

JOHNSONBURG AREA SCHOOL DISTRICT

***FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION***

FISCAL YEAR ENDED JUNE 30, 2023

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

JOHNSONBURG AREA SCHOOL DISTRICT

2023 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, 2023.

We have audited the financial statements of the **Johnsonburg Area School District** for the year ended June 30, 2023 and have issued our report thereon dated December 20, 2023. 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 20, 2023, which is included in the audit package.

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.

**Olean, New York
December 20, 2023**

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF REPORT DISTRIBUTION

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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, 2023, 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, business-type activities, each major fund, and the aggregate remaining fund information of the *Johnsonburg Area School District*, as of June 30, 2023, 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.

Report on Summarized Comparative Information

We have previously audited the *Johnsonburg Area School District's* June 30, 2022 financial statements, and our report dated December 14, 2022, expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, and 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, 2022, 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.

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.

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

- 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 December 20, 2023, 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 20, 2023**

**JOHNSONBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Page 5

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, 2023. 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, 2023:

- Overall net position from operations of the District increased \$2,435,064 during the fiscal year ended June 30, 2023. This increase was the result of a surplus from current year operations of which \$2,350,755 was related to governmental activities and a surplus of \$84,309 which was related to business-type activities.
- The District's total revenue increased \$1,215,092 from \$12,010,197 during year ended June 30, 2022 to \$13,225,289 during June 30, 2023 or 10% due to an increase in operating grants and contributions including grants related to the COVID-19 pandemic and basic state aid subsidy.
- The District's total expenses increased \$1,180,222 from \$9,610,003 during the year ended June 30, 2022 to \$10,790,225 during the year ended June 30, 2023. This increase was the result of an increase in the actuarially calculated pension expenses.
- The District had capital additions during the current fiscal year of approximately \$2,031,000, which was comprised of \$1,995,000 in the governmental activities and \$ 36,000 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, 2023**

Page 6

**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.

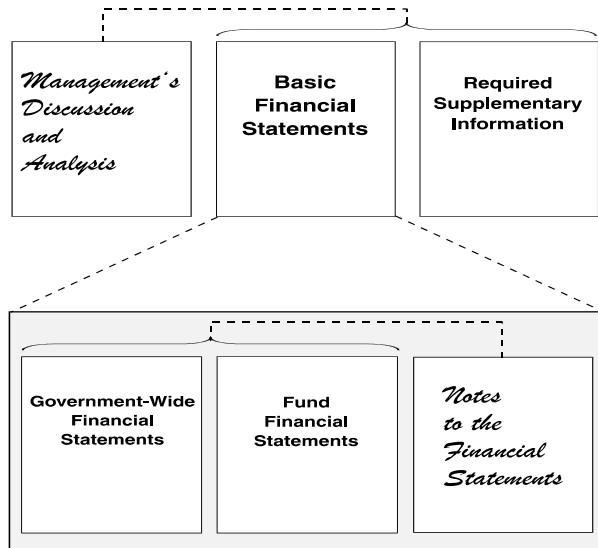
Figure A-1 - Major Features of the District-Wide Statements and Fund Financial Statements

| | 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, 2023**

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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

The District's total reporting entity net position was a deficit of \$1,819,271 as of June 30, 2023. The components of net position include: invested in capital assets, net of related debt of \$8,731,023 and an unrestricted net deficit of \$6,911,752.

Changes in Net Position

The District's total government-wide revenue increased by 10% to \$13,225,289. Approximately 21%, 32% and 44% of total revenue is derived from the property taxes, operating grants and state sources, respectively. The remaining 3% 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 increased 12% to \$10,790,225. The District's expenses cover a range of services, with 56% related to instruction and 36% related to support services.

Figure A-3 – Condensed Statement of Net Position

Johnsonburg Area School District
Condensed Statement of Net Position

| | Governmental Activities | | | Business-type Activities | | | Total | | |
|---|-------------------------|----------------------|------------|--------------------------|-------------------|------------|----------------------|----------------------|------------|
| | 2023 | 2022 | % Change | 2023 | 2022 | % Change | 2023 | 2022 | % Change |
| Assets | | | | | | | | | |
| Current and other assets | \$ 7,855,112 | \$ 7,234,585 | 9% | \$ 292,640 | \$ 267,770 | 9% | \$ 8,147,752 | \$ 7,502,355 | 9% |
| Capital assets | 8,680,625 | 7,095,695 | 22% | 50,398 | 21,099 | n/a | 8,731,023 | 7,116,794 | 23% |
| Total assets | 16,535,737 | 14,330,280 | 15% | 343,038 | 288,869 | 19% | 16,878,775 | 14,619,149 | 15% |
| Deferred Outflows of Resources | 2,378,977 | 2,757,222 | -14% | - | - | n/a | 2,378,977 | 2,757,222 | -14% |
| Total deferred outflows of resources and assets | \$ 18,914,714 | \$ 17,087,502 | 11% | \$ 343,038 | \$ 288,869 | 19% | \$ 19,257,752 | \$ 17,376,371 | 11% |
| Liabilities | | | | | | | | | |
| Other liabilities | \$ 1,764,338 | \$ 1,040,976 | 69% | \$ 15,930 | \$ 46,070 | -65% | \$ 1,780,268 | \$ 1,087,046 | 64% |
| Long-term debt outstanding | 14,232,036 | 13,964,524 | 2% | - | - | n/a | 14,232,036 | 13,964,524 | 2% |
| Total liabilities | 15,996,374 | 15,005,500 | 7% | 15,930 | 46,070 | -65% | 16,012,304 | 15,051,570 | 6% |
| Deferred Inflows of Resources | 1,426,177 | 2,940,594 | -52% | - | - | n/a | 1,426,177 | 2,940,594 | -52% |
| Net position (deficit) | | | | | | | | | |
| Net investment in capital assets | 8,680,625 | 7,095,695 | 22% | 50,398 | 21,099 | n/a | 8,731,023 | 7,116,794 | 23% |
| Restricted | - | - | n/a | - | - | n/a | - | - | n/a |
| Unrestricted | | | | | | | | | |
| Board designated and Undesignated (deficit) | (7,188,462) | (7,954,287) | -10% | 276,710 | 221,700 | 0% | (6,911,752) | (7,732,587) | -11% |
| Total net position (deficit) | 1,492,163 | (858,592) | -274% | 327,108 | 242,799 | 35% | 1,819,271 | (615,793) | -395% |
| Total liabilities, deferred inflows of resources and net position (deficit) | \$ 18,914,714 | \$ 17,087,502 | 11% | \$ 343,038 | \$ 288,869 | 19% | \$ 19,257,752 | \$ 17,376,371 | 11% |

**JOHNSONBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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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 | | |
| | 2023 | 2022 | % Change | 2023 | 2022 | % Change | 2023 | 2022 | % Change |
| Revenue | | | | | | | | | |
| Program revenue | | | | | | | | | |
| Charges for services | \$ 40,736 | \$ 27,977 | 46% | \$ 86,830 | \$ 69,819 | 24% | \$ 127,566 | \$ 97,796 | 30% |
| Operating grants and contributions | 3,807,273 | 3,279,076 | 16% | 402,490 | 410,462 | -2% | 4,209,763 | 3,689,538 | 14% |
| General revenue | | | | | | | | | |
| Taxes | 2,769,439 | 2,632,268 | 5% | - | - | n/a | 2,769,439 | 2,632,268 | 5% |
| Interest earned | 33,658 | 4,028 | 736% | 117 | 81 | 44% | 33,775 | 4,109 | 722% |
| Local sources | 210,007 | 91,693 | 129% | - | - | n/a | 210,007 | 91,693 | 129% |
| State sources | 5,874,739 | 5,494,793 | 7% | - | - | n/a | 5,874,739 | 5,494,793 | 7% |
| Total revenue | 12,735,852 | 11,529,835 | 10% | 489,437 | 480,362 | 2% | 13,225,289 | 12,010,197 | 10% |
| Expenses | | | | | | | | | |
| Instruction | 6,026,197 | 5,403,244 | 12% | - | - | n/a | 6,026,197 | 5,403,244 | 12% |
| Support services | 3,948,983 | 3,526,909 | 12% | - | - | n/a | 3,948,983 | 3,526,909 | 12% |
| Non-instructional services | 409,917 | 328,685 | 25% | - | - | n/a | 409,917 | 328,685 | 25% |
| Business-type (food service fund) | - | - | n/a | 405,128 | 351,165 | 15% | 405,128 | 351,165 | 15% |
| Total expenses | 10,385,097 | 9,258,838 | 12% | 405,128 | 351,165 | 15% | 10,790,225 | 9,610,003 | 12% |
| Change in net position | \$ 2,350,755 | \$ 2,270,997 | | \$ 84,309 | \$ 129,197 | | \$ 2,435,064 | \$ 2,400,194 | |

**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 10%, while total expenses increased 12%. The District's total net position increased \$2,350,755 during the fiscal year ended June 30, 2023.

Figure A-4 presents the major sources of revenue of the District's governmental activities. Revenue of the District totaled \$12,735,852 for the fiscal year ended June 30, 2023. The most significant changes in the District's governmental revenue are more thoroughly discussed as follows:

- Tax revenue which represents approximately 21% of the District's total revenue for governmental activities increased 5% during the year ended June 30, 2023 due to an increase earned income taxes and real estate transfer tax.
- The District's state sources which represent \$5,874,739 or 44% of total governmental revenue increased approximately 7% in comparison with the prior year due to an increase in basic subsidy aid.

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

Governmental Activities - Revenue (continued)

- During the year ended June 30, 2023, 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 \$12,759 and \$528,197, 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 \$10,385,097.

**JOHNSONBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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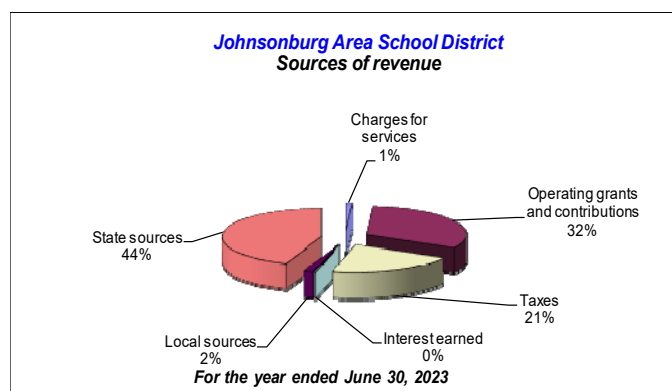
**IV. Financial Analysis of the School District as Whole
(continued)**

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 increased by \$622,953 or 12% which was primarily due to an increase in pension expense related to an actuarial update.
- The District's support services costs increased by \$422,074 or 12% during the year ended June 30, 2023 due to an increase in pension expense related to an actuarial update.
- Non-instructional costs of the District increased \$81,232 or 25% during the year ended June 30, 2023 due to an increase in extraclassroom activity expenses.

Figure A-5 – District-wide Sources of Revenue

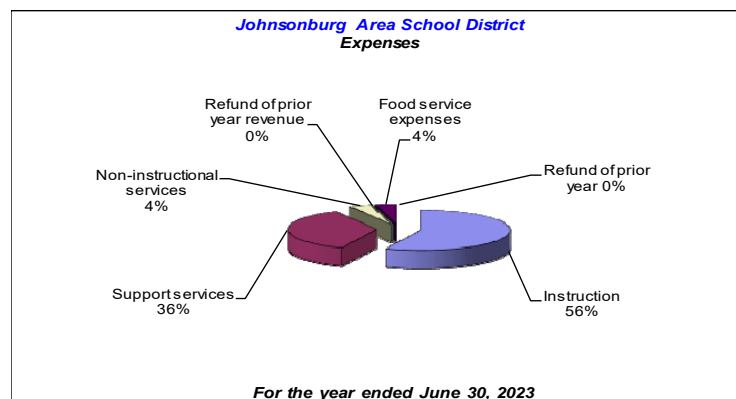


**IV. Financial Analysis of the School District as Whole
(continued)**

Governmental Activities - Expenses (continued)

- For governmental activities, the District received \$3,848,009 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 (\$6.5 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, 2023**

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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 | | | | | | | | | |
| | 2023 | | 2022 | | 2023 | | 2022 | | 2023 | | 2022 | | | | | | | |
| Expenditures supported with general revenue (from taxes & other sources) | \$ | 6,537,088 | 63% | \$ | 5,951,785 | 64% | \$ | (84,192) | -21% | \$ | (129,116) | -37% | \$ | 6,452,896 | 60% | \$ | 5,822,669 | 61% |
| Expenditures supported with program revenue | | 3,848,009 | 37% | | 3,307,053 | 36% | | 489,320 | 121% | | 480,281 | 137% | | 4,337,329 | 40% | | 3,787,334 | 39% |
| Total expenditures related to governmental activities | \$ | 10,385,097 | 100% | \$ | 9,258,838 | 100% | \$ | 405,128 | 100% | \$ | 351,165 | 100% | \$ | 10,790,225 | 100% | \$ | 9,610,003 | 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 | | | | |
| | 2023 | 2022 | Change | | 2023 | 2022 | Change | | |
| Instruction | \$ 6,026,197 | \$ 5,403,244 | \$ 622,953 | | \$ 3,911,388 | \$ 3,019,026 | \$ 892,362 | | |
| Support services | 3,948,983 | 3,526,909 | 422,074 | | 2,270,150 | 2,645,651 | (375,501) | | |
| Non-instructional services | 409,917 | 328,685 | 81,232 | | 355,550 | 287,108 | 68,442 | | |
| Food service | 405,128 | 351,165 | 53,963 | | (84,192) | (129,116) | 44,924 | | |
| Total | \$ 10,790,225 | \$ 9,610,003 | \$ 1,180,222 | | \$ 6,452,896 | \$ 5,822,669 | \$ 630,227 | | |

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 expenditures exceeded its revenues by approximately \$89,000.
- The District's general fund had committed fund balance of \$3,324,000 as of June 30, 2023.
- The District's general fund unassigned fund balance equated to approximately \$2,523,000 as of June 30, 2023.
- The District's total assets increased approximately \$574,000 while liabilities increased \$699,000 during the year ended June 30, 2023. The increase in assets was primarily due to an increase in cash, while the increase in liabilities was associated with an increase in due to capital project fund.
- Total revenue in the District's general fund increased \$1,097,000, while total expenditures and other uses increased \$2,391,000. 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 interfund transfer expense to the capital project fund.

**JOHNSONBURG AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

Capital Project Fund

During the current year, the District had expenditures in its capital projects fund in the amount of \$1,275,996, primarily related to a roofing project. The District also transferred money from the general fund to pay for these expenditures.

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 \$1,089,885 below the revised budget. The most significant variances were in the area of support services and facilities acquisition and construction which totaled approximately \$202,000 and \$293,000 below that budgeted. On the other hand, resources available for appropriations were \$569,460 above the final budgeted amount. Significant variance of revenue items consisted of State and local sources which was \$589,046 and \$329,732, respectively above the revised budget.

Figure A-9 – General Fund Budget vs. Actual

| Johnsonburg Area School District General Fund - Budget vs Actual Comparison | | | | |
|--|----------------------|----------------------|---------------------|-----------|
| | Revised Budget | Actual | Difference | % |
| Revenue | | | | |
| Local sources | \$ 2,896,365 | \$ 3,226,097 | \$ 329,732 | 11% |
| State sources | 7,821,888 | 8,410,934 | 589,046 | 8% |
| Federal sources | 1,336,640 | 987,322 | (349,318) | -26% |
| Total revenue | \$ 12,054,893 | \$ 12,624,353 | \$ 569,460 | 5% |
| Expenditures | | | | |
| Instruction | \$ 6,338,923 | \$ 6,469,915 | \$ (130,992) | -2% |
| Support services | 4,309,845 | 4,107,975 | 201,870 | 5% |
| Non-instructional services | 255,807 | 289,005 | (33,198) | -13% |
| Facilities acquisition and construction | 863,673 | 570,472 | 293,201 | 34% |
| Operating transfers and reserve | 2,035,000 | 1,275,996 | 759,004 | 37% |
| Total expenditures | \$ 13,803,248 | \$ 12,713,363 | \$ 1,089,885 | 8% |

VII. Capital Asset and Debt Administration

Capital Assets

As depicted in Figure A-10, as of June 30, 2023, the District had invested \$8,731,000 in a broad range of capital assets, including reconstruction projects and other various equipment. Capital additions made during the year ended June 30, 2023, totaled approximately \$2,031,000 mostly related to a roof project. 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, 2023, the District had approximately \$14,232,000 in OPEB liability, net pension liability, and compensated absences. Total long-term debt increased approximately 2% as compared with the previous year, primarily due to an increase in net pension liability as a result in an actuarial update.

Figure A-10 – Capital Assets

| Johnsonburg Area School District Capital Assets (net of depreciation) | | | |
|--|---|---------------------|------------|
| | Governmental Activities & Total District-wide | | |
| | 2023 | 2022 | Change |
| Land and site improvements | \$ 270,361 | \$ 350,769 | -23% |
| Building and construction-in-progress | 8,067,429 | 6,563,707 | 23% |
| Furniture and equipment | 325,096 | 182,999 | 78% |
| Transportation vehicles | 68,137 | 19,319 | n/a |
| Total Capital Assets, net | \$ 8,731,023 | \$ 7,116,794 | 23% |

Figure A-11 – Outstanding Long-term Debt

| Johnsonburg Area School District Outstanding Long-Term Debt and Liabilities | | | |
|--|---|----------------------|-----------|
| | Governmental Activities & Total District-wide | | |
| | 2023 | 2022 | Change |
| OPEB liability | \$ 965,821 | \$ 1,259,131 | -23% |
| Net pension liability | 13,204,000 | 12,645,000 | 4% |
| Compensated absences | 62,215 | 60,393 | 3% |
| Total Long-Term Debt | \$ 14,232,036 | \$ 13,964,524 | 2% |

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 level of funding as the District moves out of the 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, 2023

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| | 2023 | | | 2022 |
|---|----------------------------|-----------------------------|-------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total | Total |
| Assets | | | | |
| Cash | \$ 6,711,538 | \$ 276,994 | \$ 6,988,532 | \$ 6,222,925 |
| Receivables | | | | |
| Taxes, net | 340,669 | - | 340,669 | 326,193 |
| State and federal aid | 558,590 | - | 558,590 | 623,280 |
| Other receivables | 237,241 | - | 237,241 | 287,582 |
| Due from other governments | - | - | - | 1,874 |
| Due from other funds | - | 13,795 | 13,795 | 29,736 |
| Inventories | - | 1,851 | 1,851 | 3,691 |
| Prepaid expenses | 7,074 | - | 7,074 | 7,074 |
| Capital assets, net | 8,680,625 | 50,398 | 8,731,023 | 7,116,794 |
| Total assets | 16,535,737 | 343,038 | 16,878,775 | 14,619,149 |
| Deferred Outflows of Resources | | | | |
| Deferred outflows related to pension | 2,196,788 | - | 2,196,788 | 2,528,022 |
| Deferred outflows related to OPEB | 182,189 | - | 182,189 | 229,200 |
| Total deferred outflows of resources | 2,378,977 | - | 2,378,977 | 2,757,222 |
| Total assets and deferred outflows of resources | \$ 18,914,714 | \$ 343,038 | \$ 19,257,752 | \$ 17,376,371 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 802,566 | \$ 9,341 | \$ 811,907 | \$ 175,015 |
| Accrued liabilities | 905,753 | - | 905,753 | 873,882 |
| Unearned revenue | 42,224 | 6,589 | 48,813 | 8,413 |
| Due to other funds | 13,795 | - | 13,795 | 29,736 |
| Long-term liabilities | | | | |
| Other post-employment benefits | 965,821 | - | 965,821 | 1,259,131 |
| Compensated absences | 62,215 | - | 62,215 | 60,393 |
| Net pension liability | 13,204,000 | - | 13,204,000 | 12,645,000 |
| Total liabilities | 15,996,374 | 15,930 | 16,012,304 | 15,051,570 |
| Deferred Inflows of Resources | | | | |
| Deferred inflows related to pension | 874,000 | - | 874,000 | 2,619,000 |
| Deferred inflows related to OPEB | 552,177 | - | 552,177 | 321,594 |
| Total deferred inflows of resources | 1,426,177 | - | 1,426,177 | 2,940,594 |
| Net Position (deficit) | | | | |
| Net investment in capital assets | 8,680,625 | 50,398 | 8,731,023 | 7,116,794 |
| Restricted | - | - | - | - |
| Unrestricted | | | | |
| Board designated | 3,324,004 | - | 3,324,004 | 3,600,000 |
| Undesignated (deficit) | (10,512,466) | 276,710 | (10,235,756) | (11,332,587) |
| Total net position (deficit) | 1,492,163 | 327,108 | 1,819,271 | (615,793) |
| Total liabilities, deferred inflows of resources & net position (deficit) | \$ 18,914,714 | \$ 343,038 | \$ 19,257,752 | \$ 17,376,371 |

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Page 14

| | 2023 | | | | | | | 2022 |
|---|---------------|------------------------------|---------------------------------------|------------------|---------------------------------------|--|----------------|---|
| | 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 | \$ 5,816,480 | \$ 209,717 | \$ 16,642 | \$ 2,098,167 | \$ (3,911,388) | \$ - | \$ (3,911,388) | \$ (3,019,026) |
| Instructional student support | 617,288 | 28,222 | - | 247,626 | (397,884) | - | (397,884) | (402,023) |
| Administrative and financial support services | 1,139,487 | 41,556 | - | 247,242 | (933,801) | - | (933,801) | (882,045) |
| Operation and maintenance of plant services | 1,279,538 | 98,927 | - | 825,784 | (552,681) | - | (552,681) | (1,071,866) |
| Pupil transportation | 540,105 | 17,823 | - | 258,263 | (299,665) | - | (299,665) | (263,452) |
| Central support | 162,181 | - | - | 99,918 | (62,263) | - | (62,263) | (2,992) |
| Other support services | 23,856 | - | - | - | (23,856) | - | (23,856) | (23,273) |
| Student activities | 396,245 | 13,672 | 24,094 | 30,273 | (355,550) | - | (355,550) | (287,108) |
| Depreciation | 409,917 | (409,917) | - | - | - | - | - | - |
| Total governmental activities | 10,385,097 | - | 40,736 | 3,807,273 | (6,537,088) | - | (6,537,088) | (5,951,785) |
| Business-type activities: | | | | | | | | |
| Food services | 405,128 | - | 86,830 | 402,490 | - | 84,192 | 84,192 | 129,116 |
| Total functions and programs | \$ 10,790,225 | \$ - | \$ 127,566 | \$ 4,209,763 | (6,537,088) | 84,192 | (6,452,896) | (5,822,669) |

General Revenues

| | | | | |
|--|--------------|------------|--------------|--------------|
| Real property taxes, levied for general purposes | 1,843,514 | - | 1,843,514 | 1,973,176 |
| Other taxes levied | 925,925 | - | 925,925 | 659,092 |
| Interest earnings | 33,658 | 117 | 33,775 | 4,109 |
| Other local sources | 210,007 | - | 210,007 | 91,693 |
| State sources | 5,874,739 | - | 5,874,739 | 5,494,793 |
| | <hr/> | | | |
| Total general revenues | 8,887,843 | 117 | 8,887,960 | 8,222,863 |
| | <hr/> | | | |
| Change in net position | 2,350,755 | 84,309 | 2,435,064 | 2,400,194 |
| Net position (deficit) - beginning of year | (858,592) | 242,799 | (615,793) | (3,099,344) |
| Prior period adjustments | - | - | - | 83,357 |
| | <hr/> | | | |
| Net position (deficit) - end of year | \$ 1,492,163 | \$ 327,108 | \$ 1,819,271 | \$ (615,793) |
| | <hr/> | | | |

JOHNSONBURG AREA SCHOOL DISTRICT
COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023

Page 15

| | Governmental Funds | | | | |
|---|---------------------|------------------|-------------------|------------------------------|------------------------------|
| | General Fund | Special Revenue | Capital Projects | 2023 (Memo only) Total | 2022 (Memo only) Total |
| Assets | | | | | |
| Cash and cash equivalents | \$ 6,665,328 | \$ 46,210 | \$ - | \$ 6,711,538 | \$ 5,999,584 |
| Taxes receivable | 346,569 | - | - | 346,569 | 332,093 |
| State and federal aid receivable | 558,590 | - | - | 558,590 | 623,280 |
| Other receivables | 237,241 | - | - | 237,241 | 248,718 |
| Due from other funds | - | - | 774,305 | 774,305 | 29,736 |
| Prepaid expenses | 7,074 | - | - | 7,074 | 7,074 |
| Total assets | <u>\$ 7,814,802</u> | <u>\$ 46,210</u> | <u>\$ 774,305</u> | <u>\$ 8,635,317</u> | <u>\$ 7,240,485</u> |
| Liabilities, Deferred Inflows of Resources and Fund Equity | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 28,261 | \$ - | \$ 774,305 | \$ 802,566 | \$ 167,094 |
| Accrued salaries and benefits | 907,384 | - | - | 907,384 | 875,985 |
| Unearned revenue | 42,224 | - | - | 42,224 | - |
| Due to other funds | 788,100 | - | - | 788,100 | - |
| Payroll deductions and withholdings | (1,631) | - | - | (1,631) | (2,103) |
| Total liabilities | <u>1,764,338</u> | <u>-</u> | <u>774,305</u> | <u>2,538,643</u> | <u>1,040,976</u> |
| Deferred Inflows | | | | | |
| Revenues not available - taxes | <u>196,095</u> | <u>-</u> | <u>-</u> | <u>196,095</u> | <u>220,041</u> |
| Fund Equity | | | | | |
| Nonspendable | 7,074 | - | - | 7,074 | 7,074 |
| Committed | 3,324,004 | 46,210 | - | 3,370,214 | 3,636,089 |
| Unassigned | 2,523,291 | - | - | 2,523,291 | 2,336,305 |
| Total fund equity | <u>5,854,369</u> | <u>46,210</u> | <u>-</u> | <u>5,900,579</u> | <u>5,979,468</u> |
| Total liabilities, deferred inflows of resources and fund equity | <u>\$ 7,814,802</u> | <u>\$ 46,210</u> | <u>\$ 774,305</u> | <u>\$ 8,635,317</u> | <u>\$ 7,240,485</u> |

JOHNSONBURG AREA SCHOOL DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
EQUITY - ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Page 16

| | Governmental Funds | | | | |
|--|--------------------|-----------------|------------------|------------------------------|------------------------------|
| | General Fund | Special Revenue | Capital Projects | 2023 (Memo only) Total | 2022 (Memo only) Total |
| Revenue | | | | | |
| Local sources | \$ 3,226,097 | \$ 135,445 | \$ - | \$ 3,361,542 | \$ 3,023,509 |
| State sources | 8,410,934 | - | - | 8,410,934 | 7,911,773 |
| Federal sources | 987,322 | - | - | 987,322 | 591,815 |
| Other sources | | | | | |
| Interfund transfers | - | - | 1,275,996 | 1,275,996 | - |
| Total revenue and other sources | 12,624,353 | 135,445 | 1,275,996 | 14,035,794 | 11,527,097 |
| Expenditures | | | | | |
| Instruction | 6,469,915 | - | - | 6,469,915 | 6,066,295 |
| Support services | 4,107,975 | - | - | 4,107,975 | 3,847,763 |
| Noninstructional services | 289,005 | 125,324 | - | 414,329 | 346,717 |
| Facility acquisition, construction, and improvement services | 570,472 | - | 1,275,996 | 1,846,468 | 61,351 |
| Other financing uses | | | | | |
| Interfund transfers | 1,275,996 | - | - | 1,275,996 | - |
| Total expenditures and other financing uses | 12,713,363 | 125,324 | 1,275,996 | 14,114,683 | 10,322,126 |
| Excess (deficiency) of revenue and other sources over expenditures and other financing uses | (89,010) | 10,121 | - | (78,889) | 1,204,971 |
| Fund equity, beginning of year | 5,943,379 | 36,089 | - | 5,979,468 | 4,774,497 |
| Fund equity, end of year | \$ 5,854,369 | \$ 46,210 | \$ - | \$ 5,900,579 | \$ 5,979,468 |

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND EQUITY -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

Page 17

| | Original Budget | Revised Budget | Current Year's Actual | Favorable (Unfavorable) Revised Budget |
|--|-----------------------|-----------------------|-----------------------------|---|
| Revenues | | | | |
| Local sources | \$ 2,896,365 | \$ 2,896,365 | \$ 3,226,097 | \$ 329,732 |
| State sources | 7,821,888 | 7,821,888 | 8,410,934 | 589,046 |
| Federal sources | 1,336,640 | 1,336,640 | 987,322 | (349,318) |
| Total revenue | 12,054,893 | 12,054,893 | 12,624,353 | 569,460 |
| Expenditures | | | | |
| Instruction | | | | |
| Regular programs | 4,429,347 | 4,429,347 | 4,528,567 | (99,220) |
| Special programs | 1,349,026 | 1,349,026 | 1,373,095 | (24,069) |
| Vocational education programs | 204,823 | 204,823 | 203,787 | 1,036 |
| Other instructional programs | 213,425 | 213,425 | 212,326 | 1,099 |
| Pre-kindergarten program | 142,302 | 142,302 | 152,140 | (9,838) |
| Total instruction | 6,338,923 | 6,338,923 | 6,469,915 | (130,992) |
| Support Services | | | | |
| Pupil personnel | 396,406 | 396,406 | 396,869 | (463) |
| Instructional staff | 170,975 | 170,975 | 152,219 | 18,756 |
| Administration | 908,111 | 908,111 | 856,494 | 51,617 |
| Pupil health | 151,216 | 151,216 | 149,134 | 2,082 |
| Business | 406,326 | 406,326 | 402,835 | 3,491 |
| Operation and maintenance | 1,497,814 | 1,497,814 | 1,429,463 | 68,351 |
| Student transportation services | 595,266 | 595,266 | 540,105 | 55,161 |
| Central support services | 160,000 | 160,000 | 157,000 | 3,000 |
| Other support services | 23,731 | 23,731 | 23,856 | (125) |
| Total support services | 4,309,845 | 4,309,845 | 4,107,975 | 201,870 |
| Noninstructional services | | | | |
| Student activities | 255,807 | 255,807 | 289,005 | (33,198) |
| Total noninstructional services | 255,807 | 255,807 | 289,005 | (33,198) |
| Facilities acquisition, construction and improvement services | | | | |
| | 863,673 | 863,673 | 570,472 | 293,201 |
| Other financing uses | | | | |
| Interfund transfers | 2,035,000 | 2,035,000 | 1,275,996 | 759,004 |
| Total other financing uses | 2,035,000 | 2,035,000 | 1,275,996 | 759,004 |
| Total expenditures and other financing uses | 13,803,248 | 13,803,248 | 12,713,363 | 1,089,885 |
| Excess (deficiency) of revenue and other sources over expenditures and other financing uses | <u>\$ (1,748,355)</u> | <u>\$ (1,748,355)</u> | <u>(89,010)</u> | <u>\$ 1,659,345</u> |
| Fund equity, beginning of year | | | 5,943,379 | |
| Fund equity, end of year | | | <u>\$ 5,854,369</u> | |

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
AS OF JUNE 30, 2023

Page 18

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | \$ 276,994 | \$ 223,341 |
| State and federal aid receivable | - | 1,874 |
| Advance to/Receivable from third party provider | - | 38,864 |
| Due from general fund | 13,795 | - |
| Inventories | 1,851 | 3,691 |
| Capital assets, net | 50,398 | 21,099 |
| Total assets | \$ 343,038 | \$ 288,869 |
| Liabilities | | |
| Accounts payable | \$ 9,341 | \$ 7,921 |
| Unearned revenue | 6,589 | 8,413 |
| Due to general fund | - | 29,736 |
| Total liabilities | 15,930 | 46,070 |
| Net Position | | |
| Invested in capital assets | 50,398 | 21,099 |
| Unrestricted | 276,710 | 221,700 |
| Total net position | 327,108 | 242,799 |
| Total liabilities and net position | \$ 343,038 | \$ 288,869 |

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

Page 19

| | 2023 | 2022 |
|--------------------------------------|-------------------|-------------------|
| Operating revenue | | |
| Food service revenue | \$ 50,570 | \$ 52,819 |
| Operating expenses | | |
| Cost of sales | 24,365 | 22,209 |
| Contractual | 373,195 | 325,840 |
| Depreciation | 6,961 | 3,116 |
| Other operating expenses | 607 | - |
| Total operating expenses | 405,128 | 351,165 |
| Net operating loss | (354,558) | (298,346) |
| Non-operating revenues | | |
| State sources | 31,243 | 11,748 |
| Federal sources | 371,247 | 398,714 |
| Other grants | 36,260 | 17,000 |
| Interest income | 117 | 81 |
| Total non-operating revenues | 438,867 | 427,543 |
| Change in net position | 84,309 | 129,197 |
| Total net position, beginning | 242,799 | 113,602 |
| Total net position, ending | \$ 327,108 | \$ 242,799 |

JOHNSONBURG AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

Page 20

| | 2023 | 2022 |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Cash received from sale of meals | \$ 48,746 | \$ 55,390 |
| Cash paid to or reimbursed from vendors and other funds | (375,209) | (332,757) |
| Net cash used in operating activities | (326,463) | (277,367) |
| Cash flows from non-capital financing activities | | |
| Other grants | 36,260 | 17,000 |
| State sources | 31,300 | 11,947 |
| Federal sources | 348,699 | 381,538 |
| Net cash provided by non-capital financing activities | 416,259 | 410,485 |
| Cash flows from investing activities | | |
| Purchase of capital assets | (36,260) | (6,085) |
| Interest received | 117 | 81 |
| Net cash provided by (used in) investing activities | (36,143) | (6,004) |
| Net change in cash | 53,653 | 127,114 |
| Cash balance, beginning of year | 223,341 | 96,227 |
| Cash balance, end of year | \$ 276,994 | \$ 223,341 |
| Reconciliation of operating loss to net cash used in operating activities | | |
| Operating loss | \$ (354,558) | \$ (298,346) |
| Adjustments to reconcile operating income to net cash used in operating activities: | | |
| Depreciation | 6,961 | 3,116 |
| Non-cash items (donated commodities) | 24,365 | 22,209 |
| Changes in assets and liabilities: | | |
| Change in advance to/receivable from third party provider | 38,864 | - |
| Change in inventory | 1,840 | (3,027) |
| Change in due from general fund | (43,531) | - |
| Change in unearned revenue | (1,824) | 2,571 |
| Change in operating receivables/payables | 1,420 | (3,890) |
| Net cash used in operating activities | \$ (326,463) | \$ (277,367) |
| Supplemental Schedule of Non-Cash Activities | | |
| Activities not affecting cash flows are as follows: | | |
| Surplus food | \$ 24,365 | \$ 22,209 |
| Total non-cash activity | \$ 24,365 | \$ 22,209 |

JOHNSONBURG AREA SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023

Total fund balances - governmental funds \$ 5,900,579

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 | \$ 23,097,812 | |
| Accumulated depreciation | <u>(14,417,187)</u> | 8,680,625 |

| | | |
|--|--|---------|
| 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. | | 190,195 |
|--|--|---------|

| | | |
|--|--|-----------|
| 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. | | 1,322,788 |
|--|--|-----------|

| | | |
|--|--|-----------|
| 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. | | (369,988) |
|--|--|-----------|

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 | (965,821) | |
| Compensated absences | (62,215) | |
| Net pension liability | <u>(13,204,000)</u> | <u>(14,232,036)</u> |

| | | |
|---|--|----------------------------|
| Total net position - governmental activities | | <u>\$ 1,492,163</u> |
|---|--|----------------------------|

| | Total Governmental Funds | Long-term Asset and Outflow Transactions | Long-term Liability and Inflow Transactions | Reclassification and Eliminations | Statement of Net Position |
|--|--------------------------------|--|---|---|---------------------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 6,711,538 | \$ - | \$ - | \$ - | \$ 6,711,538 |
| Taxes receivable | 346,569 | (5,900) | - | - | 340,669 |
| State and federal aid receivable | 558,590 | - | - | - | 558,590 |
| Other receivables | 237,241 | - | - | - | 237,241 |
| Due from other funds | 774,305 | - | - | (774,305) | - |
| Prepaid expenses | 7,074 | - | - | - | 7,074 |
| Capital assets, net | - | 8,680,625 | - | - | 8,680,625 |
| Total assets | 8,635,317 | 8,674,725 | - | (774,305) | 16,535,737 |
| Deferred outflows of resources | | | | | |
| Deferred outflows related to pensions and OPEB | - | 2,378,977 | - | - | 2,378,977 |
| Total assets and deferred outflows of resources | \$ 8,635,317 | \$ 11,053,702 | \$ - | \$ (774,305) | \$ 18,914,714 |
| Liabilities, Deferred Inflows of Resources & Fund Equity/Net Position (deficit) | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 802,566 | \$ - | \$ - | \$ - | \$ 802,566 |
| Accrued liabilities | 905,753 | - | - | - | 905,753 |
| Unearned revenue | 42,224 | - | - | - | 42,224 |
| Due to other funds | 788,100 | - | - | (774,305) | 13,795 |
| Other post-employment benefits | - | - | 965,821 | - | 965,821 |
| Compensated absences | - | - | 62,215 | - | 62,215 |
| Net pension liability | - | - | 13,204,000 | - | 13,204,000 |
| Total liabilities | 2,538,643 | - | 14,232,036 | (774,305) | 15,996,374 |
| Deferred inflows of resources | | | | | |
| Revenues not available - taxes | 196,095 | - | (196,095) | - | - |
| Deferred inflows related to pensions and OPEB | - | - | 1,426,177 | - | 1,426,177 |
| Total deferred inflows of resources | 196,095 | - | 1,230,082 | - | 1,426,177 |
| Fund equity & net position (deficit) | 5,900,579 | 11,053,702 | (15,462,118) | - | 1,492,163 |
| Total liabilities, deferred inflows of resources and fund equity/net position (deficit) | \$ 8,635,317 | \$ 11,053,702 | \$ - | \$ (774,305) | \$ 18,914,714 |

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, 2023

Total net change in fund balances - governmental funds \$ (78,889)

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 | \$ 1,994,847 | |
| Depreciation expense | <u>(409,917)</u> | 1,584,930 |

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. (23,946)

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. 854,766

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. 15,716

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. (1,822)

Change in net position of governmental activities \$ 2,350,755

| | 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 | \$ 1,867,460 | \$ (23,946) | \$ - | \$ - | \$ 1,843,514 |
| Other taxes levied | 925,925 | - | - | - | 925,925 |
| Interest and earnings | 33,658 | - | - | - | 33,658 |
| Other local sources | 523,611 | - | - | (313,604) | 210,007 |
| State sources | 8,410,934 | - | - | (2,536,195) | 5,874,739 |
| Federal sources | 998,210 | - | - | (998,210) | - |
| Total revenue | 12,759,798 | (23,946) | - | (3,848,009) | 8,887,843 |
| Expenditures | | | | | |
| Instruction | 6,469,915 | 136,421 | (580,139) | (2,114,809) | 3,911,388 |
| Instructional student support | 698,222 | 19,819 | (72,531) | (247,626) | 397,884 |
| Administrative and financial support services | 1,259,329 | 41,556 | (119,842) | (247,242) | 933,801 |
| Operation and maintenance of plant services | 1,429,463 | (10,341) | (78,064) | (788,377) | 552,681 |
| Pupil transportation | 540,105 | 17,823 | - | (258,263) | 299,665 |
| Central support | 157,000 | 5,181 | - | (99,918) | 62,263 |
| Other support services | 23,856 | - | - | - | 23,856 |
| Student activities | 414,329 | 13,672 | (18,084) | (54,367) | 355,550 |
| Facilities acquisition, construction and improv. | 1,846,468 | (1,809,061) | - | (37,407) | - |
| Total expenditures | 12,838,687 | (1,584,930) | (868,660) | (3,848,009) | 6,537,088 |
| Excess (deficiency) of revenue over expenditures | (78,889) | 1,560,984 | 868,660 | - | 2,350,755 |
| Other sources and uses | | | | | |
| Operating transfers in | 1,275,996 | - | - | (1,275,996) | - |
| Operating transfers out | (1,275,996) | - | - | 1,275,996 | - |
| Total other sources (uses) | - | - | - | - | - |
| Net change for year | \$ (78,889) | \$ 1,560,984 | \$ 868,660 | \$ - | \$ 2,350,755 |

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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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.

Capital Projects Fund - The Capital Projects Funds are used to account for and report financial resources to be used for the acquisition or construction or renovation of major capital facilities or equipment.

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, 2023**

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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 and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded 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 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 over expenditure 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, 2023**

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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, 2023, \$62,215 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, 2023**

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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, 2023 was 35.26% (34.31% - pension, .20% - Act 5 defined contribution, .75% - 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 \$1,526,000 for the year ended June 30, 2023.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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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, 2023 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, 2022 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, 2022, 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, 2023**

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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, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$33,000 for the year ended June 30, 2023.

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. The District reports the fund balance in the capital projects fund as restricted fund balance as of June 30, 2023.

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 \$3,324,004 as of June 30, 2023 related to facility and technology improvements.

The District also reports the fund balance in the special revenue related to student activities as committed fund balance as of June 30, 2023.

**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, 2024.

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, 2023**

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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, 2022, the District implemented the provisions of GASB Statement No. 96, Subscription Based Information Technology Arrangements which establishes that a subscription based information technology arrangement results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. The implementation of this 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, 2023**

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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, 2023, the District's bank deposits were fully collateralized.

Total financial institution balances at June 30, 2023, per the bank, were approximately \$7,035,000 of which \$250,000 was secured by FDIC insurance and \$6,785,000 was secured by the banks as required by Act 72 of 1971.

JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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NOTE 4 - CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023 were as follows:

| | Beginning Balance 06/30/22 | Net Change | Ending Balance 06/30/23 |
|---------------------------------------|----------------------------------|---------------|-------------------------------|
| Governmental activities: | | | |
| Capital assets: | | | |
| Land and site improvements | \$ 1,751,821 | \$ - | \$ 1,751,821 |
| Buildings and improvements | 18,547,114 | 33,460 | 18,580,574 |
| Construction in progress | - | 1,749,850 | 1,749,850 |
| Furniture and equipment | 620,910 | 152,326 | 773,236 |
| Vehicles | 213,055 | 29,276 | 242,331 |
| Total historical cost | 21,132,900 | 1,964,912 | 23,097,812 |
| Accumulated depreciation: | | | |
| Land and land improvements | 1,401,052 | 80,408 | 1,481,460 |
| Buildings and improvements | 11,983,407 | 279,588 | 12,262,995 |
| Furniture and equipment | 459,010 | 39,528 | 498,538 |
| Vehicles | 193,736 | (19,542) | 174,194 |
| Less accumulated depreciation: | 14,037,205 | \$ 379,982 | 14,417,187 |
| Total net book value | \$ 7,095,695 | | \$ 8,680,625 |
| Proprietary/business-type activities: | | | |
| Building, furniture and equipment | \$ 325,108 | \$ 36,260 | \$ 361,368 |
| Less accumulated depreciation: | 304,009 | \$ 6,961 | 310,970 |
| Total net book value | \$ 21,099 | | \$ 50,398 |

| | Governmental | Proprietary/ Business-type |
|----------------------------|--------------|-------------------------------|
| Depreciation expense: | | |
| Instruction | \$ 209,717 | \$ - |
| Support services | 186,528 | - |
| Non-instructional services | 13,672 | 6,961 |
| | \$ 409,917 | \$ 6,961 |

The District had capital additions during the current fiscal year of approximately \$2,031,000, which was comprised of \$1,995,000 in the governmental activities and \$ 36,000 in the business-type activities primarily related to capital improvements and equipment.

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.

B. Long-Term Debt

1. Bonds Payable

The District did not have any outstanding bonds payable as of June 30, 2023.

2. Summary of Long-Term Liabilities

The following is a summary of long-term liabilities outstanding, at June 30, 2023:

| Description | Balance June 30, 2023 | Amounts Due Within One Year | Balance June 30, 2022 |
|--------------------------------|-----------------------------|-----------------------------------|-----------------------------|
| Other post-employment benefits | \$ 965,821 | \$ - | \$ 1,259,131 |
| Net pension liability | 13,204,000 | - | 12,645,000 |
| Compensated absences | 62,215 | - | 60,393 |
| | \$ 14,232,036 | \$ - | \$ 13,964,524 |

Net pension liability increased by \$559,000 and resulted from actuarial updates to the State's pension system. Other post-employment benefits decreased by \$293,310 due to a change in the actuarial valuations, and compensated absences increased by \$1,822.

3. Long-term Debt Interest

The District had no long-term interest during the fiscal year ended June 30, 2023.

NOTE 6 - RETIREMENT PLAN

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

At June 30, 2023, the District reported a liability of \$13,204,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was .0297%, which was a decrease of .0011% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of \$592,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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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 | \$ - | \$ 224,000 |
| Difference between expected and actual experience | 6,000 | 114,000 |
| Changes in proportions | 144,000 | 536,000 |
| Changes in assumptions | 394,000 | -- |
| Contributions subsequent to the measurement date | 1,652,788 | -- |
| | <u>\$ 2,196,788</u> | <u>\$ 874,000</u> |

\$1,652,788 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

| | |
|------|--------------|
| 2024 | \$ (164,000) |
| 2025 | (8,000) |
| 2026 | (472,000) |
| 2027 | 314,000 |
| 2028 | - |

Net deferred outflow/inflow: \$ (330,000)

Actuarial Assumptions and Changes

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

- Valuation Date – June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- 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 was 7% as of June 30, 2021 and 7.00% as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2022 measurement date:
 - 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, 2022 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 | 28.0% | 5.3% |
| Private equity | 12.0% | 8.0% |
| Fixed income | 33.0% | 2.3% |
| Commodities | 9.0% | 2.3% |
| Absolute return | 6.0% | 3.5% |
| Infrastructure/MLPs | 9.0% | 5.4% |
| Real estate | 11.0% | 4.6% |
| Cash | 3.0% | .5% |
| Leverage | (11.0)% | .5% |
| | <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, 2022.

**JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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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 | \$17,079,000 | \$ 13,204,000 | \$ 9,938,000 |

System Net Pension Liability

The components of the total PSERS net pension liability as of June 30, 2022 are as follows:

| | (Dollar Amounts in Thousands) |
|--|----------------------------------|
| Total pension liability | \$ 114,986,964 |
| Less: System fiduciary net position | 70,528,242 |
| System net pension liability | \$ 44,458,722 |
| System fiduciary net position as a percentage of total pension liability | 61.34% |

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 \$416,821. The net OPEB liability was measured as of July 1, 2022 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, 2023, the District recognized OPEB expense of \$33,979. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 196,137 |
| Net difference between projected and actual earnings | - | -- |
| Changes in proportion | - | -- |
| Changes in assumptions | 56,494 | 159,040 |
| Contributions subsequent to the measurement date | 12,695 | -- |
| Total | \$ 69,189 | \$ 355,177 |

\$12,695 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, 2024. 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: | |
| 2024 | \$ (25,812) |
| 2025 | (25,812) |
| 2026 | (25,812) |
| 2027 | (25,812) |
| 2028 | (25,812) |
| Thereafter | (169,623) |

Actuarial Assumptions

The total OPEB liability as of the measurement date of July 1, 2022, 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 - 4.06% - 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 6.5% in 2022, 6% in 2023, 5.5% in 2024-2025. Rates decrease from 5.4% in 2026 to 3.9% in 2075.

JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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 Scale MP-2021 projection scale to reflect mortality improvement.

Changes in the Total OPEB Liability

| | | |
|--|----|-----------|
| Service cost | \$ | 47,016 |
| Interest | | 12,775 |
| Differences between expected and actual experience | | -- |
| Changes in assumptions | | (142,868) |
| Benefit payments | | (29,233) |
| Net changes | | (112,310) |
| Net OPEB liability – beginning of year | | 529,131 |
| Net OPEB liability – end of year | \$ | 416,821 |

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 District Plan OPEB liability | \$ 360,794 | \$ 416,821 | \$ 484,018 |

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 (3.06%) | Current Assumption (4.06%) | 1% Increase (5.06%) |
|------------------------------------|---------------------------|----------------------------------|---------------------------|
| Total District Plan OPEB liability | \$ 454,230 | \$ 416,821 | \$ 381,829 |

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, 2023, the District reported a liability of \$549,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's proportion was .0298%, which was a decrease of .001% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense (credit) of (\$7,000). At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 5,000 | \$ 3,000 |
| Changes in assumptions | 61,000 | 130,000 |
| Net difference between projected and actual earnings | 1,000 | - |
| Changes in proportion | 10,000 | 64,000 |
| Difference between employer contributions and proportionate share of total contributions | - | - |
| Benefit payments subsequent to measurement date | 36,000 | - |
| Total | \$ 113,000 | \$ 197,000 |

\$36,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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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)

| | | |
|--------------|----|----------|
| Year ending: | | |
| 2024 | \$ | (37,000) |
| 2025 | | (24,000) |
| 2026 | | (21,000) |
| 2027 | | (20,000) |
| 2027 | | (18,000) |
| Thereafter | | - |

Actuarial Assumptions

The total OPEB liability as of June 30, 2023, was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, comprised of inflation of 2.5% 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, 2021 determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 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-2020 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 | 100% | .5% |
| | 100% | |

JOHNSONBURG AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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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, 2022.

Discount rate

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

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, 2022, 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, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 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 (continued)

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 | \$ 548,000 | \$ 549,000 | \$ 549,000 |

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 (3.09%) | Current Assumption (4.09%) | 1% Increase (5.09%) |
|--|---------------------------|----------------------------------|---------------------------|
| Total Health Insurance Premium Assistance OPEB liability | \$ 620,000 | \$ 549,000 | \$ 488,000 |

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
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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NOTE 8 - RECEIVABLES

Taxes Receivable

Taxes receivable amounted to \$346,569 at June 30, 2023 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 2024 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 \$558,590 in the General Fund as of June 30, 2023 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 \$0 for June federal and state meal reimbursements in the food service fund.

Other Receivables

Other receivables include \$237,241 in the General Fund as of June 30, 2023 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 \$196,095 as of June 30, 2023. 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 \$135,000 at June 30, 2023 for accumulating, non-vesting sick leave.

In the district-wide statements, as of June 30, 2023, \$62,215 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, 2023</u> |
|-----------------------------|--------------------------|----------------------------------|
| <u>Nonspendable:</u> | | |
| General | Prepaid expense | \$ <u>7,074</u> |
| <u>Committed:</u> | | |
| General | Facility Improvements | \$ 2,774,004 |
| General | Technology Improvements | <u>550,000</u> |
| | | \$ <u>3,324,004</u> |
| Special revenue | Student activity balance | \$ <u>46,210</u> |
| <u>Restricted:</u> | | |
| Capital project | Fund balance | \$ <u>-</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
FOR THE YEAR ENDED JUNE 30, 2023**

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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 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 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) 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 \$1,163,000 under the American Rescue Plan (ARP). As of June 30, 2023 the District has expended \$495,919 of ESSER2 and \$897,883 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 which ended on June 30, 2022.

NOTE 16 – CAPITAL PROJECT

During the current year, the District had expenditures in its capital projects fund in the amount of \$1,275,996, primarily related to a roofing project. The District also transferred money from the general fund to pay for these expenditures.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events were evaluated by Management through December 20, 2023, 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> | 2023 | 2022 |
|--|---------------------------------|---------------------------------|
| Revenue | | |
| Local sources: | | |
| Taxes: | | |
| Current real estate taxes | \$ 1,686,707 | \$ 1,750,017 |
| Per capita | 171,618 | 179,216 |
| Realty transfer and earned income | 713,993 | 463,670 |
| Public utility realty tax | 2,504 | 2,455 |
| Payment in lieu of taxes | 72,912 | 77,753 |
| Delinquent real estate taxes | 145,651 | 156,419 |
| Total tax revenue | <u>2,793,385</u> | <u>2,629,530</u> |
| Interest and earnings | 33,658 | 4,028 |
| Federal revenue received from intermediate and local sources | 283,756 | 270,281 |
| State revenue received from intermediate and local sources | 9,715 | 5,025 |
| Receipts from other LEAs in Pennsylvania | 14,642 | 15,061 |
| Tuition and other reimbursement | 2,000 | - |
| Athletic receipts | 24,094 | 12,916 |
| Miscellaneous | 64,847 | 36,007 |
| Total local sources | <u>3,226,097</u> | <u>2,972,848</u> |
| State sources: | | |
| Basic instructional subsidy | 5,516,972 | 5,210,957 |
| Property tax relief subsidy | 357,767 | 283,836 |
| Transportation | 258,263 | 271,612 |
| Special education | 576,331 | 528,402 |
| Social security and retirement | 1,327,577 | 1,282,818 |
| Vocational education | 48 | 34,114 |
| Health services | 9,743 | 9,977 |
| Safe schools grant | 80,620 | 25,194 |
| PA Pre-K counts | 150,000 | 131,250 |
| PA accountability grant | 133,613 | 133,613 |
| Total state sources | <u>8,410,934</u> | <u>7,911,773</u> |
| Federal sources: | | |
| Title IIA | - | 15,909 |
| COVID-19, IDEA | - | 3,333 |
| COVID-19, ESSER and GEER | 866,208 | 537,181 |
| Other restricted federal grants in aid | 121,114 | 35,392 |
| Total federal sources | <u>987,322</u> | <u>591,815</u> |
| Total revenue and other sources | <u><u>\$ 12,624,353</u></u> | <u><u>\$ 11,476,436</u></u> |

Fiscal years ended June 30,**Expenditures****Instruction:**

| | 2023 | 2022 |
|-------------------------------|--------------|--------------|
| Regular programs | \$ 4,528,567 | \$ 4,253,236 |
| Special programs | 1,373,095 | 1,272,685 |
| Vocational education programs | 203,787 | 196,790 |
| Other instructional programs | 212,326 | 205,909 |
| Pre-kindergarten | 152,140 | 137,675 |
| Total instruction | 6,469,915 | 6,066,295 |

Support services:

| | | |
|---------------------|---------|---------|
| Pupil personnel | 396,869 | 392,840 |
| Instructional staff | 152,219 | 158,599 |

Administration:

| | | |
|----------------------|---------|---------|
| Board services | 14,375 | 17,373 |
| Tax collections | 41,378 | 42,239 |
| Legal | 9,869 | 9,473 |
| Superintendent | 166,636 | 163,206 |
| Principals | 602,552 | 571,369 |
| Other administration | 21,684 | 20,277 |
| Total administration | 856,494 | 823,937 |

Other support services

| | | |
|---|-----------|-----------|
| Pupil health | 149,134 | 140,045 |
| Business | 402,835 | 383,480 |
| Operation and maintenance of plant services | 1,429,463 | 1,329,817 |
| Student transportation services | 540,105 | 515,772 |
| Central support services | 157,000 | 80,000 |
| Other support services | 23,856 | 23,273 |
| Total other support services | 2,702,393 | 2,472,387 |
| Total support services | 4,107,975 | 3,847,763 |

Noninstructional services:

| | | |
|---------------------------------|---------|---------|
| Student activities | 244,579 | 254,267 |
| Athletic expenses | 44,426 | 38,760 |
| Total noninstructional services | 289,005 | 293,027 |

Facilities, acquisition and improvement

| | | |
|--|---------|--------|
| | 570,472 | 61,351 |
|--|---------|--------|

Other financing uses:

| | | |
|---|------------|------------|
| Interfund transfers | 1,275,996 | - |
| Total expenditures and other financing uses | 12,713,363 | 10,268,436 |

**Excess (deficiency) of revenue and other sources
over expenditures and other financing uses**

| | |
|-------------|--------------|
| \$ (89,010) | \$ 1,208,000 |
|-------------|--------------|

JOHNSONBURG AREA SCHOOL DISTRICT**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTIVITY FUND****Page 40**

| | Balances July 01, 2022 | Total Receipts | Total Receipts & Balances | Total Payments | Balances June 30, 2023 |
|-----------------------------|---------------------------|-------------------|---------------------------------|-------------------|---------------------------|
| Class of 2022 | \$ 4,890 | \$ - | \$ 4,890 | \$ 4,890 | \$ - |
| Class of 2023 | 9,553 | 64,674 | 74,227 | 70,490 | 3,737 |
| Class of 2024 | 2,659 | 18,727 | 21,386 | 9,983 | 11,403 |
| Class of 2025 | 2,432 | 7,460 | 9,892 | 4,658 | 5,234 |
| Class of 2026 | - | 2,319 | 2,319 | 10 | 2,309 |
| Stand Tall | 734 | - | 734 | 734 | - |
| FFA | 1,471 | 1,754 | 3,225 | 10 | 3,215 |
| Drama Club | 2,429 | 12,617 | 15,046 | 9,146 | 5,900 |
| Student Council -Elem | 741 | 254 | 995 | 254 | 741 |
| Yearbook-Elem | 1,331 | 573 | 1,904 | 435 | 1,469 |
| Library Club-Elem | 975 | 7,743 | 8,718 | 7,548 | 1,170 |
| Music Club | 51 | - | 51 | - | 51 |
| Stand Tall- Elem | 468 | 314 | 782 | 174 | 608 |
| National Honor Society | 1,608 | 1,369 | 2,977 | 2,220 | 757 |
| Student Council | 1,945 | 2,835 | 4,780 | 3,001 | 1,779 |
| Yearbook | 1,860 | 7,102 | 8,962 | 4,870 | 4,092 |
| Science Club | 2,850 | 7,390 | 10,240 | 6,682 | 3,558 |
| Varsity Club | 42 | - | 42 | 10 | 32 |
| Jr. High Club | 50 | 314 | 364 | 209 | 155 |
| Total activity funds | \$ 36,089 | \$ 135,445 | \$ 171,534 | \$ 125,324 | \$ 46,210 |

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, 2023

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District Plan – Other Post-Employment Benefits

| As of the measurement date of July 1, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB Liability | | | | | | |
| Service cost | \$ 47,016 | \$ 48,511 | \$ 35,394 | \$ 44,816 | \$ 42,300 | \$ 45,025 |
| Interest | 12,775 | 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 | (142,868) | (18,274) | 63,300 | (13,803) | 1,212 | 11,164 |
| Benefit payments | (29,233) | (27,899) | (25,474) | (34,320) | (35,721) | (38,229) |
| Net change in total OPEB liability | (112,310) | (48,831) | 90,330 | (143,421) | 27,404 | (17,705) |
| Total OPEB liability - beginning | 529,131 | 577,962 | 487,632 | 631,053 | 603,649 | 227,423 |
| Prior period adjustment | - | - | - | - | - | 393,931 |
| Total OPEB liability - ending | <u>\$ 416,821</u> | <u>\$ 529,131</u> | <u>\$ 577,962</u> | <u>\$ 487,632</u> | <u>\$ 631,053</u> | <u>\$ 603,649</u> |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ 29,233 | \$ 27,899 | \$ 25,474 | \$ 34,320 | \$ 35,721 | \$ 38,229 |
| Net investment income | - | - | - | - | - | - |
| Benefit payments | (29,233) | (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 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's net OPEB liability | <u>\$ 416,821</u> | <u>\$ 529,131</u> | <u>\$ 577,962</u> | <u>\$ 487,632</u> | <u>\$ 631,053</u> | <u>\$ 603,649</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 100.00% |
| Covered-employee payroll | \$ 4,314,665 | \$ 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 | 9.66% | 12.26% | 13.89% | 11.72% | 14.98% | 14.33% |

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate changes - from 2.28% as of July 1, 2021 to 4.06% as of July 1, 2022

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, 2023

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PSERS Plan – Health Insurance Premium Assistance Program

| As of the measurement date of June 30, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB Liability | | | | | | |
| Service cost | \$ 14,000 | \$ 14,000 | \$ 13,000 | \$ 12,000 | \$ 11,000 | \$ 12,000 |
| Interest | 16,000 | 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 | 2,000 | 1,000 | 2,000 | 1,000 | 4,000 | - |
| Changes in assumptions | (118,000) | 55,000 | 11,000 | 16,000 | 18,000 | (31,000) |
| Changes in proportions | (60,000) | 27,000 | (30,000) | (23,000) | (37,000) | (62,000) |
| Benefit payments | (35,000) | (36,000) | (35,000) | (36,000) | (36,000) | (38,000) |
| Net change in total OPEB liability | (181,000) | 80,000 | (20,000) | (10,000) | (21,000) | (99,000) |
| Total OPEB liability - beginning | 730,000 | 650,000 | 670,000 | 680,000 | 701,000 | - |
| Prior period adjustment | - | - | - | - | - | 800,000 |
| Total OPEB liability - ending | <u>\$ 549,000</u> | <u>\$ 730,000</u> | <u>\$ 650,000</u> | <u>\$ 670,000</u> | <u>\$ 680,000</u> | <u>\$ 701,000</u> |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ 35,000 | \$ 36,000 | \$ 35,000 | \$ 36,000 | \$ 36,000 | \$ 38,000 |
| Net investment income | - | - | - | - | - | - |
| Benefit payments | (35,000) | (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 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's net OPEB liability | <u>\$ 549,000</u> | <u>\$ 730,000</u> | <u>\$ 650,000</u> | <u>\$ 670,000</u> | <u>\$ 680,000</u> | <u>\$ 701,000</u> |
| Plan fiduciary net position as a percentage of total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Covered-employee payroll | \$ 4,375,210 | \$ 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 | 12.55% | 16.70% | 15.37% | 15.42% | 15.47% | 15.32% |

Notes to Schedule:

Benefit Changes: None

Changes in assumptions: Discount rate changes - from 2.18% as of June 30, 2021 to 4.09% as of June 30, 2022

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – OPEB - DISTRICT PLAN
FOR THE YEARS ENDED JUNE 30, 2018 THROUGH JUNE 30, 2023

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District Plan – Other Post-Employment Benefits

| As of the measurement date of July 1, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contributions | \$ 29,233 | \$ 27,899 | \$ 25,474 | \$ 34,320 | \$ 35,721 | \$ 38,229 |
| Contributions in relation to the actuarially determined contribution | (29,233) | (27,899) | (25,474) | (34,320) | (35,721) | (38,229) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 4,314,665 | \$ 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 | 0.68% | 0.65% | 0.61% | 0.82% | 0.85% | 0.91% |

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated with a valuation of July 1, 2021 and measurement date of July 1, 2022

Methods and assumptions used to determine contribution rates:

| | |
|-----------------------------|---|
| Actuarial cost method | Entry Age Normal Level % of Salary Method |
| Discount Rate | 4.06% - based on S&P Municipal Bond 20 Year High at July 1, 2022 |
| Healthcare cost trend rates | 6.5% in 2022, 6.0% in 2023, 5.5% in 2024 through 2025, rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 |
| Salary increases | Composed of 2.5% cost of living adjustment, 1% real wage growth for teachers and admin a merit increase from 0%-2.75% |
| Mortality | Scale MP-2021 |
| Retiree Cost Sharing | Retirees pay 100% of the |
| 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, 2023

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PSERS Plan – Health Insurance Premium Assistance Program

| As of the measurement date of June 30, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contributions | \$ 35,000 | \$ 36,000 | \$ 35,000 | \$ 36,000 | \$ 36,000 | \$ 38,000 |
| Contributions in relation to the actuarially determined contribution | \$ (35,000) | \$ (36,000) | \$ (35,000) | \$ (36,000) | (36,000) | (38,000) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 4,375,210 | \$ 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 | 0.80% | 0.82% | 0.83% | 0.83% | 0.82% | 0.83% |

Notes to Schedule

Valuation date: June 30, 2021 and actuarially rolled forward to June 30, 2022

Methods and assumptions used to determine contribution rates:

| | |
|-----------------------------|---|
| Actuarial cost method | Entry Age Normal Level % of Salary Method |
| Discount Rate | 4.09% - as of June 30, 2022 |
| Healthcare cost trend rates | Premium Assistance reimbursement is capped at \$1,200 per year. |
| Salary increases | Effective average of 4.5% |

| | |
|-----------|--|
| Mortality | 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. |
|-----------|--|

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 2022

Page 45

| Measurement date ended June 30, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability | 0.0297% | 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 | \$ 13,204,000 | \$ 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 | \$ 4,359,856 | \$ 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 | 302.8540% | 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 | 61.3400% | 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

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| Measurement date ended June 30, | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 1,482,351 | \$ 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 | (1,482,351) | (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 | \$ 4,359,856 | \$ 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 | 34.0% | 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, 2023

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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, 2023, the District reported in the Schedule of Federal Awards \$24,365 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

Page 48

| 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) 6/30/2023 |
|--|-------------|----------------|-------------------------------|-------------------------------------|-------------------------|---------------------|---------------------|---------------------|--|
| U.S. Department of Education | | | | | | | | | |
| Direct Award: | | | | | | | | | |
| Small, Rural School Achievement Program | N/A | 84.358 | N/A | 7/1/20 - 9/30/21 | \$ 28,323 | \$ 28,323 | \$ 28,323 | \$ 28,323 | \$ - |
| Small, Rural School Achievement Program | N/A | 84.358 | N/A | 7/1/22 - 9/30/23 | 32,316 | - | 32,316 | 32,316 | 32,316 |
| | | | | | <u>60,639</u> | <u>28,323</u> | <u>60,639</u> | <u>60,639</u> | <u>32,316</u> |
| Passed through the Pennsylvania Department of Education | | | | | | | | | |
| COVID-19 - ESSER II | 1 | 84.425D | 200-21-0205 | 3/13/20 - 9/30/23 | 533,735 | 521,322 | 174,586 | 174,586 | (25,404) |
| COVID-19 - ARP, ESSER III | 1 | 84.425U | 223-21-0205 | 3/13/20 - 9/30/24 | 1,079,591 | 844,044 | 671,811 | 671,811 | (5,440) |
| COVID-19 - ARP, ESSER 7% - Summer Enrichment | 1 | 84.425U | 225-21-0205 | 3/13/20 - 9/30/24 | 11,987 | 10,462 | 5,236 | 5,236 | 1,525 |
| COVID-19 - ARP, ESSER 7% - After School | 1 | 84.425U | 225-21-0205 | 3/13/20 - 9/30/24 | 11,987 | 10,462 | - | - | 1,343 |
| COVID-19 - ARP, ESSER 7% - Learning Loss | 1 | 84.425U | 225-21-0205 | 3/13/20 - 9/30/24 | 59,934 | 52,306 | 14,575 | 14,575 | (16,820) |
| | | | | | <u>1,697,234</u> | <u>1,438,596</u> | <u>866,208</u> | <u>866,208</u> | <u>(44,796)</u> |
| Passed through the Seneca Highlands Intermediate Unit #9 | | | | | | | | | |
| Title I | 2 | 84.010 | FA-013-23-0509 | 7/1/22 - 9/30/23 | 122,312 | - | 122,312 | 122,312 | 122,312 |
| Title IIA - Improving Teacher Quality | 2 | 84.367 | FA-020-23-0509 | 7/1/22 - 9/30/23 | 15,854 | - | 15,854 | 15,854 | 15,854 |
| Title IV - Student Support & Academic Enrichment | 2 | 84.424 | FA-144-23-0509 | 7/1/22 - 9/30/23 | 10,888 | - | 10,888 | 10,888 | 10,888 |
| COVID-19, ARP - IDEA * | 2 | 84.027 | n/a | 7/1/22 - 6/30/23 | 25,132 | 25,132 | 25,132 | 25,132 | - |
| IDEA * | 2 | 84.027 | n/a | 7/1/22 - 6/30/23 | 109,570 | 21,080 | 109,570 | 109,570 | 88,490 |
| | | | | | <u>283,756</u> | <u>46,212</u> | <u>283,756</u> | <u>283,756</u> | <u>237,544</u> |
| Total U.S. Department of Education | | | | | <u>2,041,629</u> | <u>1,513,131</u> | <u>1,210,603</u> | <u>1,210,603</u> | <u>225,064</u> |
| U.S. Department of Agriculture | | | | | | | | | |
| Passed through the Pennsylvania Department of Education | | | | | | | | | |
| National School Breakfast Program ** | 4 | 10.553 | 367 | 7/1/22 - 6/30/23 | 88,839 | 88,839 | 88,839 | 88,839 | - |
| National School Lunch Program ** | 4 | 10.555 | 362 | 7/1/22 - 6/30/23 | 233,870 | 233,870 | 233,870 | 233,870 | - |
| COVID-19 - Supply Chain Assistance ** | 4 | 10.555 | 356 | 7/1/22 - 6/30/23 | 23,545 | 23,545 | 23,545 | 23,545 | - |
| COVID-19 - P-EBT Local Admin Funds | 4 | 10.649 | 358 | 7/1/22 - 6/30/23 | 628 | 628 | 628 | 628 | - |
| | | | | | <u>346,882</u> | <u>346,882</u> | <u>346,882</u> | <u>346,882</u> | <u>-</u> |
| Passed through the Pennsylvania Department of Agriculture | | | | | | | | | |
| National School Lunch Program - non-cash assistance ** | 5 | 10.555 | n/a | 7/1/22 - 6/30/23 | 24,365 | 24,365 | 24,365 | 24,365 | - |
| | | | | | <u>24,365</u> | <u>24,365</u> | <u>24,365</u> | <u>24,365</u> | <u>-</u> |
| Total U.S. Department of Agriculture | | | | | <u>371,247</u> | <u>371,247</u> | <u>371,247</u> | <u>371,247</u> | <u>-</u> |
| Federal Communications Commission | | | | | | | | | |
| Direct Award: | | | | | | | | | |
| Universal Service Fund - Schools and Libraries (E-Rate) | N/A | 32.004 | 221018459 | 7/1/22 - 6/30/23 | 60,475 | 60,475 | 60,475 | 60,475 | - |
| Total Federal Assistance | | | | | <u>\$ 2,473,351</u> | <u>\$ 1,944,853</u> | <u>\$ 1,642,325</u> | <u>\$ 1,642,325</u> | <u>\$ 225,064</u> |

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
- (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

\$ 134,702

** Constitutes a cluster of Federal programs - Child Nutrition

\$ 370,619

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, 2023, 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 20, 2023.

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.2023-001, and II.A.2023-002 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 20, 2023**



**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, 2023. *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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 20, 2023**

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

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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 |
|---|---------------------------------|

| Federal Program Title | Federal CFDA Number | Amount |
|--------------------------------------|---------------------|---------------------|
| Total expenditures of Federal Awards | | <u>\$ 1,642,325</u> |

Identification of Major Programs Tested:

| | | |
|--|---------|------------|
| U.S. Department of Education: | | |
| COVID-19 - ESSER II | 84.425D | \$ 174,586 |
| COVID-19 - ARP, ESSER III | 84.425U | 671,811 |
| COVID-19 - ARP, ESSER 7% - Summer Enrichment | 84.425U | 5,236 |
| COVID-19 - ARP, ESSER 7% - Learning Loss | 84.425U | 14,575 |

| | |
|-----------------------------|-------------------|
| Total major programs tested | <u>\$ 866,208</u> |
|-----------------------------|-------------------|

| | |
|------------------------------|------------|
| % of Federal programs tested | <u>53%</u> |
|------------------------------|------------|

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 750,000</u> |
|--|-------------------|

| | | |
|--------------------------------|---|---------------------------------|
| Auditee qualified as low risk? | <u> </u> yes | <u> x </u> no |
|--------------------------------|---|---------------------------------|

JOHNSONBURG AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

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II. FINANCIAL STATEMENT AUDIT – FINDINGS

A. INTERNAL CONTROL OVER FINANCIAL REPORTING

2023-001 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Year ended June 30, 2023

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.

2023-002 Segregation of Duties

Year ended June 30, 2023

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, 2023

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II. FINANCIAL STATEMENT AUDIT – FINDINGS (CONTINUED)

A. INTERNAL CONTROL OVER FINANCIAL REPORTING (CONTINUED)

2023-002 Segregation of Duties (continued)

Year ended June 30, 2023 (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, 2023

No findings related to compliance and other matters are being reported upon during the fiscal year ended June 30, 2023.

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

A. COMPLIANCE

Year ended June 30, 2023

No findings related to compliance are being reported upon during the fiscal year ended June 30, 2023.

B. INTERNAL CONTROL OVER COMPLIANCE

2023-003 Adjusting Journal Entries, Required Disclosures and Draft Financial Statements

Year ended June 30, 2023

Same finding as that reported in II.A.2023-001 above.

2023-004 Segregation of Duties

Year ended June 30, 2023

Same finding as that reported in II.A.2023-002 above.

I. 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

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, 2023, identified as finding 2023-001.

2022-002 Segregation of Duties

Year ended June 30, 2022

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, 2023, identified as finding 2023-002.

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

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

Year ended June 30, 2022

Same finding as that reported in II.A.2023-001 above.

2022-004 Segregation of Duties

Year ended June 30, 2022

Same finding as that reported in II.A.2023-002 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, 2023 and have issued our reports thereon dated December 20, 2023. 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, 2023, 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, 2019 through June 30, 2023.

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 20, 2023**

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

| | 6/30/2023 | 6/30/2022 | 6/30/2021 | 6/30/2020 | 6/30/2019 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue and other sources | | | | | |
| Tax revenue | \$ 2,793 | \$ 2,630 | \$ 2,655 | \$ 2,534 | \$ 2,629 |
| Other local sources | 432 | 343 | 427 | 369 | 385 |
| State aid | 8,411 | 7,912 | 7,829 | 7,811 | 7,612 |
| Federal aid | 987 | 592 | 341 | 50 | 26 |
| | <u>12,624</u> | <u>11,476</u> | <u>11,252</u> | <u>10,764</u> | <u>10,652</u> |
| Expenditures and other uses | | | | | |
| Instruction | 6,470 | 6,066 | 5,889 | 5,707 | 5,660 |
| Administration | 856 | 824 | 866 | 802 | 843 |
| Other support services | 3,251 | 3,025 | 2,934 | 2,947 | 2,703 |
| Noninstructional services | 289 | 293 | 244 | 281 | 296 |
| Facilities acquisition and construction | 570 | 61 | 71 | 49 | 84 |
| All other | 1,276 | - | - | - | - |
| | <u>12,713</u> | <u>10,268</u> | <u>10,003</u> | <u>9,787</u> | <u>9,586</u> |
| Excess (deficiency) of revenue over expenditures | (89) | 1,208 | 1,249 | 977 | 1,066 |
| Fund equity | | | | | |
| Beginning of year | <u>5,944</u> | <u>4,736</u> | <u>3,487</u> | <u>2,510</u> | <u>1,444</u> |
| End of year | <u>\$ 5,855</u> | <u>\$ 5,944</u> | <u>\$ 4,736</u> | <u>\$ 3,487</u> | <u>\$ 2,510</u> |

JOHNSONBURG AREA SCHOOL DISTRICT
SUMMARY OF ADDITIONAL COMMENTS
FOR THE YEAR ENDED JUNE 30, 2023

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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 2023 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 101

Governmental Accounting Standards Board has issued Statement No. 101, Compensated Absences which will be effective for the fiscal year ending June 30, 2025. The standard provides guidance on how the District will account for and disclose obligations related to compensated absences, including vacation leave, sick leave, and other similar benefits. We recommend that the District begin to familiarize themselves with the new compensated absences standard, which may include continuing education, webinars and further training.

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.