360,523	-3%
Unrestricted Board designated and Undesignated (deficit)	(7,954,287)	(10,555,339)	-25%	221,700	95,472	0%	(7,732,587)	(10,459,867)	-26%
Total net position (deficit)	(858,592)	(3,212,946)	-73%	242,799	113,602	114%	(615,793)	(3,099,344)	-80%
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 17,087,502	\$ 15,694,170	9%	\$ 288,869	\$ 160,991	79%	\$ 17,376,371	\$ 15,855,161	10%

**JOHNSONBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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Figure A-4 – Changes in Net Position from Operating Results

Johnsonburg Area School District Changes in Net Position from Operating Results									
	Governmental Activities			Business-type activities			Total		
	2022	2021	% Change	2022	2021	% Change	2022	2021	% Change
Revenue									
Program revenue									
Charges for services	\$ 27,977	\$ 17,465	60%	\$ 69,819	\$ 38,255	83%	\$ 97,796	\$ 55,720	76%
Operating grants and contributions	3,279,076	2,978,981	10%	410,462	279,096	47%	3,689,538	3,258,077	13%
General revenue									
Taxes	2,632,268	2,621,108	0%	-	-	n/a	2,632,268	2,621,108	0%
Interest earned	4,028	7,480	-46%	81	82	-1%	4,109	7,562	-46%
Local sources	91,693	161,041	-43%	-	-	n/a	91,693	161,041	-43%
State sources	5,494,793	5,453,678	1%	-	-	n/a	5,494,793	5,453,678	1%
Total revenue	11,529,835	11,239,753	3%	480,362	317,433	51%	12,010,197	11,557,186	4%
Expenses									
Instruction	5,403,244	5,477,331	-1%	-	-	n/a	5,403,244	5,477,331	-1%
Support services	3,526,909	3,749,099	-6%	-	-	n/a	3,526,909	3,749,099	-6%
Non-instructional services	328,685	262,347	25%	-	-	n/a	328,685	262,347	25%
Business-type (food service fund)	-	-	n/a	351,165	307,482	14%	351,165	307,482	14%
Total expenses	9,258,838	9,488,777	-2%	351,165	307,482	14%	9,610,003	9,796,259	-2%
Change in net position	\$ 2,270,997	\$ 1,750,976		\$ 129,197	\$ 9,951		\$ 2,400,194	\$ 1,760,927	

**IV. Financial Analysis of the School District as Whole
(continued)**

Figure A-5 through figure A-8 and the narrative that follows considers the operations of governmental activities, along with revenue and net costs percentages for governmental activities.

Governmental Activities - Revenue

Revenue of the District's governmental activities increased 3%, while total expenses decreased 2%. The District's total net position increased \$2,270,997 during the fiscal year ended June 30, 2022.

Figure A-4 presents the major sources of revenue of the District's governmental activities. Revenue of the District totaled \$11,529,835 for the fiscal year ended June 30, 2022. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Tax revenue which represents approximately 22% of the District's total revenue for governmental activities increased 0% during the year ended June 30, 2022.
- The District's state sources which represent \$5,494,793 or 46% of total governmental revenue increased approximately 1% in comparison with the prior year.

**IV. Financial Analysis of the School District as Whole
(continued)**

Governmental Activities - Revenue (continued)

- During the year ended June 30, 2022, the District saw an increase in program revenue, which mostly resulted from an increase in charges for services and an increase in operating grants and contributions of \$10,512 and \$300,095, respectively, in comparison with the prior year revenue. The increase in operating grants and contributions can be primarily attributed to an increase in Covid-19 pandemic related grants.

Governmental Activities - Expenses

Figure A-8 presents the cost of each of the District's five largest expenditure-type, which include; instruction, support services, non-instructional services and other financing uses (refund of prior year revenue and debt service – interest); as well as each expenditure-type's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the financial burden that was placed on the District's taxpayers and Commonwealth of Pennsylvania by each of these functions. Total costs of the District's governmental activities were \$9,258,838.

**JOHNSONBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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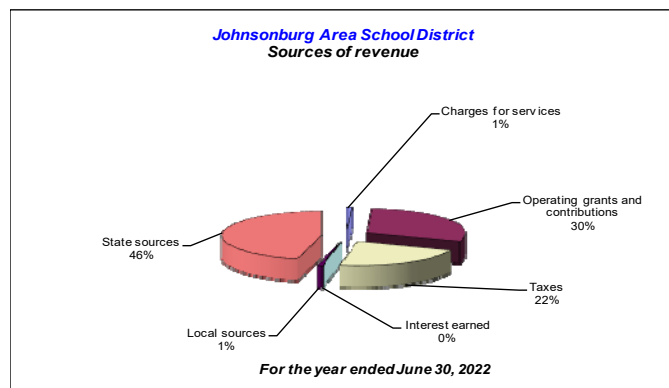
**IV. Financial Analysis of the School District as Whole
(continued)**

Governmental Activities - Expenses (continued)

The most significant changes in the District's governmental expenses are more thoroughly discussed as follows:

- The District's instruction costs decreased by \$74,087 or 1% which was primarily due to a decrease in pension expense related to an actuarial update.
- The District's support services costs decreased by \$222,190 or 6% during the year ended June 30, 2022 due to a decrease in pension expense related to an actuarial update.
- Non-instructional costs of the District increased \$66,338 or 25% during the year ended June 30, 2022 due to an increase in supplies.

Figure A-5 – District-wide Sources of Revenue

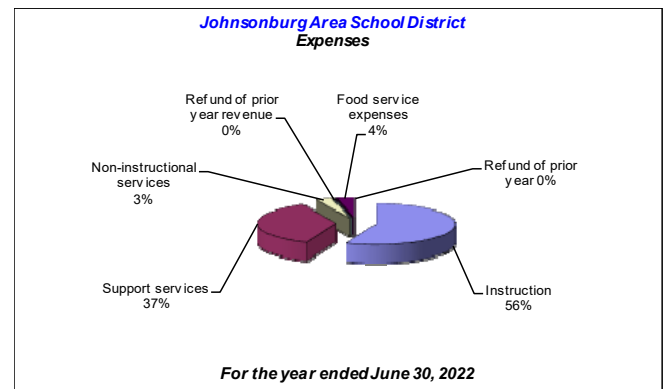


**IV. Financial Analysis of the School District as Whole
(continued)**

Governmental Activities - Expenses (continued)

- For governmental activities, the District received \$3,307,053 of operating grants and charges for services from its state and federal grants which subsidized certain programs of the District.
- Most of the District's net costs (\$6.0 million) were financed by real property taxes and state aid.

Figure A-6 – District-wide Expenses



**JOHNSONBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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Figure A-7 – Expenditures Supported with Program Revenue

Johnsonburg Area School District													
Expenditures supported with program revenue													
	Governmental Activities				Business-type Activities				Total				
	2022		2021		2022		2021		2022		2021		
Expenditures supported with general revenue (from taxes & other sources)	\$ 5,951,785	64%	\$ 6,492,331	68%	\$ (129,116)	-37%	\$ (9,869)	-3%	\$ 5,822,669	61%	\$ 6,482,462	66%	
Expenditures supported with program revenue	3,307,053	36%	2,996,446	32%	480,281	137%	317,351	103%	3,787,334	39%	3,313,797	34%	
Total expenditures related to governmental activities	\$ 9,258,838	100%	\$ 9,488,777	100%	\$ 351,165	100%	\$ 307,482	100%	\$ 9,610,003	100%	\$ 9,796,259	100%	

Figure A-8 – Net Cost of Governmental Activities

<i>Johnsonburg Area School District</i> <i>Net Cost of District-wide expenses</i>									
	Total cost of services				Net cost of services				
	2022	2021	Change		2022	2021	Change		
Instruction	\$ 5,403,244	\$ 5,477,331	\$ (74,087)		\$ 3,019,026	\$ 3,265,281	\$ (246,255)		
Support services	3,526,909	3,749,099	(222,190)		2,645,651	2,993,333	(347,682)		
Non-instructional services	328,685	262,347	66,338		287,108	233,717	53,391		
Food service	351,165	307,482	43,683		(129,116)	(9,869)	(119,247)		
Total	\$ 9,610,003	\$ 9,796,259	\$ (186,256)		\$ 5,822,669	\$ 6,482,462	\$ (659,793)		

V. Financial Analysis of the School District's Funds

It is important to note that variances between years for the governmental fund financial statements (Balance Sheets and Statement of Revenue, Expenditures and Changes in Fund Equity) are not the same as variances between years for the District-wide financial statements (Statement of Net Position and Statement of Activities). The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting, while the statement of net position are presented on the full accrual method of accounting. Therefore, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds.

Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt. Below is a description of the most significant changes to the fund financial statements from that reported in the previous year.

**V. Financial Analysis of the School District's Funds
(continued)**

General Fund

- The District's general fund revenues exceeded its expenditures by approximately \$1,208,000.
- The District's general fund had committed fund balance of \$3,600,000 as of June 30, 2022.
- The District's general fund unassigned fund balance equated to approximately \$2,336,000 as of June 30, 2022.
- The District's total assets increased approximately \$1,276,000 while liabilities increased \$107,000 during the year ended June 30, 2022. The increase in assets was primarily due to an increase in cash, while the increase in liabilities was associated with an increase in accounts payable and accrued expenses.
- Total revenue in the District's general fund increased \$202,000, while total expenditures and other uses increased \$239,000. The increase in revenue was primarily related to an increase in federal revenues due to Covid-19 pandemic related grants. The increase in expenditures primarily resulted from an increase in instructional expenses.

**JOHNSONBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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VI. General Fund Budgetary Highlight

Over the course of the year, the District has the ability to make budget transfers. After such transfers, the revised budget presents actual expenditures being \$576,933 below the revised budget. The most significant variances were in the area of operating transfers and budgetary reserves and support services which totaled \$235,000 and \$262,642 below that budgeted. On the other hand, resources available for appropriations were \$604,704 above the final budgeted amount. Significant variance of revenue items consisted of State and Federal sources which was \$218,733 and \$299,479, respectively above the revised budget.

Figure A-9 – General Fund Budget vs. Actual

<i>Johnsonburg Area School District</i> General Fund - Budget vs Actual Comparison				
	Revised Budget	Actual	Difference	%
Revenue				
Local sources	\$ 2,886,356	\$ 2,972,848	\$ 86,492	3%
State sources	7,693,040	7,911,773	218,733	3%
Federal sources	292,336	591,815	299,479	102%
Total revenue	\$ 10,871,732	\$ 11,476,436	\$ 604,704	6%
Expenditures				
Instruction	\$ 6,141,848	\$ 6,066,295	\$ 75,553	1%
Support services	4,110,405	3,847,763	262,642	6%
Non-instructional services	258,116	293,027	(34,911)	-14%
Facilities acquisition and construction	100,000	61,351	38,649	39%
Operating transfers and reserve	235,000	-	235,000	n/a
Total expenditures	\$ 10,845,369	\$ 10,268,436	\$ 576,933	5%

VII. Capital Asset and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2022, the District had invested \$7,117,000 in a broad range of capital assets, including reconstruction projects and other various equipment. Capital additions made during the year ended June 30, 2022, totaled approximately \$81,000. More detailed information about the District's capital assets is presented in the notes of the financial statements.

Long-term Debt

As depicted in Figure A-11, as of June 30, 2022, the District had approximately \$13,965,000 in OPEB liability, net pension liability, and compensated absences. Total long-term debt decreased approximately 13% as compared with the previous year, primarily due to a decrease in net pension liability as a result in an actuarial update.

Figure A-10 – Capital Assets

<i>Johnsonburg Area School District</i> Capital Assets (net of depreciation)			
	Governmental Activities & Total District-wide		
	2022	2021	Change
Land and site improvements	\$ 350,769	\$ 429,905	-18%
Building and construction-in-progress	6,563,707	6,862,423	-4%
Furniture and equipment	182,999	48,828	275%
Transportation vehicles	19,319	19,367	n/a
Total Capital Assets, net	\$ 7,116,794	\$ 7,360,523	-3%

Figure A-11 – Outstanding Long-term Debt

<i>Johnsonburg Area School District</i> Outstanding Long-Term Debt and Liabilities			
	Governmental Activities & Total District-wide		
	2022	2021	Change
OPEB liability	\$ 1,259,131	\$ 1,227,962	3%
Net pension liability	12,645,000	14,870,000	-15%
Compensated absences	60,393	38,018	59%
Total Long-Term Debt	\$ 13,964,524	\$ 16,135,980	-13%

VIII. Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District is uncertain as to the ongoing impact in the upcoming years as a result of the Covid-19 Pandemic.
- The District continues to note a decline in general student enrollment, however projections are showing that the decline has begun to level off.

IX. Contacting the District's Financial Management

This financial report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, please contact:

Johnsonburg Area School District
District Administrative Offices
Attention: Ms. Linda Benson
Business Manager
315 High School Road
Johnsonburg, PA 15845

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2022

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	2022			2021
	Governmental Activities	Business-Type Activities	Total	Total
Assets				
Cash	\$ 5,999,584	\$ 223,341	\$ 6,222,925	\$ 5,192,657
Receivables				
Taxes, net	326,193	-	326,193	344,839
State and federal aid	623,280	-	623,280	421,859
Other receivables	248,718	38,864	287,582	22,558
Due from other governments	-	1,874	1,874	7,106
Due from business-type activities	29,736	-	29,736	29,736
Inventories	-	3,691	3,691	664
Prepaid expenses	7,074	-	7,074	45,938
Capital assets, net	7,095,695	21,099	7,116,794	7,360,523
Total assets	14,330,280	288,869	14,619,149	13,425,880
Deferred Outflows of Resources				
Deferred outflows related to pension	2,528,022	-	2,528,022	2,260,942
Deferred outflows related to OPEB	229,200	-	229,200	168,339
Total deferred outflows of resources	2,757,222	-	2,757,222	2,429,281
Total assets and deferred outflows of resources	\$ 17,087,502	\$ 288,869	\$ 17,376,371	\$ 15,855,161
Liabilities				
Current liabilities				
Accounts payable	\$ 167,094	\$ 7,921	\$ 175,015	\$ 109,742
Accrued liabilities	873,882	-	873,882	838,665
Unearned revenue	-	8,413	8,413	5,842
Due to governmental activities	-	29,736	29,736	29,736
Long-term liabilities				
Other post-employment benefits	1,259,131	-	1,259,131	1,227,962
Compensated absences	60,393	-	60,393	38,018
Net pension liability	12,645,000	-	12,645,000	14,870,000
Total liabilities	15,005,500	46,070	15,051,570	17,119,965
Deferred Inflows of Resources				
Deferred inflows related to pension	2,619,000	-	2,619,000	1,546,000
Deferred inflows related to OPEB	321,594	-	321,594	288,540
Total deferred inflows of resources	2,940,594	-	2,940,594	1,834,540
Net Position (deficit)				
Net investment in capital assets	7,095,695	21,099	7,116,794	7,360,523
Unrestricted				
Board designated	3,600,000	-	3,600,000	2,300,000
Undesignated (deficit)	(11,554,287)	221,700	(11,332,587)	(12,759,867)
Total net position (deficit)	(858,592)	242,799	(615,793)	(3,099,344)
Total liabilities, deferred inflows of resources & net position (deficit)	\$ 17,087,502	\$ 288,869	\$ 17,376,371	\$ 15,855,161

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

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	2022							2021
	Expenses	Indirect Expenses Allocation	Program Revenues Charges for Services	Operating Grants	Net (Expense) Governmental Activities	Revenue and Changes in Net Position Business-Type Activities	Total	Net (Expense) Revenue and Changes in Net Position
Functions/Programs								
Governmental Activities:								
Instruction	\$ 5,159,192	\$ 244,052	\$ 15,061	\$ 2,369,157	\$ (3,019,026)	\$ -	\$ (3,019,026)	\$ (3,265,281)
Instructional student support	569,050	30,192	-	197,219	(402,023)	-	(402,023)	(427,944)
Administrative and financial support services	1,011,899	47,612	-	177,466	(882,045)	-	(882,045)	(1,029,167)
Operation and maintenance of plant services	1,174,085	52,742	-	154,961	(1,071,866)	-	(1,071,866)	(1,113,915)
Pupil transportation	515,772	19,292	-	271,612	(263,452)	-	(263,452)	(284,872)
Central support	82,992	-	-	80,000	(2,992)	-	(2,992)	(112,913)
Other support services	23,273	-	-	-	(23,273)	-	(23,273)	(24,522)
Student activities	317,679	11,006	12,916	28,661	(287,108)	-	(287,108)	(233,717)
Depreciation	404,896	(404,896)	-	-	-	-	-	-
Total governmental activities	9,258,838	-	27,977	3,279,076	(5,951,785)	-	(5,951,785)	(6,492,331)
Business-type activities:								
Food services	351,165	-	69,819	410,462	-	129,116	129,116	9,869
Total functions and programs	\$ 9,610,003	\$ -	\$ 97,796	\$ 3,689,538	(5,951,785)	129,116	(5,822,669)	(6,482,462)

See accompanying independent auditor's report and notes to financial statements.

General Revenues

Real property taxes, levied for general purposes	1,973,176	-	1,973,176	1,951,855
Other taxes levied	659,092	-	659,092	669,253
Interest earnings	4,028	81	4,109	7,562
Other local sources	91,693	-	91,693	161,041
State sources	5,494,793	-	5,494,793	5,453,678
	<hr/>			
Total general revenues	8,222,782	81	8,222,863	8,243,389
	<hr/>			
Change in net position	2,270,997	129,197	2,400,194	1,760,927
Net position (deficit) - beginning of year	(3,212,946)	113,602	(3,099,344)	(4,903,453)
Prior period adjustments	83,357	-	83,357	43,182
	<hr/>			
Net position (deficit) - end of year	\$ (858,592)	\$ 242,799	\$ (615,793)	\$ (3,099,344)
	<hr/>			

JOHNSONBURG AREA SCHOOL DISTRICT
COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022

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	Governmental Funds			
			2022	2021
			(Memo only)	(Memo only)
	General Fund	Special Revenue	Total	Total
Assets				
Unrestricted cash and cash equivalents	\$ 5,963,495	\$ 36,089	\$ 5,999,584	\$ 5,096,430
Taxes receivable	332,093	-	332,093	350,739
State and federal aid receivable	623,280	-	623,280	421,859
Other receivables	248,718	-	248,718	22,558
Due from food service fund	29,736	-	29,736	29,736
Prepaid expenses	7,074	-	7,074	7,074
Total assets	\$ 7,204,396	\$ 36,089	\$ 7,240,485	\$ 5,928,396
Liabilities, Deferred Inflows of Resources and Fund Equity				
Liabilities				
Accounts payable	\$ 167,094	\$ -	\$ 167,094	\$ 97,931
Accrued salaries and benefits	875,985	-	875,985	832,454
Payroll deductions and withholdings	(2,103)	-	(2,103)	6,211
Total liabilities	1,040,976	-	1,040,976	936,596
Deferred Inflows				
Revenues not available - taxes	220,041	-	220,041	217,303
Fund Equity				
Nonspendable	7,074	-	7,074	7,074
Committed	3,600,000	36,089	3,636,089	2,339,118
Unassigned	2,336,305	-	2,336,305	2,428,305
Total fund equity	5,943,379	36,089	5,979,468	4,774,497
Total liabilities, deferred inflows of resources and fund equity	\$ 7,204,396	\$ 36,089	\$ 7,240,485	\$ 5,928,396

JOHNSONBURG AREA SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
EQUITY - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

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	Governmental Funds			
			2022	2021
			(Memo only)	(Memo only)
	General Fund	Special Revenue	Total	Total
Revenue				
Local sources	\$ 2,972,848	\$ 50,661	\$ 3,023,509	\$ 3,104,004
State sources	7,911,773	-	7,911,773	7,828,693
Federal sources	591,815	-	591,815	341,315
Total revenue and other sources	11,476,436	50,661	11,527,097	11,274,012
Expenditures				
Instruction	6,066,295	-	6,066,295	5,888,777
Support services	3,847,763	-	3,847,763	3,799,058
Noninstructional services	293,027	53,690	346,717	269,669
Facility acquisition, construction, and improvement services	61,351	-	61,351	71,456
Total expenditures and other financing uses	10,268,436	53,690	10,322,126	10,028,960
Excess (deficiency) of revenue and other sources over expenditures and other financing uses	1,208,000	(3,029)	1,204,971	1,245,052
Fund equity, beginning of year	4,735,379	39,118	4,774,497	3,486,263
Prior period adjustment	-	-	-	43,182
Fund equity, end of year	\$ 5,943,379	\$ 36,089	\$ 5,979,468	\$ 4,774,497

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

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	Original Budget	Revised Budget	Current Year's Actual	Favorable (Unfavorable) Revised Budget
Revenues				
Local sources	\$ 2,886,356	\$ 2,886,356	\$ 2,972,848	\$ 86,492
State sources	7,693,040	7,693,040	7,911,773	218,733
Federal sources	292,336	292,336	591,815	299,479
Total revenue	10,871,732	10,871,732	11,476,436	604,704
Expenditures				
Instruction				
Regular programs	4,278,680	4,278,680	4,253,236	25,444
Special programs	1,300,560	1,300,560	1,272,685	27,875
Vocational education programs	219,635	219,635	196,790	22,845
Other instructional programs	204,986	204,986	205,909	(923)
Pre-kindergarten program	137,987	137,987	137,675	312
Total instruction	6,141,848	6,141,848	6,066,295	75,553
Support Services				
Pupil personnel	444,129	444,129	392,840	51,289
Instructional staff	148,315	148,315	158,599	(10,284)
Administration	902,704	902,704	823,937	78,767
Pupil health	146,253	146,253	140,045	6,208
Business	401,756	401,756	383,480	18,276
Operation and maintenance	1,368,022	1,368,022	1,329,817	38,205
Student transportation services	596,226	596,226	515,772	80,454
Central support services	80,000	80,000	80,000	-
Other support services	23,000	23,000	23,273	(273)
Total support services	4,110,405	4,110,405	3,847,763	262,642
Noninstructional services				
Student activities	258,116	258,116	293,027	(34,911)
Total noninstructional services	258,116	258,116	293,027	(34,911)
Facilities acquisition, construction and improvement services				
	100,000	100,000	61,351	38,649
Other financing uses				
Budgetary reserve	165,000	165,000	-	165,000
Interfund transfers	70,000	70,000	-	70,000
Total other financing uses	235,000	235,000	-	235,000
Total expenditures and other financing uses	10,845,369	10,845,369	10,268,436	576,933
Excess (deficiency) of revenue and other sources over expenditures and other financing uses	\$ 26,363	\$ 26,363	1,208,000	\$ 1,181,637
Fund equity, beginning of year			4,735,379	
Fund equity, end of year			\$ 5,943,379	

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
AS OF JUNE 30, 2022

Page 18

	2022	2021
Assets		
Cash and cash equivalents	\$ 223,341	\$ 96,227
State and federal aid receivable	1,874	7,106
Advance to/Receivable from third party provider	38,864	38,864
Inventories	3,691	664
Capital assets, net	21,099	18,130
Total assets	\$ 288,869	\$ 160,991
Liabilities		
Accounts payable	\$ 7,921	\$ 11,811
Unearned revenue	8,413	5,842
Due to general fund	29,736	29,736
Total liabilities	46,070	47,389
Net Position		
Invested in capital assets	21,099	18,130
Unrestricted	221,700	95,472
Total net position	242,799	113,602
Total liabilities and net position	\$ 288,869	\$ 160,991

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

Page 19

	2022	2021
Operating revenue		
Food service revenue	\$ 52,819	\$ 38,255
Operating expenses		
Cost of sales	22,209	13,006
Contractual	325,840	290,948
Depreciation	3,116	3,136
Other operating expenses	-	392
Total operating expenses	351,165	307,482
Net operating loss	(298,346)	(269,227)
Non-operating revenues		
State sources	11,748	10,082
Federal sources	398,714	269,014
Other grants	17,000	-
Interest income	81	82
Total non-operating revenues	427,543	279,178
Change in net position	129,197	9,951
Total net position, beginning	113,602	79,030
Prior period adjustment	-	24,621
Total net position, ending	\$ 242,799	\$ 113,602

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

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	2022	2021
Cash flows from operating activities		
Cash received from sale of meals	\$ 55,390	\$ 30,809
Cash paid to or reimbursed from vendors and other funds	(332,757)	(283,974)
Net cash used in operating activities	(277,367)	(253,165)
Cash flows from non-capital financing activities		
Other grants	17,000	-
State sources	11,947	9,826
Federal sources	381,538	249,158
Net cash provided by non-capital financing activities	410,485	258,984
Cash flows from investing activities		
Purchase of capital assets	(6,085)	-
Interest received	81	82
Net cash provided by (used in) investing activities	(6,004)	82
Net change in cash	127,114	5,901
Cash balance, beginning of year	96,227	90,326
Cash balance, end of year	\$ 223,341	\$ 96,227
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (298,346)	\$ (269,227)
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation	3,116	3,136
Non-cash items (donated commodities)	22,209	13,006
Changes in assets and liabilities:		
Change in advance to/receivable from third party provider	-	1,434
Change in inventory	(3,027)	1,197
Change in unearned revenue	2,571	(7,446)
Change in operating receivables/payables	(3,890)	4,735
Net cash used in operating activities	\$ (277,367)	\$ (253,165)
Supplemental Schedule of Non-Cash Activities		
Activities not affecting cash flows are as follows:		
Surplus food	\$ 22,209	\$ 13,006
Total non-cash activity	\$ 22,209	\$ 13,006

JOHNSONBURG AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2022

Total fund balances - governmental funds \$ 5,979,468

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets consist of the following at year-end:

Cost of the assets	\$ 21,132,900	
Accumulated depreciation	<u>(14,037,205)</u>	7,095,695

Property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows or resources in the funds. The District has also reserved approximately 2% or \$5,900 of delinquent taxes receivable. 214,141

Net deferred outflows (inflows) of resources related to actuarial pension differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, pension expense is based on required contributions. (90,978)

Net deferred outflows (inflows) of resources related to actuarial OPEB differences are reported on the statement of net position and amortized over the average members' years of service. In the governmental funds, OPEB expense is based on required contributions. (92,394)

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 the following:

Other post-employment benefits	(1,259,131)	
Compensated absences	(60,393)	
Net pension liability	<u>(12,645,000)</u>	<u>(13,964,524)</u>

Total net position (deficit) - governmental activities \$ (858,592)

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Net Position
Assets					
Cash	\$ 5,999,584	\$ -	\$ -	\$ -	\$ 5,999,584
Taxes receivable	332,093	(5,900)	-	-	326,193
State and federal aid receivable	623,280	-	-	-	623,280
Other receivables	248,718	-	-	-	248,718
Due from food service fund	29,736	-	-	-	29,736
Prepaid expenses	7,074	-	-	-	7,074
Capital assets, net	-	7,095,695	-	-	7,095,695
Total assets	7,240,485	7,089,795	-	-	14,330,280
Deferred outflows of resources					
Deferred outflows related to pensions and OPEB	-	2,757,222	-	-	2,757,222
Total assets and deferred outflows of resources	\$ 7,240,485	\$ 9,847,017	\$ -	\$ -	\$ 17,087,502
Liabilities, Deferred Inflows of Resources & Fund Equity/Net Position (deficit)					
Liabilities					
Accounts payable	\$ 167,094	\$ -	\$ -	\$ -	\$ 167,094
Accrued liabilities	873,882	-	-	-	873,882
Other post-employment benefits	-	-	1,259,131	-	1,259,131
Compensated absences	-	-	60,393	-	60,393
Net pension liability	-	-	12,645,000	-	12,645,000
Total liabilities	1,040,976	-	13,964,524	-	15,005,500
Deferred inflows of resources					
Revenues not available - taxes	220,041	-	(220,041)	-	-
Deferred inflows related to pensions and OPEB	-	-	2,940,594	-	2,940,594
Total deferred inflows of resources	220,041	-	2,720,553	-	2,940,594
Fund equity & net position (deficit)	5,979,468	9,847,017	(16,685,077)	-	(858,592)
Total liabilities, deferred inflows of resources and fund equity/net position (deficit)	\$ 7,240,485	\$ 9,847,017	\$ -	\$ -	\$ 17,087,502

JOHNSONBURG AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES AND
CHANGES IN FUND EQUITY TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Total net change in fund balances - governmental funds **\$ 1,204,971**

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

Capital outlays are reported in governmental funds as expenditures. However,
in the statement of activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense. Activity for the current fiscal
year ended was as follows:

Capital outlays	\$ 74,841	
Depreciation expense	<u>(404,896)</u>	(330,055)

Because some property taxes will not be collected for several months after
the District's year end, they are not considered as "available" revenue
in the governmental funds. In the statement of activities amounts are
recognized as revenue as they are considered earned. Deferred inflows of
resources related to property taxes and the reserve for delinquent taxes receivable
changed by this amount during the year. 2,738

District's proportionate share of actuarial calculated pension expense and net amortization
of deferred amounts are recorded in the statement of activities,
whereas in the governmental funds, pension expense is based on the District's
contribution to the pension plan. 1,419,080

District's proportionate share of actuarial calculated OPEB expense and net amortization
of deferred amounts are recorded in the statement of activities,
whereas in the governmental funds, OPEB expense is based on the District's
contribution to the plans. (3,362)

In the statement of activities, certain operating expenses - compensated absences
are measured by the amounts earned during the year. In the governmental
funds, however, expenditures for these items are measured by the amount
of financial resources used. During the current year, compensated absences
changed by this amount. (22,375)

Change in net position of governmental activities **\$ 2,270,997**

	Total Governmental Funds	Long-term Asset and Outflow Transactions	Long-term Liability and Inflow Transactions	Reclassification and Eliminations	Statement of Activities Totals
Revenue					
Real property taxes, levied for general purposes	\$ 1,970,438	\$ 2,738	\$ -	\$ -	\$ 1,973,176
Other taxes levied	659,092	-	-	-	659,092
Interest and earnings	4,028	-	-	-	4,028
Other local sources	382,956	-	-	(291,263)	91,693
State sources	7,911,773	-	-	(2,416,980)	5,494,793
Federal sources	598,810	-	-	(598,810)	-
Total revenue	11,527,097	2,738	-	(3,307,053)	8,222,782
Expenditures					
Instruction	6,066,295	244,052	(907,103)	(2,384,218)	3,019,026
Instructional student support	691,484	27,200	(119,442)	(197,219)	402,023
Administrative and financial support services	1,207,417	47,612	(195,518)	(177,466)	882,045
Operation and maintenance of plant services	1,329,817	39,252	(142,242)	(154,961)	1,071,866
Pupil transportation	515,772	19,292	-	(271,612)	263,452
Central support	80,000	2,992	-	(80,000)	2,992
Other support services	23,273	-	-	-	23,273
Student activities	346,717	11,006	(29,038)	(41,577)	287,108
Facilities acquisition, construction and improv.	61,351	(61,351)	-	-	-
Total expenditures	10,322,126	330,055	(1,393,343)	(3,307,053)	5,951,785
Net change for year	\$ 1,204,971	\$ (327,317)	\$ 1,393,343	\$ -	\$ 2,270,997

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The *Johnsonburg Area School District* is governed by the Education Law and other general laws of the State of Pennsylvania. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise School District operations, and are governed by or significantly influenced by, the Board of Education. Essentially, the primary function of the School District is to provide education for pupils. Support services such as transportation of pupils, administration, finance and plant maintenance are also included. The financial reporting entity includes all funds, account groups, functions and organizations over which the School District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

B. Basis of Presentation

1. District-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize double counting of internal transactions. Governmental activities generally are financed through taxes, state subsidy, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants. Business-type activities include the District's food service operation which is financed through sales and reimbursements of breakfasts and lunches.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

2. Fund Financial Statements

The fund statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental, proprietary and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

a. Governmental Fund Types

Governmental funds are those funds used to account for and report the operations of the School District. The acquisition, use, and balances of financial resources and related assets and liabilities are reported therein. The measurement focus is the determination of changes in financial position rather than net income determination. The following funds and aggregate governmental fund types are employed in accounting for and reporting School District operations. The District reports the following major governmental funds:

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

Special Revenue Fund - The Special Revenue Fund is used to account for and report those revenues and expenditures that are committed for student activities.

b. Proprietary Fund Types

Proprietary Fund Types are used to account and report activities that are similar to business operations in the private sector where the focus is on determining net income and cash flows. Proprietary Fund Types include the following fund:

Food Service Fund - Accounts for all revenue and expenses pertaining to cafeteria operations.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

B. Basis of Presentation (continued)

2. Fund Financial Statements (continued)

c. Fiduciary Fund Types

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These activities are not included in the District-wide financial statements because their resources do not belong to the District, and are not available to be used. The District does not have any activities that qualify for reporting as a fiduciary.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within the current period or soon enough thereafter to be used to pay liabilities of the current period, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

**C. Measurement Focus and Basis of Accounting
(continued)**

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Budgeting Policies - Governmental Fund Types

1. General

The School District's policy relating to budgetary information as shown in the accompanying financial statements is for the School District administration to culminate a proposed budget for approval by the Board of Education prior to commencement of a new fiscal year. Appropriations established by adoption of the budget constitute a limitation on expenditures which may be incurred.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve applicable appropriations, is employed as a control in preventing overexpenditure of established appropriations. Open encumbrances are reported as a reservation of fund equity since such commitments will be honored through budget appropriations in the subsequent year. Encumbrances do not constitute expenditures or liabilities.

E. Local Taxes

Real property taxes are levied annually by the Board of Education and received by tax collectors by December 31. Uncollected real property taxes are subsequently enforced by Elk County. An amount representing uncollected real property taxes transmitted to the County for re-levy is recorded as deferred inflows of resources in the governmental fund financial statements until collected by the County.

Per capita, earned income and realty transfer taxes are levied annually by the Board of Education. Uncollected taxes are subsequently enforced by the tax collectors.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Inventory

Inventories of food in the Food Service Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market.

G. Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2020. For assets acquired prior to June 30, 2020, estimated historical costs, based on appraisals conducted by independent third-party professionals was used. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	50 years
Land and Site improvements	\$ 5,000	Straight-line	20 years
Furniture and equipment	\$ 5,000	Straight-line	5-20 years
Vehicles	\$ 5,000	Straight-line	8 years

H. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has several items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of total contributions to the pension system not included in pension expense. The second item is related to OPEB reporting in the district-wide Statement of Net Position which represents actuarial differences that are deferred and amortized. Lastly is the District contributions to the pension and OPEB systems subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Deferred Outflows and Inflows of Resources (continued)

net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has several items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue – taxes. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportion share of total contributions to the pension system not included in pension expense. The final item is related to OPEB reporting in the district-wide Statement of Net Position which represents actuarial differences that are deferred and amortized.

I. Long-Term Debt

1. General Long-Term Indebtedness

Bonds and general obligation notes and capital leases are recognized when issued.

2. Compensated Absences

The District does not permit the carryover of unused vacation days. Thus, unused days are lost as of June 30, and the financial statements, accordingly, do not contain a provision for unused vacation time.

The District provides compensated absences benefits for all employees. The support staff accrues \$14 per sick day pay up to a maximum of \$1,120 and is paid only upon retirement. The professional staff accrues \$60 per sick day pay up to a maximum of \$15,000, and is payable upon retirement. Administration accruals range from \$42-\$65 a day for unused sick time and is payable upon retirement. In the district-wide statement of net position as of June 30, 2022, \$60,393 was accrued for compensated absences.

J. Pensions

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

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Pensions (continued)

Plan description

The 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. 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. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service to 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 Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined by 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Pensions (continued)

Benefits provided (continued)

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

Contributions

Member contributions:

Member Contribution Rates				
Membership Class	Continuous Employment Since	DB contribution rate	DC rate	Total rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25% / 6.25%
T-C	On or after July 22, 1983	6.25%	NA	6.25%
T-D	Prior to July 22, 1983	6.5%	N/A	6.5%
T-D	On or after July 22, 1983	7.5%	N/A	7.5%
T-E	On or after July 1, 2011	7.5% base rate with shared risk provision	N/A	7.5%
T-F	On or after July 1, 2011	10.3% base rate with shared risk provision	N/A	10.3%
T-G	On or after July 1, 2019	5.5% base rate with shared risk provision	2.75%	8.25%
T-H	On or after July 1, 2019	4.5% base rate with shared risk provision	3.0%	7.5%
DC	On or after July 1, 2019	N/A	7.5%	7.5%

Shared Risk Program Summary				
Membership Class	DB Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.5%	+/- 0.50%	5.5%	9.5%
T-F	10.3%	+/- 0.50%	8.3%	12.3%
T-G	5.5%	+/- 0.75%	2.5%	8.5%
T-H	4.5%	+/- 0.75%	1.5%	7.5%

Employer contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2022 was 34.94% (33.99% - pension, .15% - Act 5 defined contribution, .80% - health care contributions) of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were approximately \$1,482,000 for the year ended June 30, 2022.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

K. Other Post-employment Benefits

Plan Descriptions

The Johnsonburg Area School District has two separate other post-employment benefit plans that are provided to District employees and retirees which include a District Plan based on bargaining agreements and the Health Insurance Premium Assistance Program offered through the Pennsylvania Public School Employees' Retirement System.

District Plan

General Information

The District maintains a single-employer defined benefit healthcare plan (the District Plan). The District Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefit provisions are based on bargaining agreements as negotiated from time to time. The District Plan does not issue a publicly available financial report. Eligibility for the District Plan is established by the District and specified in the District's employment contracts. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan is determined on the basis of an actuarial valuation dated July 1, 2021.

Employees Covered by Benefit Terms

For the fiscal year ended June 30, 2022 the plan had total active employees of 86 and retirees of 6.

Health Insurance Premium Assistance Program

General Information

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

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

K. Other Post-employment Benefits (continued)

***Health Insurance Premium Assistance Program
(continued)***

General Information (continued)

Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out of pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 years or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Pension Plan description

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

Benefits provided

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

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

K. Other Post-employment Benefits (continued)

***Health Insurance Premium Assistance Program
(continued)***

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$35,000 for the year ended June 30, 2022.

L. Fund Equity

1. Governmental Funds

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be reported within one of the fund balance categories listed below:

A. Nonspendable

Fund balance associated with assets that are inherently nonspendable in the current period because of their form or because they must be maintained intact, including inventories, prepaids, long-term loans and notes receivable, and property held for relate (unless the proceeds are restricted, committed, or assigned).

B. Restricted

Fund balance amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Committed

Fund balance amounts that can be used only for specific purposes determined by a formal action of the District's Board of Education, which is the District's highest level of decision-making authority. The District had committed fund balance in the general fund totaling \$3,600,000 as of June 30, 2022 related to facility and technology improvements.

The District also reports the fund balance in the special revenue fund related to student activities as committed fund balance as of June 30, 2022.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

L. Fund Equity (continued)

1. Governmental Funds (continued)

D. Assigned

Fund balance intended to be used by the District for specific purposes but does not meet the criteria to be restricted or committed. Along with the District's Board of Education, the Business Manager and Treasurer has been authorized to assign fund balance amounts for specific purposes through the establishment of an encumbrance.

1. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments of the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in the General Fund, Special Revenue Funds, and Capital Projects Fund. If resources have already been restricted or committed for encumbrances, the encumbered amounts will be included with restricted or committed resources. If resources have not already been restricted or committed, amounts encumbered are considered assigned for the purpose of the expected expenditure.

**2. Designation for Subsequent Years
Expenditures**

The amount of \$- has been designated as the amount estimated to be appropriated to reduce taxes for the year ending June 30, 2023.

E. Unassigned

The residual classification of the general fund and includes all spendable amounts not contained in the other classifications.

2. Government-wide financial statements

A. Invested in Capital Assets, Net of Related Debt

This designation of net position is used to accumulate the capital asset balance in the statement of net position less accumulated depreciation and outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

L. Fund Equity (continued)

**2. Government-wide financial statements
(continued)**

B. Restricted

This category represents amounts that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation.

C. Unrestricted

This category represents net position of the District not restricted for any other purpose.

3. Order of Fund Balance Spending Policy

When more than one classification of fund balance of the District are eligible to be utilized for an expenditure of the District, the order in which the fund balance classifications will be utilized will be as follows:

- a. Restricted fund balance that can be spent only for specific purposes stipulated by constitutional, external resource providers including creditors, grantors, contributors, etc., or through enabling legislation;
- b. Committed fund balance for which action has been taken by the Board of Education, a designated school official, or by the voters of the District, specifically designating funds to the expenditure;
- c. Assigned fund balance created specifically for the expenditure (encumbered fund balance);
- d. Assigned fund balance within funds other than the General Fund of the District to which the expenditure relates;
- e. Unassigned fund balance.

M. Investments

Investments are carried at market value which approximates cost.

N. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

O. Interfund Activity

The amounts reported on the Statement of Net Position for due to and from other funds represents amounts due between different fund types (governmental activities, business-type activities and fiduciary funds). Eliminations

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

O. Interfund Activity (continued)

have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year-end is provided subsequently in these notes.

During the course of operations, the **Johnsonburg Area School District** has numerous transactions between funds, including expenditures and transfers of revenue to provide services and construct assets. Eliminations have been also made for amounts transferred to and from the same fund type.

P. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenue and expenditures/expenses.

Q. Cash and Cash Equivalents

For financial statement purposes, all highly liquid investments with original maturities of three months or less are considered as cash equivalents. This includes certificates of deposit, treasury notes and treasury bills.

R. New Accounting Pronouncement

Effective July 1, 2021, the District implemented the provisions of GASB Statement No. 87, Leases which establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset, thereby, eliminating the distinction between operating and capital leases. As a result substantially all leases are reported on the district-wide statement of net position. The new standard did not have a material impact on the District.

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS (continued)**

**A. Total Fund Equity of Governmental Funds vs. Net
Position of Governmental Activities**

Total fund equity of the District's governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

**B. Statement of Revenues, Expenditures and
Changes in Fund Equity vs. Statement of
Activities**

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity and the Statement of Activities fall into one of five broad categories, which are summarized below.

1. Long-term Revenue Differences

Long-term revenue differences arise because governmental funds report revenue only when they are considered "measurable" and "available", whereas the Statement of Activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.

3. Long-term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES
BETWEEN GOVERNMENTAL FUND STATEMENTS
AND DISTRICT-WIDE STATEMENTS (continued)**

**B. Statement of Revenues, Expenditures and
Changes in Fund Equity vs. Statement of
Activities (continued)**

4. Pension Differences

Pension differences occur as a result of changes in the District's proportion of collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension system.

5. OPEB Differences

OPEB differences occur as a result of changes in the District's total OPEB liability and differences between the District's contributions and OPEB expense.

NOTE 3 - CASH AND INVESTMENTS

A. Deposits

The School District invests excess funds with banks or trust companies authorized to do business in Pennsylvania. All funds were held by commercial banks and trust companies are authorized by the Board of Education as the official depositories for the District's funds.

The District's cash and investments are required to be secured (for funds in excess of the FDIC insurance limitation of \$250,000) by a pledge of governmental securities having a market value at least equal to the amount on deposit. The banks use the pooling method to pledge securities for all public funds that are on deposit. This method allows the depository to pledge securities in one lump sum that covers all public funds on deposit at the bank.

Custodial credit risk is the risk that in the event of a bank failure the District's deposits may not be returned to it. While the District does not have a specific policy with regards to custodial credit risk, State statutes govern the District's investment policies. At June 30, 2022, the District's bank deposits were fully collateralized.

Total financial institution balances at June 30, 2022, per the bank, were approximately \$6,260,000 of which \$250,000 was secured by FDIC insurance and \$6,010,000 was secured by the banks as required by Act 72 of 1971.

JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 - CAPITAL ASSETS

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

	Beginning Balance 06/30/21	Net Change	Ending Balance 06/30/22
Governmental activities:			
Capital assets:			
Land and site improvements	\$ 1,751,821	\$ -	\$ 1,751,821
Buildings and improvements	18,547,114	-	18,547,114
Furniture and equipment	530,706	90,204	620,910
Vehicles	206,953	6,102	213,055
Total historical cost	21,036,594	96,306	21,132,900
Accumulated depreciation:			
Land and site improvements	1,321,916	79,136	1,401,052
Buildings and improvements	11,684,691	298,716	11,983,407
Furniture and equipment	500,008	(4,998)	495,010
Vehicles	187,586	6,150	193,736
Less accumulated depreciation:	13,694,201	\$ 379,004	14,073,205
Total net book value	\$ 7,342,393		\$ 7,059,695
Proprietary/business-type activities:			
Building, furniture and equipment	\$ 319,023	\$ 6,085	\$ 325,108
Less accumulated depreciation:	300,893	\$ 3,116	304,009
Total net book value	\$ 18,130		\$ 21,099
	Governmental	Proprietary/ Business-type	
Depreciation expense:			
Instruction	\$ 244,052	\$ -	
Support services	149,838	-	
Non-instructional services	11,006	3,116	
	\$ 404,896	\$ 3,116	

NOTE 5 - INDEBTEDNESS

A. Short-Term Debt

1. Tax and Revenue Anticipation Notes

The District did not issue any tax or revenue anticipation notes during the current fiscal year.

NOTE 5 – INDEBTEDNESS (continued)

B. Long-Term Debt

1. Bonds Payable

The District did not have any outstanding bonds payable as of June 30, 2022.

2. Summary of Long-Term Liabilities

The following is a summary of long-term liabilities outstanding, at June 30, 2022:

Description	Balance June 30, 2022	Amounts Due Within One Year	Balance June 30, 2021
Other post-employment benefits	\$ 1,259,131	-	\$ 1,227,962
Net pension liability	12,645,000	-	14,870,000
Compensated absences	60,393	-	38,018
	\$ 13,964,524	\$ -	\$ 16,135,980

Net pension liability decreased by \$2,225,000 and resulted from of an increase of the District's proportionate share of the net pension liability of the State's pension system. Other post-employment benefits increased by \$31,169 due to a change in the actuarial valuations, and compensated absences increased by \$22,375 due to an increase in accumulated sick time.

3. Long-term Debt Interest

The District had no long-term interest during the fiscal year ended June 30, 2022.

NOTE 6 - RETIREMENT PLAN

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 \$12,645,000 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 .0308%, which was an increase of .0006% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense of \$168,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

JOHNSONBURG AREA SCHOOL DISTRICT
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NOTE 6 - RETIREMENT PLAN (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ -	\$ 2,013,000
Difference between expected and actual experience	9,000	166,000
Changes in proportions	217,000	440,000
Changes in assumptions	613,000	--
Contributions subsequent to the measurement date	1,689,022	--
	<u>\$ 2,528,022</u>	<u>\$ 2,619,000</u>

\$1,689,022 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 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 ending June 30:

2023	\$ (629,000)
2024	(329,000)
2025	(173,000)
2026	(650,000)
2027	-

Net deferred outflow/inflow: \$ (1,780,000)

Actuarial Assumptions and Changes

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:

- Valuation Date – June 30, 2020
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

NOTE 6 - RETIREMENT PLAN (continued)

Actuarial Assumptions and Changes (continued)

- 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 performed for the five year period ended June 30, 2020.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	.1%
Leverage	(13.0)%	.1%
	<u>100%</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.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 - RETIREMENT PLAN (continued)

Discount rate

The discount rate used to measure the total pension liability was 7%. 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.

The following presents the net pension liability, calculated using the discount rate of 7%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6%) or 1-percentage point higher (8%) than the current rate:

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
District's proportionate share of the net pension liability	\$16,645,000	\$12,645,000	\$9,312,000

System Net Pension Liability

The components of the total PSERS net pension liability as of June 30, 2021 are as follows:

	(Dollar Amounts in Thousands)
Total pension liability	\$113,024,082
Less: System fiduciary net position	71,967,352
System net pension liability	\$41,056,730
System fiduciary net position as a percentage of total pension liability	63.67%

Pension plan fiduciary net position

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

NOTE 7 - OTHER POST-EMPLOYMENT BENEFIT PLANS

District Plan

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

At June 30, 2022, the District reported a liability of \$529,131. The net OPEB liability was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2021.

NOTE 7 - OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

District Plan (continued)

For the year ended June 30, 2022, the District recognized OPEB expense of \$43,595. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 215,693
Net difference between projected and actual earnings	-	--
Changes in proportion	-	--
Changes in assumptions	61,967	27,901
Contributions subsequent to the measurement date	29,233	--
Total	\$ 91,200	\$ 243,594

\$29,233 was reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. 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:	
2023	\$ (16,287)
2024	(16,287)
2025	(16,287)
2026	(16,287)
2027	(16,287)
Thereafter	(100,192)

Actuarial Assumptions

The total OPEB liability as of the measurement date of July 1, 2021, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.28% - S&P 20 Year Municipal Bond Rate.
- Salary growth - composed of a 2.5% cost of living adjustment, 1% real wage growth and for teachers and administrators a merit increase which varies by age from 0% to 2.75%.
- Assumed Healthcare cost trends of 5.5% in 2021 through 2023. Rates decrease from 5.4% in 2024 to 4.0% in 2075.

JOHNSONBURG AREA SCHOOL DISTRICT
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NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

District Plan (continued)

Actuarial Assumptions (continued)

- Mortality rates – separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. This incorporates rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Changes in the Total OPEB Liability

Service cost	\$	48,511
Interest		11,371
Differences between expected and actual experience		(62,540)
Changes in assumptions		(18,274)
Benefit payments		(27,899)
Net changes		(48,831)
Net OPEB liability – beginning of year		577,962
Net OPEB liability – end of year	\$	529,131

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 healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease (3%-4.5%)	Current Assumption (4%-5.5%)	1% Increase (5%-6.5%)
Total District Plan OPEB liability	\$ 459,754	\$ 529,131	\$ 612,544

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 or 1 percentage point higher than the current discount rate:

	1% Decrease (1.28%)	Current Assumption (2.28%)	1% Increase (3.28%)
Total District Plan OPEB liability	\$ 573,318	\$ 529,131	\$ 487,394

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

PSERS - Health Insurance Premium Assistance Program

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

At June 30, 2022, the District reported a liability of \$730,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was .0308%, which was an increase of .0006% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$11,000. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,000	\$ -
Changes in assumptions	78,000	10,000
Net difference between projected and actual earnings	1,000	-
Changes in proportion	13,000	68,000
Difference between employer contributions and proportionate share of total contributions	-	-
Benefit payments subsequent to measurement date	39,000	-
Total	\$ 138,000	\$ 78,000

JOHNSONBURG AREA SCHOOL DISTRICT
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NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS PLANS (continued)

PSERS - Health Insurance Premium Assistance Program (continued)

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

\$39,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending:	
2023	\$ (7,000)
2024	(8,000)
2025	6,000
2026	9,000
2027	10,000
Thereafter	11,000

Actuarial Assumptions

The total OPEB liability as of June 30, 2022, was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.18% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.5% and 2% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Post age 65 at 70%

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS PLANS (continued)

PSERS - Health Insurance Premium Assistance Program (continued)

Actuarial Assumptions (continued)

The following assumptions were used to determine the contribution rate:

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

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.

OPEB - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	79.8%	.1%
US Cored Fixed income	17.5%	.7%
Non-US Developed Fund	2.7%	(0.3%)
	<u>100%</u>	

JOHNSONBURG AREA SCHOOL DISTRICT
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NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

PSERS - Health Insurance Premium Assistance Program (continued)

Actuarial Assumptions (continued)

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 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 Total 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.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFIT PLANS (continued)

PSERS - Health Insurance Premium Assistance Program (continued)

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 healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Assumption	1% Increase
Total Health Insurance Premium Assistance OPEB liability	\$ 730,000	\$ 730,000	\$ 730,000

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 or 1 percentage point higher than the current discount rate:

	1% Decrease (1.18%)	Current Assumption (2.18%)	1% Increase (3.18%)
Total Health Insurance Premium Assistance OPEB liability	\$ 838,000	\$ 730,000	\$ 641,000

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.

JOHNSONBURG AREA SCHOOL DISTRICT
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NOTE 8 - RECEIVABLES

Taxes Receivable

Taxes receivable amounted to \$332,093 at June 30, 2022 and consist of the estimated delinquent real property taxes levied by the District but not yet collected and earned income taxes collected in the first two months of the 2023 fiscal year. Real property taxes are ultimately collectible either by payment from the property owner or from the proceeds of a public sale of the levied property. The District recorded a \$5,900 reserve for potential uncollectible delinquent real estate taxes on the district-wide financial statements.

State and Federal Aid Receivable

Included in the state and federal aid receivable balance of \$623,280 in the General Fund as of June 30, 2022 are amounts due from the Pennsylvania State Department of Education for reimbursement of expenditures incurred by the District. Also, included in state and federal aid receivable balance is \$1,874 for June federal and state meal reimbursements in the food service fund.

Other Receivables

Other receivables include \$248,718 in the General Fund as of June 30, 2022 due from the Seneca Highlands Intermediate Unit of Education for reimbursement of expenditures incurred by the District.

NOTE 9 – DEFERRED INFLOWS OF RESOURCES – REVENUES NOT AVAILABLE - TAXES

Deferred inflows of resources are reported on the District's combined balance sheet. Deferred inflows of resources revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred inflows of resources also arises when resources are received by the District 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 recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred inflows of resources is removed and revenue is recognized.

Deferred inflows of resources in the General Fund amounted to \$220,041 as of June 30, 2022. This balance pertains to taxes receivable at the end of the fiscal year less amounts collected within sixty days subsequent to the year-end. This amount is recognized as revenue in the Statement of Activities.

NOTE 10 – UNEARNED REVENUE

Unearned revenue recorded in the Proprietary fund relates to amounts owed to the District to students who have a prepaid balance on their school lunch account. Also, included in this amount are donated commodity inventories from the United States Department of Agriculture not yet utilized for operations.

NOTE 11 - COMPENSATED ABSENCES

The District does not accrue a liability in the governmental funds for accumulating, non-vesting sick leave, since payment is based on an uncontrollable future event (sickness). In accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, the value of accumulating, non-vesting sick leave is considered a contingent liability. The District reports approximately \$148,000 at June 30, 2022 for accumulating, non-vesting sick leave.

In the district-wide statements, as of June 30, 2022, \$60,393 was accrued for accumulating, vesting sick leave and longevity payments.

NOTE 12 – FUND EQUITY

The District's fund equity is comprised of various components as presented below:

<u>Category/Fund</u>	<u>Description</u>	<u>Balance June 30, 2022</u>
Nonspendable:		
General	Prepaid expense	\$ <u>7,074</u>
Committed:		
General	Facility Improvements	\$ 3,050,000
General	Technology Improvements	<u>550,000</u>
		\$ <u>3,600,000</u>
Special revenue	Student activity balance	\$ <u>36,089</u>

NOTE 13 - CONTINGENCIES AND COMMITMENTS

A. Federal and State Grants

The School District participates in both state and federal assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

B. Litigation

The School District, in the normal course of its operations, is involved in various litigation and arbitration cases. Management is of the opinion that any unfavorable outcome resulting from these actions would not have a material effect on the School District's financial position.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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**NOTE 13 - CONTINGENCIES AND COMMITMENTS
(continued)**

C. Self-Insurance

The School District is a participant in a multiple employer cost-sharing trust established for the purpose of self-insuring hospitalization expenses. The trust makes monthly premium payments to its program administrator who pays claims submitted. Monthly premiums are based on claims paid experience provided by the administrator, plus a premium stabilization amount. On a yearly basis, the administrator reconciles claims paid against premiums received.

D. Risk Financing and Related Insurance

1. General Information

The *Johnsonburg Area School District* is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

For its employee health and accident coverage, *Johnsonburg Area School District* is a participant in a Blue Cross and Blue Shield Medical Plan consortium, a public entity risk pool operated for the benefit of individual governmental units located within the Seneca Highlands Intermediate Unit 9. The School District pays monthly premiums to the Plan for this health coverage.

The Plan provides health coverage for its members and all claims are paid from the total premiums contributed by the members of the consortium. Excess claims over premiums are funded from a stabilization fund held by the Seneca Highlands Intermediate Unit Insurance Trust, while premiums in excess of the claims are refunded to the Insurance Trust.

2. Risk Sharing Pools

For its workers compensation insurance, *Johnsonburg Area School District* is a participant in the Pennsylvania Insurance Consortium for Schools, a public entity risk pool operated for the benefit of school districts located throughout the State of Pennsylvania.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2022, the District had adjustments to its capital asset records resulting in a prior period adjustment. The effect of this prior period adjustment on the governmental activities was an increase in the cost basis of \$66,965, a decrease in accumulated depreciation of \$16,392 and an increase in the beginning net position of \$83,357.

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS
(continued)**

During the year ended June 30, 2021, the District implemented GASB No. 84 requiring a prior period adjustment for the governmental and fiduciary funds. This adjustment was needed to move the beginning balance of student activity funds of \$43,182 previously reported as fiduciary funds to a special revenue fund in the governmental funds as of July 1, 2020.

NOTE 15 – COVID 19 PANDEMIC

In March 2020, the World Health Organization declared the novel strain of COVID-19 (coronavirus) a global pandemic and has become increasingly widespread in the United States. The coronavirus outbreak has had a significant impact on financial markets and general economic conditions.

Also, in March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was passed which provides funding and emergency assistance to Organizations including public school districts. The Pennsylvania Department of Education has allocated approximately \$120,000 of CARES Act (ESSER1) assistance to the District which is for the funding period of March 13, 2020 through September 30, 2022. During the year ended June 30, 2021 the District expended the entire balance of its ESSER1 allocation. Also, the Pennsylvania Commission on Crime and Delinquency (PCCD) has allocated approximately \$158,000 of CARES Act assistance to the District which is for the funding period of March 13, 2020 through October 30, 2020. During the year ended June 30, 2021 the District expended the entire balance of its PCCD allocation.

The District has also been allocated \$534,000 under the Coronavirus Response and Relief Supplemental Appropriations (ESSER2) and \$1,080,000 under the American Rescue Plan (ARP). As of June 30, 2022 the District has expended \$321,333 of ESSER2 and \$206,248 of ARP funding.

The District provided free breakfast and lunches to all students (except those who opted out) through the Federal Seamless Summer Option program. Given the uncertainty regarding the COVID-19 pandemic the overall financial impact to the District cannot be reasonably predicted or estimated at this time.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events were evaluated by Management through December 14, 2022, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

JOHNSONBURG AREA SCHOOL DISTRICT
COMPARATIVE STATEMENTS OF REVENUE AND EXPENDITURES - GENERAL FUND

<i>Fiscal years ended June 30,</i>	2022	2021
Revenue		
Local sources:		
Taxes:		
Current real estate taxes	\$ 1,750,017	\$ 1,727,951
Per capita	179,216	179,752
Realty transfer and earned income	463,670	468,248
Public utility realty tax	2,455	2,502
Payment in lieu of taxes	77,753	76,993
Delinquent real estate taxes	156,419	199,921
Total tax revenue	2,629,530	2,655,367
Interest and earnings	4,028	7,480
Federal revenue received from intermediate and local sources	270,281	262,651
State revenue received from intermediate and local sources	5,025	2,800
Receipts from other LEAs in Pennsylvania	15,061	15,991
Athletic receipts	12,916	1,474
Miscellaneous	36,007	136,621
Total local sources	2,972,848	3,082,384
State sources:		
Basic instructional subsidy	5,210,957	5,169,825
Property tax relief subsidy	283,836	283,853
Transportation	271,612	277,387
Special education	528,402	516,122
Social security and retirement	1,282,818	1,231,388
Vocational education	34,114	35,555
Health services	9,977	10,101
Safe schools grant	25,194	30,000
PA Pre-K counts	131,250	131,250
PA smart computer science and STEM grant	-	9,599
PA accountability grant	133,613	133,613
Total state sources	7,911,773	7,828,693
Federal sources:		
Title IIA	15,909	9,091
COVID-19, IDEA	3,333	1,667
COVID-19, ESSER and GEER	537,181	121,890
COVID-19, School Health and Safety Grants	-	158,288
Other restricted federal grants in aid	35,392	50,379
Total federal sources	591,815	341,315
Total revenue and other sources	\$ 11,476,436	\$ 11,252,392

Fiscal years ended June 30,

Expenditures**Instruction:**

	2022	2021
Regular programs	\$ 4,253,236	\$ 4,071,816
Special programs	1,272,685	1,214,954
Vocational education programs	196,790	280,511
Other instructional programs	205,909	181,884
Pre-kindergarten	137,675	139,612
Total instruction	6,066,295	5,888,777

Support services:

Pupil personnel	392,840	343,879
Instructional staff	158,599	149,249

Administration:

Board services	17,373	35,143
Tax collections	42,239	41,879
Legal	9,473	6,977
Superintendent	163,206	225,422
Principals	571,369	550,929
Other administration	20,277	5,368
Total administration	823,937	865,718

Other support services

Pupil health	140,045	152,872
Business	383,480	410,351
Operation and maintenance of plant services	1,329,817	1,200,173
Student transportation services	515,772	539,400
Central support services	80,000	112,894
Other support services	23,273	24,522
Total other support services	2,472,387	2,440,212
Total support services	3,847,763	3,799,058

Noninstructional services:

Student activities	254,267	214,468
Athletic expenses	38,760	29,517
Total noninstructional services	293,027	243,985

Facilities, acquisition and improvement

Total expenditures and other financing uses	10,268,436	10,003,276
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Excess of revenue and other sources

over expenditures and other financing uses	\$ 1,208,000	\$ 1,249,116
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JOHNSONBURG AREA SCHOOL DISTRICT**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTIVITY FUND****Page 40**

	Balances July 01, 2021	Total Receipts	Total Receipts & Balances	Total Payments	Balances June 30, 2022
Class of 2021	\$ 11,607	\$ -	\$ 11,607	\$ 11,607	\$ -
Class of 2022	6,003	4,423	10,426	5,536	4,890
Class of 2023	2,636	20,767	23,403	13,850	9,553
Class of 2024	1,026	4,552	5,578	2,919	2,659
Class of 2025	-	2,531	2,531	99	2,432
Stand Tall	734	-	734	-	734
FFA	1,177	294	1,471	-	1,471
Drama Club	3,371	313	3,684	1,255	2,429
Student Council -Elem	741	380	1,121	380	741
Yearbook-Elem	504	1,133	1,637	306	1,331
Library Club-Elem	948	7,177	8,125	7,150	975
Music Club	51	-	51	-	51
Stand Tall- Elem	353	325	678	210	468
National Honor Society	1,114	494	1,608	-	1,608
Student Council	2,557	1,461	4,018	2,073	1,945
Yearbook	3,780	3,635	7,415	5,555	1,860
Science Club	2,193	2,827	5,020	2,170	2,850
Varisty Club	42	-	42	-	42
Jr. High Club	281	349	630	580	50
Total activity funds	\$ 39,118	\$ 50,661	\$ 89,779	\$ 53,690	\$ 36,089

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB
LIABILITY AND RELATED RATIOS – DISTRICT PLAN
FOR THE YEARS ENDED JUNE 30, 2018 THROUGH JUNE 30, 2022

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District Plan – Other Post-Employment Benefits

As of the measurement date of July 1,	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 48,511	\$ 35,394	\$ 44,816	\$ 42,300	\$ 45,025
Interest	11,371	17,110	19,587	19,613	16,077
Differences between expected and actual experience	(62,540)	-	(159,701)	-	(51,742)
Changes in assumptions	(18,274)	63,300	(13,803)	1,212	11,164
Benefit payments	(27,899)	(25,474)	(34,320)	(35,721)	(38,229)
Net change in total OPEB liability	(48,831)	90,330	(143,421)	27,404	(17,705)
Total OPEB liability - beginning	577,962	487,632	631,053	603,649	227,423
Prior period adjustment	-	-	-	-	393,931
Total OPEB liability - ending	\$ 529,131	\$ 577,962	\$ 487,632	\$ 631,053	\$ 603,649
Plan fiduciary net position					
Contributions - employer	\$ 27,899	\$ 25,474	\$ 34,320	\$ 35,721	\$ 38,229
Net investment income	-	-	-	-	-
Benefit payments	(27,899)	(25,474)	(34,320)	(35,721)	(38,229)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -	\$ -
District's net OPEB liability	\$ 529,131	\$ 577,962	\$ 487,632	\$ 631,053	\$ 603,649
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 4,314,665	\$ 4,160,776	\$ 4,160,776	\$ 4,212,691	\$ 4,212,691
District's net OPEB liability as a percentage of covered-employee payroll	12.26%	13.89%	11.72%	14.98%	14.33%

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate changes - from 1.86% as of July 1, 2020 to 2.28% as of July 1, 2021

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB
LIABILITY AND RELATED RATIOS – PSERS PLAN
FOR THE YEARS ENDED JUNE 30, 2018 THROUGH JUNE 30, 2022

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PSERS Plan – Health Insurance Premium Assistance Program

As of the measurement date of June 30,	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 14,000	\$ 13,000	\$ 12,000	\$ 11,000	\$ 12,000
Interest	19,000	19,000	19,000	19,000	19,000
Differences between projected and actual investment earnings	-	-	1,000	-	1,000
Differences between expected and actual experience	1,000	2,000	1,000	4,000	-
Changes in assumptions	55,000	11,000	16,000	18,000	(31,000)
Changes in proportions	27,000	(30,000)	(23,000)	(37,000)	(62,000)
Benefit payments	(36,000)	(35,000)	(36,000)	(36,000)	(38,000)
Net change in total OPEB liability	80,000	(20,000)	(10,000)	(21,000)	(99,000)
Total OPEB liability - beginning	650,000	670,000	680,000	701,000	-
Prior period adjustment	-	-	-	-	800,000
Total OPEB liability - ending	\$ 730,000	\$ 650,000	\$ 670,000	\$ 680,000	\$ 701,000
Plan fiduciary net position					
Contributions - employer	\$ 36,000	\$ 35,000	\$ 36,000	\$ 36,000	\$ 38,000
Net investment income	-	-	-	-	-
Benefit payments	(36,000)	(35,000)	(36,000)	(36,000)	(38,000)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	\$ -	\$ -	\$ -	\$ -	\$ -
District's net OPEB liability	\$ 730,000	\$ 650,000	\$ 670,000	\$ 680,000	\$ 701,000
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 4,371,412	\$ 4,227,716	\$ 4,344,077	\$ 4,394,852	\$ 4,575,441
District's net OPEB liability as a percentage of covered-employee payroll	16.70%	15.37%	15.42%	15.47%	15.32%

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate changes - from 2.66% as of June 30, 2020 to 2.18% as of June 30, 2021

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB - DISTRICT PLAN
FOR THE YEARS ENDED JUNE 30, 2018 THROUGH JUNE 30, 2022

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District Plan – Other Post-Employment Benefits

As of the measurement date of July 1,	2021	2020	2019	2018	2017
Actuarially determined contributions	\$ 27,899	\$ 25,474	\$ 34,320	\$ 35,721	\$ 38,229
Contributions in relation to the actuarially determined contribution	(27,899)	(25,474)	(34,320)	(35,721)	(38,229)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,314,665	\$ 4,160,776	\$ 4,160,776	\$ 4,212,691	\$ 4,212,691
Contributions as a percentage of District's covered-employee payroll	0.65%	0.61%	0.82%	0.85%	0.91%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated with a valuation and measurement date of July 1, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	2.28% - based on S&P Municipal Bond 20 Year High at July 1, 2021
Healthcare cost trend rates	5.5% in 2021 through 2023, rates gradually decrease from 5.4% in 2024 to 4% in 2075
Salary increases	Composed of 2.5% cost of living adjustment, 1% real wage growth and for teachers and admin a merit increase from 0%-2.75%
Mortality	Buck Modified 2016 projection scale
Retiree Cost Sharing	Retirees pay 100% of the premiums
Participants	86 active participants and 6 retired participants

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB – PSERS PLAN
FOR THE YEARS ENDED JUNE 30, 2018 THROUGH JUNE 30, 2022

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PSERS Plan – Health Insurance Premium Assistance Program

As of the measurement date of June 30,	2021	2020	2019	2018	2017
Actuarially determined contributions	\$ 36,000	\$ 35,000	\$ 36,000	\$ 36,000	\$ 38,000
Contributions in relation to the actuarially determined contribution	\$ (36,000)	\$ (35,000)	(36,000)	(36,000)	(38,000)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,371,412	\$ 4,227,716	\$ 4,344,077	\$ 4,394,852	\$ 4,575,441
Contributions as a percentage of District's covered-employee payroll	0.82%	0.83%	0.83%	0.82%	0.83%

Notes to Schedule

Valuation date: June 30, 2020 and actuarially rolled forward to June 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Level % of Salary Method
Discount Rate	2.18% - as of June 30, 2021
Healthcare cost trend rates	Premium Assistance reimbursement is capped at \$1,200 per year.
Salary increases	Effective average of 4.5%

Mortality	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.
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JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY OF THE PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH 2021

Page 45

Measurement date ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.0308%	0.0302%	0.0315%	0.0326%	0.0344%	0.0372%	0.0396%	0.0385%	0.0378%
District's proportionate share of the net pension liability	\$ 12,645,000	\$ 14,870,000	\$ 14,737,000	\$ 15,650,000	\$ 16,990,000	\$ 18,435,000	\$ 17,153,000	\$ 15,239,000	\$ 15,474,000
District's covered-employee payroll	\$ 4,371,412	\$ 4,227,716	\$ 4,344,077	\$ 4,394,852	\$ 4,575,441	\$ 4,820,946	\$ 5,089,250	\$ 4,918,235	\$ 4,854,600
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	289.2658%	351.7266%	339.2435%	356.0985%	371.3303%	382.3938%	337.0438%	309.8469%	318.7492%
Plan fiduciary net position as a percentage of the total pension liability	63.6700%	54.3200%	55.6600%	54.0044%	51.8367%	50.1385%	54.3573%	57.2382%	54.4909%

See accompanying independent auditor's report on supplementary information.

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS TO THE PENNSYLVANIA
PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)
FOR THE YEARS ENDED JUNE 30, 2013 THROUGH 2022

Page 46

Measurement date ended June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 1,464,860	\$ 1,410,366	\$ 1,416,169	\$ 1,393,168	\$ 1,336,029	\$ 1,205,237	\$ 1,043,296	\$ 786,918	\$ 558,279
Contributions in relation to the contractually required contribution	(1,464,860)	(1,410,366)	(1,416,169)	(1,393,168)	(1,336,029)	(1,205,237)	(1,043,296)	(786,918)	(558,279)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4,371,412	\$ 4,227,716	\$ 4,344,077	\$ 4,394,852	\$ 4,575,441	\$ 4,820,946	\$ 5,089,250	\$ 4,918,235	\$ 4,854,600
Contributions as a percentage of covered-employee payroll	33.5%	33.4%	32.6%	31.7%	29.2%	25.0%	20.5%	16.0%	11.5%

JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED JUNE 30, 2022

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Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the **Johnsonburg Area School District** and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Basis of Accounting

The basis of accounting varies by Federal program consistent with underlying regulations pertaining to each program. The amounts reported as Federal expenditures generally were obtained from the appropriate Federal financial reports for applicable program and periods. The amounts reported in these Federal financial reports are prepared from records maintained for each program, which are periodically reconciled with the District's financial reporting system.

Note 2 - Non-monetary Federal Program

The accompanying **Johnsonburg Area School District** is the recipient of a non-monetary federal award program. During the year ended June 30, 2022, the District reported in the Schedule of Federal Awards \$22,209 of donated commodities at fair market value received and disbursed.

Note 3 - Indirect Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance in the current year.

JOHNSONBURG AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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Federal Grantor/Pass Through Grantor	Source Code	Federal CFDA #	Pass-through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Grant Received	Revenue	Expenditure	Accrued or (Deferred) Revenue) 6/30/2022
U.S. Department of Education									
Direct Award:									
Small, Rural School Achievement Program	N/A	84.358	N/A	7/1/21 - 9/30/22	\$ 27,810	\$ 27,810	\$ 27,810	\$ 27,810	\$ -
Passed through the Pennsylvania Department of Education									
COVID-19 - CARES Act, GEER	1	84.425C	253-20-0205	7/1/20 - 9/30/22	11,400	9,600	9,600	9,600	-
COVID-19 - ESSER II	1	84.425D	200-21-0205	3/13/20 - 9/30/23	533,735	248,249	321,333	321,333	73,084
COVID-19 - ARP, ESSER III	1	84.425U	223-21-0205	3/13/20 - 9/30/24	1,079,591	58,887	166,793	166,793	107,906
COVID-19 - ARP, ESSER 7% - Summer Enrichment	1	84.425U	225-21-0205	3/13/20 - 9/30/24	11,987	3,705	11,794	11,794	8,089
COVID-19 - ARP, ESSER 7% - After School	1	84.425U	225-21-0205	3/13/20 - 9/30/24	11,987	3,705	6,750	6,750	3,045
COVID-19 - ARP, ESSER 7% - Learning Loss	1	84.425U	225-21-0205	3/13/20 - 9/30/24	59,934	18,525	20,911	20,911	2,386
Title IIA - Improving Teacher Quality	1	84.367	220-20-0205	7/1/20 - 9/30/21	25,000	15,909	15,909	15,909	-
COVID-19, IDEA *	1	84.027	252-20-0205	7/1/21 - 6/30/22	5,000	3,333	3,333	3,333	-
					1,738,634	361,913	556,423	556,423	194,510
Passed through the Seneca Highlands Intermediate Unit #9									
Title I	2	84.010	FA-013-22-0509	7/1/21 - 9/30/22	131,288	-	131,288	131,288	131,288
Title IIA - Improving Teacher Quality	2	84.367	FA-020-22-0509	7/1/21 - 9/30/22	18,068	-	18,068	18,068	18,068
Title IV - Student Support & Academic Enrichment	2	84.424	FA-144-22-0509	7/1/21 - 9/30/22	10,328	-	10,328	10,328	10,328
IDEA *	2	84.027	n/a	7/1/21 - 6/30/22	110,597	21,230	110,597	110,597	89,367
					270,281	21,230	270,281	270,281	249,051
Passed through the Lancaster-Lebanon Intermediate Unit									
Universal Design for Learning Grant *	3	84.027	062-21-0033	7/1/20 - 9/30/21	10,000	7,582	7,582	7,582	-
Total U.S. Department of Education									
					2,046,725	418,535	862,096	862,096	443,561
U.S. Department of Agriculture									
Passed through the Pennsylvania Department of Education									
COVID-19 - National School Breakfast Program - Seamless Summer Option **	4	10.553	367	7/1/21 - 6/30/22	85,072	85,072	85,072	85,072	435
COVID-19 - National School Lunch Program - Seamless Summer Option **	4	10.555	362	7/1/21 - 6/30/22	271,916	271,916	271,916	271,916	1,382
COVID-19 - Supply Chain Assistance **	4	10.555	356	7/1/21 - 6/30/22	15,377	15,377	15,377	15,377	-
COVID-19 - SNP Emergency Operating Costs **	4	10.555	357	7/1/21 - 6/30/22	3,526	3,526	3,526	3,526	-
COVID-19 - P-EBT Local Admin Funds	4	10.649	358	7/1/21 - 6/30/22	614	614	614	614	-
					376,505	376,505	376,505	376,505	1,817
Passed through the Pennsylvania Department of Agriculture									
National School Lunch Program - non-cash assistance **	5	10.555	n/a	7/1/21 - 6/30/22	22,209	22,209	22,209	22,209	-
					22,209	22,209	22,209	22,209	-
Total U.S. Department of Agriculture									
					398,714	398,714	398,714	398,714	1,817
Total Federal Assistance					\$ 2,445,439	\$ 817,249	\$ 1,260,810	\$ 1,260,810	\$ 445,378

Sources of Federal Funds are:

- (1) United States Department of Education passed through the Pennsylvania Department of Education
- (2) United States Department of Education passed through the Pennsylvania Department of Education through to the Seneca Highlands Intermediate Unit #9
- (3) United States Department of Education passed through the Pennsylvania Department of Education through to the Lancaster-Lebanon Intermediate Unit
- (4) United States Department of Agriculture passed through the Pennsylvania Department of Education
- (5) United States Department of Agriculture value of donated food passed through the Pennsylvania Department of Agriculture

* Constitutes a cluster of Federal programs - Special Education Cluster

\$ 121,512

** Constitutes a cluster of Federal programs - Child Nutrition

\$ 398,100

See accompanying independent auditor's report on supplementary information.

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

**To the President and
Members of the Board of Education
Johnsonburg Area School District
Johnsonburg, 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, business-type activities and each major fund of *Johnsonburg Area School District* as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise *Johnsonburg Area School District's* basic financial statements and have issued our report thereon dated December 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered *Johnsonburg Area School District's* internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of *Johnsonburg Area School District's* internal control. Accordingly, we do not express an opinion on the effectiveness of *Johnsonburg Area School District's* internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. There can be no assurance that deficiencies, significant deficiencies and material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified two deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in the District's internal control described in the accompanying schedule of findings and questioned costs as items II.A.2022-001, and II.A.2022-002 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Johnsonburg Area School District's* financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

Johnsonburg Area School District's Responses to Findings

Johnsonburg Area School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. *Johnsonburg Area School District's* responses were not subjected to auditing procedures applied in the audit of 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 result of that testing, and not provided 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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 14, 2022**



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

**To the President and
Members of the Board of Education
Johnsonburg Area School District
Johnsonburg, Pennsylvania**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

Auditor's Responsibilities for the Audit of Compliance (continued)

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

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

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

Report on Internal Control over Compliance

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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items III.B.2022-003 and III.B.2022-004 to be material weaknesses.

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 **Johnsonburg Area School District's** responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. **Johnsonburg Area School District's** responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

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.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 14, 2022**

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion(s) issued or whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> x </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> x </u> yes	<u> </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported

Type of auditor's opinion issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a)

<u> </u> yes	<u> x </u> no
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Federal Program Title	Federal CFDA Number	Amount
Total expenditures of Federal Awards		<u><u>\$ 1,260,810</u></u>

Identification of Major Programs Tested:

U.S. Department of Education:

COVID-19 - CARES Act, GEER	84.425C	\$ 9,600
COVID-19 - ESSER II	84.425D	321,333
COVID-19 - ARP, ESSER III	84.425U	166,793
COVID-19 - ARP, ESSER 7% - Summer Enrichment	84.425U	11,794
COVID-19 - ARP, ESSER 7% - After School	84.425U	6,750
COVID-19 - ARP, ESSER 7% - Learning Loss	84.425U	<u>20,911</u>

Total major programs tested	<u><u>\$ 537,181</u></u>
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% of Federal programs tested	<u><u>43%</u></u>
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Dollar threshold used to distinguish between Type A and Type B programs:	<u><u>\$ 750,000</u></u>
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Auditee qualified as low risk?	<u> </u> yes	<u> x </u> no
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JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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II. FINANCIAL STATEMENT AUDIT – FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2022-001 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Year ended June 30, 2022

Condition and Criteria: During the current year, adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. Some of the adjustments and footnotes were related to recording taxes receivable and applicable deferred inflows of resources, subsidy receivables and revenue, accrued expenses, accounts payable and converting to the full accrual method for GASB 34 purposes. In addition, a draft of the financial statements was prepared by the auditors.

Effect: AU-C Section 265, entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency. Without this assistance, the potential risk exists of the District's financial statements not conforming to GAAP.

Auditor's Recommendation: Although auditors may continue to provide such assistance both now and in the future, under the new pronouncement, the District should continue to review and accept both proposed adjusting journal entries and footnote disclosures, along with the draft financial statements.

District's Response: The District has received, reviewed and accepted all journal entries, footnote disclosures and draft financial statements proposed for the current year audit and will continue to review similar information in future years. Further, the District believes it has a thorough understanding of these financial statements and the ability to make informed judgments based on these financial statements. Lastly, the District considers such assistance provided by the auditors to be the most cost effective in preparing such information.

2022-002 Segregation of Duties

Year ended June 30, 2022

Condition and Criteria: Although there is a limited number of personnel in the business office, we noted that different functions within the cash receipts, cash disbursements and payroll cycles, along with the preparation of bank reconciliations are not properly segregated.

Effect: A fundamental element of an effective internal control system is the proper segregation of duties. Proper segregation of duties provides for a system of checks and balances and entails assigning responsibilities of authorizing and recording transactions among different people in the District. Generally, assigning different individuals the responsibilities of authorizing transactions, recording transactions, and maintaining the custody of the related assets reduces the opportunities for any individual to both perpetrate and conceal errors or fraud in the normal course of business.

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Page 55

II. FINANCIAL STATEMENT AUDIT – FINDINGS (CONTINUED)

A. INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2022-002 Segregation of Duties (continued)

Year ended June 30, 2022 (continued)

Auditor's recommendation: We recognize that the District has attempted to mitigate the lack of segregation of duties by having other individuals perform certain ancillary duties of record-keeping including: opening the mail; signing of checks; distribution of payroll and vendor checks; and bank reconciliations. These duties could be enhanced by having the individual responsible for the preparation of bank reconciliations compare the reconciled bank balances to the District's general ledger software on a monthly basis, as currently reconciliations are compared against manual worksheets. In addition, we recommend that the individual responsible for opening mail also maintain a cash receipts log, with someone independent of the cash receipts function reconciling the log to the general ledger and bank statements at certain times during the year. For mitigating controls over the District's payroll, the District should consider having the Superintendent review a monthly change report showing any changes in pay rates or employees. Finally, for controls over cash disbursements, the Board should account for the sequence of checks for each disbursement register to ensure that all checks are being reviewed. In addition a report should be generated that documents any new vendors added to the payable module. This report could be approved monthly by the Superintendent.

District's Response: The District understands the importance of having strong segregation of duties and will attempt to separate certain responsibilities as outlined above.

B. COMPLIANCE AND OTHER MATTERS

Year ended June 30, 2022

No findings related to compliance and other matters are being reported upon during the fiscal year ended June 30, 2022.

III. MAJOR FEDERAL AWARD PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2022

No findings related to compliance are being reported upon during the fiscal year ended June 30, 2022.

B. INTERNAL CONTROL OVER COMPLIANCE

2022-003 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Year ended June 30, 2022

Same finding as that reported in II.A.2022-001 above.

2022-004 Segregation of Duties

Year ended June 30, 2022

Same finding as that reported in II.A.2022-002 above.

I. FINANCIAL STATEMENT AUDIT – FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2021-001 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Year ended June 30, 2021

Summary of Prior Year Finding: Adjusting journal entries, along with footnote disclosures were proposed by the auditors and accepted by the District to properly reflect the financial statements in accordance with generally accepted accounting principles. In addition, a draft of the financial statements was prepared by the auditors and reviewed and accepted by the District. AU-C Section 265 entitled Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants (AICPA) considers the need for significant adjusting journal entries and assistance when preparing the financial statements to be indicative of an internal control deficiency.

Current Status: Similar finding related to internal control over financial reporting is being reported upon during the year ended June 30, 2022, identified as finding 2022-001.

2021-002 Segregation of Duties

Year ended June 30, 2021

Summary of Prior Year Finding: We noted that only a few individuals are primarily responsible for the record keeping and financial reporting functions, including cash receipts, cash disbursements, and payroll functions. A fundamental element of an effective internal control system is the proper segregation of duties. Proper segregation of duties provides for a system of checks and balances and entails assigning responsibilities of authorizing and recording transactions among different people in the District.

Current Status: Similar finding related to internal control over financial reporting is being reported upon during the year ended June 30, 2022, identified as finding 2022-002.

II. MAJOR FEDERAL AWARD PROGRAMS AUDIT – FINDINGS AND QUESTIONED COSTS

A. COMPLIANCE

Year ended June 30, 2022

There were no findings related to compliance that were reported upon during the fiscal year ended June 30, 2022.

B. INTERNAL CONTROL OVER COMPLIANCE

2021-003 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Year ended June 30, 2022

Same finding as that reported in II.A.2022-001 above.

2021-004 Segregation of Duties

Year ended June 30, 2022

Same finding as that reported in II.A.2022-002 above.



**To the President and Members of
The Board of Education
Johnsonburg Area School District
Johnsonburg, Pennsylvania**

To the Board Members and Administration:

We have completed our audit of the District's financial statements for the fiscal year ended June 30, 2022 and have issued our reports thereon dated December 14, 2022. Our audit report expressed an unmodified opinion which states that the District's financial statements are in accordance with generally accepted accounting principles in the United States of America for governments and school districts located in the Commonwealth of Pennsylvania. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Johnsonburg Area School District* for the year ended June 30, 2022, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation.

Attached to this letter is a summary of additional comments which we desire to bring to the Board and Administration's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon primarily by the business staff. In addition, attached to this letter is a summary of revenue and expense comparisons and analysis of fund equity for the school years ended June 30, 2018 through June 30, 2022.

We have reviewed the financial statements extensively with the Superintendent and the Business Manager. These individuals have a good understanding of the financial condition of the District as well as the comments expressed in our annual report. We have enjoyed working with the District and wish to thank all of the staff who have assisted us during our audit.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 14, 2022**

JOHNSONBURG AREA SCHOOL DISTRICT**REVENUE AND EXPENDITURES COMPARISON AND ANALYSIS OF FUND
EQUITY - GENERAL FUND (AMOUNTS IN \$1,000)****Page 58**

	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Revenue and other sources					
Tax revenue	\$ 2,630	\$ 2,655	\$ 2,534	\$ 2,629	\$ 2,575
Other local sources	342	427	369	385	374
State aid	7,912	7,829	7,811	7,612	7,778
Federal aid	592	341	50	26	73
	11,476	11,252	10,764	10,652	10,800
Expenditures and other uses					
Instruction	6,066	5,889	5,707	5,660	6,065
Administration	824	866	802	843	829
Other support services	3,024	2,934	2,948	2,703	2,645
Noninstructional services	293	244	281	296	279
Facilities acquisition and construction	61	71	49	84	60
Debt service	-	-	-	-	556
All other	-	-	-	-	30
	10,268	10,003	9,787	9,586	10,464
Excess (deficiency) of revenue over expenditures	1,208	1,249	977	1,066	336
Fund equity					
Beginning of year	4,736	3,487	2,510	1,444	1,108
End of year	\$ 5,944	\$ 4,736	\$ 3,487	\$ 2,510	\$ 1,444

**JOHNSONBURG AREA SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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Monthly Review of Balance Sheet Accounts

During the audit, significant adjusting journal entries were proposed by the auditors and recorded by the District. The majority of these entries involved adjusting significant balance sheet accounts including, receivables, accounts payable and accrued expenses. We recommend that the Business Manager perform a detailed review of the balance sheet on a monthly basis. This review should consist of comparing balance sheet accounts levels with that recorded in the prior month and prior year-end. In addition, the District should consider maintaining a binder each month that includes documentation that substantiates specific balance sheet accounts. Had the District performed a similar review during 2022 in all likelihood, a significant amount of the adjusting journal entries recorded would have been detected by the District and corrected in a timely fashion.

Future Governmental Accounting Standards - GASB 96

In 2020, the Governmental Accounting Standards Board issued Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), which will be effective for the fiscal year ending June 30, 2023. The new standard (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. We recommend that the District begin to collect pertinent data on all lease arrangements for evaluation along with familiarizing themselves with the new SBITA standard, which may include continuing education, webinars and further training.

Delinquent Tax Collections Reconciliation

Although the District currently reconciles current year tax collections received from its tax collectors as compared to that turned over to Elk County for collections, the District does not reconcile delinquent taxes outstanding on a regular basis. We recommend that the District implement a process whereby delinquent taxes outstanding are reconciled with Elk County's records on a regular basis throughout the year.

Student Activities

Point of sale records

We noted several instances within the student activity funds where the receipt of cash lacked point of sale records. Each cash receipt received by the central treasurer should be accompanied by supporting documentation which reconciles cash received to participation times rates/fees. Due to the lack of point of sale records, cash receipts are not adequate to permit the application of the necessary auditing procedures to indicate whether receipts were recorded. We recommend that point of sale records be filled out in detail or an appropriate summary be attached by the student treasurer and teacher advisor, and be verified or reviewed by the central treasurer. In additions, we recommend that gross margins for each fundraising activity be maintained and closely scrutinized by the treasurer with any deviances from that expected being immediately investigated. The gross margin analysis serves the purpose of determining whether actual profits are in line with estimated profits, along with determining whether the fundraiser was ultimately successful.