

**ANNUAL REPORT**  
**OF**  
**MIFFLIN COUNTY SCHOOL DISTRICT**  
**MIFFLIN COUNTY, PENNSYLVANIA**

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**FOR THE YEAR ENDED JUNE 30, 2020**

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**INDEPENDENT AUDITOR'S REPORT**

President and Members of the Board of Education  
Mifflin County School District  
MCSD Administration Building  
201 Eighth Street  
Lewistown, PA 17044

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the Mifflin County School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of the Mifflin County School District, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITOR'S REPORT  
(CONTINUED)**

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 13, the Defined Benefit Pension Plan Information related to the Pennsylvania Public School Employees' Retirement System (PSERS), the Defined Benefit Postemployment Healthcare Plan information, and Budgetary Comparison Information on pages 66 – 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

*Other Information*

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2020, on our consideration of the Mifflin County 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mifflin County School District's internal control over financial reporting and compliance.

*Young, Decker, Brown & Company, P.C.*

**MIFFLIN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
JUNE 30, 2020**

The discussion and analysis of Mifflin County School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, and (b) provide an overview of the School District's financial activity. Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the financial statements and audit report.

The discussion focuses on the School District's primary government, and unless otherwise noted, component units reported separately from the primary government are not included.

#### **FINANCIAL HIGHLIGHTS**

The trends of prior years indicated that during the fiscal year 2019-20, the Mifflin County School District would experience another year of increases in the costs for retirement contributions and health benefits for our employees. In addition the current economic climate in the state and Mifflin County has impaired the district's ability to collect numerous local revenues. Projected increases in the Public School Employees' Retirement System employer contribution will continue to cause an additional drain on the financial resources of all schools in Pennsylvania.

In response to factors listed above, the district took unprecedented steps to try to curb the negative economic factors. In an attempt to shed operating costs, the district closed five school buildings prior to the 2011-2012 school year. At the end of the 2012-2013 school year the Union Elementary School Building was closed. The Buchanan Elementary School Building and lands were sold during the 2011-2012 fiscal year. The Armagh Elementary School and the Brown Elementary School were sold during the 2012-2013 fiscal year. The Union Elementary School building and lands and the Strodes Mills Middle School buildings and lands were sold during the 2013-2014 fiscal year. The Highland Park Elementary School and land remain an integral part of the district's high school and junior high school complex. On September 17, 2020, the Board of Directors entered into a Guaranteed Energy Savings Agreement that provided for certain facility improvement measures and subsequent guaranteed energy and operational savings. One of the components of the agreement was the demolition of Highland Park Elementary School, which is scheduled to occur in the 2020-2021 school year.

The governmental activities net position increased from (\$71,637,426) to (\$64,660,067) as of June 30, 2020. The business-type activities' net assets decreased from (\$2,793,060) to (\$3,018,951).

At the end of the current fiscal year, the unassigned fund balance of the General Fund decreased to \$6,348,977 from \$6,561,975. A significant portion of funds previously set aside for technology purchases was spent in the current year in addition to prior year assigned funds were transferred to a newly established Private Purpose Trust Fund for scholarships. Funds were also assigned to cover anticipated expenses related to the ongoing pandemic. The non-spendable fund balance increased from \$7,610 to \$13,084 due to an increase in prepaid expenses per the timing of invoices paid from one fiscal year to the next. Overall fund balance increased from \$10,051,415 to \$11,189,961 due to positive operating results. The district Administration continued a strong commitment to maintaining expenditures levels within those budgeted and adjusted lower for declining state and local funding streams. We believe that local revenues and state revenues will continue to be negatively impacted by the sluggish local and state economic uncertainty, compounded by the pandemic.

On March 3, 2020, the District settled on borrowing of \$14,395,000 par value General Obligation Bonds, Series of 2020. Proceeds were used for the current refunding of its 2012, 2014 and 2015 Series General Obligation Bonds in order to take advantage of the low interest rate environment and realize a savings in interest expense. The net local present value savings achieved from the refinancing was \$837,412.

MIFFLIN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
JUNE 30, 2020

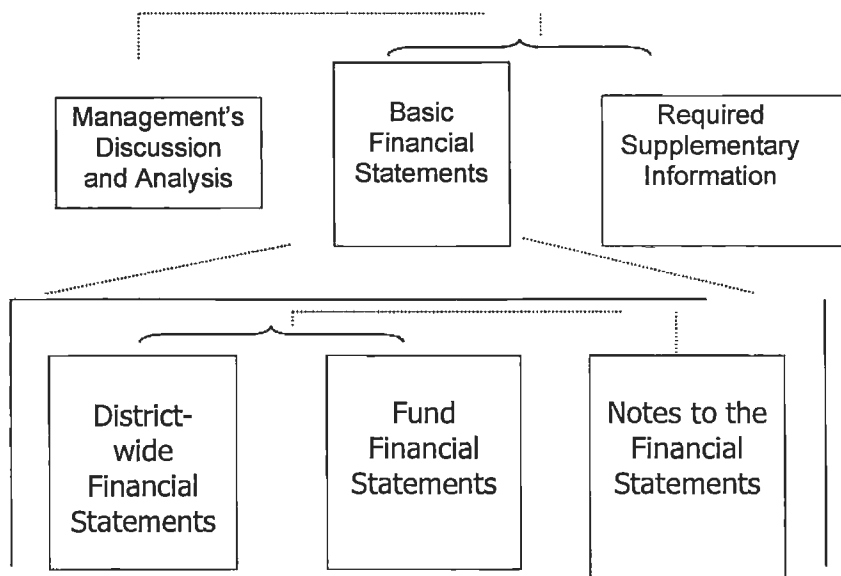
OVERVIEW OF THE FINANCIAL STATEMENTS

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

The financial statements also include notes that explain information in the statements, as well as additional information to supplement the basic financial statements.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1:  
Required components of Mifflin County School District's Financial Report



**MIFFLIN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
JUNE 30, 2020**

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

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

**OVERVIEW OF FINANCIAL STATEMENTS**

Government-wide Statements

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

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively.

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

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

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

**MIFFLIN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
JUNE 30, 2020**

**Fund Financial Statements**

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

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

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

**Fiduciary funds** – The District is the trustee, or fiduciary, for some student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

**REPORTING ENTITY**

The reporting entity is comprised of the primary government and a component unit. The primary government of the District consists of all funds that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget or the issuance of debt.

The component unit information on the Statement of Net Assets and the Statement of Activities identifies the financial data of the District's component unit, the Mifflin County Academy of Science and Technology (the Academy). The Academy is reported separately to emphasize that it is legally separate from the District. A copy of the Academy's full audit report can be obtained by contacting the Business Office, Mifflin County Academy of Science and Technology, 700 Pitt Street, Lewistown, PA 17044.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net position increased as of June 30, 2020 when compared to the prior fiscal year. Total net position increased from (\$71,637,426) to (\$64,660,067) for the governmental activities. (See table A-1). The business-type activities net position decreased from (\$2,793,060) to (\$3,018,951).

**MIFFLIN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
JUNE 30, 2020**

Table A-1:  
Net Assets

	<u>2018-19</u>		<u>2019-20</u>	
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Current and other assets	\$ 34,527,988	\$419,286	\$ 31,721,764	(\$23,003)
Capital assets	<u>106,140,133</u>	<u>0</u>	<u>107,605,319</u>	<u>0</u>
Total assets	<u>\$140,668,121</u>	<u>\$419,286</u>	<u>\$139,327,083</u>	<u>(\$23,003)</u>
Defer. Outflows of Resource	<u>\$ 6,870,670</u>	<u>\$156,775</u>	<u>\$ 5,795,065</u>	<u>\$154,445</u>
Current and other liabilities	14,585,963	34,691	15,273,221	65,472
Long-term liabilities	<u>200,848,230</u>	<u>3,256,630</u>	<u>190,493,676</u>	<u>2,972,972</u>
Total liabilities	<u>\$215,434,193</u>	<u>\$3,291,321</u>	<u>\$205,766,897</u>	<u>\$3,038,444</u>
Defer. Inflows of Resource	<u>\$ 3,742,024</u>	<u>\$ 77,800</u>	<u>\$ 4,015,318</u>	<u>\$ 111,949</u>
Net assets				
Net Investment in capital assets	\$9,362,573	\$0	\$17,315,919	\$0
Restricted	14,192,089	0	8,634,115	0
Unrestricted	<u>(95,192,088)</u>	<u>(2,793,060)</u>	<u>(90,610,101)</u>	<u>(3,018,951)</u>
Total net position	<u>(\$71,637,426)</u>	<u>(\$2,793,060)</u>	<u>(\$64,660,067)</u>	<u>(\$3,018,951)</u>

A portion of the District's net assets, \$17,315,919, are invested in capital assets (buildings, land, and equipment) reduced for related debt. The remaining portions of net assets are comprised of unrestricted net assets \$(90,610,101) and restricted net assets of \$8,634,115.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

**MIFFLIN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
JUNE 30, 2020**

Table A-2 takes the information from that statement and rearranges it slightly, showing total revenues for the year.

Table A-2:  
Changes in Net Assets

	2018-19			2019-20		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues and Transfers</b>						
Program revenues						
Charges for services	\$ 160,605	\$ 758,667	\$ 919,272	\$ 146,808	\$ 525,518	\$ 672,326
Operating grants and contributions	20,161,746	2,007,653	22,169,399	21,173,376	1,623,900	22,797,276
General revenues						
Property taxes	25,849,215	0	25,849,215	26,964,829	0	26,964,829
Other taxes	7,243,580	0	7,243,580	7,733,426	0	7,733,426
Grants, subsidies and contributions, unrestricted	23,421,335	0	23,421,335	23,523,841	0	23,523,841
Interest	519,352	6,784	526,136	378,992	3,594	382,586
Other	50,007	0	50,007	(128,753)	0	(128,753)
<b>Total revenues and transfers</b>	<b>77,405,840</b>	<b>2,773,104</b>	<b>80,178,944</b>	<b>79,792,519</b>	<b>2,153,012</b>	<b>81,945,531</b>
<b>Expenses</b>						
Instruction	47,702,509	0	47,702,509	42,085,563	0	42,085,563
Instructional student support	4,365,213	0	4,365,213	4,199,726	0	4,199,726
Administrative and financial support	8,634,104	0	8,634,104	7,200,847	0	7,200,847
Operation and maintenance of plant	6,546,963	0	6,546,963	5,969,924	0	5,969,924
Pupil transportation	4,909,991	0	4,909,991	5,040,847	0	5,040,847
Student activities	1,227,765	0	1,227,765	962,197	0	962,197
Community services	30,104	0	30,104	20,904	0	20,904
Interest on long-term debt	2,833,805	0	2,833,805	2,562,193	0	2,562,193
Unallocated depreciation expense	4,325,717	0	4,325,717	4,772,959	0	4,772,959
Food services	0	2,970,613	2,970,613	0	2,378,903	2,378,903
<b>Total expenses</b>	<b>80,576,171</b>	<b>2,970,613</b>	<b>83,546,784</b>	<b>72,815,160</b>	<b>2,378,903</b>	<b>75,194,063</b>
<b>Increase (decrease) in net assets</b>	<b>(3,170,331)</b>	<b>(197,509)</b>	<b>(3,367,840)</b>	<b>6,977,359</b>	<b>(225,891)</b>	<b>6,751,468</b>
<b>Beginning Net Assets</b>	<b>(68,467,095)</b>	<b>(2,595,551)</b>	<b>(71,062,646)</b>	<b>(71,637,426)</b>	<b>(2,793,060)</b>	<b>(74,430,486)</b>
<b>Ending Net Assets</b>	<b>(\$71,637,426)</b>	<b>\$ (2,793,060)</b>	<b>(\$74,430,486)</b>	<b>(\$64,660,067)</b>	<b>\$ (3,018,951)</b>	<b>(\$67,679,018)</b>

**MIFFLIN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
JUNE 30, 2020**

The tables below present the expenses of both the governmental activities and the business-type activities of the District.

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

Table A-3  
Governmental Activities

<u>Functions/Programs</u>	<u>2018-2019</u>		<u>2019-2020</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$47,702,509	\$34,019,670	\$42,085,563	\$28,183,689
Instructional student support	4,365,213	3,625,486	4,199,726	3,226,495
Administrative	8,634,104	7,809,712	7,200,847	6,335,760
Operation and maintenance	6,546,963	4,978,372	5,969,924	4,361,959
Pupil transportation	4,909,991	1,514,633	5,040,847	1,265,462
Student activities	1,227,765	1,116,321	962,197	765,555
Community services	30,104	30,104	20,904	20,904
Interest on long-term debt	2,833,805	2,833,805	2,562,193	2,562,193
Unallocated depreciation expense	<u>4,325,717</u>	<u>4,325,717</u>	<u>4,772,959</u>	<u>4,772,959</u>
<b>Total governmental activities</b>	<b>\$80,576,17</b>	<b>\$60,253,820</b>	<b>\$72,815,160</b>	<b>\$51,494,976</b>
Less: Unrestricted grants, subsidies		<u>23,421,335</u>		<u>23,523,841</u>
<b>Total needs from local taxes and other revenues</b>		<b><u>\$36,832,485</u></b>		<b><u>\$27,971,135</u></b>

Table A-4 reflects the activities of the Food Service program, which is the District's proprietary fund.

Table A-4  
Business-type Activities

<u>Functions/Programs</u>	<u>2018-19</u>		<u>2019-2020</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food services	\$2,970,613	\$ 204,293	\$2,378,903	\$ 229,485
Plus: Investment earnings		<u>6,784</u>		<u>3,594</u>
<b>Total business-type activities loss before transfer</b>		<b><u>\$ 197,509</u></b>		<b><u>\$ 225,891</u></b>

The Statement of Revenues, Expenses, and Changes in Net Assets for this proprietary fund will further detail the actual results of operations.

MIFFLIN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
JUNE 30, 2020

## THE DISTRICT FUNDS

At June 30, 2020, the District governmental funds reported a combined fund balance of \$19,832,907, which is primarily attributable to two funds:

### General Fund:

The General Fund portion of the fund balance is \$11,189,961 of which \$13,084 represents funds reserved for prepaid expenses for the subsequent year and therefore cannot be spent. Included in the total is an assigned fund balance of \$1,500,000 which exists for future PSERS obligations, \$220,000 for future other post-employment benefits (OPEB), \$500,000 for future charter school expenses, \$96,140 for future technology purchases, \$200,000 for future safety and security purchases and \$2,200,000 for future expenses due to the ongoing COVID-19 pandemic. The district continues to monitor increases in health benefit costs, special education contracted services, charter school expenses, and retirement contributions. These areas are a challenge for the district in budgeting. Special education costs are dependent upon the type of student enrolled in the District each year. Enrollment and/or withdrawal of students with significant needs can cause this expenditure to fluctuate. While the District attempts to prepare a budget with a modest reserve each year for unexpected emergencies, this expenditure is dependent upon actual experience during the fiscal year.

### Capital Reserve Fund:

The Capital Reserve Fund portion of the fund balance is \$8,634,115. These funds are restricted for construction projects and other capital projects. The district maintains a separate capital projects account and uses these funds to make necessary improvements to facilities and purchases of needed furniture and equipment.

## GENERAL FUND BUDGET

During the fiscal year, the Board of School Directors (the Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is allowed by state law.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted revenues increased by \$1,620,162 as a result of various revenues being greater than anticipated. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas. The budgetary reserve includes amounts that will be funded by current revenues found in the general fund budget. These amounts will only be appropriated into expenditure categories to account for unforeseen expenditures after the budget process has been completed. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information. Actual expenditures were less than budget by \$3,982,094 and the district's general fund revenues were more than budget by \$1,620,162. The district recorded a transfer to Capital Projects Fund to set aside funds for future, ongoing renovations and maintenance of the district's facilities and capital equipment. Fund balance was also assigned to COVID-19 costs to cover future expenses due to the ongoing pandemic. The net change in fund balance for the year resulted in an increase of \$1,138,546. The major contributors to the change in fund balance included the following:

- Earned Income Tax revenue exceeded budget
- Real Estate Transfer and Supplemental Real Estate Tax Revenues exceeded budget
- Expense categories were less than budget, most significantly: personnel costs, including benefits, purchased professional and technical services, other purchased services and supplies
- \$2,600,000 was transferred to Capital Projects Fund

**MIFFLIN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
JUNE 30, 2020**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2020, the District had \$107,605,319 invested in a broad range of governmental activities' capital assets, including land, buildings, furniture and equipment, and construction in progress, net of accumulated depreciation. This amount represents a net increase (including additions, deletions and depreciation) of \$1,465,186, or 1.4% from last year. Five district school buildings were removed from services for the 2011-2012 and one after the 2012-2013 school year. The district has disposed of these assets with the exception of one building which sits on land that is an integral part of the High School and Junior High School complex. That building is scheduled for demolition in 2020-2021. The School Board has worked diligently to improve deficiencies in the remaining buildings. A project at the Indian Valley Elementary School was finished to renovate a limited number of classrooms to be suitable for primary grades. A project at the Lewistown Intermediate School was completed to renovate vocational areas into classrooms and add playground space. A project at Mifflin County Middle School was completed to add classroom space and eliminate modular classrooms. Projects to replace the roof as well as significant interior renovations at Mifflin County Junior High School were completed. An energy savings project took place during the summer of 2018 which included new lighting and windows at buildings throughout the district as well as major renovations and HVAC improvements at Lewistown Intermediate School. During the summer of 2019, the district completed a major renovation project at Strodes Mills Elementary School that included energy saving upgrades, interior upgrades as well as additional educational space.

Table A-5  
Governmental Activities  
Capital assets - net of depreciation

	2018-2019	2019-2020
Land	\$ 703,809	\$ 703,809
Buildings & Improvements	100,143,717	103,868,436
Furniture and Equipment	1,207,333	1,054,825
Construction in Progress	4,085,274	1,978,249

**DEBT ADMINISTRATION**

As of July 1, 2019, the District had total outstanding bond principal (excluding bond premium) of \$89,060,000. During the year the District made principal payments in the amount of \$20,035,000 and added \$14,395,000 in new bonds resulting in outstanding debt (excluding bond premium) as of June 30, 2020 of \$83,420,000.

Table A-6  
Outstanding Debt

	2018-2019	2019-2020
General Obligation Bonds:		
- Bonds Series 2012	5,820,000	0
-Bond Series 2014	6,170,000	0
-Bond Series 2015	4,440,000	0
-Bond Series 2016	23,085,000	21,330,000
-Bond Series 2016A	23,080,000	21,530,000
-Bond Series 2018	9,995,000	9,985,000
-Bond Series 2019	8,200,000	8,200,000
-Bond Series 2019A	8,270,000	7,980,000
-Bond Series 2020	<u>0</u>	<u>14,395,000</u>
Sub-total	89,060,000	83,420,000
Bond Premiums, Net	<u>6,234,337</u>	<u>6,869,400</u>
Total	<u>\$95,294,337</u>	<u>\$90,289,400</u>
Capital Lease Obligation	<u>\$ 1,483,223</u>	<u>\$ 0</u>

Other obligations include accrued vacation pay and sick leave for employees of the District. More detailed information about our long-term liabilities is included in the notes to the financial statements.

**MIFFLIN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
JUNE 30, 2020**

**2019-2020 FINAL GENERAL FUND EXPENDITURE SUMMARIES**

Some basic facts regarding the final expenditures for the 2019-20 fiscal year are below:

2019-2020 Operating Expenditures	\$76,562,980
Increase from 2018-2019	\$1,962,049
2019-2020 Millage Rate	34.5215 Mills
1 Mill Generates	\$794,137
1 Mill Costs Taxpayers	\$34.52 per \$1,000 of assessed value
Total Value of District Assessed Property	\$794,137,080
Average Daily Membership 2019-2020	4730.885
Per Pupil Average Expenditure	\$16,183.65

2019-2020 District Revenues

Local Revenues	44.92%
State Revenues	51.32%
Federal Revenues	3.76%

2019-2020 District Expenditures

Instruction	58.15%
Support	28.54%
Debt/Other	11.96%
Non-Instructional Support	1.35%

2019-2020 Actual Expenditures	\$76,562,980
Average Daily Membership	4730.885
Actual Cost Per Student Per School Day (122 Days in Session)	\$132.65
Actual Cost Per Student Per Hour	\$17.69

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's general obligation bond rating is Standard and Poors A Stable.

The District does not expect significant growth in the near future given the residential nature of the local economy and a lack of developable land within the District. The implementation of Clean and Green throughout the district has resulted in substantial loss in assessed value. The local manufacturing economy remains volatile; however, there are local manufacturing plants that are expanding production operations which should have a positive impact on the area. It is unclear what permanent impact, if any, the COVID-19 pandemic will have on the local economy.

The expenditure budget for the 2020-21 year is \$1,666,299 less than the final budget for 2019-20. This represents a 2.0% decrease in budgeted expenditures. The District millage rate for the 2020-2021 school year remains at 34.5215.

On September 18, 2020, the Board entered into an energy savings agreement that includes upgrades to the Mifflin County Middle School roof and chiller as well as the demolition of Highland Park Elementary School. In conjunction with these capital projects, agreements were also executed to authorize the construction of 3 solar photovoltaic (pv) power systems to provide energy district-wide. The solar projects are targeted to be operational by June, 2021.

**MIFFLIN COUNTY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
JUNE 30, 2020**

The comparison of General Fund revenue and expenditure categories is as follows:

**Table A-7  
BUDGETED REVENUES**

	2020-2021	2019-2020 Actual
Local	41.87%	44.92%
State	52.31%	51.32%
Federal/Other	5.82%	3.76%

**BUDGETED EXPENDITURES**

	2020-2021	2019-2020 Actual
Instruction	59.51%	58.15%
Support Services	29.55%	28.54%
Non-Instruction/Community	1.68%	1.35%
Fund Transfers/Debt	9.26%	11.96%

**FUTURE ECONOMIC FACTORS**

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

- The Pennsylvania School Employees' Retirement System (PSERS) retirement rate has experienced significant increases per the following historical chart:

2002-2003	1.15%	2011-2012	8.65%
2003-2004	3.77%	2012-2013	12.36%
2004-2005	4.23%	2013-2014	16.93%
2005-2006	4.69%	2014-2015	21.40%
2006-2007	6.46%	2015-2016	25.84%
2007-2008	7.13%	2016-2017	30.03%
2008-2009	4.76%	2017-2018	32.57%
2009-2010	4.78%	2018-2019	33.43%
2010-2011	5.64%	2019-2020	34.29%

The rate for 2020-2021 is 34.51% and has been certified for 2021-2022 at 34.94%. While the annual increases have levelled off, the additional payroll expense to the district is significant. It is possible that the COVID-19 pandemic may negatively impact the funds' earnings and drive up future years' rates.

- Act 1 of 2006 has brought wide-ranging economic changes to school districts in Pennsylvania. Unlike Act 50 and Act 72 of 2004, Act 1 is mandatory upon all school districts in the state of Pennsylvania. For the first time, in 2008-2009, Act 1 provided gambling revenues to school districts to offset real estate tax dollar for dollar. In return, local school boards cannot increase property taxes beyond an inflation limit (the Index) established by a formula fixed in the law. There are specific but limited extraordinary circumstances defined in the law that allow school districts to seek exceptions to the index rule from the Pennsylvania Department of Education.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Chief Financial Officer at Mifflin County School District, 201 Eighth Street – Highland Park, Lewistown, PA 17044, (717) 248-0148.

**MIFFLIN COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2020**

	----- Primary Government -----			-- Component Unit --
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Mifflin County Academy of Science and Technology</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$ 16,543,815	\$ 94,584	\$ 16,638,399	\$1,554,442
Restricted Cash and Cash Equivalents	7,153,889	0	7,153,889	0
Receivables:				
Taxes - Net	3,632,483	0	3,632,483	0
Internal Balances	195,660	( 195,660)	0	0
Intergovernmental	4,055,989	1,875	4,057,864	186,693
Other	126,728	14,297	141,025	16,387
Due from Fiduciary Fund	116	0	116	18,353
Inventories	0	61,788	61,788	8,068
Prepaid Expenses	13,084	113	13,197	18,170
Capital Assets:				
Not Depreciated	2,682,058	0	2,682,058	32,035
Depreciated, Net of Depreciation	<u>104,923,261</u>	<u>0</u>	<u>104,923,261</u>	<u>2,542,492</u>
Total Assets	<u>\$139,327,083</u>	<u>(\$ 23,003)</u>	<u>\$139,304,080</u>	<u>\$4,376,640</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Deferred Outflows related to Defined Benefit Pension Plan and OPEB	<u>\$ 5,795,065</u>	<u>\$ 154,445</u>	<u>\$ 5,949,510</u>	<u>\$ 344,472</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 1,668,139	\$ 8,016	\$ 1,676,155	\$ 98,611
Accrued Salaries and Benefits	7,350,428	2,231	7,352,659	165,035
Payroll Deduction and Withholdings	366,371	0	366,371	126,912
Accrued Interest	1,035,398	0	1,035,398	0
Unearned Revenue	321,454	55,225	376,679	37,664
Other Current Liabilities	47,081	0	47,081	0
Noncurrent Liabilities:				
Due Within One Year	4,484,350	0	4,484,350	137,033
Due in More Than One Year	<u>190,493,676</u>	<u>2,972,972</u>	<u>193,466,648</u>	<u>5,507,640</u>
Total Liabilities	<u>\$205,766,897</u>	<u>\$3,038,444</u>	<u>\$208,805,341</u>	<u>\$6,072,895</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred Inflows related to Defined Benefit Pension Plan and OPEB	<u>\$ 4,015,318</u>	<u>\$ 111,949</u>	<u>\$ 4,127,267</u>	<u>\$ 187,120</u>
<b><u>NET POSITION</u></b>				
Net Investment in Capital Assets	\$ 17,315,919	\$ 0	\$ 17,315,919	\$1,961,970
Restricted for Capital Projects	8,634,115	0	8,634,115	0
Unrestricted	( <u>90,610,101</u> )	( <u>3,018,951</u> )	( <u>93,629,052</u> )	( <u>3,500,873</u> )
Total Net Position	<u>(\$ 64,660,067)</u>	<u>(\$3,018,951)</u>	<u>(\$ 67,679,018)</u>	<u>(\$1,538,903)</u>

See Accompanying Notes and Independent Auditor's Report

**MIFFLIN COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>
<b><u>Governmental Activities</u></b>	
Unallocated Depreciation, excluding direct depreciation	\$ 4,772,959
Instruction	42,085,563
Instructional Student Support	4,199,726
Administrative and Financial Support Services	7,200,847
Operation and Maintenance of Plant Services	5,969,924
Pupil Transportation	5,040,847
Student Activities	962,197
Community Services	20,904
Interest on Long-Term Obligations	<u>2,562,193</u>
Total Governmental Activities	\$72,815,160
<b><u>Business-Type Activities</u></b>	
Food Service	\$ 2,378,903
Total Primary Government	<u>\$75,194,063</u>
<b><u>Component Unit</u></b>	
Mifflin County Academy of Science and Technology	<u>\$ 4,160,495</u>
<b><u>General Revenues and Transfers</u></b>	
Taxes:	
Real Estate Taxes, Levied for General Purposes	
Other Taxes, Levied for General Purposes	
Grants, Subsidies, and Contributions Not Restricted	
Receipts from Mifflin County School District	
Investment Earnings	
Miscellaneous Income	
Transfers Out to Fiduciary Activities	
Total General Revenues and Transfers	
Change in Net Position	
<b><u>Net Position</u></b> – Beginning	
<b><u>Net Position</u></b> – Ending	

**See Accompanying Notes and Independent Auditor's Report**

**MIFFLIN COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

----- Program Revenues -----			----- Net (Expenses) Revenue and Changes in Net Position -----			----- Primary Government -----	Component Unit
<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grant</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Mifflin County Academy of Science and Technology</u>	
\$ 0	\$ 0	\$ 0	(\$ 4,772,959)	\$ 0	(\$ 4,772,959)	\$	0
61,937	13,839,937	0	( 28,183,689)	0	( 28,183,689)	\$	0
0	973,231	0	( 3,226,495)	0	( 3,226,495)	\$	0
0	865,087	0	( 6,335,760)	0	( 6,335,760)	\$	0
2,740	1,605,225	0	( 4,361,959)	0	( 4,361,959)	\$	0
0	3,775,385	0	( 1,265,462)	0	( 1,265,462)	\$	0
82,131	114,511	0	( 765,555)	0	( 765,555)	\$	0
0	0	0	( 20,904)	0	( 20,904)	\$	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>( 2,562,193)</u>	<u>0</u>	<u>( 2,562,193)</u>	<u>\$</u>	<u>0</u>
\$ 146,808	\$21,173,376	\$ 0	(\$51,494,976)	\$ 0	(\$51,494,976)	\$	0
<u>525,518</u>	<u>1,623,900</u>	<u>0</u>	<u>0</u>	<u>(\$ 229,485)</u>	<u>(\$ 229,485)</u>	<u>\$</u>	<u>0</u>
<u>672,326</u>	<u>22,797,276</u>	<u>0</u>	<u>(\$51,494,976)</u>	<u>(\$ 229,485)</u>	<u>(\$51,724,461)</u>	<u>\$</u>	<u>0</u>
<u>\$1,107,392</u>	<u>\$ 1,702,531</u>	<u>\$72,024</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(\$1,278,548)</u>	
			\$26,964,829	\$ 0	\$26,964,829	\$	0
			7,733,426	0	7,733,426	\$	0
			23,523,841	0	23,523,841	\$	0
			0	0	0	\$	1,904,745
			378,992	3,594	382,586	\$	6,385
			98,098	0	98,098	\$	11,533
			<u>( 226,851)</u>	<u>0</u>	<u>( 226,851)</u>	<u>\$</u>	<u>0</u>
			<u>\$58,472,335</u>	<u>\$ 3,594</u>	<u>\$58,475,929</u>	<u>\$</u>	<u>1,922,663</u>
			\$ 6,977,359	(\$ 225,891)	\$ 6,751,468	\$	644,115
			<u>( 71,637,426)</u>	<u>( 2,793,060)</u>	<u>( 74,430,486)</u>	<u>\$</u>	<u>( 2,183,018)</u>
			<u>(\$64,660,067)</u>	<u>(\$3,018,951)</u>	<u>(\$67,679,018)</u>	<u>\$</u>	<u>( \$1,538,903)</u>

See Accompanying Notes and Independent Auditor's Report

**MIFFLIN COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>				
Cash and Cash Equivalents	\$16,534,984	\$ 0	\$8,831	\$16,543,815
Restricted Cash and Cash Equivalents	0	7,153,889	0	7,153,889
Receivables:				
Taxes - Net of Allowance for Unavailable	3,632,483	0	0	3,632,483
Interfund	195,776	2,600,000	0	2,795,776
Due from Other Governments	822,567	0	0	822,567
State Revenue	2,789,510	0	0	2,789,510
Federal Revenue	443,912	0	0	443,912
Other	126,728	0	0	126,728
Prepaid Expenses	<u>13,084</u>	<u>0</u>	<u>0</u>	<u>13,084</u>
<b>TOTAL ASSETS</b>	<b><u>\$24,559,044</u></b>	<b><u>\$ 9,753,889</u></b>	<b><u>\$8,831</u></b>	<b><u>\$34,321,764</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>Liabilities</u></b>				
Due to Other Funds	\$ 2,600,000	\$ 0	\$ 0	\$ 2,600,000
Accounts Payable - Trade	548,365	1,119,774	0	1,668,139
Accrued Salaries and Benefits	7,350,428	0	0	7,350,428
Payroll Deductions and Withholdings	366,371	0	0	366,371
Unearned Revenue	2,456,838	0	0	2,456,838
Other Current Liabilities	<u>47,081</u>	<u>0</u>	<u>0</u>	<u>47,081</u>
<b>Total Liabilities</b>	<b><u>\$13,369,083</u></b>	<b><u>\$ 1,119,774</u></b>	<b><u>\$ 0</u></b>	<b><u>\$14,488,857</u></b>
 <b><u>Fund Balances</u></b>				
Nonspendable	\$ 13,084	\$ 0	\$ 0	\$ 13,084
Assigned:				
Capital Projects Fund	0	8,285,753	0	8,285,753
Future PSERS Obligations	1,500,000	0	0	1,500,000
Future OPEB Obligations	220,000	0	0	220,000
Future Charter School Costs	500,000	0	0	500,000
Technology	96,140	0	0	96,140
Debt Service	0	0	8,831	8,831
Safety and Security	200,000	0	0	200,000
COVID-19	2,200,000	0	0	2,200,000
Committed:				
Encumbrances	111,760	348,362	0	460,122
Unassigned:				
General Fund	<u>6,348,977</u>	<u>0</u>	<u>0</u>	<u>6,348,977</u>
<b>Total Fund Balances</b>	<b><u>\$11,189,961</u></b>	<b><u>\$ 8,634,115</u></b>	<b><u>\$8,831</u></b>	<b><u>\$19,832,907</u></b>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <b><u>\$24,559,044</u></b>	 <b><u>\$ 9,753,889</u></b>	 <b><u>\$8,831</u></b>	 <b><u>\$34,321,764</u></b>

**See Accompanying Notes and Independent Auditor's Report**

**MIFFLIN COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020**

Total Fund Balances - Governmental Funds \$ 19,832,907

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 are not reported as assets in governmental funds.

Cost	\$ 165,555,122	
Accumulated Depreciation	( <u>57,949,803</u> )	107,605,319

Accounts receivable, including property taxes receivable will be collected but are not available soon enough to pay for the current period's expenditures, and, therefore, are deferred in the governmental funds. 2,135,384

The net pension liability is not due and payable in the current period and, therefore, is not reported in the funds. ( 87,686,508 )

The net other postemployment benefits obligation liability is not due and payable in the current period and, therefore, is not reported in the funds. ( 14,763,248 )

The deferred outflows and inflows of resources related to defined benefit pension plans and OPEB are not reported in the funds since they are measured on the accrual basis:

Deferred Outflows of Resources	\$ 5,795,065	
Deferred Inflows of Resources	( <u>4,015,318</u> )	1,779,747

Long-term liabilities, including bonds payable and lease purchase obligations, are not due and payable in the current period, and, therefore, are not reported as liabilities in the funds. Long-term liabilities and the related costs at year end consists of:

Bonds Payable	(\$ 83,420,000)	
Unamortized Bond Premium	( 6,869,400 )	
Accrued Interest on Bonds	( 1,035,398 )	
Compensated Absences	( <u>2,238,870</u> )	( <u>93,563,668</u> )

Total Net Position - Governmental Activities (\$ 64,660,067)

**See Accompanying Notes and Independent Auditor's Report**

**MIFFLIN COUNTY SCHOOL DISTRICT  
COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>				
Local Sources	\$35,800,047	\$ 143,893	\$ 0	\$35,943,940
State Sources	40,904,870	0	0	40,904,870
Federal Sources	<u>3,001,036</u>	<u>0</u>	<u>0</u>	<u>3,001,036</u>
Total Revenues	<u>\$79,705,953</u>	<u>\$ 143,893</u>	<u>\$ 0</u>	<u>\$79,849,846</u>
<b><u>Expenditures</u></b>				
Current:				
Instruction	\$44,464,820	\$ 0	\$ 0	\$44,464,820
Support Services	21,687,574	669,073	158,272	22,514,919
Operation of Noninstructional Services	1,035,936	0	0	1,035,936
Capital Outlays:				
Instruction	57,095	0	0	57,095
Support Services	158,330	109,170	0	267,500
Facilities Acquisition, Construction, and Improvement Services	0	6,701,200	0	6,701,200
Debt Service:				
Principal	5,898,223	0	0	5,898,223
Interest	3,255,142	0	0	3,255,142
Refund of Prior Years' Receipts	<u>5,860</u>	<u>0</u>	<u>0</u>	<u>5,860</u>
Total Expenditures	<u>\$76,562,980</u>	<u>\$ 7,479,443</u>	<u>\$ 158,272</u>	<u>\$84,200,695</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 3,142,973</u>	<u>(\$ 7,335,550)</u>	<u>(\$ 158,272)</u>	<u>(\$ 4,350,849)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Proceeds from Refunding of Bonds	\$ 0	\$ 0	\$14,395,000	\$14,395,000
Bond Premiums	0	0	1,570,688	1,570,688
Interfund Transfers In	1,540,993	3,318,569	0	4,859,562
Interfund Transfers Out	( 3,545,420)	( 1,540,993)	0	( 5,086,413)
Payment to Refunded Bond Escrow Agent	0	0	( 15,675,622)	( 15,675,622)
Bond Discounts	<u>0</u>	<u>0</u>	<u>( 128,116)</u>	<u>( 128,116)</u>
Total Other Financing Sources (Uses)	<u>(\$ 2,004,427)</u>	<u>\$ 1,777,576</u>	<u>\$ 161,950</u>	<u>(\$ 64,901)</u>
Net Change in Fund Balances	\$ 1,138,546	(\$ 5,557,974)	\$ 3,678	(\$ 4,415,750)
<b>Fund Balance - July 1, 2019</b>	<u>10,051,415</u>	<u>14,192,089</u>	<u>5,153</u>	<u>24,248,657</u>
<b>Fund Balance - June 30, 2020</b>	<u>\$11,189,961</u>	<u>\$ 8,634,115</u>	<u>\$ 8,831</u>	<u>\$19,832,907</u>

See Accompanying Notes and Independent Auditor's Report

**MIFFLIN COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2020**

Total Net Change in Fund Balances - Governmental Funds (\$4,415,750)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlays	\$ 7,025,795	
Less: Depreciation Expense	( <u>5,560,609</u> )	1,465,186

Because some accounts receivable, including taxes, will not be collected for several months after the School District's year end, they are not considered as "available" revenues and, thus, are deferred revenues in the governmental funds. Deferred revenue increased by this amount during the year. 175,384

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The issuance and repayment of long-term debt increases and decreases, respectively, long-term liabilities in the statement of net assets. The effect of these transactions in the statement of activities is as follows:

Face Value of General Obligation Note Issued	(\$14,395,000)	
Repayment of Bond Principal	20,035,000	
Amortization of Bond Premium, Net of Premium Capitalized	( 635,063)	
Repayment of Lease Principal	<u>1,483,223</u>	6,488,160

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus, requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The difference between the amount of interest due over interest accrued in the statement of activities is shown here. ( 58,938)

In the statement of activities, certain operating expenses 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. These amounts represent the difference between the amount earned versus the amount used:

Vacation and Sick Days		( 128,665)
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The reduction in pension expense associated with the Defined Benefit Pension Plan (PSERS) that does not provide the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 4,109,658

The increase in other postemployment benefit obligation that does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. ( 657,676)

Changes in Net Position of Governmental Activities		<u>\$6,977,359</u>
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**See Accompanying Notes and Independent Auditor's Report**

**MIFFLIN COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Food Service</u>
<b><u>ASSETS</u></b>	
<b><u>Current Assets</u></b>	
Cash and Cash Equivalents	\$ 94,584
State Revenue Receivable	52
Federal Revenue	1,823
Other Receivable	14,297
Inventories	61,788
Prepaid Expenses	<u>113</u>
Total Current Assets	\$ 172,657
<b><u>Capital Assets - Depreciated, Net of Depreciation</u></b>	
	<u>0</u>
Total Assets	\$ 172,657
<b><u>Deferred Outflows of Recourses</u></b>	
	<u>154,445</u>
Total Assets and Deferred Outflows of Resources	\$ 327,102
<b><u>LIABILITIES</u></b>	
<b><u>Current Liabilities</u></b>	
Due to Other Funds	\$ 195,660
Accounts Payable	8,016
Accrued Salaries and Benefits	2,231
Unearned Revenue	<u>55,225</u>
Total Current Liabilities	\$ 261,132
<b><u>Noncurrent Liabilities</u></b>	
Compensated Absences	\$ 71,830
Other Postemployment Benefits Obligation	418,061
Net Pension Liability	<u>2,483,081</u>
Total Noncurrent Liabilities	\$2,972,972
Total Liabilities	\$3,234,104
<b><u>Deferred Inflows of Resources</u></b>	
	<u>\$ 111,949</u>
<b><u>NET POSITION</u></b>	
Unrestricted	(\$3,018,951)
Total Liabilities and Deferred Inflows of Resources and Net Position	\$ 327,102

**See Accompanying Notes and Independent Auditor's Report**

**MIFFLIN COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Food Service</u>
<b><u>Operating Revenues</u></b>	
Food Service Revenue	\$ 525,518 <hr/>
<b><u>Operating Expenses</u></b>	
Personnel Services - Salaries	\$ 895,590
Personnel Services - Employee Benefits	388,153
Purchased Professional and Technical Services	690
Purchased Property Services	26,649
Other Purchased Services	86,639
Supplies	987,146
Miscellaneous Expenses	<u>2,173</u>
Total Operating Expenses	\$2,387,040 <hr/>
Operating (Loss)	(\$1,861,522) <hr/>
<b><u>Nonoperating Revenues</u></b>	
Earnings on Investments	\$ 3,594
Contributions and Donations from Private Sources	5,302
Refunds of a Prior Year Expenditure	8,137
State Sources	241,366
Federal Sources	<u>1,377,232</u>
Total Nonoperating Revenues	\$1,635,631 <hr/>
Change in Net Position	(\$ 225,891)
<b><u>Net Position</u></b> - July 1, 2019	( <u>2,793,060</u> )
<b><u>Net Position</u></b> - June 30, 2020	(\$3,018,951) <hr/> <hr/>

See Accompanying Notes and Independent Auditor's Report

**MIFFLIN COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Food Service</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from Users	\$ 540,267
Cash Payments to Employees for Services	( 1,418,546)
Cash Payments to Suppliers for Goods and Services	( <u>1,142,918</u> )
Net Cash (Used) by Operating Activities	(\$2,021,197)
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Local Sources	\$ 5,302
State Sources	241,314
Federal Sources	1,375,409
Receipts from Refund of Prior Year Expenditures	<u>8,137</u>
Net Cash Provided by Noncapital Financing Activities	\$1,630,162
<b><u>Cash Flows from Investing Activities</u></b>	
Earnings on Investments	\$ 3,594
Net (Decrease) in Cash and Cash Equivalents	(\$ 387,441)
<b><u>Cash and Cash Equivalents</u></b> - Beginning	<u>482,025</u>
<b><u>Cash and Cash Equivalents</u></b> - Ending	<u>\$ 94,584</u>
<b>Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:</b>	
Operating (Loss)	(\$1,861,522)
<b><u>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u></b>	
(Increase) in Other Receivables	( 14,297)
(Increase) in Inventories	( 46,560)
Decrease in Prepaid Expenses	25
Deferred Outflows	2,330
Increase in Due to Other Funds	117,555
Increase in Accounts Payable	8,016
(Decrease) in Accrued Salaries/Benefits	( 628)
(Decrease) in Net Pension Liability	( 255,911)
(Decrease) in Other Postemployment Benefit Obligation	( 22,299)
Increase in Unearned Revenue	23,393
(Decrease) in Accumulated Compensated Absences	( 5,448)
Deferred Inflows	<u>34,149</u>
Net Cash (Used) by Operating Activities	(\$2,021,197)

**See Accompanying Notes and Independent Auditor's Report**

**MIFFLIN COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020**

	----- Primary Government -----		Component Unit
	<u>Private Purpose Trust</u>	<u>Agency Funds</u>	<u>Mifflin County Academy of Science and Technology Agency Fund</u>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$167,866	\$254,471	\$29,581
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
<b><u>LIABILITIES</u></b>			
Due to Other Funds	\$ 0	\$ 116	\$18,353
Other Current Liabilities	<u>0</u>	<u>254,355</u>	<u>11,228</u>
Total Liabilities	\$ 0	\$254,471	\$29,581
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
<b><u>NET POSITION HELD IN TRUST</u></b>	<u>\$167,866</u>	<u>\$ 0</u>	<u>\$ 0</u>
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

See Accompanying Notes and Independent Auditor's Report

**MIFFLIN COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Private Purpose <u>Trust</u></b>
<b><u>Additions</u></b>	
Gifts and Contributions	\$ 31,729
Net Investment Earnings	186
Transfers from General Fund	<u>226,851</u>
Total Additions	\$258,766 <hr/>
<b><u>Deductions</u></b>	
Scholarships Awarded	\$ 90,900 <hr/>
Change in Net Position	\$167,866
<b><u>Change in Net Position</u></b> – Beginning	<u>0</u>
<b><u>Change in Net Position</u></b> – Ending	\$167,866 <hr/> <hr/>

See Accompanying Notes and Independent Auditor's Report

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**Note 1: Summary of Significant Accounting Policies**

**A. Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School District and its component unit. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**B. Reporting Entity**

The Mifflin County School District (a class 2 school district) operates under a nine-member Board of Education and provides instruction, support services, and certain non-instructional services. The accompanying financial statements present the School District and its component unit, an entity for which the School District is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the School District.

*Discretely presented component unit.* The Mifflin County Academy of Science and Technology was established on April 1, 1996 under the provisions of the Pennsylvania School Code for the purpose of providing vocational and technical programs. The Mifflin County Academy of Science and Technology operates with a four-member Operating Committee, which is appointed by the Mifflin County School District. The Mifflin County School District approves the Mifflin County Academy of Science and Technology's budget and provide funds for operations. In addition, the Mifflin County Academy of Science and Technology receives federal and state revenues as well as other miscellaneous receipts. The Mifflin County School District has an on-going financial responsibility for the Mifflin County Academy of Science and Technology.

Separately issued financial statements are available for the Mifflin County Academy of Science and Technology. Copies of the Mifflin County Academy of Science and Technology's financial statements may be obtained by contacting the Mifflin County Academy of Science and Technology's Business Office, 700 Pitt Street, Lewistown, Pennsylvania 17044.

**C. Basis of Presentation - Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the School District's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)

**Note 1: Summary of Significant Accounting Policies** (Continued)

**C. Basis of Presentation - Government-Wide Financial Statements** (Continued)

The School District has a discretely presented component unit. The Mifflin County Academy of Science and Technology is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the School District's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The School District reports the following major governmental funds:

- The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the School District, except those specifically required to be accounted for in another fund.
- The *capital project fund* is used to account for the acquisition or construction of the School District's major capital equipment and facilities.
- The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The School District reports the following major enterprise fund:

- The *food service fund* accounts for the operation of the School District's cafeterias.

Additionally, the School District reports the following fund types:

- The *agency funds* account for assets held by the School District as an agent for the individual schools, students, and school organizations as well as for the individual schools' faculty.

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

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**D. Basis of Presentation - Fund Financial Statements (Continued)**

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

**E. Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the School District.

MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

E. Measurement Focus and Basis of Accounting (Continued)

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/  
Fund Balance

1. Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and pooled funds which can be immediately converted into cash.

2. Inventories and Prepaid Items

Inventories consist of commodities held by the School District's Food Service Fund at cost, if purchased, and market, if donated.

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

3. Capital Assets

Capital assets, which include land, buildings, building improvements, equipment, and improvements other than buildings are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Effective July 1, 2015, the School District defines capital assets as independent asset units which have a per unit cost equal to or greater than \$5,000 and have an estimated useful life of one year or more. In addition, the item should (1) retain its original shape, appearance, and character with use; (2) not lose its identity through incorporation or fabrication into a different or more complex unit or substance; and (3) be more feasible to repair rather than replace when a failure occurs. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/  
Fund Balance (Continued)**

**3. Capital Assets (Continued)**

Buildings, building improvements, equipment, and improvements other than buildings of the School District and its component unit are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	15 - 40
Building Improvements	5 - 30
Equipment	3 - 20
Improvements other than buildings	10 - 20

**4. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. They are the deferred outflows resulting from changes in proportions, changes in assumptions, and net difference between expected and actual experience related to the School District's defined benefit pension plan and OPEB plans and are reported in the government-wide statement of net position. These amounts are deferred. The deferred outflows are amortized over the next ten years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has four types of items that qualifies for reporting in this category. The deferred inflows resulted from the net difference between expected and actual experience, net differences between projected and actual investment earnings, changes in proportions, and changes in assumptions and are reported in the government-wide statement of net position. These amounts are deferred and are amortized over the next ten years.

**5. Net Position Flow Assumption**

Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/  
Fund Balance (Continued)**

**6. Fund Balance Flow Assumptions**

Sometimes the School District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**7. Fund Balance Policies**

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

In the governmental fund financial statements, fund balances are classified as follows:

**Nonspendable** - amounts that cannot be spent because they are in a nonspendable form (e.g., inventory or prepaid expenses) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

**Restricted** - amounts limited by (a) external parties, such as creditors, grantors, and donors, or (b) legislation, such as constitutional provisions or enabling legislation.

**Committed** - amounts limited by School Board (e.g., encumbrances or future anticipated costs). The School Board establishes, modifies, and rescinds commitments by passage of an ordinance or resolution, typically through the adoption and amendment of the budget.

**Assigned** - amounts that management intends for a particular purpose, such as a rate stabilization fund or segregation of an amount intended to be used at some time in the future. Assigned fund balances are intended for a specific purpose, such as the purchase of capital assets, construction, debt service, or other purposes.

**Unassigned** - amounts available for consumption or not restricted in any manner.

MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)

Note 1: Summary of Significant Accounting Policies (Continued)

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

The School District's real estate tax is levied each August 1 on the assessed values currently in effect per the Mifflin County, Pennsylvania assessment office records for all real property located in the School District. The assessed value for which the current levy was based was \$794,137,080. Assessed values represent 50% of the estimated market value which was \$1,588,274,160. For the fiscal year ended June 30, 2020, School District real estate taxes were levied at the rate of 34.5215 mills on every dollar of taxable adjusted valuation. A total of \$24,583,117 was collected on this levy, which represents 89.67% of the total levied of \$27,414,803. The duplicate value was reduced via the homestead farmstead exclusion by the amount of the state property tax relief allocation in the amount of \$1,920,849.

Real estate taxes are billed August 1 and are due on or before December 31. A discount of 2% was allowed on taxes paid on or before October 2. A 10% penalty is applied to all taxes paid after December 4. Taxes delinquent after December 31 are turned over to the Mifflin County Tax Claim Bureau for collection.

3. Compensated Absences

Under the terms of personnel policies and union contracts, employees of the School District and its component unit accumulate sick, personal, and/or vacation leave hours in varying amounts according to length of service and employee type. These benefits can be available for subsequent use or for payment upon termination or retirement. Accumulated sick, personal and vacation expense to be paid in future periods is accrued when the benefits are earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for amounts that have become due and are not yet paid.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds**

**A. Cash Deposits with Financial Institutions**

The School District's carrying amount of bank deposits at June 30, 2020 is \$24,214,625 and the bank balance is \$25,045,244. Of the bank balance, \$258,831 is covered by federal depository insurance and \$10,237,289 is covered by collateral held in the pledging bank's trust department, but not in the School District's name. In addition, \$14,549,124 of the bank balance is invested in an external investment pool, which is rated AAAM, from which the School District purchased a prorata share of all investments and deposits, which are held in the name of the fund, which is considered to be a cash equivalent by the School District.

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the School District's deposits may not be returned or the School District will not be able to recover collateral securities in the possession of an outside party. The School District's policy require that deposits be insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law shall be pledged by the depository and obligations of the United States of America, Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits of the School District's reporting entity are insured or collateralized with securities held by the School District, its agent, or by the pledging financial institution's trust department or agent in the name of the School District, or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the School District's name.

**Discretely Presented Component Unit**

The Mifflin County Academy of Science and Technology's carrying amount of bank deposits at June 30, 2020 is \$1,584,023 and the bank balance is \$1,602,351. Of the bank balance, \$250,000 is covered by federal depository insurance and \$1,110,427 is covered by collateral held in the pledging bank's trust department, but not in the Academy's name. In addition, \$241,924 of the bank balance and book balance is invested in an external investment pool from which the Mifflin County Academy of Science and Technology purchased a prorata share of all investments and deposits, which are held in the name of the fund, which is considered to be a cash equivalent by the Mifflin County Academy of Science and Technology.

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the Academy's deposits may not be returned or the Academy will not be able to recover collateral securities in the possession of an outside party. The Academy's policy require that deposits be insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law shall be pledged by the depository and obligations of the United States of America, Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**A. Cash Deposits with Financial Institutions (Continued)**

**Discretely Presented Component Unit (Continued)**

Deposits of the Mifflin County Academy of Science and Technology's reporting entity are insured or collateralized with securities held by the Mifflin County Academy of Science and Technology, its agent, or by the pledging financial institution's trust department or agent in the name of the Mifflin County Academy of Science and Technology, or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Mifflin County Academy of Science and Technology's name.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2020, was as follows:

	<u>Balance 06/30/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer</u>	<u>Balance 06/30/20</u>
<b><u>Governmental Activities</u></b>					
Capital Assets, not being depreciated:					
Land	\$ 703,809	\$ 0	\$ 0	\$ 0	\$ 703,809
Construction in Progress	<u>4,085,274</u>	<u>1,978,249</u>	<u>0</u>	<u>( 4,085,274)</u>	<u>1,978,249</u>
Total Capital Assets, not being depreciated	<u>\$ 4,789,083</u>	<u>\$ 1,978,249</u>	<u>\$ 0</u>	<u>(\$ 4,085,274)</u>	<u>\$ 2,682,058</u>
Capital Assets, being depreciated:					
Building	\$ 137,909,261	\$ 4,722,952	\$ 0	\$ 4,064,649	\$ 146,696,862
Building and Improvements	10,441,935	101,283	0	20,625	10,563,843
Furniture and Equipment	<u>5,389,048</u>	<u>223,311</u>	<u>0</u>	<u>0</u>	<u>5,612,359</u>
Total Capital Assets, being depreciated	<u>\$ 153,740,244</u>	<u>\$ 5,047,546</u>	<u>\$ 0</u>	<u>\$ 4,085,274</u>	<u>\$ 162,873,064</u>
Less Accumulated Depreciation for:					
Building	(\$ 43,028,622)	(\$ 4,667,381)	\$ 0	\$ 0	(\$ 47,696,003)
Building and Improvements	( 5,178,857)	( 517,409)	0	0	( 5,696,266)
Furniture and Equipment	<u>( 4,181,715)</u>	<u>( 375,819)</u>	<u>0</u>	<u>0</u>	<u>( 4,557,534)</u>
Total Accumulated Depreciation	<u>(\$ 52,389,194)</u>	<u>(\$ 5,560,609)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(\$ 57,949,803)</u>
Total Capital Assets, being depreciated	<u>\$ 101,351,050</u>	<u>(\$ 513,063)</u>	<u>\$ 0</u>	<u>\$ 4,085,274</u>	<u>\$ 104,923,261</u>
Governmental Activities Capital Assets - net	<u>\$ 106,140,133</u>	<u>\$ 1,465,186</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 107,605,319</u>
<b><u>Business-Type Activities</u></b>					
Capital Assets, being depreciated:					
Food Service Equipment	\$ 128,061	\$ 0	\$ 0	\$ 0	\$ 128,061
Less Accumulated Depreciation for:					
Food Service Equipment	(\$ 128,061)	\$ 0	\$ 0	\$ 0	(\$ 128,061)
Total Capital Assets, being depreciated - net	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Business-Type Activities Capital Assets - net	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**B. Capital Assets (Continued)**

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

**Governmental Activities**

Depreciation - Unallocated	\$4,772,959
Instructional Services	47,783
Support Services:	
Administrative and Financial Support Services	196,026
Operation and Maintenance of Plant Services	<u>543,841</u>
Total Depreciation Expense, Governmental Activities	<u>\$5,560,609</u>

**Business-Type Activities**

Food Service	<u>\$ 0</u>
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**Discretely Presented Component Unit**

The Mifflin County Academy of Science and Technology's capital assets activity for the year ended June 30, 2020, was as follows:

	<u>Balance 06/30/19</u>	<u>Additions</u>	<u>Deductions</u>	<u>Transfers</u>	<u>Balance 06/30/20</u>
<b><u>Governmental Activities</u></b>					
Capital Assets, not being depreciated:					
Land	\$ 32,035	\$ 0	\$ 0	\$ 0	\$ 32,035
Capital Assets, being depreciated:					
Buildings and Improvements	\$4,727,348	\$228,276	\$ 0	\$ 0	\$4,955,624
Machinery and Equipment	<u>2,010,990</u>	<u>458,975</u>	<u>0</u>	<u>0</u>	<u>2,469,965</u>
Total Capital Assets, being depreciated	<u>\$6,738,338</u>	<u>\$687,251</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$7,425,589</u>
Less Accumulated Depreciation:					
Building	(\$3,232,300)	(\$150,691)	\$ 0	\$ 0	(\$3,382,991)
Machinery and Equipment	<u>( 1,411,069)</u>	<u>( 89,037)</u>	<u>0</u>	<u>0</u>	<u>( 1,500,106)</u>
Total Accumulated Depreciation	<u>(\$4,643,369)</u>	<u>(\$239,728)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>(\$4,883,097)</u>
Total Capital Assets, being depreciated, net	<u>\$2,094,969</u>	<u>\$447,523</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$2,542,492</u>
Governmental Activities, Capital Assets, Net	<u>\$2,127,004</u>	<u>\$447,523</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$2,574,527</u>

Depreciation expense was charged to functions of the Mifflin County Academy of Science and Technology as follows:

Depreciation - Unallocated	\$122,480
Instructional Services	92,407
Supporting Services:	
Administrative and Financial Support	2,451
Operation and Maintenance of Plant Services	<u>22,390</u>
Total Depreciation Expense, Governmental Activities	<u>\$239,728</u>

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**C. Retirement Plans**

**Pensions**

**1. Summary of Significant Accounting Policies Relative to Pension**

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' 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.

***General Information about the Pension Plan***

**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](http://www.psers.pa.gov).

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% 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.

MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)

**Note 2: Detailed Notes on All Activities and Funds** (Continued)

**C. Retirement Plans** (Continued)

**Pensions** (Continued)

**1. Summary of Significant Accounting Policies Relative to Pension** (Continued)

***General Information about the Pension Plan*** (Continued)

**Benefits Provided** (Continued)

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

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

**Contributions**

**Member Contributions:**

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

MIFFLIN COUNTY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020  
 (CONTINUED)

**Note 2: Detailed Notes on All Activities and Funds** (Continued)

**C. Retirement Plans** (Continued)

**Pensions** (Continued)

**1. Summary of Significant Accounting Policies Relative to Pension** (Continued)

***General Information about the Pension Plan*** (Continued)

**Contributions** (Continued)

**Employer Contributions:**

The School District's contractually required contribution rate for fiscal year ended June 30, 2020 was 33.36% 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 School District were \$9,898,411 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of \$90,169,589, reduced by \$9,898,411 of contributions made subsequent to the measurement date for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The School 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, 2019, the School District's proportion was .2139%, which was an increase of .0025% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized pension expense of \$5,558,178. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 0	\$ 892,969
Changes in proportions	590,500	495,750
Net differences between expected and actual experience	<u>272,333</u>	<u>1,973,657</u>
	<u>\$ 862,833</u>	<u>\$3,362,376</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**C. Retirement Plans (Continued)**

**Pensions (Continued)**

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

<u>Year Ended June 30</u>	<u>Amount</u>
2021	(\$1,963,836)
2022	( 712,318)
2023	176,611
2024	0
2025	0

**Actuarial Assumptions**

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - Level % of Pay.
- The Investment Rate of Return - 7.25%, includes inflation at 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were 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.

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.

MIFFLIN COUNTY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020  
 (CONTINUED)

**Note 2: Detailed Notes on All Activities and Funds** (Continued)

**C. Retirement Plans** (Continued)

**Pensions** (Continued)

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

**Actuarial Assumptions** (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	20.0%	5.6%
Fixed Income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute Return	10.0%	3.4%
Risk Parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real Estate	10.0%	4.1%
Alternative Investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	( 20.0%)	0.7%
	100.0%	

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, 2019.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

MIFFLIN COUNTY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020  
 (CONTINUED)

**Note 2: Detailed Notes on All Activities and Funds** (Continued)

**C. Retirement Plans** (Continued)

**Pensions** (Continued)

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

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** (Continued)

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
School District's proportionate share of the net pension liability	\$124,646,000	\$100,068,000	\$79,257,000
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

**Pension Plan Fiduciary Net Position**

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

Condensed summary information of the School District's proportionate share of the PSERS assets, liabilities, and net position from the PSERS Comprehensive Annual Financial Report for the year ended June 30, 2019 is as follows:

Assets	\$137,718,000
Liabilities	( <u>12,087,000</u> )
Net Position Held in Trust for Benefits	<u>\$125,631,000</u>

In addition, as of June 30, 2020, the School District had a payable of \$1,164,690 to the PSERS pension plan, of which \$0 represents the second quarter 2020 required contribution, while \$1,164,690 represents the liability related to accrued payroll as of June 30, 2020.

**D. Other Postemployment Benefits - PSERS**

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.

MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)

**Note 2: Detailed Notes on All Activities and Funds** (Continued)

**D. Other Postemployment Benefits - PSERS** (Continued)

*General Information about the Health Insurance Premium Assistance Program*

**Health Insurance Premium Assistance Program**

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. 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, 2019, 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 1/2 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](http://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, 2019, there were no assumed future benefit increases to participating eligible retirees.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**D. Other Postemployment Benefits - PSERS (Continued)**

**Employer Contributions**

The School Districts' contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84% 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 School District were \$249,241 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of \$4,299,759 for its proportionate share of the net OPEB liability, reduced by contributions of \$249,241 made subsequent to the measurement date. The net OPEB liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The School 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, 2019, the School District's proportion was .2139 percent, which was an increase of .0025 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$892,074. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 20,500	\$ 0
Changes in assumptions	123,313	101,000
Net difference between projected and actual investment earnings	4,604	0
Changes in proportions	<u>38,322</u>	<u>50,929</u>
	<u>\$186,739</u>	<u>\$151,929</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year Ended June 30:**

2021	(\$ 6,725)
2022	( 7,975)
2023	( 8,787)
2024	34,803
2025	23,494
Thereafter	0

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**D. Other Postemployment Benefits - PSERS (Continued)**

**Actuarial Assumptions**

The Total OPEB Liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% 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 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.
- Participation Rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2019.
- 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 and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**D. Other Postemployment Benefits - PSERS (Continued)**

**Actuarial Assumptions (Continued)**

<u>OPEB - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.2%	0.2%
U.S. Core Fixed Income	83.1	1.0%
Non-U.S. Developed Fixed	<u>3.7%</u>	0.0%
	100.0%	
	<u>=====</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, 2019.

**Discount Rate**

The discount rate used to measure the Total OPEB Liability was 2.79%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

**Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost**

**Trend Rates**

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, 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, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)

Note 2: Detailed Notes on All Activities and Funds (Continued)

D. Other Postemployment Benefits - PSERS (Continued)

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates (Continued)

	Dollar Amounts in Thousands		
	1% Decrease	Current Trend Rate	1% Increase
System Net OPEB Liability	\$4,549,000	\$4,549,000	\$4,550,000

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

The following presents the net OPEB liability, calculated using the discount rate of 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower, 1.79%, or 1-percentage-point higher, 3.79%, than the current rate:

	1% Decrease <u>1.79%</u>	Current Discount Rate <u>2.79%</u>	1% Increase <u>3.79%</u>
	School District's Proportionate Share of the Net OPEB Liability	\$5,183,000	\$4,549,000

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.pasers.pa.gov](http://www.pasers.pa.gov).

Condensed summary information of the School District's proportionate share of the PSERS assets, liabilities, and net position from the PSERS Comprehensive Annual Financial Report for the year ended June 30, 2019 is as follows:

Assets	\$1,006,000
Liabilities	( <u>167,000</u> )
Net Position Held in Trust for Benefits	\$ 839,000

In addition, as of June 30, 2020, the School District had a payable of \$29,327 to the PSERS OPEB plan, of which \$0 represents the second quarter 2020 required contribution, while \$29,327 represents the liability related to accrued payroll as of June 30, 2020.

E. Other Postemployment Benefits - Single-Employer

Separate financial statements are not prepared for the defined benefit healthcare plan described below.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds** (Continued)

**E. Other Postemployment Benefits - Single-Employer** (Continued)

**Plan Description**

The School District administers a single-employer defined benefit healthcare plan ("Retiree Health Plan") through the Blue Shield PPO Plan, which is a high deductible health plan (\$1,500 single, \$3,000 family). The Retiree Health Plan provides medical insurance benefits to eligible employees who retire from active service, their spouses, and dependents. Benefit provisions are based on contractual agreements with employee groups.

After meeting certain service requirements, retirees of the School District have the option under state law to continue their medical coverage through the School District from the time of retirement until the employee reaches the age of eligibility for Medicare. In addition to the option of continuing their medical insurance coverage, certain employee groups also receive School District paid medical insurance benefit. The School District paid benefits are summarized as follows:

Act 93 Certified	\$200 per month paid by the School District towards health insurance from the time of retirement until the retiree reaches age 65 and spouse reaches age 65.
Central Office Administrators	6 months of health insurance paid by the School District for each year of Central Office Administration experience. Thereafter, \$200 per month paid by the School District towards health insurance until the expiry date for retiree and spouse.
Other Employees	No School District paid benefits.

The School District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the School District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy". This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the School District's younger and statistically healthier active employees.

**Starting Costs**

Central Office Administrators during period of Employer Coverage:

<u>Age</u>	<u>Estimated Full Annual Cost Retiree/Spouse</u>	<u>Annual Cost Paid by Employer for Retiree/Spouse</u>	<u>Annual Cost Paid by Retiree/Spouse</u>	<u>Implicit Rate Subsidy Paid by Employer for Retiree/Spouse</u>
0 - 49	\$ 7,482 / \$ 9,353	\$7,482 / \$9,353	\$0 / \$0	\$ 0 / \$ 0
50	\$ 8,979 / \$13,936	\$7,482 / \$9,353	\$0 / \$0	\$ 1,497 / \$ 4,583
55	\$11,747 / \$16,181	\$7,482 / \$9,353	\$0 / \$0	\$ 4,265 / \$ 6,828
60	\$15,115 / \$18,893	\$7,482 / \$9,353	\$0 / \$0	\$ 7,633 / \$ 9,540
64	\$18,482 / \$22,166	\$7,482 / \$9,353	\$0 / \$0	\$11,000 / \$12,813
65+	\$ 7,482 / \$ 9,353	\$7,482 / \$9,353	\$0 / \$0	\$ 0 / \$ 0

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**E. Other Postemployment Benefits - Single-Employer (Continued)**

**Starting Costs (Continued)**

Act 93 Employees with \$2,400 paid annually by District:

<u>Age</u>	<u>Annual Cost Estimated Full Annual Cost Retiree/Spouse</u>	<u>Paid by Employer for Retiree/Spouse</u>	<u>Annual Cost Paid by Retiree/Spouse</u>	<u>Implicit Rate Subsidy Paid by Employer for Retiree/Spouse</u>
0 - 49	\$ 7,482 / \$ 9,353	\$2,400 / \$ 0	\$5,082 / \$9,353	\$ 0 / \$ 0
50	\$11,149 / \$11,224	\$2,400 / \$ 0	\$5,082 / \$9,353	\$ 3,667 / \$ 1,871
55	\$12,945 / \$14,684	\$2,400 / \$ 0	\$5,082 / \$9,353	\$ 5,463 / \$ 5,331
60	\$15,115 / \$18,893	\$2,400 / \$ 0	\$5,082 / \$9,353	\$ 7,633 / \$ 9,540
64	\$17,733 / \$23,102	\$2,400 / \$ 0	\$5,082 / \$9,353	\$10,251 / \$13,749

All Other Participants:

<u>Age</u>	<u>Annual Cost Estimated Full Annual Cost Retiree/Spouse</u>	<u>Paid by Employer for Retiree/Spouse</u>	<u>Annual Cost Paid by Retiree/Spouse</u>	<u>Implicit Rate Subsidy Paid by Employer for Retiree/Spouse</u>
0 - 49	\$ 7,482 / \$ 9,353	\$ 0 / \$ 0	\$7,482 / \$9,353	\$ 0 / \$ 0
50	\$ 8,979 / \$13,936	\$ 0 / \$ 0	\$7,482 / \$9,353	\$ 1,497 / \$ 4,583
55	\$11,747 / \$16,181	\$ 0 / \$ 0	\$7,482 / \$9,353	\$ 4,265 / \$ 6,828
60	\$15,115 / \$18,893	\$ 0 / \$ 0	\$7,482 / \$9,353	\$ 7,633 / \$ 9,540
64	\$18,482 / \$22,166	\$ 0 / \$ 0	\$7,482 / \$9,353	\$11,000 / \$12,813

**Health Care Cost Trend**

The following health care cost trend rate assumptions used in the valuation recognize increases due to health care inflation, utilization and intensity, technology and quality of care changes, and regulatory requirements.

<u>Year</u>	<u>Trend</u>	<u>Year</u>	<u>Trend</u>
2019/20	5.5%	2046/47 - 2047/48	5.0%
2020/21	5.4%	2048/49 - 2050/51	4.9%
2021/22	5.3%	2051/52 - 2054/55	4.8%
2022/23 - 2044/45	5.2%	2055/56 - 2058/59	4.7%
2045/46	5.1%	2059/60+	4.7%

**Generational Factors**

The following percentages have been applied to reflect the implicit rate subsidy:

<u>Age</u>	<u>Sample Male Factor</u>	<u>Sample Female Factor</u>	<u>Age</u>	<u>Sample Male Factor</u>	<u>Sample Female Factor</u>
0 - 49	100%	100%	60	202%	202%
50	120%	149%	64	247%	237%
55	157%	173%	65+	100%	100%

MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**E. Other Postemployment Benefits - Single-Employer (Continued)**

**Actuarial Methods**

**a. Actuarial Cost Method**

Entry Age Normal actuarial cost method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The actuarial present value of the projected benefits allocated to the valuation year is called the Service Cost. The portion of the actuarial present value of the projected benefits not provided for at the valuation date by the actuarial present value of future Service Costs is called the Total OPEB Liability.

**b. Treatment of Gains (Losses) - Other Postretirement Employee Benefits (OPEB) Plan Investments**

Gains (losses) due to the difference between projected and actual earnings on OPEB plan investments are recognized in OPEB expense over a closed five-year period.

**c. Treatment of Gains (Losses) - Liabilities and Assumptions**

Gains (losses) due to the difference between expected and actual experience and changes of assumptions are recognized in OPEB expense over a closed period equal to the average of the expected remaining service lives of all participants, determined as of the measurement date.

**d. Valuation Date**

First day of the Fiscal Year (July 1, 2019)

**e. Asset Valuation Method**

Program is funded on a pay-as-you-go basis and holds no assets.

**Actuarial Assumptions**

**a. Discount Rate**

An annual rate of 3.50%

**b. Assumed Retirement Age**

100% of employees hired before July 1, 2011 are assumed to retire when eligible for unreduced benefits under the Public School Employees' Retirement System of Pennsylvania or the School District at the earlier of:

- Age 60 with 30 years of service
- At least 35 years of service with the Mifflin County School District, or
- Age 62 with at least 1 year of service

MIFFLIN COUNTY SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020  
 (CONTINUED)

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**E. Other Postemployment Benefits - Single-Employer (Continued)**

**Actuarial Assumptions (Continued)**

**b. Assumed Retirement Age (Continued)**

100% of employees hired on or after July 1, 2011 are assumed to retire when eligible for unreduced benefits under the Public School Employees' Retirement System of Pennsylvania or the School District, as follows:

- Age 65 with at least 3 years of service, or
- Age plus at least 35 years of service equals 92.

**c. Pre-Retirement Mortality**

PubT.H-2000 Employee (Male and Female weighted by headcount) as published by the Society of Actuaries

**d. Post-Retirement Mortality**

PubT.H-2000 Healthy Annuitant (Male and Female weighted by headcount) as published by the Society of Actuaries

**e. Mortality Improvements**

Scale MP-2018 (Male and Female) as published by the Society of Actuaries, fully generational

**f. Turnover before Retirement**

Actuary's Turnover Table T-3; the following are sample rates:

<u>Age</u>	<u>Rate</u>
25	5.3%
40	3.8%
55	0.3%

**g. Coverage**

It is assumed that 60% of future retirees will participate in the retiree medical program. All current participating retirees are assumed to continue participation in the medical program.

**h. Spouse Coverage**

80% of future retirees are assumed to be married and 25% of spouses will participate in the retiree medical program. The spouse is assumed to be the opposite sex and the same age as the employee.

All current participating spouses are assumed to continue participation in the medical program. Spouses were assumed to be the opposite sex and the same ages as retirees, if spouses ages were not available.

**i. Expenses**

Expenses are included in the claim costs.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**E. Other Postemployment Benefits - Single-Employer (Continued)**

**Actuarial Assumptions (Continued)**

**j. Rate of Salary Increase**

An annual rate of 2.5%.

**Plan Descriptions, Contribution Information, and Funding Policies**

Memberships of the plan are as follows:

Active Members	655
Retirees and Beneficiaries Currently Receiving Benefits	53
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	<u>0</u>
Total	<u>708</u>

**Components of Net OPEB Liability as of June 30, 2020 Measurement Date**

Total OPEB Liability	\$10,881,550
Plan Fiduciary Net Position	<u>0</u>
Net OPEB Liability	<u>\$10,881,550</u>
Fiduciary Net Position as a Percentage of Total OPEB Liability	0%
Estimated Covered Payroll	\$29,417,633
Net Liability as a Percentage of Covered Payroll	36.99%

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate as of June 30, 2020**

	1% Decrease <u>2.50%</u>	Current Discount Rate <u>3.50%</u>	1% Increase <u>4.50%</u>
Net OPEB Liability	<u>\$11,865,959</u>	<u>\$10,881,550</u>	<u>\$9,991,844</u>

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates as of June 30, 2020**

	1% Decrease 4.4% Decreasing <u>to 3.7%</u>	Current Healthcare Cost Trend Rate 5.4% Decreasing <u>to 4.7%</u>	1% Increase 6.4% Decreasing <u>to 5.7%</u>
Net OPEB Liability	<u>\$9,694,973</u>	<u>\$10,881,550</u>	<u>\$12,298,282</u>

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**E. Other Postemployment Benefits - Single-Employer (Continued)**

**Investments and Discount Rate**

The discount rate is based on a 20 year High-Grade Municipal Rate Index (3.50%).

**Changes in Net OPEB Liability**

	----- Increase (Decrease) -----		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	\$10,652,397	\$0	\$10,652,397
<hr/>			
Changes for the Year:			
Service Cost	\$ 506,619	\$0	\$ 506,619
Interest	370,363	0	370,363
Benefit Payments	( 647,829)	0	( 647,829)
Net Changes	\$ 229,153	\$0	\$ 229,153
<hr/>			
Balances at June 30, 2020	\$10,881,550	\$0	\$10,881,550
<hr/> <hr/>			

**Deferred Outflows of Resources and Deferred Inflows of Resources**

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between Expected and Actual Experience	\$ 0	\$612,962
Changes of Assumptions	4,899,919	0
Total	\$4,899,919	\$612,962
<hr/>		<hr/>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>Amount</u>
2021	\$ 428,008
2022	428,008
2023	428,008
2024	428,008
2025	428,008
Thereafter	2,146,917

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds** (Continued)

**E. Other Postemployment Benefits - Single-Employer** (Continued)

**Annual OPEB Expense**

Components of OPEB Expense for the year ended June 30, 2020:

Service Cost	\$ 506,619
Interest	370,363
Recognition of Difference between Expected and Actual Experience	( 62,233)
Recognition of Changes of Assumptions	<u>490,241</u>
 Total OPEB Expense	 \$1,304,990

**School District Contributions**

The School District's contributions for the year ended June 30, 2020 was \$0.

**Plan Related Financial Statement Items**

As of June 30, 2020, and for the year then ended, the Plan's had the following:

Plan Related Assets	\$ 0
Deferred Outflows of Resources	4,899,919
Net OPEB Liability	( 10,881,550)
Deferred Inflows of Resources	( 612,962)
OPEB Expense	1,304,990
OPEB Expenditures	0

**F. Other Significant Commitments**

**Encumbrances**

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	\$111,760
Capital Projects	<u>348,362</u>
	 \$460,122

**G. Risk Management**

The School District is exposed to various risks of loss related to torts; workers' compensation; employee life; unemployment; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance.

**H. Lease Obligations**

The School District has entered into a number of operating leases which contain cancellation provisions and are subject to annual appropriations. These leases primarily support governmental activities.

Rent expense for the year was \$195,155.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**H. Long-Term Liabilities**

The following is a summary of changes in long-term debt and other liabilities for the fiscal year ended June 30, 2020.

**Primary Government**

	<u>07/01/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/20</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities</u></b>					
General Obligation Bonds:					
2012 Issue	\$ 5,820,000	\$ 0	(\$ 5,820,000)	\$ 0	\$ 0
2014 Issue	6,170,000	0	( 6,170,000)	0	0
2015 Issue	4,440,000	0	( 4,440,000)	0	0
2016 Issue	23,085,000	0	( 1,755,000)	21,330,000	1,765,000
2016A Issue	23,080,000	0	( 1,550,000)	21,530,000	1,600,000
2018 Issue	9,995,000	0	( 10,000)	9,985,000	10,000
2019 Issue	8,200,000	0	0	8,200,000	5,000
2019 Issue A	8,270,000	0	( 290,000)	7,980,000	475,000
2020 Issue	<u>0</u>	<u>14,395,000</u>	<u>0</u>	<u>14,395,000</u>	<u>5,000</u>
Total General Obligation Bonds	\$ 89,060,000	\$14,395,000	(\$20,035,000)	\$ 83,420,000	\$3,860,000
Unamortized Bond Premium (Discount)	6,234,337	1,442,572	( 807,509)	6,869,400	624,350
Capital Lease	1,483,223	0	( 1,483,223)	0	0
Other Postemployment Benefits	14,376,042	387,206	0	14,763,248	0
Net Pension Liability	92,874,595	0	( 5,188,087)	87,686,508	0
Other Long-Term Obligations:					
Accrued Vacation and Sick Leave	<u>2,110,205</u>	<u>128,665</u>	<u>0</u>	<u>2,238,870</u>	<u>0</u>
Total Governmental Activities	<u>\$206,138,402</u>	<u>\$16,353,443</u>	<u>(\$27,513,819)</u>	<u>\$194,978,026</u>	<u>\$4,484,350</u>
<b><u>Business-Type Activities</u></b>					
Other Long-Term Obligations:					
Accrued Vacation and Sick Leave	\$ 77,278	\$ 0	(\$ 5,448)	\$ 71,830	\$ 0
Other Postemployment Benefits	440,360	0	( 22,299)	418,061	0
Net Pension Liability	<u>2,738,992</u>	<u>0</u>	<u>( 255,911)</u>	<u>2,483,081</u>	<u>0</u>
Total Business-Type Activities	<u>\$ 3,256,630</u>	<u>\$ 0</u>	<u>(\$ 283,658)</u>	<u>\$ 2,972,972</u>	<u>\$ 0</u>

**Component Unit**

	<u>07/01/19</u>	<u>Increases</u>	<u>Decreases</u>	<u>06/30/20</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities</u></b>					
Capital Lease	\$ 743,740	\$ 0	(\$131,183)	\$ 612,557	\$137,033
Other Long-Term Obligations:					
Accrued Vacation and Sick Leave	103,883	0	( 22,154)	81,729	0
Other Postemployment Benefits	408,716	0	0	408,716	0
Net Pension Liability	<u>4,314,799</u>	<u>226,872</u>	<u>0</u>	<u>4,541,671</u>	<u>0</u>
Total Governmental Activities	<u>\$5,571,138</u>	<u>\$226,872</u>	<u>(\$153,337)</u>	<u>\$5,644,673</u>	<u>\$137,033</u>

MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)

**Note 2: Detailed Notes on All Activities and Funds** (Continued)

**H. Long-Term Liabilities** (Continued)

**General Obligation Bonds**

**General Obligation Bond Issues - Series of 2012**

The General Obligation Bond Issues - Series of 2012 was issued December 6, 2012 in the amount of \$9,800,000. The net proceeds of \$9,912,401, including net original issue premium of \$193,251 less \$80,850 of underwriter's discount, were deposited with PLGIT to finance the costs of acquiring and constructing alterations and improvements to the Indian Valley Elementary Center and to acquire and construct alterations and improvements to other school buildings and facilities of the School District as well as to pay the costs of issuing the bonds. The Series of 2012 bonds are repayable over a 20 year period with interest rates ranging from .60% to 4.00%. Interest on the bonds is payable semi-annually on March 1 and September 1. The Series of 2012 bonds maturing on September 1, 2018 and thereafter are subject to redemption prior to maturity, at the option of the School District, on March 1, 2018 or on any date thereafter. The outstanding bonds were called on March 3, 2020.

**General Obligation Bonds - Series of 2014**

The General Obligation Bond Issues - Series of 2014 were issued November 25, 2014 in the amount of \$7,500,000. The net proceeds of \$7,535,945, including net original issue premium of \$97,820 less \$61,875 of underwriter's discount, will be used to acquire and construct alterations and improvements to the Indian Valley Elementary Center, the Mifflin County Junior High School and to other school buildings and facilities of the School District as well as to paying costs and expenses of issuing these bonds. The Series of 2014 bonds are repayable over a 19 year period with interest rates ranging from .30% to 4.0%. Interest on the bonds is payable semi-annually on November 15 and May 15. The Series of 2014 bonds maturing on November 15, 2020 and thereafter are subject to redemption prior to maturity, at the option of the School District, as a whole, on November 15, 2019, or on any date thereafter. The outstanding bonds were called on March 3, 2020.

**General Obligation Bonds - Series of 2015**

The General Obligation Bond Issues - Series of 2015 were issued February 25, 2015 in the amount of \$9,775,000. The net proceeds of \$10,016,575, including net original issue premium of \$319,775 less \$78,200 of underwriter's discount, were used to call the 2009A (\$4,555,000) and 2010AA Bonds (\$5,355,000) as well as to paying costs and expenses of issuing these bonds. The Series of 2015 bonds are repayable over a 14 year period with interest rates ranging from .25% to 4.0%. Interest on the bonds is payable semi-annually on September 1 and March 1. The Series of 2015 bonds maturing on September 1, 2020 and thereafter are subject to redemption prior to maturity, at the option of the School District, on March 1, 2020, or on any date thereafter. The outstanding bonds were called on March 3, 2020.

MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)

**Note 2: Detailed Notes on All Activities and Funds** (Continued)

**H. Long-Term Liabilities** (Continued)

**General Obligation Bonds** (Continued)

**General Obligation Bonds - Series of 2016**

The General Obligation Bond Issues - Series of 2016 were issued March 30, 2016 in the amount of \$24,280,000. The net proceeds of \$27,788,444, including net original issue premium of \$3,714,824 less \$206,380 of underwriter's discount, were used to refund the 2007 Bonds (\$24,955,000) as well as to paying costs and expenses of issuing these bonds. The Series of 2016 bonds are repayable over a 15 year period with interest rates ranging from .39% to 5.0%. Interest on the bonds is payable semi-annually on September 1 and March 1. The Series of 2016 bonds maturing on September 1, 2025 and thereafter are subject to redemption prior to maturity, at the option of the School District, on September 1, 2024, or on any date thereafter.

The annual bond payment requirements for the 2016 issue as of June 30, 2020 are as follows:

<u>Payment Dates</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>
09/01/2020	\$ 1,765,000	1.500% and 4.000%	\$ 490,675	\$ 2,255,675
03/01/2021			460,500	460,500
09/01/2021	1,910,000	2.000% and 4.000%	460,500	2,370,500
03/01/2022			426,050	426,050
09/01/2022	1,925,000	4.000%	426,050	2,351,050
03/01/2023			387,550	387,550
09/01/2023	1,955,000	2.000% and 5.000%	387,550	2,342,550
03/01/2024			344,375	344,375
09/01/2024	2,000,000	5.000%	344,375	2,344,375
03/01/2025			294,375	294,375
09/01/2025	2,035,000	5.000%	294,375	2,329,375
03/01/2026			243,500	243,500
09/01/2026	2,095,000	5.000%	243,500	2,338,500
03/01/2027			191,125	191,125
09/01/2027	2,130,000	5.000%	191,125	2,321,125
03/01/2028			137,875	137,875
09/01/2028	2,170,000	5.000%	137,875	2,307,875
03/01/2029			83,625	83,625
09/01/2029	2,800,000	5.000%	83,625	2,883,625
03/01/2030			13,625	13,625
09/01/2030	<u>545,000</u>	5.000%	<u>13,625</u>	<u>558,625</u>
	<u>\$21,330,000</u>		<u>\$5,655,875</u>	<u>\$26,985,875</u>

**General Obligation Bonds - Series A of 2016**

The General Obligation Bond Issues - Series A of 2016 were issued December 8, 2016 in the amount of \$23,230,000. The net proceeds of \$26,835,330, including net original issue premium of \$3,802,785 less \$197,455 of underwriter's discount, were used to advance refund the 2009 Bonds (\$24,820,000) as well as to paying costs and expenses of issuing these bonds. The Series A of 2016 bonds are repayable over a 14

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**H. Long-Term Liabilities (Continued)**

**General Obligation Bonds (Continued)**

**General Obligation Bonds - Series A of 2016 (Continued)**

year period with interest rates ranging from .9% to 5.0%. Interest on the bonds is payable semi-annually on September 1 and March 1. The Series A of 2016 bonds maturing on September 1, 2025 and thereafter are subject to redemption prior to maturity, at the option of the School District, on March 1, 2025, or on any date thereafter.

To affect the advance refunding of the 2009 bonds, a portion of the proceeds (\$26,636,962) will be irrevocably deposited into an escrow fund maintained by Manufacturers and Traders Trust Company (the Escrow Agent), as paying agent for the 2009 Bonds, under the terms of an Irrevocable Escrow Agreement (the Escrow Agreement). A portion of the amounts so deposited, with a cash balance (\$3,347) will be used to purchase direct United States Treasury obligations, State and Local Government Series which will mature and earn interest at such rates as will provide sufficient funds to pay the interest, mandatory redemption price and optional redemption price of the 2009 Bonds as and when due through March 1, 2018, when all then outstanding 2009 Bonds will be paid upon optional redemption.

The annual bond payment requirements for the Series A of 2016 issue as of June 30, 2020 are as follows:

<u>Payment Dates</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>
09/01/2020	\$ 1,600,000	2% and 4.000%	\$ 510,300	\$ 2,110,300
03/01/2021			483,250	483,250
09/01/2021	1,655,000	2% and 5.000%	483,250	2,138,250
03/01/2022			449,375	449,375
09/01/2022	1,725,000	2% and 5.000%	449,375	2,174,375
03/01/2023			413,750	413,750
09/01/2023	1,805,000	5.000%	413,750	2,218,750
03/01/2024			368,625	368,625
09/01/2024	1,895,000	5.000%	368,625	2,263,625
03/01/2025			321,250	321,250
09/01/2025	2,000,000	5.000%	321,250	2,321,250
03/01/2026			271,250	271,250
09/01/2026	2,100,000	5.000%	271,250	2,371,250
03/01/2027			218,750	218,750
09/01/2027	2,215,000	5.000%	218,750	2,433,750
03/01/2028			163,375	163,375
09/01/2028	2,325,000	5.000%	163,375	2,488,375
03/01/2029			105,250	105,250
09/01/2029	2,690,000	5.000%	105,250	2,795,250
03/01/2030			38,000	38,000
09/01/2030	<u>1,520,000</u>	5.000%	<u>38,000</u>	<u>1,558,000</u>
	<u>\$21,530,000</u>		<u>\$6,176,050</u>	<u>\$27,706,050</u>

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**H. Long-Term Liabilities (Continued)**

**General Obligation Bonds (Continued)**

**General Obligation Bond Issues - Series A of 2018**

The General Obligation Bond Issue - Series A of 2018 and Series AA of 2018 were issued on April 19, 2018 in the amounts of \$8,420,000 and \$1,575,000, respectively. The net proceeds of \$8,392,696, less original issue discount of \$27,304, related to Series A of 2018 will be used to pay costs of designing, acquiring, constructing, equipping, and furnishing alterations, additions, renovations and improvements to existing school buildings and facilities of the School District as well as to paying costs and expenses of issuing the Series A of 2018 bonds. The net proceeds of \$1,550,186, less original issue discount of \$24,814, related to Series AA of 2018 will be used to currently refund a portion (\$1,500,000) of the School District's outstanding General Obligation Bonds, Series of 2012 currently outstanding in the aggregate amount of \$7,755,000 and to pay costs and expenses of issuing the Series AA of 2018 bonds. Of the Series AA of 2018 net proceeds, \$1,513,667 were deposited with Manufacturers and Traders Trust Company, as paying agent, for the 2012 Refunded Bonds, for optional redemption on May 23, 2018 at a redemption price of 100% plus accrued interest pursuant to the optional redemption provisions applicable to the Refunded 2012 Bonds.

The Series A of 2018 bonds are repayable over a 14 year period with interest rates ranging from 1.95% to 3.30%. Interest on the bonds is payable semi-annually on September 1 and March 1. The Series A of 2018 bonds maturing on September 1, 2024 and thereafter are subject to redemption prior to maturity, at the option of the School District, as a whole, on September 1, 2023, or on any date thereafter, or from time to time, in part, upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

The Series AA of 2018 bonds are repayable over a 15 year period with interest rates ranging from 1.95% to 3.25%. Interest on the bonds is payable semi-annually on September 1 and March 1. The Series A of 2018 bonds maturing on September 1, 2024 and thereafter are subject to redemption prior to maturity, at the option of the School District, as a whole, on September 1, 2023, or on any date thereafter, or from time to time, in part, upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

The annual bond payment requirements for the Series A of 2018 and the Series AA of 2018 issues as of June 30, 2020 are as follows:

<u>Payment Date</u>	<u>Series A of 2018</u>				<u>Series AA of 2018</u>			
	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>
09/01/2020	\$ 5,000	2.100%	\$ 138,636	\$ 143,636	\$ 5,000	2.100%	\$ 25,070	\$ 30,070
03/01/2021			138,583	138,583			25,017	25,017
09/01/2021	5,000	2.250%	138,583	143,583	5,000	2.250%	25,017	30,017
03/01/2022			138,527	138,527			24,961	24,961
09/01/2022	5,000	2.400%	138,527	143,527	5,000	2.400%	24,961	29,961
03/01/2023			138,467	138,467			24,901	24,901

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**H. Long-Term Liabilities (Continued)**

**General Obligation Bonds (Continued)**

**General Obligation Bond Issues - Series A of 2018 (Continued)**

<u>Payment Date</u>	----- Series A of 2018 -----				----- Series AA of 2018 -----			
	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Debt Service</u>
09/01/2023	\$ 5,000	2.500%	\$ 138,467	\$ 143,467	\$ 5,000	2.500%	\$ 24,901	\$ 29,901
03/01/2024			138,404	138,404			24,839	24,839
09/01/2024	5,000	2.625%	138,404	143,404	5,000	2.625%	24,839	29,839
03/01/2025			138,339	138,339			24,773	24,773
09/01/2025	5,000	3.125%	138,339	143,339	5,000	3.125%	24,773	29,773
03/01/2026			138,260	138,260			24,695	24,695
09/01/2026	5,000	3.125%	138,260	143,260	5,000	3.125%	24,695	29,695
03/01/2027			138,183	138,183			24,617	24,617
09/01/2027	5,000	3.125%	138,183	143,183	5,000	3.125%	24,617	29,617
03/01/2028			138,104	138,104			24,539	24,539
09/01/2028	5,000	3.125%	138,104	143,104	10,000	3.125%	24,539	34,539
03/01/2029			138,028	138,028			24,383	24,383
09/01/2029	90,000	3.125%	138,028	228,028	10,000	3.125%	24,383	34,383
03/01/2030			136,619	136,619			24,226	24,226
09/01/2030	3,370,000	3.300%	136,619	3,506,619	250,000	3.125%	24,226	274,226
03/01/2031			81,015	81,015			20,320	20,320
09/01/2031	4,910,000	3.300%	81,015	4,991,015	620,000	3.200%	20,320	640,320
03/01/2032			0	0			10,400	10,400
09/01/2032	<u>0</u>		<u>0</u>	<u>0</u>	<u>640,000</u>	3.250%	<u>10,400</u>	<u>650,400</u>
	<u>\$8,415,000</u>		<u>\$3,063,694</u>	<u>\$11,478,694</u>	<u>\$1,570,000</u>		<u>\$580,412</u>	<u>\$2,150,412</u>

**General Obligation Bond Issues - Series of 2019**

The General Obligation Bond Issue - Series 2019 was issued on April 15, 2019 in the amount of \$8,200,000. The net proceeds of \$8,736,582, including an original issue premium of \$536,582, will be used to pay costs of designing, acquiring, constructing, equipping, and furnishing alterations, additions, renovations, and improvements to the Strodes Mills Elementary School, and to other buildings and facilities of the School District as well as to paying costs and expenses of issuing the Bonds.

The Series of 2019 bonds are repayable over a 15 year period with interest rates ranging from 1.80% to 4.00%. Interest on the bonds is payable semi-annually on September 1 and March 1. The Series of 2019 bonds maturing on September 1, 2029 are subject to redemption prior to maturity, at the option of the School District, as a whole, on September 1, 2024, or on any date thereafter, or from time to time, in part, upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**H. Long-Term Liabilities (Continued)**

**General Obligation Bonds (Continued)**

**General Obligation Bond Issues - Series of 2019 (Continued)**

The annual bond payment requirements for the Series of 2019 issue as of June 30, 2020 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-21	\$ 5,000	\$ 327,195	\$ 332,195
2021-22	5,000	327,103	332,103
2022-23	5,000	327,005	332,005
2023-24	5,000	326,905	331,905
2024-25	5,000	326,803	331,803
2025-26	5,000	326,675	331,675
2026-27	5,000	326,525	331,525
2027-28	5,000	326,375	331,375
2028-29	5,000	326,225	331,225
2029-30	5,000	326,075	331,075
2030-31	10,000	325,800	335,800
2031-32	500,000	315,600	815,600
2032-33	5,620,000	193,200	5,813,200
2033-34	<u>2,020,000</u>	<u>40,400</u>	<u>2,060,400</u>
	<u>\$8,200,000</u>	<u>\$4,141,886</u>	<u>\$12,341,886</u>

**General Obligation Bond Issues - Series A of 2019**

The General Obligation Bond Issue - Series A of 2019 was issued on May 9, 2019 in the amounts of \$8,270,000. The net proceeds of \$8,306,552, including an original issue premium of \$36,552, will be used to currently refund all of School District's outstanding General Obligation Bonds, Series of 2013 currently outstanding in the aggregate amount of \$8,100,000 and to pay costs and expenses of issuing the Series A of 2019 bonds.

The Series A of 2019 bonds are repayable over a 15 year period with interest rates ranging from 1.80% to 4.00%. Interest on the bonds is payable semi-annually on May 15 and November 15. The Series A of 2019 bonds maturing on November 15, 2025 and thereafter are subject to redemption prior to maturity, at the option of the School District, as a whole, on November 15, 2024, or on any date thereafter, or from time to time, in part, upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**H. Long-Term Liabilities (Continued)**

**General Obligation Bonds (Continued)**

**General Obligation Bond Issues - Series A of 2019 (Continued)**

The annual bond payment requirements for the Series A of 2019 issue as of June 30, 2020 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-21	\$ 475,000	\$ 206,368	\$ 681,368
2021-22	485,000	194,343	679,343
2022-23	505,000	176,968	681,968
2023-24	520,000	156,468	676,468
2024-25	540,000	140,668	680,668
2025-26	550,000	129,768	679,768
2026-27	560,000	115,868	675,868
2027-28	575,000	101,143	676,143
2028-29	590,000	88,180	678,180
2029-30	605,000	74,434	679,434
2030-31	620,000	59,575	679,575
2031-32	635,000	43,570	678,570
2032-33	650,000	26,703	676,703
2033-34	<u>670,000</u>	<u>9,045</u>	<u>679,045</u>
	<u>\$7,980,000</u>	<u>\$1,523,101</u>	<u>\$ 9,503,101</u>

**General Obligation Bond Issues - Series of 2020**

The General Obligation Bond Issue - Series 2020 was issued on March 3, 2020 in the amount of \$14,395,000. The net proceeds of \$15,837,572, including an original issue premium of \$1,570,687 and an Underwriter's Discount of (\$128,115), was used to currently refund \$5,375,000 of Series of 2012 General Obligation Bonds, currently refund \$5,830,000 of Series of 2014 General Obligation Bonds, and currently refund \$4,415,000 of Series of 2015 General obligation Bonds as well as to paying costs and expenses of issuing the Bonds.

The Series of 2020 bonds are repayable over a 15 year period with interest rates ranging from 1.10% to 4.00%. Interest on the bonds is payable semi-annually on September 1 and March 1. The Series of 2020 bonds maturing on and after September 1, 2028 are subject to redemption prior to maturity, at the option of the School District, as a whole, on March 1, 2028, or on any date thereafter, or from time to time, in part, upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**H. Long-Term Liabilities (Continued)**

**General Obligation Bonds (Continued)**

**General Obligation Bond Issues - Series of 2020 (Continued)**

The annual bond payment requirements for the Series of 2020 issue as of June 30, 2020 are as follows:

<u>Year</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020-21	1.10%	\$ 5,000	\$ 491,939	\$ 496,939
2021-22	2.00%	765,000	487,010	1,252,010
2022-23	1.50% and 4.00%	1,155,000	461,885	1,616,885
2023-24	1.50% and 4.00%	1,255,000	420,560	1,675,560
2024-25	1.50% and 4.00%	1,370,000	370,560	1,740,560
2025-26	1.50% and 4.00%	1,485,000	316,898	1,801,898
2026-27	4.00%	1,600,000	257,385	1,857,385
2027-28	4.00%	1,740,000	190,585	1,930,585
2028-29	4.00%	1,895,000	117,885	2,012,885
2029-30	3.00%	940,000	65,885	1,005,885
2030-31	3.00%	760,000	40,385	800,385
2031-32	2.00%	465,000	24,335	489,335
2032-33	2.00%	475,000	14,935	489,935
2033-34	2.10%	<u>485,000</u>	<u>5,093</u>	<u>490,093</u>
		<u>\$14,395,000</u>	<u>\$3,265,340</u>	<u>\$17,660,340</u>

**Capital Lease**

**Primary Government**

On July 1, 2008, the School District entered into a performance based energy savings master lease agreement. Under this agreement, the lessor Installed and Implemented recommended energy conservation measures that will yield guaranteed energy savings to the School District. In turn, the District will pay the lessor annual lease payments of \$332,189 (Including interest at 3.895%) for 15 years. Based on the School District's energy use analysis performed by the lessor, the lessor guarantees that the District will realize total energy conservation savings during each contract year.

This capital lease was paid off in 2019-2020.

**Component Unit**

On January 13, 2009, the Mifflin County Academy of Science and Technology entered into a performance based energy savings master lease agreement. Under this agreement, the lessor installed and implemented recommended energy conservation measures that will yield guaranteed energy savings to the Mifflin County Academy of Science and Technology. In turn, the Academy will pay the lessor annual lease payments of \$161,084 (including interest at 4.371%) for 15 years. Based on the Mifflin

MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)

Note 2: Detailed Notes on All Activities and Funds (Continued)

H. Long-Term Liabilities (Continued)

Capital Lease (Continued)

Component Unit (Continued)

County Academy of Science and Technology's energy use analysis performed by the lessor, the lessor guarantees that the Mifflin County Academy of Science and Technology will realize total energy conservation savings during each contract year. The equipment installation was financed through a short-term loan. Once the equipment installation under the lease agreement was installed and accepted, the loan used to finance the installation was converted to a capital lease.

At June 30, 2020, the cost and accumulated depreciation of assets recorded under the capital lease were \$1,687,363 and \$885,861, respectively.

The Mifflin County Academy of Science and Technology's future minimum lease payments under the capital lease, the present value of the net minimum lease payment, and the guaranteed savings are as follows:

June 30, 2021	\$ 161,084
June 30, 2022	161,084
June 30, 2023	161,084
June 30, 2024	161,084
June 30, 2025	<u>26,801</u>
	\$ 671,137
Less: Amount Representing Interest	( <u>58,580</u> )
Present Value of Net Minimum Lease Payment	\$ 612,557
Less: Current Portion of Capital Lease Obligation	( <u>137,033</u> )
Long-Term Portion of Capital Lease Obligation	<u>\$ 475,524</u>

I. Fund Balances

As of June 30, 2020, the governmental fund financial statements fund balances are comprised of the following:

<u>Nonspendable Fund Balance</u>	
Prepaid Expenses	\$ 13,084
	<u>                    </u>
<u>Committed Fund Balance</u>	
Encumbrances	\$460,122
	<u>                    </u>

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**J. Interfund Receivables and Payables**

Interfund balances at June 30, 2020, consisted of the following:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service	\$195,660
General Fund	Agency Fund	116

Due to/from transactions are used for short-term interfund loans. The outstanding balances for the food service and agency funds are the result of a time lag between the date the expenditure was incurred and when the reimbursement was made.

**K. Interfund Transfers**

The composition of interfund transfers for the year ended June 30, 2020 is as follows:

Interfund Transfers:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects	General Fund	\$1,540,933	To pay off capital lease
General	Capital Projects	\$3,318,569	To provide funds for capital purchases
General	Student Activity Fund	\$ 226,851	To transfer asset to appropriate fund

**L. Details of General Fund Local Revenues**

Real Estate Taxes	\$26,795,305
Per Capita Taxes	108,257
Act 511 Taxes	7,625,168
Earnings on Investments	235,099
Revenues from LEA Activities	82,131
Federal IDEA Revenue Received as Pass-Through	761,582
Federal Revenue Received from Other Sources	9,500
Rentals	2,740
Contributions and Donations from Private Sources	10,853
Receipts from Other LEA's in Pennsylvania - Education	22,812
Transportation Services Provided Other Pennsylvania LEAs	9,376
All Other Services Provided Other Governments	39,125
Miscellaneous Revenue	<u>98,099</u>
 Total Local Revenue	 <u>\$35,800,047</u>

**M. Economic Dependency**

The School District is economically dependent on the Commonwealth of Pennsylvania to provide both pass-through federal funds and direct state funds.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 2: Detailed Notes on All Activities and Funds (Continued)**

**N. On-Behalf Payments**

The amount recognized from revenues and expenditures for on-behalf payments relative to social security and retirement for the year ended June 30, 2020 were \$1,232,700 and \$6,170,856, respectively.

**O. Contingencies**

The School District participates in various federal and state grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the School District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School District anticipates such amounts, if any, will be immaterial.

The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the School District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the School District.

On March 11, 2020, the World Health Organization declared the outbreak of novel coronavirus disease ("COVID-19") as a pandemic, and the District's operations have been affected. The District has adjusted certain aspects of its operations to protect its employees and students while still meeting student's needs. The District will continue to monitor the situation closely, and it is possible that the District will implement further measures. In light of the uncertainty as to the severity and duration of the pandemic, the impact on the District's revenues, profitability, and financial position is uncertain at this time.

**P. Transactions with Component Unit**

During the 2019-2020 year, the School District incurred expenditures of \$1,904,745 related to services provided by the Mifflin County Academy of Science and Technology.

**Note 3: Subsequent Events**

Subsequent events were evaluated through December 10, 2020, which is the date the financial statements were available to be issued.

**Note 4: External Investment Pools**

The School District participates in (2) External Investment Pools - the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT).

PSDLAF's and PLGIT's financial statements are available on their respective websites, [www.psdlaf.org](http://www.psdlaf.org) and [www.plgit.com](http://www.plgit.com).

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020  
(CONTINUED)**

**Note 4: External Investment Pools (Continued)**

Per PSDLAF's latest available financial statements (September 30, 2019), all investments consist solely of instruments permitted pursuant to Section 440.1 of the School Code. In addition, all cash was fully collateralized by an irrevocable letter of credit from the Federal Home Loan Bank of Pittsburgh. Portfolio securities are valued at amortized cost, which approximates market value. Per PLGIT's latest financial statements (December 31, 2019), all investments consist only of securities which are permitted under Pennsylvania law for borough's, towns, townships, counties, cities, school districts, and authorities of the Commonwealth of Pennsylvania. Portfolio securities are valued at amortized costs, which approximates fair value.

**MIFFLIN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT PENSION PLAN INFORMATION  
RELATED TO THE PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES'  
RETIREMENT SYSTEM (PSERS)  
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

	<b>As of June 30, 2019 <u>Measurement Date</u></b>
District's Proportion of the Collective Net Pension Liability	.2139%
District's Proportionate Share of the Collective Net Pension Liability	\$100,068,000
District's Covered Employee Payroll	\$ 29,494,667
District's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	339.27%
PSERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	55.66%

	<b>As of June 30, 2018 <u>Measurement Date</u></b>
District's Proportion of the Collective Net Pension Liability	.2114%
District's Proportionate Share of the Collective Net Pension Liability	\$101,483,000
District's Covered Employee Payroll	\$ 28,463,172
District's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	356.54%
PSERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	54.00%

	<b>As of June 30, 2017 <u>Measurement Date</u></b>
District's Proportion of the Collective Net Pension Liability	.2130%
District's Proportionate Share of the Collective Net Pension Liability	\$105,197,000
District's Covered Employee Payroll	\$ 28,363,134
District's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	370.89%
PSERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	51.84%

**MIFFLIN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT PENSION PLAN INFORMATION  
RELATED TO THE PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES'  
RETIREMENT SYSTEM (PSERS)  
SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
(CONTINUED)**

	<b>As of June 30, 2016 <u>Measurement Date</u></b>
District's Proportion of the Collective Net Pension Liability	.2164%
District's Proportionate Share of the Collective Net Pension Liability	\$107,241,000
District's Covered Employee Payroll	\$ 28,024,044
District's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	382.67%
PSERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	50.14%

	<b>As of June 30, 2015 <u>Measurement Date</u></b>
District's Proportion of the Collective Net Pension Liability	.2162%
District's Proportionate Share of the Collective Net Pension Liability	\$ 93,648,000
District's Covered Employee Payroll	\$ 27,822,739
District's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	336.59%
PSERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	54.4%

	<b>As of June 30, 2014 <u>Measurement Date</u></b>
District's Proportion of the Collective Net Pension Liability	.2183%
District's Proportionate Share of the Collective Net Pension Liability	\$ 86,404,000
District's Covered Employee Payroll	\$ 27,863,144
District's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Employee Payroll	310.10%
PSERS' Fiduciary Net Position as a Percentage of the Total Pension Liability	57.2%

**MIFFLIN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT PENSION PLAN INFORMATION  
RELATED TO THE PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES'  
RETIREMENT SYSTEM (PSERS)  
SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTION**

	<b>For the year ended June 30, 2019</b>
Contractually Required Employer Contribution	\$ 9,583,412
Contributions in Relation to the Contractually Required Contribution	( <u>9,583,412</u> )
Contribution Deficiency (Excess)	\$ 0
	<hr/>
District's Covered Employee Payroll	\$29,396,969
Employer's Contributions in Relation to the Contractually Required Contribution as a Percentage of Covered Employee Payroll	32.60%

	<b>For the year ended June 30, 2018</b>
Contractually Required Employer Contribution	\$ 8,959,251
Contributions in Relation to the Contractually Required Contribution	( <u>8,959,251</u> )
Contribution Deficiency (Excess)	\$ 0
	<hr/>
District's Covered Employee Payroll	\$28,227,004
Employer's Contributions in Relation to the Contractually Required Contribution as a Percentage of Covered Employee Payroll	31.74%

	<b>For the year ended June 30, 2017</b>
Contractually Required Employer Contribution	\$ 8,391,523
Contributions in Relation to the Contractually Required Contribution	( <u>8,391,523</u> )
Contribution Deficiency (Excess)	\$ 0
	<hr/>
District's Covered Employee Payroll	\$28,738,092
Employer's Contributions in Relation to the Contractually Required Contribution as a Percentage of Covered Employee Payroll	29.20%

**MIFFLIN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT PENSION PLAN INFORMATION  
RELATED TO THE PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES'  
RETIREMENT SYSTEM (PSERS)  
SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTION  
(CONTINUED)**

	<b>For the year ended June 30, 2016</b>
Contractually Required Employer Contribution	\$ 7,067,905
Contributions in Relation to the Contractually Required Contribution	( <u>7,067,905</u> )
Contribution Deficiency (Excess)	\$ 0
	<hr/>
District's Covered Employee Payroll	\$28,271,620
Employer's Contributions in Relation to the Contractually Required Contribution as a Percentage of Covered Employee Payroll	25.00%
	<b>For the year ended June 30, 2015</b>
Contractually Required Employer Contribution	\$ 5,810,038
Contributions in Relation to the Contractually Required Contribution	( <u>5,810,038</u> )
Contribution Deficiency (Excess)	\$ 0
	<hr/>
District's Covered Employee Payroll	\$27,614,249
Employer's Contributions in Relation to the Contractually Required Contribution as a Percentage of Covered Employee Payroll	21.04%

**MIFFLIN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT PENSION PLAN INFORMATION  
RELATED TO THE PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES'  
RETIREMENT SYSTEM (PSERS)  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Actuarial Assumptions**

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2019
- Actuarial cost method - Entry Age Normal
- The Investment Rate of return - 7.25%, includes inflation of 2.75%
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were 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.

**MIFFLIN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY  
AND RELATED RATIOS**

**Total OPEB Liability**

**As of and for Year  
Ended June 30, 2020**

Service Cost	\$ 506,619
Interest	370,363
Benefit Payments	( 647,829)
Change of Assumptions	0
Differences Between Expected and Actual Experience	<u>0</u>

Net Change in Total OPEB Liability	\$ 229,153
------------------------------------	------------

<b><u>Total OPEB Liability</u></b> - Beginning	<u>10,652,397</u>
--	-------------------

<b><u>Total OPEB Liability</u></b> - Ending	<u>\$10,881,550</u>
---	---------------------

**Plan's Fiduciary Net Position**

Net Change in Plan's Fiduciary Net Position	\$ 0
---	------

<b><u>Plan's Fiduciary Net Position</u></b> - Beginning	<u>0</u>
---	----------

<b><u>Plan's Fiduciary Net Position</u></b> - Ending	<u>\$ 0</u>
--	-------------

<b><u>School District's Net OPEB Liability</u></b> - Ending	<u>\$10,881,550</u>
---	---------------------

Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	0%
---	----

Estimated Covered Employee Payroll	\$29,417,633
------------------------------------	--------------

Net OPEB Liability as a Percentage of Covered Employee Payroll	36.99%
--	--------

**Total OPEB Liability**

**As of and for Year  
Ended June 30, 2019**

Service Cost	\$ 319,038
Interest	201,560
Benefit Payments	( 332,360)
Change of Assumptions	4,182,511
Differences Between Expected and Actual Experience	<u>( 443,686)</u>

Net Change in Total OPEB Liability	\$ 3,927,063
------------------------------------	--------------

<b><u>Total OPEB Liability</u></b> - Beginning	<u>6,725,334</u>
--	------------------

<b><u>Total OPEB Liability</u></b> - Ending	<u>\$10,652,397</u>
---	---------------------

**Plan's Fiduciary Net Position**

Net Change in Plan's Fiduciary Net Position	\$ 0
---	------

<b><u>Plan's Fiduciary Net Position</u></b> - Beginning	<u>0</u>
---	----------

<b><u>Plan's Fiduciary Net Position</u></b> - Ending	<u>\$ 0</u>
--	-------------

<b><u>School District's Net OPEB Liability</u></b> - Ending	<u>\$10,652,397</u>
---	---------------------

Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	0%
---	----

Estimated Covered Employee Payroll	\$28,700,130
------------------------------------	--------------

Net OPEB Liability as a Percentage of Covered Employee Payroll	37.11%
--	--------

**MIFFLIN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY  
AND RELATED RATIOS  
(CONTINUED)**

<u>Total OPEB Liability</u>	<u>As of and for Year Ended June 30, 2018</u>
Service Cost	\$ 327,135
Interest	197,463
Benefit Payments	( 435,575)
Change of Assumptions	0
Differences Between Expected and Actual Experience	<u>0</u>
Net Change in Total OPEB Liability	\$ 89,023
<u>Total OPEB Liability</u> - Beginning	<u>6,636,311</u>
<u>Total OPEB Liability</u> - Ending	<u>\$ 6,725,334</u>
 <u>Plan's Fiduciary Net Position</u>	
Net Change in Plan's Fiduciary Net Position	\$ 0
<u>Plan's Fiduciary Net Position</u> - Beginning	<u>0</u>
<u>Plan's Fiduciary Net Position</u> - Ending	<u>\$ 0</u>
 <u>School District's Net OPEB Liability</u> - Ending	 <u>\$ 6,725,334</u>
Plan's Fiduciary Net Position as a Percentage of Total OPEB Liability	0%
Estimated Covered Employee Payroll	\$28,130,056
Net OPEB Liability as a Percentage of Covered Employee Payroll	23.91%

**MIFFLIN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER  
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS**

**Fiscal  
Year Ending  
June 30, 2020**

**Schedule of Contributions**

Actuarially Determined Contribution	N/A
District Contribution	<u>N/A</u>
Contribution Deficiency	N/A
	=====
Covered Employee Payroll	\$29,417,633
	=====
Contribution as a Percentage of Covered Employee Payroll	N/A
	=====

**Schedule of Investment Returns**

Annual Money-Weighted Rate of Return, Net of Investment Expense	N/A
	=====

**Fiscal  
Year Ending  
June 30, 2019**

**Schedule of Contributions**

Actuarially Determined Contribution	N/A
District Contribution	<u>N/A</u>
Contribution Deficiency	N/A
	=====
Covered Employee Payroll	\$28,700,130
	=====
Contribution as a Percentage of Covered Employee Payroll	N/A
	=====

**Schedule of Investment Returns**

Annual Money-Weighted Rate of Return, Net of Investment Expense	N/A
	=====

**MIFFLIN COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER  
 SCHEDULES OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS  
 (CONTINUED)**

**Fiscal  
 Year Ending  
June 30, 2018**

**Schedule of Contributions**

Actuarially Determined Contribution	N/A
Academy Contribution	<u>N/A</u>
Contribution Deficiency	N/A
	=
Covered Employee Payroll	\$28,130,056
	=
Contribution as a Percentage of Covered Employee Payroll	N/A
	=

**Schedule of Investment Returns**

Annual Money-Weighted Rate of Return, Net of Investment Expense	N/A
	=

**MIFFLIN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT OPEB PLAN INFORMATION - SINGLE EMPLOYER  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Valuation date	07/01/19
Actuarial cost method	Entry Age Normal
Amortization method	Straight-Line
Remaining amortization period	10.28 Years
Actuarial asset valuation method	N/A

**Actuarial Assumptions**

Long-Term Expected Return on OPEB Investments	Not Applicable								
Municipal Bond Rate	3.50%; based on 20 Year High-Grade Municipal Rate Index								
Discount Rate	An annual rate of 3.50%								
Assumed Retirement Age	<p>100% of employees hired before July 1, 2011 are assumed to retire when eligible for unreduced benefits under the Public School Employees' Retirement System of Pennsylvania, or the Mifflin County School District at the earlier of:</p> <ul style="list-style-type: none"> <li>• Age 60 with 30 years of service</li> <li>• At least 35 years of service</li> <li>• Age 62 with at least 1 year of service</li> </ul> <p>100% of employees hired on or after July 1, 2011 are assumed to retire when eligible for unreduced benefits under the Public School Employees' Retirement System of Pennsylvania, or the Mifflin County School District as follows:</p> <ul style="list-style-type: none"> <li>• Age 65 with at least 3 Years of Service</li> <li>• Age plus at least 35 Years of Service equals 92</li> </ul>								
Pre-Retirement Mortality	RP-2014 Employee (Male and Female) as published by the Society of Actuaries								
Post-Retirement Mortality	RP-2014 Healthy Annuitant (Male and Female) as published by the Society of Actuaries								
Mortality Improvement	Scale MP-2016 (Male and Female) as published by the Society of Actuaries								
Turnover before Retirement	<p>Actuary's Turnover Table T-3; the following are sample rates:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Age</th> <th style="text-align: center;">Rate</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">5.3%</td> </tr> <tr> <td style="text-align: center;">40</td> <td style="text-align: center;">3.8%</td> </tr> <tr> <td style="text-align: center;">55</td> <td style="text-align: center;">0.3%</td> </tr> </tbody> </table>	Age	Rate	25	5.3%	40	3.8%	55	0.3%
Age	Rate								
25	5.3%								
40	3.8%								
55	0.3%								
Marriage Assumption	80% of employees are assumed to be married, with the beneficiary being the opposite sex and the same age as the retiree.								
Coverage	It is assumed that 60% of future retirees and 25% of spouses will participate in the retiree medical program. All current participating retirees and spouses are assumed to continue participation in the medical program. Dependents of retirees may be covered; however, it is assumed that the participant pays 100% of the full cost of dependent coverage.								
Expenses	Expenses are included in the claim costs.								
Rate of Salary Increase	An annual rate of 2.50%								
Total Payroll	Total Payroll increases by the rate of salary increase for the interim year.								

**MIFFLIN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT OPEB PLAN INFORMATION  
COST SHARING PLAN  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

	<b><u>Fiscal Year Ending June 30, 2019</u></b>
Contractually Required Contributions	\$ 243,995
Contributions in Relation to the Contractually Required Contribution	( <u>243,995</u> )
Contribution Deficiency (Excess)	\$ 0
Academy's Covered Employee Payroll	\$29,396,969
Contributions as a Percentage of Covered Employee Payroll	.83%

	<b><u>Fiscal Year Ending June 30, 2018</u></b>
Contractually Required Contributions	\$ 234,284
Contributions in Relation to the Contractually Required Contribution	( <u>234,284</u> )
Contribution Deficiency (Excess)	\$ 0
Academy's Covered Employee Payroll	\$28,227,004
Contributions as a Percentage of Covered Employee Payroll	.83%

	<b><u>Fiscal Year Ending June 30, 2017</u></b>
Contractually Required Contributions	\$ 235,000
Contributions in Relation to the Contractually Required Contribution	( <u>235,000</u> )
Contribution Deficiency (Excess)	\$ 0
Academy's Covered Employee Payroll	\$28,363,134
Contributions as a Percentage of Covered Employee Payroll	.83%

**MIFFLIN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT OPEB PLAN INFORMATION  
COST SHARING PLAN  
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY**

	<b>Fiscal Year Ending June 30, 2018</b>
School District's Proportion of the Net OPEB Liability	.2114%
School District's Proportionate Share of the Net OPEB Liability	\$ 4,408,000
School District's Covered Employee Payroll	\$28,463,172
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Employee Payroll	15.48%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.56%

	<b>Fiscal Year Ending June 30, 2017</b>
School District's Proportion of the Net OPEB Liability	.2130%
School District's Proportionate Share of the Net OPEB Liability	\$ 4,340,000
School District's Covered Employee Payroll	\$28,363,134
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Employee Payroll	15.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.84%

**MIFFLIN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
TOTAL OPEB LIABILITY INFORMATION  
RELATED TO THE PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES'  
RETIREMENT SYSTEM (PSERS)  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

***Actuarial Assumptions***

The Total OPEB Liability as of June 30, 2019, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date - June 30, 2018
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% 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 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.
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

**MIFFLIN COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
<b><u>Revenues</u></b>				
Local Sources	\$34,572,817	\$34,572,817	\$35,800,047	\$1,227,230
State Sources	40,610,691	40,610,691	40,904,870	294,179
Federal Sources	<u>2,902,283</u>	<u>2,902,283</u>	<u>3,001,036</u>	<u>98,753</u>
Total Revenues	<u>\$78,085,791</u>	<u>\$78,085,791</u>	<u>\$79,705,953</u>	<u>\$1,620,162</u>
<b><u>Expenditures</u></b>				
Regular Programs - Elementary/Secondary	\$30,066,982	\$30,076,210	\$28,361,645	\$1,714,565
Special Programs - Elementary/Secondary	11,968,316	11,804,913	11,563,769	241,144
Vocational Programs	3,637,049	3,637,961	3,527,005	110,956
Other Instructional Programs - Elementary/Secondary	1,251,542	1,252,496	978,893	273,603
Nonpublic School Programs	92,386	92,386	90,602	1,784
Guidance	2,164,987	2,128,300	2,127,161	1,139
Instructional Staff Services	1,794,715	1,817,760	1,666,592	151,168
Administrative Services	4,634,949	4,646,599	4,429,585	217,014
Pupil Health	702,679	702,679	683,002	19,677
Business Services	899,044	904,063	765,670	138,393
Operation and Maintenance of Plant Services	6,426,586	6,426,586	5,725,547	701,039
Student Transportation Services	4,970,791	5,094,537	5,091,536	3,001
Central	2,135,000	1,435,140	1,356,812	78,328
Student Activities	1,252,965	1,252,965	1,015,032	237,933
Community Services	21,964	22,931	20,904	2,027
Debt Service (Principal and Interest)	10,200,540	9,243,688	9,153,366	90,322
Refund of Prior Year Receipts	<u>0</u>	<u>5,860</u>	<u>5,859</u>	<u>1</u>
Total Expenditures	<u>\$82,220,495</u>	<u>\$80,545,074</u>	<u>\$76,562,980</u>	<u>\$3,982,094</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(\$ 4,134,704)</u>	<u>(\$ 2,459,283)</u>	<u>\$ 3,142,973</u>	<u>\$5,602,256</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Interfund Transfers In	\$ 1,540,993	\$ 1,540,993	\$ 1,540,993	\$ 0
Interfund Transfers Out	0	( 1,015,421)	( 3,545,420)	( 2,529,999)
Budgetary Reserve	<u>0</u>	<u>( 660,000)</u>	<u>0</u>	<u>660,000</u>
Total Other Financing Sources (Uses)	<u>\$ 1,540,993</u>	<u>(\$ 134,428)</u>	<u>(\$ 2,004,427)</u>	<u>(\$1,869,999)</u>
Net Change in Fund Balance	(\$ 2,593,711)	(\$ 2,593,711)	\$ 1,138,546	\$3,732,257
<b>Fund Balance - Beginning of Year</b>	<u>8,553,462</u>	<u>8,553,462</u>	<u>10,051,415</u>	<u>1,497,953</u>
<b>Fund Balance - End of Year</b>	<u>\$ 5,959,751</u>	<u>\$ 5,959,751</u>	<u>\$11,189,961</u>	<u>\$5,230,210</u>

See Accompanying Notes and Independent Auditor's Report

**MIFFLIN COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2020**

**Budgetary Data**

Budgets are presented on the modified accrual basis of accounting for the General Fund. All annual appropriations lapse at fiscal year-end, with the exception of those indicated as a fund balance reserve.

Annual operating budgets are adopted each year through passage of an annual budget resolution. Budgetary control is exercised at the building or department head level. The Chief Financial Officer exercises oversight control over the entire budget. All budget appropriations lapse at the end of the year, except for certain encumbrances which are indicated as a fund balance reserve. All other encumbrances are re-appropriated from the cash carryover in the ensuing year's budget.

The following procedures are used in establishing the budgetary data reflected in the financial statements.

- Throughout the school year, the building principals and department heads use current financial status reports and reports and established School District objectives to develop financial projections for the ensuing year.
- The Chief Financial Officer assembles the information and presents it to the various Board of Education committees for approval or revision.
- The Board of Education adopts a tentative budget in May of each year which is available for public scrutiny and comment for a period of thirty days.
- The final budget is approved by the Board in June of each year and the required budget report is filed with the Commonwealth of Pennsylvania by June 30.
- Budget transfers are normally approved by the Board as required and these revised amounts are reflected in this schedule.

Encumbrance accounting is employed in the governmental funds. Certain encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be appropriated and honored during the subsequent year.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is restricted and deferred to the subsequent fiscal year. As a result, overall fund revenues variances will be negative, and overall fund expenditures variances will be positive.

In the General Fund, the Interfund Transfers Out exceeded the amount budgeted.

**MIFFLIN COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Grantor Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period</u>
<b><u>U.S. Department of Education</u></b>				
(Passed Through Pennsylvania Department of Education)				
Title I - Grants to Local Educational Agencies	I	84.010	013-200251	07/01/19 - 09/30/21
Title I - Grants to Local Educational Agencies	I	84.010	013-190251	07/01/18 - 09/30/19
Subtotal - CFDA #84.010				
(Passed Through Pennsylvania Department of Education)				
English Language Acquisition State Grants	I	84.365	010-200251	07/01/19 - 09/30/20
(Passed Through Pennsylvania Department of Education)				
Rural Education	I	84.358	007-200251	10/16/19 - 09/30/20
Rural Education	I	84.358	007-190251	10/03/18 - 09/30/19
Subtotal - CFDA #84.358				
(Passed Through Pennsylvania Department of Education)				
Improving Teacher Quality - State Grants	I	84.367	020-200251	07/01/19 - 09/30/21
Improving Teacher Quality - State Grants	I	84.367	020-180251	07/01/17 - 09/30/18
Improving Teacher Quality --State Grants	I	84.367	020-190251	07/01/18 - 09/30/19
Subtotal - CFDA #84.367				
(Passed Through Pennsylvania Department of Education)				
Student Support and Academic Enrichment Program	I	84.424	144-200251	07/01/19 - 09/30/20
Student Support and Academic Enrichment Program	I	84.424	144-190251	07/01/18 - 09/30/19
Subtotal - CFDA #84.424				
(Passed Through Tuscarora Intermediate Unit 11)				
Special Education - Preschool Grant	I	84.173	H173A190090	07/01/19 - 06/30/20
Special Education - Grants to States	I	84.027	062-20-0011	07/01/19 - 09/30/20
Special Education - Preschool Grant	I	84.173	H173A180090	07/01/18 - 06/30/19
Special Education - Grants to States	I	84.027	062-17-0011	07/01/16 - 09/30/17
(Passed Through Lancaster-Lebanon Intermediate Unit 13)				
Special Education - Grants to States	I	84.027	062-20-0-000	07/01/19 - 06/30/20
Subtotal - Special Education Cluster - CFDA #84.027 and #84.173				

**MIFFLIN COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Program Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue 07/01/19</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 06/30/20</u>
\$2,234,404	\$1,340,718	\$ 0	\$1,565,484	\$1,565,484	\$ 224,766
2,275,580	<u>910,279</u>	<u>255,426</u>	<u>654,853</u>	<u>654,853</u>	<u>0</u>
	<u>\$2,250,997</u>	<u>\$ 255,426</u>	<u>\$2,220,337</u>	<u>\$2,220,337</u>	<u>\$ 224,766</u>
10,960	<u>\$ 9,499</u>	<u>\$ 0</u>	<u>\$ 10,960</u>	<u>\$ 10,960</u>	<u>\$ 1,461</u>
96,239	\$ 40,100	\$ 0	\$ 56,233	\$ 56,233	\$ 16,133
96,946	<u>64,631</u>	<u>27,321</u>	<u>37,310</u>	<u>37,310</u>	<u>0</u>
	<u>\$ 104,731</u>	<u>\$ 27,321</u>	<u>\$ 93,543</u>	<u>\$ 93,543</u>	<u>\$ 16,133</u>
295,509	\$ 255,410	\$ 0	\$ 276,091	\$ 276,091	\$ 20,681
341,243	0	( 4,742)	4,742	4,742	0
319,269	<u>21,690</u>	<u>( 1,231)</u>	<u>15,499</u>	<u>15,499</u>	<u>( 7,422)</u>
	<u>\$ 277,100</u>	<u>(\$ 5,973)</u>	<u>\$ 296,332</u>	<u>\$ 296,332</u>	<u>\$ 13,259</u>
170,335	\$ 124,912	\$ 0	\$ 140,497	\$ 140,497	\$ 15,585
165,578	<u>44,154</u>	<u>26,105</u>	<u>18,049</u>	<u>18,049</u>	<u>0</u>
	<u>\$ 169,066</u>	<u>\$ 26,105</u>	<u>\$ 158,546</u>	<u>\$ 158,546</u>	<u>\$ 15,585</u>
14,490	\$ 14,490	\$ 0	\$ 14,490	\$ 14,490	\$ 0
747,092	612,021	0	747,092	747,092	135,071
12,927	12,927	12,927	0	0	0
738,770	<u>242,562</u>	<u>242,562</u>	<u>0</u>	<u>0</u>	<u>0</u>
20,000	<u>10,000</u>	<u>0</u>	<u>20,000</u>	<u>20,000</u>	<u>10,000</u>
	<u>\$ 892,000</u>	<u>\$ 255,489</u>	<u>\$ 781,582</u>	<u>\$ 781,582</u>	<u>\$ 145,071</u>

**MIFFLIN COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(CONTINUED)**

<u>Grantor Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period</u>
<b><u>U.S. Department of Education</u></b> (Continued) (Passed Through Pennsylvania Department of Education)				
Education Stabilization Fund	I	84.425	200-20-0251	03/13/20 - 09/30/21
Total U.S. Department of Education				
<b><u>U.S. Department of Treasury</u></b> (Passed Through Pennsylvania Commission on Crime and Delinquency)				
Coronavirus Relief Fund	I	21.019	2020-CS-01-33852	03/01/20 - 10/30/20
<b><u>U.S. Department of Agriculture</u></b> (Passed Through Pennsylvania Department of Education)				
School Breakfast Program	I	10.553	365	07/01/19 - 06/30/20
National School Lunch Program	I	10.555	362	07/01/19 - 06/30/20
(Passed Through Pennsylvania Department of Agriculture)				
National School Lunch Program	I	10.555	N/A	07/01/19 - 06/30/20
Subtotal - Child Nutrition Cluster - CFDA #10.553 and #10.555				
(Passed Through Pennsylvania Department of Education)				
Fresh Fruit and Vegetable Program	I	10.582	353	07/01/19 - 06/30/20
Total U.S. Department of Agriculture				
<b><u>U.S. Department of Health and Human Services</u></b> (Passed Through Pennsylvania Department of Education and Human Services)				
Medical Assistance Program	I	93.778	N/A	N/A
Total Federal Awards				

**Source Codes**

I - Indirect Funding

**MIFFLIN COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020  
(CONTINUED)**

<u>Program Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue 07/01/19</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue 06/30/20</u>
\$1,835,215	\$ 0	\$ 0	\$ 13,592	\$ 13,592	\$ 13,592
	<u>3,703,393</u>	<u>\$ 558,368</u>	<u>\$3,574,892</u>	<u>\$3,574,892</u>	<u>\$ 429,867</u>
315,606	\$ 0	\$ 0	\$ 33,821	\$ 33,821	\$ 33,821
201,828 982,790	\$ 201,828 980,966	\$ 0 0	\$ 201,828 982,790	\$ 201,828 982,790	\$ 0 1,824
172,139	<u>172,139</u>	<u>0</u>	<u>172,139</u>	<u>172,139</u>	<u>0</u>
	<u>\$1,354,933</u>	<u>\$ 0</u>	<u>\$1,356,757</u>	<u>\$1,356,757</u>	<u>\$ 1,824</u>
20,475	\$ 20,475	\$ 0	\$ 20,475	\$ 20,475	\$ 0
	<u>\$1,375,408</u>	<u>\$ 0</u>	<u>\$1,377,232</u>	<u>\$1,377,232</u>	<u>\$ 1,824</u>
N/A	\$ 18,421	\$ 9,802	\$ 24,370	\$ 24,370	\$ 15,751
	<u>\$5,097,222</u>	<u>\$ 568,170</u>	<u>\$5,010,315</u>	<u>\$5,010,315</u>	<u>\$ 481,263</u>

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020**

**Note 1: Basis of Accounting**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Revenues were adjusted to balance the expenditures incurred for each project.

**Note 2: Major Federal Programs**

An extensive compliance test, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) was performed on the Special Education Cluster, comprised of the Special Education - Grants to States and Special Education - Preschool Grant Programs; and the Improving Teacher Quality State Grant; which represent 22% of the total expenditures reflected on the Schedule of Expenditures of Federal Awards.

The 20% test for a low-risk auditee was satisfied as follows:

<u>Project Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Title I Grants to Local Educational Agencies	84.010	\$2,220,337
Child Nutrition Cluster:		
National School Lunch Program	10.555	1,154,929
School Breakfast Program	10.553	201,828
Special Education Cluster:		
Special Education - Grants to States	84.027	767,092
Special Education - Preschool Grants	84.173	14,490
Improving Teacher Quality State Grants	84.367	296,332
Student Support and Academic Enrichment Program	84.424	158,546
Rural Education	84.358	93,543
Fresh Fruits and Vegetables Program	10.582	20,475
Medical Assistance Program	93.778	24,370
English Language Acquisition State Grants	84.365	10,960
Coronavirus Relief Fund	33.821	33,821
English Stabilization Fund	13.592	<u>13,592</u>
		\$5,010,315
		x <u>20%</u>
Minimum Amount Which Must Be Tested		<u>\$1,002,063</u>

The Special Education Cluster, comprised of the Special Education - Grants to States and Special Education - Preschool Grant Programs; and the Improving Teacher Quality State Grant; exceed \$1,002,063, and, therefore, represent the only programs to which the specific compliance requirements must be applied.

**Note 3: In-Kind Federal Support**

USDA Donated Commodities are valued at market value, which represents the costs to replace those commodities.

**MIFFLIN COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2020  
(CONTINUED)**

**Note 4: Medical Assistance Reimbursements**

The School District had a \$118,824 receivable for the ACCESS program as of June 30, 2019. During the current year, the School District received \$118,824 for the ACCESS program. The ACCESS program is the medical assistance (MA) program that reimburses school entities for direct, eligible health-related services provided to MA enrolled, special needs children. These reimbursements are classified as federal money in the School District's account code structure; however, these funds are not restricted in use like other federal monies. ACCESS reimbursements are classified as fee-for-service revenues, and are not considered federal financial assistance, which results in ACCESS funds not being reporting on the School District's Schedule of Expenditures of Federal Awards. Expenditures totaling \$149,535 were recognized in the current year. As a result, as of June 30, 2020, the School District had a \$149,535 receivable for the ACCESS program.

**Note 5: Indirect Cost Rate**

The School District has not elected to use the 10% de minimis indirect cost rate.

**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**

President and Members of the Board of Education  
Mifflin County School District  
MCSD Administration Building  
201 Eighth Street  
Lewistown, Pennsylvania 17044

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, and each major fund of the Mifflin County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Mifflin County School District's basic financial statements and have issued our report thereon dated December 10, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**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*  
(CONTINUED)**

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Young, Oberly, Brown & Company, P.C.*

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

President and Members of the Board of Education  
Mifflin County School District  
MCSD Administration Building  
201 Eighth Street  
Lewistown, Pennsylvania 17044

**Report on Compliance for Each Major Federal Program**

We have audited the Mifflin County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Mifflin County School District's major federal programs for the year ended June 30, 2020. The Mifflin County 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.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and condition of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Mifflin County School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Mifflin County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Mifflin County School District's compliance.

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

***Opinion on Each Major Federal Program***

In our opinion, the Mifflin County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

**Report on Internal Control Over Compliance**

Management of the Mifflin County School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mifflin County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Mifflin County School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Young, Betts, Brown & Company, P.C.*

Altoona, Pennsylvania  
December 10, 2020

**MIFFLIN COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**A. Summary of Auditors Results**

1. An unmodified opinion was issued on the School District's financial statements.
2. There were no material weaknesses in internal control identified by the audit of the financial statements.
3. The audit did not disclose any noncompliance which is material to the School District's financial statements.
4. There were no material weaknesses in the internal control over major federal programs identified by the audit.
5. An unmodified opinion was issued on the School District's compliance for major federal programs.
6. The audit disclosed no audit findings which are required to be reported under 2 CFR Section 200.516(a).
7. The School District's major programs are the Special Education Cluster, comprised of Special Education - Grants to States and Special Education - Preschool Grant Programs; and the Improving Teacher Quality State Grant.
8. The amount of \$750,000 was the dollar threshold used to determine Type A and Type B programs.
9. The School District does qualify as a low-risk auditee.

**B. Financial Statements Findings**

No findings noted.

**C. Federal Awards Findings and Questioned Cost**

No findings noted.

**MIFFLIN COUNTY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEARS' FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020**

**No prior year finding were noted.**