

**NEW ISSUE - BOOK ENTRY ONLY**

**RATING: S&P: “AA-” (Stable Outlook)**  
(See “RATING” herein)

*In the opinion of Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel, assuming continuing compliance by the School District with certain covenants and agreements to comply with provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and all applicable regulations thereunder, interest on the Bonds is not includible in gross income under Section 103(a) of the Code, and interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals and corporations; however interest on the Bonds may be subject to the Federal alternative minimum tax on “applicable corporations” as defined in Section 59(k) of the Code. See TAX MATTERS in this Official Statement. Other provisions of the Code may affect the purchasers and holders of the Bonds.*

*Under the laws of the Commonwealth of Pennsylvania, the Bonds and the interest on the Bonds shall be free from taxation for State and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied directly on the Bonds, or the interest thereon. Under the laws of the Commonwealth of Pennsylvania, profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to state and local taxation within the Commonwealth of Pennsylvania.*

*The School District has designated and determined under and for purposes of Section 265(b)(3) of the Code to qualify each of the Bonds as a “qualified tax-exempt obligation” as such term is defined in the Code.*

**\$10,000,000\***  
**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**(Berks County, Pennsylvania)**  
**General Obligation Bonds, Series of 2025**

**Bonds Dated:** Date of Delivery  
**Principal Due:** April 1, as shown on inside cover  
**Denomination:** Integral multiples of \$5,000

**Interest Payable:** April 1 and October 1  
**First Interest Payment:** October 1, 2025  
**Form:** DTC Book-Entry Only

**Legal Investment for Fiduciaries in Pennsylvania:** The Bonds are a legal investment for fiduciaries in the Commonwealth of Pennsylvania under the Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508 as amended and supplemented.

**General:** The General Obligation Bonds, Series of 2025 (the “Bonds” or “2025 Bonds”) in the aggregate principal amount of \$10,000,000\* are being issued by the Governor Mifflin School District (the “School District”), a public school district located in Berks County, Pennsylvania. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Purchases of the Bonds can be made only under the book-entry system of DTC, and purchasers will not receive certificates representing their interests in the Bonds. While DTC, or its nominee Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, as paying agent, directly to Cede & Co. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners of the Bonds is the responsibility of the DTC Participants and the Indirect Participants. See “**BOOK-ENTRY ONLY SYSTEM**” herein. Interest on the Bonds is payable initially on October 1, 2025, and thereafter, semiannually on April 1 and October 1 of each year.

**Security:** The Bonds are payable from the tax and other general revenues of the School District. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service due on the Bonds for such year and will duly and punctually pay or cause to be paid from funds deposited by the School District in the sinking fund established under the Resolution adopted by the School District on May 19, 2025, authorizing and securing the Bonds, or from any other of its legally available revenue or funds, the principal of every Bond and the interest thereon at the dates and place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District has irrevocably pledged its full faith, credit and taxing power, which taxing power includes the power to levy *ad valorem* taxes on all taxable property in the School District, within limitations provided by law. (see “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**”, **APPENDIX A - “TAXING POWERS AND LIMITS”** and “**PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF SCHOOL DISTRICTS**” – “**Taxpayer Relief Act (Act 1)**” herein).

**Redemption:** The Bonds are subject to redemption prior to their stated maturity dates, as described herein.

**Purpose:** The proceeds of the Bonds will be used for capital improvements to school facilities owned and operated by the School District and paying the costs and expenses related to the issuance of the Bonds.

The Bonds are offered for delivery when, as and if issued by the School District and received by the Underwriter, subject to prior sale and subject to the receipt of the approving legal opinion to be issued by Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel. Certain additional matters will be passed upon for the School District by its Counsel, Saxton & Stump LLC, Lancaster, Pennsylvania, Solicitor to the School District, and for the Underwriter by its limited scope underwriter’s counsel, McNees Wallace & Nurick LLC, Lancaster, Pennsylvania. FSL Public Finance, LLC, Reading, Pennsylvania, serves as Financial Advisor to the School District in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through the facilities of DTC, on or about July \_\_\_\_, 2025.

**RAYMOND JAMES®**

\*Preliminary, subject to change.

This Preliminary Official Statement and the information herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The School District deems this Preliminary Official Statement to be final for the purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1) except for certain information on the cover hereof and certain pages herein which have been omitted in accordance with such Rule and which will be supplied in the final Official Statement.

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**BOND MATURITY SCHEDULE**

| <b>(April 1)</b>   | <b>Principal</b>     | <b>Interest</b>    |                     |                     | <b>CUSIP</b>                         |
|--------------------|----------------------|--------------------|---------------------|---------------------|--------------------------------------|
| <b><u>Year</u></b> | <b><u>Amount</u></b> | <b><u>Rate</u></b> | <b><u>Yield</u></b> | <b><u>Price</u></b> | <b><u>Numbers</u> <sup>(1)</sup></b> |

<sup>(1)</sup>The CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

\*Preliminary, subject to change.

No dealer, broker, salesman or other person has been authorized by the School District or the Underwriter to give any information or to make any representation, other than that given or made in this Official Statement, and if given or made, any such other information or representation may not be relied upon as having been authorized by the School District or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement has been approved by the School District and, while the information set forth in this Official Statement has been furnished by the School District and other sources which are believed to be reliable, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter or, as to information obtained from other sources, by the School District. The information and expressions of opinion set forth in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that the affairs of the School District have remained unchanged since the date of this Official Statement.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AND BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS AND BONDS ARE MADE ONLY BY THE MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT PURSUANT TO ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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## SUMMARY PAGE

This Summary Statement is subject in all respects to more complete information in this Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or otherwise use it without the entire Official Statement. A full review of the entire Official Statement should be made by potential Bond purchasers.

|  |  |
|--|--|
| <b>Issuer</b> .....                            | Governor Mifflin School District, Berks County, Pennsylvania (the “School District”).  |
| <b>Bonds</b> .....                             | <p>The General Obligation Bonds, Series of 2025 in the principal amount of \$10,000,000* (the “Bonds”), dated as of the date of delivery, maturing on April 1, ____ through April 1, ____.</p> <p>Interest on the Bonds shall be payable semiannually on April 1 and October 1. See “<b>DESCRIPTION OF THE BONDS</b>” herein.</p>  |
| <b>Optional Redemption</b> .....               | The Bonds stated to mature on or after April 1, 20__, are subject to redemption prior to maturity at the option of the School District in whole or, from time to time, in part, in any order of maturities as the School District shall select, on any date or dates on or after _____, 20__, at a price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for such optional redemption. |
| <b>Form</b> .....                              | Book-Entry Only.   |
| <b>Application of Proceeds</b> .....           | The proceeds of the Bonds will be used for capital improvements to school facilities owned and operated by the School District and paying the costs and expenses related to the issuance of the Bonds.   |
| <b>Security</b> .....                          | The Bonds are general obligations of the School District, for the payment of which the School District has pledged its full faith, credit and taxing power.  |
| <b>Rating</b> .....                            | S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) is expected to assign the School District an underlying rating of “AA-” (stable outlook). (See “ <b>RATING</b> ” herein.)  |
| <b>Continuing Disclosure Undertaking</b> ..... | The School District has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted (the “Rule”). (See “ <b>CONTINUING DISCLOSURE UNDERTAKING</b> ” and “ <b>APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE</b> .”)  |

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\*Preliminary, subject to change.

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**(Berks County, Pennsylvania)**  
10 South Waverly St.  
Shillington, Pennsylvania 19607

**BOARD OF SCHOOL DIRECTORS**

|                        |                 |
|------------------------|-----------------|
| Dr. Lisa Peterson..... | President       |
| James Ulrich.....      | Vice- President |
| Caryn Friedlander..... | Treasurer       |
| Elizabeth Adams.....   | Member          |
| Heather Bouchard.....  | Member          |
| Michelle Heim.....     | Member          |
| Janemarie McKay.....   | Member          |
| Dr. Michele Roby.....  | Member          |
| Christina Worley.....  | Member          |

**SCHOOL ADMINISTRATION**

|                     |                           |
|---------------------|---------------------------|
| Dr. Lisa Hess ..... | Superintendent of Schools |
| Kelly Price.....    | Chief Financial Officer   |

**BOND COUNSEL**

Stevens & Lee, P.C.  
Reading, Pennsylvania

**SOLICITOR**

Saxton & Stump LLC  
Lancaster, Pennsylvania

**UNDERWRITER**

Raymond James & Associates, Inc.  
Lancaster, Pennsylvania

**FINANCIAL ADVISOR**

FSL Public Finance, LLC  
Reading, Pennsylvania

**LIMITED SCOPE UNDERWRITER'S COUNSEL**

McNees Wallace & Nurick LLC  
Lancaster, Pennsylvania

**PAYING AGENT**

U.S. Bank National Association  
Harrisburg, Pennsylvania

## OFFICIAL STATEMENT

**\$10,000,000\***

### GOVERNOR MIFFLIN SCHOOL DISTRICT

(Berks County, Pennsylvania)

### General Obligation Bonds, Series of 2025

#### INTRODUCTION

This Official Statement is furnished by the Governor Mifflin School District (the "School District"), a public school district located in Berks County, Pennsylvania, in connection with the offering of its General Obligation Bonds, Series of 2025 (the "Bonds") in the aggregate principal amount of \$10,000,000\*, to be dated their date of delivery (the "Delivery Date") when the Bonds are issued and delivered to DTC (described below) or its agent. The Bonds are general obligations of the School District, which are secured by a parity pledge of its full faith, credit and taxing power to pay the principal of and interest due on the Bonds.

The Bonds are being issued pursuant to, and are secured by, a Resolution adopted by the Board of School Directors of the School District on May 19, 2025 (the "Resolution"), in accordance with the laws of the Commonwealth of Pennsylvania (the "Commonwealth" or "State"), including the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the "Debt Act").

The Bonds shall be issued in fully registered form, without certificates or coupons, in the denomination of \$5,000 principal amount and integral multiples thereof. Interest on the Bonds is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2025. Interest on any Bond is payable to the Beneficial Owner as of the applicable Record Date (defined below). The interest on and principal of the Bonds is payable by the School District to U.S. Bank National Association (the "Paying Agent"), serving as paying agent and sinking fund depository, for transfer to DTC. When issued, the Bonds will be registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any Bond certificates, and beneficial ownership of the Bonds will be evidenced only by electronic book entries. See **"BOOK-ENTRY ONLY SYSTEM"** herein.

The information which follows contains summaries of the Resolution, the Bonds, the Debt Act, Act 1 (herein defined) and other laws, the School District's Budget and its Financial Statements. Such summaries do not purport to be complete, and reference is made to such documents and laws in their entirety, copies of which are on file and available for examination at the offices of the School District.

Neither the delivery of the Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create an implication that there have been no changes in the affairs of the School District, or in the communities or areas in or about the School District, since the date of the Official Statement of the earliest date as of which certain information contained herein is given.

#### PURPOSE OF THE ISSUE

The proceeds of the Bonds will be used for capital improvements to school facilities owned and operated by the School District and paying the costs and expenses related to the issuance of the Bonds.

#### SOURCES AND USES OF FUNDS

| <b><u>Sources of Funds</u></b>                | <b><u>Total</u></b> |
|---|---------------------|
| Proceeds of the Bonds .....                   |                     |
| [Net] Original Issue Premium [Discount] ..... |                     |
| <b>Total Sources of Funds</b> .....           |                     |
| <b><u>Uses of Funds</u></b>                   |                     |
| Construction Fund Deposit .....               |                     |
| Costs of Issuance <sup>(1)</sup> .....        |                     |
| <b>Total Uses of Funds</b> .....              |                     |

<sup>(1)</sup> Includes legal fees, underwriter's discount, paying agent fees, rating fee, CUSIP, financial advisory fee, printing and miscellaneous fees.

\*Preliminary, subject to change.

## DESCRIPTION OF THE BONDS

The Bonds will be issued in book-entry form, in denominations of \$5,000 principal amount and integral multiples thereof. The Bonds will bear interest from the Delivery Date at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Official Statement. Interest on the Bonds will be payable initially on October 1, 2025, and thereafter, semiannually on April 1 and October 1 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

*When issued, the Bonds will be registered in the name of Cede & Co., as partnership nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any physical delivery of Bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See **"BOOK-ENTRY ONLY SYSTEM"** herein.*

### Payment of Principal and Interest

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal and interest so paid. If the use of the book-entry only system for the Bonds is discontinued for any reason, Bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal and interest on the Bonds shall be made as described in the following paragraphs.*

The principal of any certificated Bonds, when due upon maturity or any earlier mandatory or optional redemption, will be paid to the registered owners of such Bonds, or registered assigns, upon surrender of such Bonds to the Paying Agent at its designated corporate trust office (or to any successor paying agent at its designated office(s)).

Interest on any certificated Bonds will be payable to the registered owner of such a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding, October 1, 2025, in which event such Bond shall bear interest from the Delivery Date, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest on a certificated Bond will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15<sup>th</sup>) day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than ten (10) days preceding such special record date. Such notice shall be mailed to the persons in whose names such certificated Bonds are registered at the close of business on the fifth (5<sup>th</sup>) day preceding the date of mailing.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

### Transfer, Exchange and Registration of Certificated Bonds

*Subject to the provisions herein under **"BOOK-ENTRY ONLY SYSTEM"**, any certificated Bonds are transferable or exchangeable by the registered owners thereof upon surrender of such Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of such Bonds in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered and certificated Bond or Bonds of authorized denominations of the same, maturity and interest rate for the aggregate principal amount that the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any certificated Bond as the absolute owner thereof (whether such Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.*

The School District and the Paying Agent shall not be required: (a) to register the transfer of or exchange any certificated Bonds then considered for redemption during a period beginning at the close of business on the fifteenth (15<sup>th</sup>) day next preceding any date of selection of such Bonds to be redeemed and ending at the close of business on the day of mailing of the applicable notice of redemption; or (b) to register the transfer of or exchange any portion of any certificated Bond selected for redemption until after the redemption date. Certificated Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same series, maturity, and interest rate.



## REDEMPTION OF BONDS

### Mandatory Sinking Fund Redemptions

In the manner and upon the terms and conditions provided in the Resolution, the following Bond maturities are subject to mandatory redemption in direct order of maturity, pursuant to operation of the Sinking Fund in the manner set forth in the Resolution at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest, on April 1<sup>st</sup> of the following years and in the following principal amounts:

#### Year

#### Amount

In lieu of such mandatory redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, or the School District may tender to the Paying Agent, all or part of the Bonds subject to mandatory redemption in any such year.

If any maturity of the Bonds that is subject to mandatory sinking fund redemption shall be called for optional redemption in part, the School District shall be entitled to designate whether the principal amount redeemed is to be credited against the principal amount of the Bonds of such maturity required to be called for mandatory sinking fund redemption or in such order of maturity as shall be directed in writing by the School District, in each case in multiples of \$5,000 principal amount.

### Optional Redemption

The Bonds maturing on and after April 1, \_\_\_\_\_, are subject to redemption prior to maturity at the option of the School District, in whole or in part, in any order of maturities as the School District shall select, on any date on or after April 1, \_\_\_\_\_, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for such optional redemption. In the event that less than all Bonds of a particular maturity are to be redeemed, the Bonds of such maturity shall be drawn by lot by the Paying Agent.

### Notice of Redemption

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding conveyance of notices and Beneficial Owners.*

Notice of any redemption shall be given by depositing a copy of the redemption notice in first class mail not less than thirty (30) days nor more than (60) days prior to the date fixed for redemption, addressed to each of the registered owners of any certificated Bonds to be redeemed, at the addresses shown on the registration books kept by the Paying Agent as of the date such Bonds are selected for redemption; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect thereto, except to receive payment of the principal to be redeemed and accrued interest thereon to the date fixed for redemption.

The notice of redemption may state that it is conditional, *i.e.*, that it is subject to the deposit of sufficient redemption money with the Paying Agent or other escrow agent on the redemption date in sufficient time to effectuate the redemption of Bonds. If, after issuing a notice of redemption, the School District is unable or otherwise fails to deposit with the Paying Agent (or other bank or depository acting as refunding escrow agent) money sufficient to redeem the Bonds called for redemption, such notice may be withdrawn or be of no effect until such money is so deposited.

### Manner of Redemption

*So long as Cede & Co., nominee of DTC, is the registered owner of the Bonds, however, payment of the redemption price shall be made by Cede & Co. in accordance with the existing arrangements by and among the School District, the Paying Agent and DTC and, if less than all of the Bonds in a particular maturity are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner on such Bonds to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.*

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing the number of Bonds that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a certificated Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for certificated Bonds of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or on a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

If any maturity of the Bonds which is subject to mandatory sinking fund redemption shall be called for optional redemption in part, the School District shall be entitled to designate whether the principal amount redeemed is to be credited against the principal amount of the Bonds of such maturity required to be called for mandatory sinking fund redemption on any particular future date or dates, or shall be credited against the principal amount of such Bonds to be due and payable at stated maturity, in each case in a whole multiple of \$5,000 principal amount.

### **BOOK-ENTRY ONLY SYSTEM**

***The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriter***

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each series of the Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE SCHOOL DISTRICT NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

*The School District and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.*

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **General Obligation Pledge**

The Bonds are general obligations of the School District, payable from its local taxes and other general revenues, including available state subsidies, on a parity basis with each other, and other existing or future general obligation debt of the School District. The taxing powers of the School District are described more fully in **APPENDIX A – TAXING POWERS AND LIMITS**. The School District has covenanted in the Resolution that it will include in its budget for each fiscal year, and will appropriate in each such year, the amount of the debt service due on the Bonds for such year and will duly and punctually pay, or cause to be paid, the principal of every Bond and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power.

### **Actions in the Event of Default on the Bonds**

In the event of a failure by the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to remedies specified by the Debt Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the School District is located. The Debt Act provides any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Debt Act also provides that upon a default of at least 30 days, holders of at least 25% of the Bonds may appoint a trustee to represent them. The Debt Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

## **Sinking Fund**

Under the Resolution, the School District has created a sinking fund (the “Sinking Fund”) as required by the Debt Act and segregated from all other funds of the School District. The School District shall deposit in the Sinking Fund, not later than the date when principal or interest is to become due on the Bonds, an amount sufficient to provide for the payment of interest and principal becoming due on the Bonds.

The Sinking Fund shall be held by U.S. Bank National Association (the “Sinking Fund Depository”) and invested by the Sinking Fund Depository in such securities as are authorized by the Debt Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District but subject to withdrawal or collection only by the Sinking Fund Depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent is authorized and directed to pay from the Sinking Fund the principal of and interest on the respective Bonds when due and payable.

## **Commonwealth Enforcement of Debt Service Payments**

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 150 of 1975, and as further amended and supplemented (the “Public School Code”), provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness on the date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the Bonds were issued, the Secretary of Education of the Pennsylvania Department of Education (“PDE”) shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such Bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers’ salaries. In addition, enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors’ rights generally. See “**Pennsylvania Budget Adoption**” herein.

## **Pennsylvania Budget Adoption Impasses**

Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the governor passed a five-month stopgap budget for the fiscal year 2020-21. This budget provided five months of flat funding for most state programs and a full twelve months of flat funding for public education. On November 20, 2020, the General Assembly passed Senate Bill 1350 and House Bill 2536, which included the 2020-21 Supplemental Budget to fund the Commonwealth through the remaining seven months of fiscal year 2020-21. On November 23, 2020, the Governor approved the 2020-21 Supplemental Budget. The 2020-21 Supplemental Budget included mostly flat funding for public education similar to the stopgap budget adopted for the first five months of the 2020-21 fiscal year.

The Governor timely signed the state’s 2021-2022 fiscal year budget on June 30, 2021. That budget included an increase of \$300 million for basic education, with \$100 million of that targeted to the 100 historically underfunded school districts that included some in both urban and rural areas of the Commonwealth. Special education received a \$50 million increase, boosting that budget line to \$1.24 billion, while preschool and Head Start programs received a \$30 million increase, to \$311.5 million. All told, funding for K-12 schools reached a record high of \$13.55 billion in the 2021-2022 budget.

After a week’s delay and intense negotiations, a \$42.7 billion budget for the state’s 2022-2023 fiscal year was signed by then Governor Tom Wolf on July 8, 2022, which included \$7.6 billion for the basic education funding appropriation and \$225 million to supplement school districts with a higher at risk student population. The total amount was a \$525 million increase over the 2021-2022 fiscal year appropriation.

After over a month delay, a \$44.9 billion budget for the state’s 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which included \$7.87 billion for the basic education funding appropriation. The total amount was a \$567 million increase over the 2022-2023 fiscal year appropriation. The budget also provided \$50 million in additional aid to school districts for special education services for a total of \$1.4 billion. Certain funds authorized within the 2023-24 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023, multiple code bills were passed finalizing the 2023-24 budget for education.

Governor Josh Shapiro signed the Commonwealth’s budget for the 2024-25 fiscal year 11 days late on July 11, 2024. The \$47.6 billion budget includes \$8.097 billion for the basic education funding appropriation. The total amount is a \$225 million increase over the 2023-2024 fiscal year appropriation. The budget also provides \$100 million in additional aid to school districts for special education services for a total of \$1.487 billion and \$100 million for cyber charter school tuition reimbursement. 348 school districts (including the School District) will receive additional funding totaling \$493.8 million under a new Adequacy Supplement. 182 school districts will receive an additional \$60 million in total of Hold Harmless Relief Supplement as a component of their basic education funding.

*During a state budget impasse, school districts in Pennsylvania cannot be certain when state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the School Code during any future budget impasses. See “Act 85 of 2016” hereinafter.*

#### **Act 85 of 2016 (State Subsidy Intercept During a Budget Impasse)**

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) ("Act 85 of 2016"), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code ("Fiscal Code"). Act 85 of 2016 adds to the Fiscal Code Article XVII-E.4, entitled "School District Intercepts for the Payment of Debt Service During Budget Impasse", which provides for intercept of subsidy payments by PDE otherwise due a school district that is subject to an intercept statute or an intercept agreement, in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of "intercept statutes" Sections 633 of the Public School Code. The School District's general obligation debt, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts as may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement "shall be appropriated" to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

- (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;
- (2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and
- (3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XVII-E.4 of Act 85 of 2016 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district subject to an intercept statute or intercept agreement must deliver to PDE, in the format PDE directs, information pertaining to each eligible borrowing within thirty (30) days of receipt of the proceeds of the obligations. The School District intends to submit this information to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

*The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.*

#### **BONDHOLDER CONSIDERATIONS**

*The Bonds, like all investment securities, carry a risk of loss of the investment, in whole or in part. This Official Statement does not purport to describe all of the risks of an investment in the Bonds; both the School District and the Underwriter disclaim any responsibility to advise prospective investors of such risks either as they may exist at the date of dissemination of this Official Statement or as they may appear or change from time to time in the future. Prospective purchasers of the Bonds should consult their own legal and tax advisors as to the risks associated with an investment in the Bonds, their ability to bear a loss from an investment in the Bonds and the suitability of investing in the Bonds, in light of their particular, individual circumstances. Prospective purchasers should carefully consider the matters described below, as well as all the information contained within this entire official Statement inclusive of its Appendices.*

#### **Cybersecurity**

The School District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the School District's systems for the purposes of

misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. The School District has never had a material cyber breach or a cyber breach that resulted in a financial loss. No assurance can be given that the School District's current efforts to manage cyber threats and security will, in all cases, be successful. The School District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances. In addition to the various processes in place to safeguard against cyber security attacks, the School District also maintains a comprehensive insurance policy which includes privacy liability, cyber incident response, data breach, network security, internet media and network extortion coverages.

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the trustee, and banks, as well as vendors with respect to outsourced critical digital network operations and functions. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the School District including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

### **Climate Change**

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. The School District cannot predict the timing, extent, or severity of climate change and its impact on its operations and finances. The School District has not experienced increases in extreme weather events, but has established reserves to address severe weather disasters and maintains a comprehensive insurance policy.

### **Risk of Audit by Internal Revenue Service**

The Internal Revenue Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Internal Revenue Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the School District as the taxpayer and Bond purchasers may have no right to participate in such procedure. None of the School District, the Underwriter or Bond Counsel is obligated to defend the tax-exempt status of the Bonds on behalf of the Bond purchasers, nor to pay or reimburse the cost of any Bond purchaser with respect to any audit or litigation relating to the Bonds. See "TAX MATTERS" herein.

## **CONTINUING DISCLOSURE UNDERTAKING**

In accordance with the requirement of Rule 15-c2-12 (the "Rule") of the United States Securities and Exchange Commission (the "SEC"), the School District (being an "obligated person" with respect to the Bonds, within the meaning of the Rule), will agree to provide certain financial information and operating data to the Municipal Securities Rulemaking Board (the "MSRB") in an electronic format as prescribed by the MSRB, either directly, or indirectly through a designated agent, as set forth in its Continuing Disclosure Certificate substantially in the form attached hereto as Appendix D.

With respect to the filing of annual financial information and operating data, the School District reserves the right to modify from time to time the specific types of information and data provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The School District is required to give notice of certain events as set forth in the Continuing Disclosure Certificate (not all of which will be relevant to the School District). The School District may from time to time choose to file notice of other events in addition to those specified in the Continuing Disclosure Certificate.

The School District acknowledges that its undertaking pursuant to the Rule described herein and in the Continuing Disclosure Certificate is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holder and beneficial owner of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District's continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District's obligations with respect to continuing disclosure described herein shall terminate upon the prior defeasance, redemption or payment in full of all of the Bonds or if and when the School District is no longer an "obligated person" with respect to the Bonds, within the meaning of the Rule.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other defined "obligated persons") with respect to municipal securities issues are made available through the MSRB's Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

The School District has previously entered into Continuing Disclosure Certificates with respect to each one of its previously issued bond issues that are currently outstanding. The School District's filing history of its annual financial and operating information during the past five (5) years is outlined in the following table.

| <b>Fiscal</b>        |                        | <b>Filing Dates:</b>               |
|----------------------|------------------------|------------------------------------|
| <b>Year</b>          | <b>Filing</b>          | <b>Audit, Operating Data &amp;</b> |
| <b><u>Ending</u></b> | <b><u>Due Date</u></b> | <b><u>Budget</u></b>               |
| 6/30/2024            | 12/27/2024             | 12/18/2024                         |
| 6/30/2023            | 12/27/2023             | 12/19/2023                         |
| 6/30/2022            | 12/27/2022             | 12/12/2022                         |
| 6/30/2021            | 12/27/2021             | 12/10/2021                         |
| 6/30/2020            | 12/27/2020             | 12/21/2020                         |

The School District has reasonable procedures in place designed to ensure ongoing timely filings of its material continuing disclosure requirements.

### **NO LITIGATION**

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds, or any proceedings of the School District taken in connection with the issuance or sale of the Bonds, the pledge or application of any moneys or security provided for the payment of the Bonds, or the existence or powers of the School District.

### **TAX MATTERS**

#### **Federal Tax Laws**

Numerous provisions of the Code affect the issuers of state and local government bonds, such as the School District, and impair or restrict the ability of the School District to finance projects on a tax-exempt basis. Failure on the part of the School District to comply with any one or more of such provisions of the Code, or any regulations under the Code, could render amounts treated as interest on the Bonds includable in gross income of the owner thereof for purposes of federal income tax retroactively to the date of issuance of the Bonds. Among these provisions are rules relating to: (a) investment of funds treated as proceeds of the Bonds; (b) the advance refunding of tax-exempt bonds; and (c) the use of proceeds of the Bonds to benefit private activities. In addition, under the Code, the School District is required to file an information return with respect to the Bonds and to rebate to the federal government certain arbitrage profits on an ongoing basis throughout the term of the Bonds. Bond Counsel has not undertaken to determine (or to inform any person) whether any action taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Other provisions of the Code affect the purchasers and holders of certain state and local government bonds such as the Bonds. Prospective purchasers of the Bonds should be aware that: (i) Section 265 of the Code denies a deduction for interest on debt incurred or continued to purchase or carry state or local government bonds such as the Bonds, or in the case of a financial institution, that portion of a financial institution's interest expense allocated to interest on certain state or local government bonds such as the Bonds, unless the issuer of the state or local government bonds designates each of the Bonds as a qualified tax-exempt obligation for the purpose and effect contemplated by Section 265(b)(3)(B) of the Code (the School District has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Code, as such phrase is defined in the Code); (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 825(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest and amounts treated as such on certain state or local government bonds, such as the Bonds; (iii) interest on certain state or local government bonds, such as the Bonds, earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iv) if a Subchapter S corporation has passive investment income (which passive investment income will include interest on state or local government bonds, such as the Bonds) which exceeds 25% of such Subchapter S corporation's gross receipts and if such Subchapter S corporation has Subchapter C earnings and profits, then interest income derived from state or local government bonds, such as the Bonds, may be subject to federal income tax under the Code; and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on certain state or local government bonds, such as the Bonds.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. Various legislative proposals have been submitted to Congress during the last several years, which if enacted, would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax exempt interest. If enacted into law, such proposals may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals may also affect the market price for, or marketability of, the Bonds.

No prediction is made whether these provisions will be enacted as proposed or concerning other future legislation which if passed might have the effect on the tax treatment of interest on the Bonds. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation. Bond Counsel will render its opinion as of the issue date, and will assume no obligation to update its opinions after the

issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinion of Bond Counsel is only an opinion and not a warranty or guaranty of the matters discussed. Bond Counsel has no obligation to provide updated information concerning pending or future legislation. The School District does not have any obligation to provide updated information concerning pending or future legislation. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISERS REGARDING ANY PROPOSED FEDERAL TAX LEGISLATION, AS TO WHICH BOND COUNSEL EXPRESSES NO OPINION.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds.

### **Tax Exemption**

In the opinion of Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel, assuming continuing compliance by the School District with certain covenants and agreements relating to the use of Bond proceeds and covenants to comply with the provisions of the Code and any applicable regulations thereunder, now or hereafter enacted, interest on the Bonds is not includable in gross income for federal tax purposes under Section 103(a) of the Code, and interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax on individuals and corporations; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations. Other provisions of the Code will affect certain purchasers and holders of the Bonds. See "TAX MATTERS" above. The School District has designated and determined under and for purposes of Section 265(b)(3) of the Code to qualify each of the Bonds as a "qualified tax-exempt obligation" as such term is defined in the Code.

In the opinion of Bond Counsel under the laws of the Commonwealth, the Bonds and interest on the Bonds shall be free from taxation for State and local purposes within the Commonwealth, but this exemption shall not extend to gift, estate, succession or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to State and local taxation within the Commonwealth of Pennsylvania.

The School District will issue its certifications regarding the facts, estimates and circumstances in existence on the date of delivery of the Bonds and regarding the anticipated use of the proceeds of the Bonds. In addition, the School District will certify that, on the basis of the facts, estimates and circumstances in existence on the date of issuance of the Bonds, the School District does not reasonably expect to use the proceeds of the Bonds in a manner that would cause the Bonds to be or become arbitrage bonds, as defined in Section 148 of the Code.

THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE OR COMPLETE. ALL PURCHASERS OF THE BONDS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS. ANY STATEMENTS REGARDING TAX MATTERS HEREIN CANNOT BE RELIED UPON BY ANY PERSON TO AVOID TAX PENALTIES.

### **Regulations, Future Legislation**

Under the provisions of the Code, the Treasury Department is authorized and empowered to promulgate regulations implementing the intent of Congress under the Code which could affect the tax exemption and/or tax consequences of holding tax-exempt obligations, such as the Bonds. In addition, legislation may be introduced and enacted in the future which could change the provisions of the Code relating to tax-exempt bonds of a state or local government unit, such as the School District or the taxability of interest in general.

No representation is made or can be made by the School District or any other party associated with the issuance of the Bonds as to whether or not any other legislation now or hereafter introduced and enacted will be applied retroactively so as to subject interest on the Bonds to federal income taxes or so as to otherwise affect the marketability or market value of the Bonds.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISOR WITH RESPECT TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF OWNERSHIP OF THE BONDS.

### **LEGAL OPINIONS**

The Bonds are offered subject to the receipt of the approving legal opinion of Stevens & Lee, P.C., Reading, Pennsylvania, Bond Counsel to the School District, substantially in the form of Appendix C. Certain legal matters will be passed upon for the School District by Saxton & Stump LLC, of Lancaster, Pennsylvania, School District Solicitor, and for the Underwriter by its limited scope underwriter's counsel, McNees Wallace & Nurick LLC, Lancaster, Pennsylvania.

### **RATING**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned the School District an underlying rating of "AA-" (stable outlook).

The above rating are not recommendations to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds.



## **UNDERWRITING**

Raymond James & Associates, Inc., Lancaster, Pennsylvania (the “Underwriter”) subject to certain conditions, has purchased the Bonds from the School District at a purchase price of \$\_\_\_\_\_ (representing the par amount of the Bonds of \$\_\_\_\_\_, [plus/less] an original issue [premium/discount] of \$\_\_\_\_\_ less an underwriting discount of \$\_\_\_\_\_). The Underwriter's obligations are subject to certain conditions precedent; however, the Underwriter will be obligated to purchase all such Bonds on the Delivery Date if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the School District. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the School District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

## **FINANCIAL ADVISOR**

The School District has retained FSL Public Finance, LLC, Reading, Pennsylvania, as financial advisor (the “Financial Advisor”) in connection with the issuance of the Bonds. The Financial Advisor is not obligated to any holder of the Bonds to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. The Financial Advisor is an independent, registered advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **PAYING AGENT**

Pursuant to the provisions of the Resolution, as paying agent and sinking fund depository, the Paying Agent has the limited duty of receiving payments from the School District, depositing such payments in a sinking fund and making payments to the owners of the Bonds of the principal of, interest on, and premium, if any, on the Bonds when due, but only to the extent such moneys have been received. As registrar and transfer agent, the Paying Agent has the limited duty of handling the registration and transfer of the Bonds. Accordingly, the Paying Agent performs ministerial duties not involving the exercise of discretion and assumes no fiduciary relationship with respect to the owners of the Bonds.

The Paying Agent may now or in the future have banking relationships with the School District which involve making loans to the School District; these loans may have a security feature which is different from that of the security feature associated with the Bonds. The Paying Agent may also serve as trustee or paying agent and sinking fund depository on other obligations issued by or on behalf of the School District.

## **CERTAIN RELATIONSHIPS AMONG THE PARTIES**

In this transaction, Stevens & Lee, P.C., is serving as Bond Counsel to the School District. Stevens & Lee, P.C., from time to time has been engaged by Raymond James & Associates, Inc. to act as counsel in transactions that are unrelated to the Bonds (and may be so engaged currently or in the future).

FSL Public Finance, LLC, an affiliated business of Stevens & Lee, P.C., Bond Counsel, is serving as financial advisor to the School District in connection with the authorization and issuance of the Bonds.

## **CERTAIN OTHER MATTERS**

All references to sections or language of the Debt Act, Act 1, the Bonds and the Resolution set forth in this Official Statement are made subject to all the detailed provisions thereof, to which reference is hereby made for further information, and this Official Statement does not purport to be complete statements of any or all such provisions.

All information, estimates and assumptions herein have been obtained from officials of the School District, other governmental bodies, trade and statistical services, and other sources, which we believe to be reliable; but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended as such and not representations of fact.

The School District has authorized the distribution of this Official Statement.

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**Berks County, Pennsylvania**

By:  
President, Board of School Directors

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## **APPENDIX A**

### **SUMMARIES OF OPERATING DATA REGARDING THE SCHOOL DISTRICT**

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## DESCRIPTION OF THE SCHOOL DISTRICT

### Introduction

The Governor Mifflin School District (the “School District”) is located in central Berks County and covers an area of 7 square miles. The School District is located in the Schuylkill Valley which runs in the southeast and northwest direction through the area and is part of the Reading Metropolitan Area. Geographically, the area of the School District extends from the City of Reading in central Berks County south to Lancaster County. The School District is located approximately 40 miles northwest of the City of Philadelphia, 20 miles north of Lancaster City, 20 miles east of Lebanon, and south and adjacent to Reading, Pennsylvania. Many

The governing body of the School District is governed by a nine member Board of School Directors (the “School Board”) who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools. The Business Administrator is responsible for budget and financial operations. The School Board selects both officials.

### School Facilities

| <u>School</u>            | <u>Year</u><br><u>Constructed</u> | <u>Additions/</u><br><u>Alterations</u> | <u>Grades</u> | <u>Rated Pupil</u><br><u>Capacity</u> | <u>2024-25</u><br><u>Enrollment</u> |
|--------------------------|-----------------------------------|---|---------------|---------------------------------------|-------------------------------------|
| <b><u>Elementary</u></b> |                                   |   |               |                                       |                                     |
| Brecknock.....           | 1954                              | 1990                                    | K-4           | 2,305                                 | 455                                 |
| Cumru.....               | 1957                              | 1961/1991                               | K-4           | 2,628                                 | 453                                 |
| Mifflin Park.....        | 2008                              | ---                                     | K-4           | 2,624                                 | 500                                 |
| Intermediate.....        | 1974                              | 2008/2009                               | 5-6           | 5,707                                 | 622                                 |
| <b><u>Secondary</u></b>  |                                   |   |               |                                       |                                     |
| Middle School.....       | 1961                              | 1991/1993                               | 7-8           | 4,023                                 | 631                                 |
| Senior High.....         | 1955                              | 1960/90/2006                            | 9-12          | 8,723                                 | 1,438                               |

Source: School District Officials.

### Pupil Enrollment

The past, current and projected enrollments within the School District are shown below:

| <u>Year</u>              | <u>Elementary</u> | <u>Secondary</u> | <u>Total</u> |
|--------------------------|-------------------|------------------|--------------|
| 2020-21.....             | 2,064             | 2,127            | 4,137        |
| 2021-22.....             | 1,962             | 2,179            | 4,141        |
| 2022-23.....             | 2,009             | 2,112            | 4,121        |
| 2023-24.....             | 2,020             | 2,065            | 4,085        |
| 2024-25 (Current).....   | 2,039             | 2,060            | 4,099        |
| 2025-26 (Projected)..... | 1,992             | 1,971            | 3,963        |

Source: School District Officials.

## SCHOOL DISTRICT FINANCES

### Financial Reporting

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units.

The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by State law. The firm of Herbein & Company, Inc. of Reading, Pennsylvania currently serves as the School District's auditor. The School District's auditor has not been engaged to perform and has not performed since the date of its report, any procedures on the financial statements addressed in that report. Such auditor also has not performed any procedures relating to this Official Statement.

### Budgeting Process in accordance with the Public School Code and Act 1 of 2006 (Taxpayer Relief Act)

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education ("PDE"). An annual operating budget is prepared by school district administrative officials on a uniform form furnished by PDE and submitted to the board of school directors for approval prior to the beginning of the school districts' fiscal year beginning on July 1.

Procedures for Adoption of the Annual Budget. Unless the Simplified Procedures described below are utilized, under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (together, the "Taxpayer Relief Act" or "Act 1") all school districts of the first class A, second class, third class and fourth class must adopt a preliminary budget (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election preceding the next fiscal year. This preliminary budget must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days prior public notice of its intent to adopt the preliminary budget prior to its adoption. The board of school directors shall print the final budget and make it available for public inspection at least 20 days prior to its adoption and shall give public notice of its intent to adopt the final budget at least 10 days prior to adoption, and may hold a public hearing prior to adoption. Guidance from PDE suggest that the preliminary budget be converted to a proposed budget adopted by the board of school directors at least 30 days prior to the adoption of the final budget as required by the Public School Code. The School District follows the requirements of Act 1 and the guidance of PDE pursuant to the requirements of the Public School Code.

If the adopted preliminary budget includes an increase in the rate of any tax levied, the school district must submit information on the increase to PDE on a uniform form furnished by PDE. Such information must be submitted no later than 85 days prior to the date of the election immediately preceding the school district's next fiscal year. PDE compares the proposed percentage increase in the rate of any tax with an index established annually (see "**The Taxpayer Relief Act (Act 1)**" herein) and within 10 days of the receipt of the information but not later than 75 days prior to the date of the election immediately preceding the beginning of the school district's next fiscal year, PDE informs the school district whether the proposed tax rate increase is less than or equal to the index. If PDE determines that the proposed percentage increase in the rate of the tax exceeds the index, PDE notifies the school district that: (1) the proposed tax increase must be reduced to an amount less than or equal to the index; or (2) the proposed tax increase must be approved by the electorate at the election immediately preceding the beginning of the school district's next fiscal year; or (3) the School District seek approval to utilize one or more of the referendum exceptions authorized under the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see "**The Taxpayer Relief Act (Act 1)**" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the applicable Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires that the school district comply with the procedures in Section 687 of the School Code for the adoption of its proposed and final budgets. Section 687 of the School Code requires that the school district adopt a proposed budget at least thirty (30) days prior to the adoption of the annual budget; that the proposed budget be made available for public inspection at least twenty (20) days prior to the date set for the adoption of the annual budget; and that action shall not be taken on the annual budget until after ten (10) days public notice. No referendum exceptions are available to a school district adoption such resolution.

## Summary and Discussion of Financial Results

The below table presents a summary of the School District's General Fund Financial Condition for Fiscal Years ending June 30, 2020 through June 30, 2024 and budgeted 2025. For more complete information, the financial statements of the School District may be reviewed at the School District's Business Office.

### GOVERNOR MIFFLIN SCHOOL DISTRICT General Fund Revenues, Expenditures and Fund Balances (Fiscal Years Ending June 30)

|  | <u>2021</u>          | <u>2022</u>          | <u>2023</u>          | <u>2024</u>          | <b>Budgeted<br/><u>2025</u></b> |
|--|----------------------|----------------------|----------------------|----------------------|---------------------------------|
| <b>Revenues</b>                                    |                      |                      |                      |                      |                                 |
| Local Sources                                      | \$51,589,228         | \$53,450,081         | \$54,630,252         | \$56,762,993         | \$57,774,642                    |
| State Sources                                      | 19,081,133           | 20,281,751           | 22,306,715           | 24,089,385           | 24,221,692                      |
| Federal Sources                                    | <u>1,877,859</u>     | <u>2,831,028</u>     | <u>5,608,834</u>     | <u>1,789,758</u>     | <u>1,025,231</u>                |
| <b>Total Revenues</b>                              | \$72,548,220         | \$76,562,860         | \$82,545,801         | \$82,642,136         | \$83,021,565                    |
| <b>Expenditures</b>                                |                      |                      |                      |                      |                                 |
| Instruction  | \$43,361,793         | \$44,628,216         | \$46,259,971         | \$47,412,198         | \$49,999,954                    |
| Support services                                   | 20,593,633           | 21,368,103           | 21,770,130           | 23,498,961           | 25,520,590                      |
| Operation of Non-Instructional Service             | 1,852,567            | 1,875,829            | 1,915,117            | 2,076,373            | 1,972,716                       |
| Facilities Acquisition, Construction & Improvement | 0                    | 340,407              | 3,655,759            | 825,158              | 0                               |
| Refund of prior year revenues                      | <u>0</u>             | <u>0</u>             | <u>61,309</u>        | <u>0</u>             | <u>0</u>                        |
| <b>Total Expenditures</b>                          | \$65,807,993         | \$68,212,555         | \$73,662,286         | \$73,812,690         | \$77,493,260                    |
| <b>Other Financing Sources (Uses)</b>              |                      |                      |                      |                      |                                 |
| Budgetary reserve                                  | \$0                  | \$0                  | \$0                  | \$0                  | \$0                             |
| Proceeds from issuance of leases                   | 0                    | 566,098              | 851,051              | 413,921              | 0                               |
| Sale of General Capital Assets                     | 6,709                | 923                  | 3,955                | 17,350               | 0                               |
| Transfer In  | 48,001               | 27,146               | 10,245               | 54,339               | 35,000                          |
| Transfers Out                                      | <u>(6,794,937)</u>   | <u>(8,944,472)</u>   | <u>(9,748,766)</u>   | <u>(9,315,056)</u>   | <u>(6,063,305)</u>              |
| <b>Total Other Financing Sources (Uses)</b>        | <u>(\$6,740,227)</u> | <u>(\$8,350,305)</u> | <u>(\$8,883,515)</u> | <u>(\$8,829,446)</u> | <u>(\$6,028,305)</u>            |
| <b>Excess Expenditures Over (Under) Revenues</b>   | \$0                  | \$0                  | \$0                  | \$0                  | (\$500,000)                     |
| <b>Beginning Fund Balance</b>                      | <u>\$7,629,694</u>   | <u>\$7,629,694</u>   | <u>\$7,629,694</u>   | <u>\$7,629,694</u>   | <u>\$7,629,694</u>              |
| <b>Fund Balance June 30</b>                        | <u>\$7,629,694</u>   | <u>\$7,629,694</u>   | <u>\$7,629,694</u>   | <u>\$7,629,694</u>   | <u>\$7,129,694</u>              |

Source: School District Officials Audits and Budget.



## TAXING POWERS AND LIMITS

### In General

*Subject to certain limitations imposed by the Act 1 (more specifically described below),* the School District is empowered by the School Code and other statutes to levy the following taxes:

1. An annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
  - a) for minimum salaries and increments of the teaching and supervisory staff;
  - b) to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
  - c) *to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the School District; and*
  - d) to pay for the amortization of a bond or Bond issue which provided a school building prior to the first Monday of July 1959.
3. An annual per capita tax on each resident over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended ("The Local Tax Enabling Act"). These taxes, which may include, among others, a per capita tax, an earned income and net profits tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth ("STEB")/Tax Equalization Division ("TED")) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

### PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF SCHOOL DISTRICTS

#### Taxpayer Relief Act (Act 1)

**The information set forth below is a partial summary of relevant sections of Act 1 and their impact. This summary is not intended to be an exhaustive discussion of the provisions of Act 1 nor intended to provide a legal interpretation of any provision of Act 1. A prospective purchaser of the Bonds should review the full text of Act 1 as a part of any decision to purchase the Bonds.**

Under the Taxpayer Relief Act (Act 1), a school district may not levy any tax for the support of the public schools which was not levied in the previous fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act, or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one or more of the exceptions summarized below is applicable and the use of such exception is approved by PDE:

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004 ("Act 72"), or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 (as in the case of the School District); (a) to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and (b) to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances;
3. To make payments into the State Public School Employees' Retirement System when the increase in the estimated payments between the current year and the upcoming year is great than the Index (as determined by PDE in accordance with the provisions of Act 1), subject to the limitation that the salary base used for calculating estimated payments is capped at the 2011-12 salary base level, per PDE Referendum Exception Guidelines."

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE, as the case may be. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

"Index" is defined in Act 1 as follows:

#### INDEX

1. Except as set forth in paragraph (2), the average of the percentage increase in the Statewide Average Weekly Wage and the Employment Cost Index.
2. For a school district with a market value/income aid ratio great than 0.400 for the school fiscal year prior to the school fiscal year for which the Index is calculated, the value under paragraph (1) multiplied by the sum of:
  - (i) 0.75; and
  - (ii) the school district's market value/income aid ratio for the school fiscal year prior to the school fiscal year for which the Index is calculated.

"Statewide Average Weekly Wage" is defined in Act 1 as follows:

#### STATEWIDE AVERAGE WEEKLY WAGE

That amount determined by the Department of Labor and Industry in the same manner that it determines the average weekly wage under section 404(e)(2) of the Act of December 5, 1936 (2<sup>nd</sup> Sp. Sess., 1937 P.L. 2897, No. 1), known as the Unemployment Compensation Law, except that it shall be calculated for the preceding calendar year.

The Act 1 Index applicable to the School District for the current fiscal year and prior four fiscal years is as follows:

| <u>Fiscal Year</u> | <u>Index %</u> |
|--------------------|----------------|
| 2024-25            | 6.8            |
| 2023-24            | 5.2            |
| 2022-23            | 4.3            |
| 2021-22            | 3.8            |
| 2020-21            | 3.3            |

Source: Pennsylvania Department of Education website.

In accordance with Act 1, the School District put a referendum on the ballot at the April 1, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax ("EIT") or a Emergency and Municipal Service tax ("EMS") and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. A board of school directors may submit, but is not required to submit, a referendum question to the voters in any future municipal election seeking approval to levy or increase the rate of an earned income tax ("EIT") or impose a emergency and municipal service tax ("EMS") for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or EMS shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law. In the April 1, 2007 municipal primary, an Emergency and Municipal Services (EMS) tax referendum was passed, enabling the School District to enact its \$5 share of the existing \$52 EMS tax on those persons who work within the boundaries of the School District, currently imposed by the School District's townships and boroughs.

#### **Status of the Bonds Under the Taxpayer Relief Act (Act 1)**

The debt service payable on the Bonds described in this Official Statement was not authorized before the effective date of Act 1; therefore, is not eligible for a specific exception to the Index limits of Act 1.

#### **Limitations on School District Fund Balance**

**Set forth below is a summary of relevant sections of Act 48. This summary is not intended to be an exhaustive discussion of the provisions of Act 48 nor intended to provide a legal interpretation of any provisions of Act 48. A prospective purchaser of the Bonds should review the full text of Act 48 as a part of any decision to purchase the Bonds.**

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes unless the school district has adopted a budget for such school fiscal year that includes an estimated ending unreserved and undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

**Total Budgeted Expenditures:**

|                                       |       |
|---------------------------------------|-------|
| Less than or equal to \$11,999,999    | 12.0% |
| Between \$12,000,000 and \$12,999,999 | 11.5% |
| Between \$13,000,000 and \$13,999,999 | 11.0% |
| Between \$14,000,000 and \$14,999,999 | 10.5% |
| Between \$15,000,000 and \$15,999,999 | 10.0% |
| Between \$16,000,000 and \$16,999,999 | 9.5%  |
| Between \$17,000,000 and \$17,999,999 | 9.0%  |
| Between \$18,000,000 and \$18,999,999 | 8.5%  |
| Greater than or equal to \$19,000,000 | 8.0%* |

**Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures<sup>(1)</sup>:**

“Estimated ending unreserved, undesignated fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

\*Applicable to the School District

<sup>(1)</sup> Effective June 30, 2011, Governmental Accounting Standards Statement #54 adopted the term “Unassigned” to refer to general fund balances that would fall within the definition of “Unreserved and Undesignated Fund Balance” in the statute known as Act 48 of 2003.

**TAX REVENUES OF THE SCHOOL DISTRICT****Tax Levies****2024-25 Real Estate and Non-Real Estate Tax Rates**

| <u>Municipality</u>      | <u>Real Estate (Mills)</u> |                  |               |  |  |  |
|--------------------------|----------------------------|------------------|---------------|--|--|--|
|                          | <u>School District</u>     | <u>Municipal</u> | <u>County</u> |  |  |  |
| Brecknock Township.....  | 31.55                      | 2.9250           | 8.345         |  |  |  |
| Cumru Township.....      | 31.55                      | 8.8350           | 8.345         |  |  |  |
| Kenhorst Borough.....    | 31.55                      | 5.8140           | 8.345         |  |  |  |
| Mohnton Borough.....     | 31.55                      | 7.6999           | 8.345         |  |  |  |
| Shillington Borough..... | 31.55                      | 7.1400           | 8.345         |  |  |  |

| <u>Municipality</u>      | <u>Emergency and Municipal Services</u> |               | <u>Real Estate Transfer</u> |               | <u>Earned Income</u> |               |
|--------------------------|---|---------------|-----------------------------|---------------|----------------------|---------------|
|                          | <u>Municipal</u>                        | <u>School</u> | <u>Municipal</u>            | <u>School</u> | <u>Municipal</u>     | <u>School</u> |
| Brecknock Township.....  | \$ 00.00                                | \$10.00       | 0.5%                        | 0.5%          | 0.5%                 | 0.5%          |
| Cumru Township.....      | \$ 47.00                                | \$ 5.00       | 0.5%                        | 0.5%          | 0.5%                 | 0.5%          |
| Kenhorst Borough.....    | \$ 47.00                                | \$ 5.00       | 0.5%                        | 0.5%          | 0.5%                 | 0.5%          |
| Mohnton Borough.....     | \$ 47.00                                | \$ 5.00       | 0.5%                        | 0.5%          | 0.5%                 | 0.5%          |
| Shillington Borough..... | \$ 47.00                                | \$ 5.00       | 0.5%                        | 0.5%          | 0.5%                 | 0.5%          |

Source: School District Officials

**Real Estate Tax Collection Record**

The School District's realty tax collection record for the current and previous four fiscal years ending June 30<sup>th</sup>, of the years shown below, is as follows:

| <u>Fiscal Year</u> | <u>Adjusted Total Levy</u> | <u>Current Collections</u> | <u>Current Percent Collected</u> | <u>Total Collections<sup>(1)</sup></u> | <u>Total Percent Collected</u> |
|--------------------|----------------------------|----------------------------|----------------------------------|--|--------------------------------|
| 2019-20            | \$44,177,519               | \$43,501,224               | 98.5%                            | \$44,390,351                           | 100.5%                         |
| 2020-21            | 44,114,364                 | 43,551,727                 | 98.7%                            | 44,559,265                             | 101.0%                         |
| 2021-22            | 44,874,517                 | 44,302,401                 | 98.7%                            | 45,318,565                             | 101.0%                         |
| 2022-23            | 45,310,611                 | 44,772,754                 | 98.8%                            | 45,701,794                             | 100.9%                         |
| 2023-24            | 46,153,111                 | 45,638,622                 | 98.9%                            | 46,709,252                             | 101.2%                         |

<sup>(1)</sup>Includes delinquent real estate collection.

Source: School District Officials.

## Trends in Market and Assessed Valuations

The trend in market and assessed valuations of real estate in the School District is shown below:

| <u>Fiscal Year</u> | <u>Market Value</u> | <u>Assessed Value</u> | <u>Ratio</u> |
|--------------------|---------------------|-----------------------|--------------|
| 2019-2020          | \$2,076,950,351     | \$1,608,369,800       | 77.44%       |
| 2020-2021          | 2,143,768,102       | 1,604,824,600         | 74.86%       |
| 2021-2022          | 2,142,987,307       | 1,604,161,000         | 74.86%       |
| 2022-2023          | 2,318,223,617       | 1,603,187,000         | 69.16%       |
| 2023-2024          | 2,317,380,770       | 1,602,043,500         | 69.13%       |

Source: Pennsylvania State Tax Equalization Board (STEB). Valuations are certified in June of following year.

## Ten Largest Real Estate Taxpayers in the School District

The following table represents the ten real estate taxpayers having the highest assessed values in the School District. These taxpayers represent approximately 6.44% of the School District's total most recent assessed value.

| <u>Taxpayer</u>   | <u>Taxable<br/>Assessed Valuation</u> |
|---|---------------------------------------|
| Heritage Campus Green Hills LLC                             | \$24,084,000                          |
| Green Hills Realty Assoc. LP                                | 20,686,100                            |
| Shillington Realty Assoc. LP                                | 9,783,400                             |
| Governor Mifflin Assoc. LP                                  | 9,241,800                             |
| 1895 New Holland Road LLC                                   | 9,100,000                             |
| Dealbrook LLC Et Al   | 7,537,000                             |
| Whitman ere W Trustee of the Whitman Jere W Revocable Trust | 6,195,900                             |
| Encompass Health Rehab Hosp of Rdg LLC                      | 5,919,700                             |
| Sencit Towne House LLC                                      | 5,584,000                             |
| Shillington Partners LLC Et Al                              | 5,000,000                             |
| <b><i>Totals</i></b>  | <b><u>103,131,900</u></b>             |

Source: County Assessment Office

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## COMMONWEALTH AID TO SCHOOL DISTRICTS

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

Basic education funding is allocated to all school districts in an amount equal to: (1) a fixed sum equal to the school district's Fiscal Year 2023-24 basic educational funding; plus (2) an additional increment determined annually pursuant to statutory formula which adjusts a school district's average daily membership by a number of factors specific to the composition of the student population as well as the school district's median household income, local tax effort and capacity to generate local revenue. The additional increment as calculated above for any individual school district may be zero. Beginning in 2024-25, there is also a Hold Harmless Relief Supplement for qualifying school districts.

Information concerning the calculation of the School District's basic education funding can be found on the Pennsylvania Department of Education's website at <https://www.education.pa.gov>.

School districts also receive subsidies for special education, pupil transportation, career and technical education and health services, among other things.

### **Lack of Commonwealth Appropriations for Debt Service Reimbursement**

Commonwealth law presently provides that the School District will receive reimbursement from the Commonwealth for a portion of the debt service on some or all of the School District's outstanding bonds after said bonds have received final approval from the Department of Education (see **"DEBT STATEMENT AND DEBT LIMITS"** herein). Commonwealth reimbursement is based on the "Reimbursable Percentage" assigned to the Bonds and the School District's Aid Ratio or CARF, whichever is higher. The School District's CARF is currently higher at 47.74%. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon". In future years, this percentage may change as the School District's MVAR changes, or as a result of future legislation regarding changes to, or even elimination of, the PlanCon program. The School District estimates the Bonds will not be subject to reimbursement by the Commonwealth.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on April 1, 2016 and most recently became indefinite with the adoption of Act No. 33 of 2023 on December 13, 2023.

To date, the CFA has issued \$1,903,065,000, to provide for PlanCon reimbursements owed to school districts, consisting of the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series of 2019 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2019, its Revenue Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019, and its Revenue Bonds (Federally Taxable), Series A of 2021 in the total amount of \$343,385,000 issued on June 23, 2021. It is expected that proceeds of these issues will be used to provide PlanCon reimbursement to the School District for the current and future fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

Act 70 of 2019 was adopted by the State legislature and has modified the PlanCon process. The Act states that on July 1, 2020, a new PlanCon system will go online. However, the legislation does not include any funding nor does it state when the Commonwealth would start to allow applicants to enter into the new program. There is a moratorium for the new PlanCon program, which still remains in place.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

## DEBT STATEMENT AND DEBT LIMITS

Residents of the School District are responsible for the following debt within the School District, the municipalities within the School District and the County following the settlement of the Bonds. The School District has never defaulted on the payment of debt service.

|   |                           | Project                   |                             |                     |                     |
|---|---------------------------|---------------------------|-----------------------------|---------------------|---------------------|
| <b><u>DIRECT DEBT</u></b>   | <b>Gross</b>              | <b>Reimbursable</b>       | <b>Effective</b>            | <b>State</b>        | <b>Local</b>        |
| <b><u>NONELECTORAL DEBT</u></b>                                   | <b><u>Outstanding</u></b> | <b><u>Percent (%)</u></b> | <b><u>Reimbursement</u></b> | <b><u>Share</u></b> | <b><u>Share</u></b> |
| <b><u>Issue Type</u></b>  |                           |                           |                             |                     |                     |
| General Obligation Bonds, Series of 2025                          | \$10,000,000              | 0.00%                     | 0.00%                       | \$0                 | \$10,000,000        |
| General Obligation Bonds, Series of 2021                          | 27,540,000                | 0.00%                     | 0.00%                       | 0                   | 27,540,000          |
| General Obligation Notes, Series C of 2020<br>(Federally Taxable) | 16,210,000                | 25.56%                    | 14.37%                      | 2,328,935           | 13,881,065          |
| General Obligation Notes, Series B of 2020<br>(Federally Taxable) | 14,545,000                | 17.13%                    | 9.63%                       | 1,400,505           | 13,144,495          |
| General Obligation Notes, Series A of 2020                        | 26,655,000                | 0.00%                     | 0.00%                       | 0                   | 26,655,000          |
| <b>Total Principal of Nonelectoral Debt</b>                       | <b>\$94,950,000</b>       |                           |                             | <b>\$3,729,440</b>  | <b>\$91,220,560</b> |

### **LEASE RENTAL DEBT**

|   |                     |
|---|---------------------|
| <b>Total Principal of Lease Rental Debt</b> | <b>\$ 0</b>         |
| <b>TOTAL DIRECT DEBT</b>                    | <b>\$94,950,000</b> |

### **OVERLAPPING DEBT**

|  |                     |
|--|---------------------|
| Component Municipalities Debt              | \$2,502,000         |
| Berks County                               | 8,995,877           |
| <b>Total Principal of Overlapping Debt</b> | <b>\$11,497,877</b> |

|  |                      |
|--|----------------------|
| <b>TOTAL DIRECT AND<br/>OVERLAPPING DEBT</b> | <b>\$106,447,877</b> |
|--|----------------------|

### **DEBT RATIOS OF DIRECT DEBT**

|                                   |         |
|-----------------------------------|---------|
| Market Valuation of Real Estate   | 4.10%   |
| Assessed Valuation of Real Estate | 5.93%   |
| Per Capita (2022 Population)      | \$1,897 |

### **DEBT RATIOS OF DIRECT DEBT AND OVERLAPPING DEBT**

|                                   |         |
|-----------------------------------|---------|
| Market Valuation of Real Estate   | 4.59%   |
| Assessed Valuation of Real Estate | 6.64%   |
| Per Capita (2020 Population)      | \$2,127 |

### **FINANCIAL FACTORS OF THE SCHOOL DISTRICT**

|                   |                 |
|-------------------|-----------------|
| Market Value      | \$2,317,380,770 |
| Assessed Value    | \$1,602,043,500 |
| Population (2020) | 50,057          |

<sup>(1)</sup>Gives effect to current appropriations for payment of debt service and expected future State Reimbursement of School District sinking fund payments based on current Aid Ratio. See “Commonwealth Aid to School Districts” herein.

<sup>(2)</sup>School District’s pro rata 7.28% share of the County’s \$123,529,000 principal amount outstanding.

Source: Department of Community and Economic Development (“DCED”) website.

## FUTURE FINANCING

The School District does not anticipate issuing additional long-term debt to fund its capital improvement plan over the next 3 years.

### BORROWING CAPACITY (Under Local Government Unit Debt Act)

The legal borrowing capacity of the School District is calculated in accordance with the Debt Act, which describes the applicable debt limits for local government units (entities with taxing powers), including school districts and municipalities. Under the Debt Act, the School District may incur electoral debt, which is debt that is approved by a majority of the School District's voters at either a general or special election, in an unlimited amount. Net nonelectoral debt, or debt not approved by the School District's electorate, net of state aid, may not exceed 225% of the School District's "Borrowing Base", as defined in the Debt Act. The Bonds constitute nonelectoral debt under the Debt Act. The Borrowing Base is calculated as the annual arithmetic average of Total Revenues (as defined in the Debt Act), for the three full fiscal years next preceding the date of incurring debt. Combined net nonelectoral debt and net lease rental debt (debt represented by capital leases and similar agreements relating to debt payments), net of approved state aid, incurred on behalf of the School District may not exceed 225% of the School District's Borrowing Base. The Borrowing Base and borrowing capacity of the School District are as follows:

|   | <u>2021-22</u>      | <u>2022-23</u>      | <u>2023-24</u>      |
|---|---------------------|---------------------|---------------------|
| <b>Total General Fund Revenues</b> .....                                  | \$76,562,860        | \$82,545,801        | \$82,642,136        |
| <b>Less: Required Deductions</b>  |                     |                     |                     |
| a. Rental and Sinking Fund Reimbursement.....                             | \$1,108,993         | \$1,110,280         | \$712,598           |
| b. Revenues for Self-Liquidating Debt .....                               | 0                   | 0                   | 0                   |
| c. Interest Earned on Sinking Funds .....                                 | 0                   | 0                   | 0                   |
| d. Grant and Gifts for Capital Projects.....                              | 0                   | 0                   | 0                   |
| e. Sale of Equipment and Non-Recurring Items (i.e., insurance recoveries) | 0                   | 0                   | 0                   |
| <b>Total Deductions</b> .....   | <u>1,108,993</u>    | <u>1,110,280</u>    | <u>712,598</u>      |
| <b>Total Net General Fund Revenues</b> .....                              | <u>\$75,453,867</u> | <u>\$81,435,521</u> | <u>\$81,929,538</u> |
| <br><b>Total Net Revenues for Three Years</b> .....                       |                     | \$238,818,925       |                     |
| <b>Borrowing Base - Average Net Revenues for Three-Year Period</b> .....  |                     | \$79,606,308        |                     |
| <br><b>Computation of Borrowing Capacity</b>                              |                     |                     |                     |
| Debt Limitation - 225% of Borrowing Base.....                             |                     | \$179,114,194       |                     |
| Less: Net Non-Electoral and Lease Rental Debt .....                       |                     | <u>94,950,000</u>   |                     |
|   |                     | \$84,164,194        |                     |
| <br>Current Non-Electoral and Lease Rental Borrowing Capacity.....        |                     |                     |                     |

## LABOR RELATIONS

### Employees and Labor Contracts

There are presently 785 employees of the School District, including teachers, administrators, and support personnel including secretaries, maintenance staff, cafeteria workers and aides.

Professional/instructional employees of the School District are represented for purposes of collective bargaining by the Governor Mifflin Education Association, which is affiliated with the Pennsylvania State Education Association ("PSEA"). The expiration date of the current collective bargaining which is in place between the School District and the PSEA is June 30, 2030.

### Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administrated by the Commonwealth. The program is formally known as the Public School Employees' Retirement System ("PSERS"), and a percentage of each eligible employee's salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees who render at least 500 hours of service in the school year can participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees' Retirement Code. Members who enrolled prior to January 1, 2002, range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. For the fiscal year ended June 30, 2025, the PSERS Board certified employer rate, to be paid by the School District, is 33.9%. According to Act 120 of 2010 the employer contribution rate is suppressed for future years by using rate caps to keep the rate from rising too high, too fast.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another

public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 ("Act 5") PSERS transitioned from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members' classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019, will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period. Both the School District and the Commonwealth are responsible for paying a portion of the employer's share. School entities are responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth reimburses the employer for one-half the payment for employees. The School District contributions are made on a quarterly basis and employee contributions are deducted bi-weekly for each paycheck and remitted monthly. Recent School District payments been as follows:

| <b>FYE</b>      | <b>Contractually Required Contribution</b> |                         |              | <b>Less Commonwealth</b> | <b>School District</b>  |
|-----------------|--|-------------------------|--------------|--------------------------|-------------------------|
| <b>June 30,</b> | <b>Pension Plan</b>                        | <b>PSER's OPEB Plan</b> | <b>Total</b> | <b>Reimbursement</b>     | <b>Net Contribution</b> |
| 2024            | \$10,905,538                               | \$210,926               | \$11,116,464 | \$5,940,073              | \$5,176,391             |
| 2023            | 11,077,886                                 | 242,158                 | 11,320,044   | 5,905,103                | 5,414,941               |
| 2022            | 10,576,322                                 | 248,928                 | 10,825,250   | 5,689,894                | 5,135,356               |
| 2021            | 10,289,687                                 | 251,791                 | 10,541,478   | 5,343,956                | 5,197,522               |
| 2020            | 10,148,076                                 | 255,528                 | 10,403,604   | 5,289,482                | 5,114,122               |

On June 30, 2024, the School District reported a liability of \$95,423,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS' total pension liability as of June 30, 2022 to June 30, 2023. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the PSERS' one-year reported contributions. This method was changed beginning with the System's fiscal year ended June 30, 2020. In prior years, the proportion of the PSERS net pension liability was calculated utilizing the School District's one-year reported covered payroll as it related to PSERS' total one-year report covered payroll. At June 30, 2024 (measurement date), the School District's proportion was 0.2145%, which was an increase of 0.0032% from its proportion measured as of June 30, 2023.

As of June 30, 2023, the PSERS plan was 61.6% funded, with an unfunded actuarial accrued liability of approximately \$44.0 billion. PSERS' rate of return for fiscal year ended June 30, 2023, was 3.54%. The Fund had plan net assets of \$72.8 billion on June 30, 2023. For more information, visit the PSERS website at [www.psers.pa.gov](http://www.psers.pa.gov), which is not incorporated by specific reference into this Official Statement.

#### **Other Post-Employment Benefits ("OPEB")**

The School District implemented Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the School District. This statement generally provides for prospective implementation - i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year.

Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition. Single-Employer Defined Benefit OPEB Plan The School District's other post-employment benefits ("OPEB") include a single-employer defined benefit plan that provides medical and life insurance benefits to eligible retirees and their dependents. The School Board has the authority to establish and amend benefit provisions. The OPEB Plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

The School District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

For a full description of the pension and OPEB plans, please refer to Appendix E – Financial Statements.



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## **APPENDIX B**

### **LOCAL DEMOGRAPHIC AND STATISTICAL; AND ECONOMIC INFORMATION**

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## DEMOGRAPHIC AND STATISTICAL INFORMATION

The following tables provide population trends, age, family income and housing indices for the School District, the County and the Commonwealth of Pennsylvania.

### Population

|                       | <u>2010</u> | <u>2020</u> |
|-----------------------|-------------|-------------|
| School District ..... | 30,925      | 31,598      |
| Berks County .....    | 411,442     | 428,849     |
| Pennsylvania.....     | 12,702,379  | 13,002,700  |

Source: U.S. Bureau of Census.

### Age Composition (2020)

|                       | <u>Percent<br/>Under 18</u> | <u>Percent 65<br/>and Over</u> |
|-----------------------|-----------------------------|--------------------------------|
| School District ..... | 16.3%                       | 29.1%                          |
| Berks County .....    | 21.8                        | 18.2                           |
| Pennsylvania.....     | 20.2                        | 19.6                           |

Source: U.S. Bureau of Census.

### Housing Characteristics (2020)

|                    | <u>Housing Units</u> | <u>Households</u> | <u>Persons<br/>Per Household</u> |
|--------------------|----------------------|-------------------|----------------------------------|
| Berks County ..... | 171,712              | 160,065           | 2.59                             |
| Pennsylvania.....  | 5,815,392            | 5,147,783         | 2.44                             |

Source: U.S. Bureau of Census.

### Educational Institutions

A variety of institutions of higher learning are located near the School District and Berks County. Included are four degree-granting institutions and a number of business schools. The larger educational institutions in the area are Penn State Berks University, Albright College, Alvernia University and Kutztown University of Pennsylvania, which offers master's degrees in business administration, education, library education and various fields of the arts and sciences. The County of Berks is the sponsoring government for the Reading Area Community College and appoints members to the Board of Trustees. Tower Health and Drexel University reached an agreement to build a Medical College Campus near Reading Hospital.

### Transportation

The School District's economic position has been bolstered by a fine network of Federal and State highways and rail transportation. This transportation network affords residents and industry accessibility to all urban areas and major market centers. U.S. Route 422 connects the School District with Philadelphia to the east and Lebanon to the west and U.S. Route 222 traverses the School District and connects the area with Lancaster and the Pennsylvania Turnpike to the south and Reading and Allentown to the north. The School District is also served by State Route 724.

ConRail provides freight transportation to the industrial residents of the School District along with twenty-four motor freight lines that serve the Reading area.

Commuter and intercity bus service is furnished by the Berks Area-Reading Transportation Authority, Capitol Trailways, Greyhound Trailways and Beiber Tourways.

## **Utilities and Communications**

Various municipal authorities provide sewer service to the developed portions of the School District and Western Berks Water Authority, Wernersville Municipal Authority and Citizens Utilities Water Company of Pennsylvania supply water service to the School District residents.

Electric service is provided by GPU Energy and Pennsylvania Power and Light Company. Telephone service is provided by Verizon and gas service by UGI Corporation.

## **Medical Facilities**

The School District and County are served by five (5) medical centers, three (3) medical and dental laboratories, two (2) general hospitals and five (5) specialized institutions which deal with geriatric patients, mental and tuberculosis patients, as well as the physically handicapped.

## **Commerce**

The County continues to be a leader in specialty manufacturing with one of the highest concentration in the Commonwealth of Pennsylvania. Companies have expanded including East Penn Manufacturing and EnerSys Batteries. The County has experienced significant growth in box distribution centers along its Route 78 and Route 61 corridors, attracting wholesale distribution and retail order fulfillment companies in support of their east coast business. The County is also experiencing growth in the City of Reading and its suburbs with commercial, medical, education institutions and residential development. Most recent, The Tower Health joint venture with Drexel University completed the regional medical campus near Reading hospital and Penn National's Hollywood Casino Morgantown is up and running.

## **ECONOMIC INFORMATION**

### **Ten Largest Employers in Berks County 1st Quarter, 2023**

East Penn Manufacturing Company  
Reading Hospital  
Carpenter Technology Corporation  
Penske Truck Leasing Co. LP  
Amazon.com Services Inc.  
Wal-Mart Associates Inc.  
County of Berks  
Reading School District  
Redner's Tiger Markets Inc.  
State Government

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Source: Pennsylvania Department of Labor & Industry – Center for Workforce Information and Analysis.

# READING METROPOLITAN STATISTICAL AREA

(Berks County)

## TOTAL CIVILIAN LABOR FORCE, EMPLOYMENT, UNEMPLOYMENT, AND UNEMPLOYMENT RATE BY PLACE OF RESIDENCE

| TIME PERIOD | CIVILIAN<br>LABOR<br>FORCE | EMPLOY-<br>MENT <sup>2</sup> | UNEMPLOY-<br>MENT | RATE<br>(%) | SEASONALLY ADJUSTED <sup>4</sup> |                 |                   |             |
|-------------|----------------------------|------------------------------|-------------------|-------------|----------------------------------|-----------------|-------------------|-------------|
|             |                            |                              |                   |             | LABOR<br>FORCE                   | EMPLOY-<br>MENT | UNEMPLOY-<br>MENT | RATE<br>(%) |
| August 2023 | 216,800                    | 207,100                      | 9,700             | 4.5         | 214,100                          | 206,000         | 8,000             | 3.8         |
| July        | 215,700                    | 207,400                      | 8,300             | 3.8         | 213,500                          | 205,700         | 7,800             | 3.6         |
| June        | 215,800                    | 207,200                      | 8,600             | 4.0         | 213,500                          | 205,600         | 7,900             | 3.7         |
| August 2022 | 212,200                    | 201,900                      | 10,300            | 4.8         | 214,300                          | 204,900         | 9,400             | 4.4         |

### August 2023 NONFARM JOBS - NOT SEASONALLY ADJUSTED

| ESTABLISHMENT DATA  | Industry Employment                              |          |          |          | Net Change From: |          |
|---|--|----------|----------|----------|------------------|----------|
|   | Aug 2023   | Jul 2023 | Jun 2023 | Aug 2022 | Jul 2023         | Aug 2022 |
| <b>TOTAL NONFARM</b>  | <b>179,000</b>                                   | 179,200  | 180,000  | 176,300  | -200             | 2,700    |
| <b>TOTAL PRIVATE</b>  | <b>161,500</b>                                   | 161,800  | 161,200  | 158,900  | -300             | 2,600    |
| <b>GOODS-PRODUCING</b>                                      | <b>39,300</b>                                    | 39,600   | 39,500   | 39,700   | -300             | -400     |
| Mining, Logging, and Construction                           | 8,200  | 8,400    | 8,300    | 8,400    | -200             | -200     |
| Manufacturing   | 31,100   | 31,200   | 31,200   | 31,300   | -100             | -200     |
| Durable Goods   | 21,700   | 21,800   | 21,700   | 21,500   | -100             | 200      |
| Non-Durable Goods   | 9,400  | 9,400    | 9,500    | 9,800    | 0                | -400     |
| <b>SERVICE-PROVIDING</b>                                    | <b>139,700</b>                                   | 139,600  | 140,500  | 136,600  | 100              | 3,100    |
| <b>PRIVATE SERVICE-PROVIDING</b>                            | <b>122,200</b>                                   | 122,200  | 121,700  | 119,200  | 0                | 3,000    |
| Trade, Transportation, and Utilities                        | 35,200   | 35,300   | 35,200   | 34,600   | -100             | 600      |
| Wholesale Trade   | 6,500  | 6,500    | 6,400    | 6,300    | 0                | 200      |
| Retail Trade  | 19,100   | 19,100   | 19,000   | 18,600   | 0                | 500      |
| Grocery and convenience retailers                           | 3,700  | 3,700    | 3,700    | 3,600    | 0                | 100      |
| Transportation, Warehousing, and Utilities                  | 9,600  | 9,700    | 9,800    | 9,700    | -100             | -100     |
| Information   | 1,000  | 1,000    | 1,000    | 1,000    | 0                | 0        |
| Financial Activities  | 6,900  | 6,900    | 7,000    | 7,000    | 0                | -100     |
| Credit Intermediation and Related Activities including Mone | 2,400  | 2,400    | 2,400    | 2,400    | 0                | 0        |
| Professional and Business Services                          | 23,300   | 23,200   | 23,000   | 22,600   | 100              | 700      |
| Education and Health Services                               | 31,900   | 31,800   | 31,700   | 30,800   | 100              | 1,100    |
| Health care and social assistance                           | 29,100   | 28,900   | 28,900   | 28,200   | 200              | 900      |
| Leisure and Hospitality                                     | 15,600   | 15,700   | 15,600   | 15,300   | -100             | 300      |
| Other Services  | 8,300  | 8,300    | 8,200    | 7,900    | 0                | 400      |
| Government  | 17,500   | 17,400   | 18,800   | 17,400   | 100              | 100      |
| Federal Government  | 800  | 800      | 800      | 800      | 0                | 0        |
| State Government  | 3,000  | 2,800    | 2,800    | 2,900    | 200              | 100      |
| Local Government  | 13,700   | 13,800   | 15,200   | 13,700   | -100             | 0        |
| Data benchmarked to March 2022                              | ***Data changes of 100 may be due to rounding*** |          |          |          |                  |          |

Source: Pennsylvania Department of Labor & Industry.

**APPENDIX C**

**FORM OF OPINION OF BOND COUNSEL**

# Stevens & Lee

111 N. Sixth Street  
P.O. Box 679  
Reading, PA 19603  
(610) 478-2000  
www.stevenslee.com

\_\_\_\_\_, 2025

Re: Governor Mifflin School District, Berks County, Pennsylvania  
\$ \_\_\_\_\_ General Obligation Bonds, Series of 2025

TO: THE REGISTERED OWNERS OF THE ABOVE-CAPTIONED BONDS

We have served as Bond Counsel in connection with the issuance by the Governor Mifflin School District, Berks County, Pennsylvania (the “School District”), of its \$ \_\_\_\_\_ aggregate principal amount General Obligation Bonds, Series of 2025, dated as of and bearing interest from \_\_\_\_\_, 2025 (the “Bonds”). The Bonds are being issued, without the assent of the electors, in fully registered form, without coupons, in denominations of \$5,000 each or multiples thereof, pursuant to the provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as reenacted and amended (the “Act”). The Bonds are being issued pursuant to the provisions of a resolution adopted by the Board of School Directors of the School District on May 19, 2025 (the “Resolution”).

The Bonds are being issued to provide funds for (1) the design, acquisition, construction, installation, furnishing and equipping of alterations, renovations, additions and improvements to the existing facilities of the School District; (2) additional capital projects of the School District to the extent approved by the Board of School Directors of the School District; and (3) paying the costs and expenses of issuance of the Bonds, as described more completely in the Resolution.

The School District has covenanted in the Resolution that it will make no use of the proceeds of the Bonds and it has neither done nor suffered and will neither do nor suffer any other action which, if such use or action had been reasonably expected on the date of issue of the Bonds, would cause the Bonds to be “arbitrage bonds” or “private activity bonds,” as those terms are defined in the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable regulations thereunder. The School District has further covenanted that it will comply with the requirements of Section 148 and Section 141 of the Code and with the applicable regulations thereunder throughout the term of the Bonds. Further, the School District has designated the Bonds as “qualified tax-exempt obligations” within the meaning and for the purposes of Section 265(b)(3) of the Code.

In the Resolution, the School District has covenanted that (1) it will include in its budget in each fiscal year the amount required to pay debt service on the Bonds for such year, (2) it will appropriate from its general revenues in each such fiscal year the amount required to pay debt service on the Bonds for such year, and (3) it will duly and punctually pay or cause to be paid when due, from its sinking fund or any other of its revenues or funds, the principal of and interest



# Stevens & Lee

\_\_\_\_\_, 2025  
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on every Bond at the dates and place and in the manner stated therein, according to the true intent and meaning thereof. For such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power, subject to such limitations provided by law. In addition, the School District has established with U.S. Bank National Association (the “Paying Agent”), as paying agent and sinking fund depository, a sinking fund, and has covenanted to deposit into such sinking fund amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due and payable.

In our capacity as Bond Counsel, we have reviewed: (a) a certified copy of each Resolution; (b) the sworn debt statement and borrowing base certificate of the School District filed with the Department of Community and Economic Development of the Commonwealth of Pennsylvania (the “Department”) in accordance with the provisions of the Act; (c) the proceedings of the School District and the various proofs of publication in connection with the advertisement of the Resolution, all of which were filed with the Department as required by the provisions of the Act; (d) the approval of the Department; (e) a specimen copy of one of the Bonds; (f) the Nonarbitrage Certificate of the School District executed and delivered pursuant to the provisions of the Code and the regulations applicable thereto; (g) the General Certificate signed by officials of the School District; (h) a completed and executed Form 8038-G to be filed with the Internal Revenue Service; (i) the opinion of Saxton & Stump, Solicitor to the School District (the “Solicitor’s Opinion”); (j) the Certificate dated the date hereof of Raymond James & Associates, Inc. (the “Purchaser”); (k) the Certificate dated the date hereof of FSL Public Finance LLC, municipal advisor to the School District; and (l) the other documents, certificates and opinions executed and delivered at the closing held this day.

Based and in reliance upon our review of the foregoing, our attendance at the closing held this day and subject to the qualifications set forth herein, it is our opinion that, as of the date hereof, under existing law:

1. The School District is empowered under provisions of the Constitution and laws of the Commonwealth of Pennsylvania to issue the Bonds.
2. The Resolution was duly adopted by the Board of School Directors of the School District and continues to be in full force and effect as of the date hereof.
3. The Bonds have been duly authorized and executed and constitute valid and binding obligations of the School District, enforceable in accordance with their terms, except as the legality, validity, binding nature and enforceability thereof may be limited by (a) applicable bankruptcy, insolvency or other laws or equitable principles now or hereafter affecting the enforcement of creditors’ rights generally or (b) general principles of equity.

# Stevens & Lee

\_\_\_\_\_, 2025  
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4. Interest on the Bonds is not includable in gross income for federal income tax purposes under Section 103(a) of the Code.

5. Under the laws of the Commonwealth of Pennsylvania, the Bonds and interest on the Bonds shall be free from taxation for State and local purposes within the Commonwealth of Pennsylvania, but this exemption shall not extend to gift, estate, succession or inheritance taxes or other taxes not levied directly on the Bonds or the interest thereon. Under the laws of the Commonwealth of Pennsylvania, profits, gains or income derived from the sale, exchange or other disposition of the Bonds, are subject to State and local taxation within the Commonwealth of Pennsylvania.

6. Under the Code, interest on the Bonds does not constitute an item of tax preference under Section 57 of the Code and thus is not subject to alternative minimum tax on individuals and corporations; however such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

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In connection with providing the foregoing opinions, we call to your attention the following:

A. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other documents, agreements, instruments, reports and certificates furnished to us at or in connection with the issuance of the Bonds (including, without limitation, certificates and agreements by the School District as to the expected use of proceeds of the Bonds, as to its continuing compliance with Sections 148 and 141 of the Code to assure that the Bonds do not become “arbitrage bonds” or “private activity bonds” and its expectations with respect to the issuance of additional, tax-exempt obligations within this calendar year) without undertaking to verify the same by independent investigation. We have also relied upon the accuracy of the representations and warranties and the performance of the covenants and agreements of the School District set forth in the Resolution and the various certificates and other agreements delivered at or in connection with the closing held this day.

B. In providing the opinions set forth in paragraphs 2 and 3 above, we have relied, without independent investigation, on the Solicitor’s Opinion.

C. In providing the opinion set forth in paragraph 4 above, we have assumed continuing compliance by the School District with the requirements of the Code and applicable regulations thereunder which must be met subsequent to the issuance of the Bonds in order that

# Stevens & Lee

\_\_\_\_\_, 2025

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the interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be included in gross income retroactive to the date of issuance of the Bonds.

D. In providing the opinions set forth in paragraph 6 above, we have assumed continuing compliance by the School District with the requirements of the Code and applicable regulations thereunder which must be met subsequent to the issuance of the Bonds in order that the interest thereon not constitute an item of tax preference under Section 57 of the Code. Failure to comply with such requirements could cause the interest on the Bonds to constitute an item of tax preference under Section 57 of the Code retroactive to the date of issuance of the Bonds.

E. Except as specifically set forth above, we express no opinion regarding other federal income tax consequences arising with respect to the Bonds, including, without limitation, the treatment for federal income tax purposes of gain or loss, if any, upon the sale, redemption, or other disposition of the Bonds prior to maturity of the Bonds subject to original issue discount or premium and the effect, if any, of certain other provisions of the Code which could result in collateral federal income tax consequences to certain investors as a result of adjustments in the computation of tax liability dependent on tax-exempt interest.

F. We have not been engaged to verify, nor have we independently verified, the accuracy, completeness or truthfulness of any statements, certifications, information or financial statements set forth in the Preliminary Official Statement \_\_\_\_\_, 2025 (the “Preliminary Official Statement”), or the Official Statement, dated \_\_\_\_\_, 2025 (the “Official Statement”), or otherwise used in connection with the offer and sale of the Bonds or set forth in or delivered by School District officials. We express no opinion with respect to whether the School District, in connection with the sale of the Bonds or the preparation of the Preliminary Official Statement or the Official Statement, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made not misleading.

G. We have not verified, and express no opinion as to the accuracy of, any “CUSIP” identification number which may be printed on any Bond. We have also assumed the genuineness of the signatures appearing upon all the certificates, documents and instruments executed and delivered at closing.

H. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention

# Stevens & Lee

\_\_\_\_\_, 2025  
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after the date hereof. Our engagement as Bond Counsel has concluded with the issuance of the Bonds and we disclaim any obligation to update this letter.

STEVENS & LEE, P.C.

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

GOVERNOR MIFFLIN SCHOOL DISTRICT  
BERKS COUNTY, PENNSYLVANIA  
\$ \_\_\_\_\_ GENERAL OBLIGATION BONDS, SERIES OF 2025

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Governor Mifflin School District, Berks County, Pennsylvania (the “School District”), in connection with the issuance of its \$ \_\_\_\_\_ aggregate principal amount General Obligation Bonds, Series of 2025 (the “Bonds”). The Bonds are being issued pursuant to a Resolution of the School District, dated May 19, 2025 (the “Resolution”). The School District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School District for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with the Rule (hereinafter defined).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the School District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Bondholders” or “Holders” shall mean the registered owners of the Bonds and, if registered in the name of Cede & Co., through The Depository Trust Company, New York, New York (“DTC”), any Beneficial Owners (as such term is used by DTC to define holders other than nominees) of the Bonds, unless the Rule, or an authoritative interpretation thereof by the Securities and Exchange Commission (the “Commission”) or its staff, does not require this Disclosure Certificate to be for the benefit of such Beneficial Owners.

“Commission” shall mean the Securities and Exchange Commission.

“Dissemination Agent” shall mean any person or entity designated from time to time in writing by the School District and which has filed with the School District a written acceptance of such designation and of the duties of the Dissemination Agent under this Disclosure Certificate.

“EMMA” shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule as further described in Section 13 hereof.

“Filing” shall mean, as applicable, any Annual Report or Listed Event filing or any other notice or report made public under this Disclosure Certificate made with each NRMSIR or the MSRB and the SID, if any, together with a completed copy of a cover sheet in such form acceptable to each NRMSIR, the MSRB or SID, if applicable, describing the event by

checking the box in said form when filing pursuant to the pertinent sections of this Disclosure Certificate.

“Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any successor thereto for purposes of the Rule.

“NRMSIR” shall mean any Nationally Recognized Municipal Securities Information Repository recognized for purposes of the Rule and the MSRB, as reflected on the website of the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov). **As of the date of this Disclosure Certificate, the sole NRMSIR shall be the MSRB, through the operation of EMMA, as provided in Section 13 hereof.**

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each NRMSIR and the SID, if any.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SID” shall mean any public or private state information depository or entity designated by the Commonwealth of Pennsylvania as a state information depository for the purpose of the Rule, if any. As of the date of this Disclosure Certificate, no SID has been designated.

### SECTION 3. Provision of Annual Reports.

(a) The School District shall not later than 180 days after the end of each fiscal year of the School District, commencing with the fiscal year ending June 30, 2025, provide directly or through the Dissemination Agent to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. In connection therewith, not later than fifteen (15) Business Days prior to said date, the School District shall provide the Annual Report to the Dissemination Agent (if one has been designated by the School District under this Disclosure Certificate). The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the School District may be submitted separately from the remainder of the Annual Report when such audited financial statements are available. If the audited financial statements are not submitted as part of the Annual Filing to each Repository pursuant to this

Section 3(a), the School District shall provide to each Repository such audited financial statements when they are available to the School District.

(b) If the School District is unable to provide an Annual Report by the date required in subsection (a), the School District shall send or cause the Dissemination Agent to send, in a timely manner, a notice to each NRMSIR and the SID, if any, in substantially the form attached as Exhibit A.

(c) The School District or the Dissemination Agent, if applicable, shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each NRMSIR and the SID, if any; and

(ii) if a Dissemination Agent has been designated hereunder, file a report with the School District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing each Repository to which it was provided.

(iii) The School District shall promptly file a notice of any change in its fiscal year and the new annual filing date with each NRMSIR and the SID, if any.

(d) If the Dissemination Agent does not receive the Annual Report from the School District by the fifteenth Business Day specified in Section 3(a) above, the Dissemination Agent shall provide a written reminder notice to the School District with respect to the School District's obligations under Section 3(a) above no later than five (5) Business Days after such fifteenth Business Day.

SECTION 4. Content of Annual Reports. The School District's Annual Report shall contain or incorporate by reference the following:

(a) a copy of the School District's annual financial statements prepared in accordance with the guidelines adopted by the Government Accounting Standards Board and the American Institute of Certified Public Accountants' Audit Guide, Audits of State and Local Government; and

(b) a summary of the budget for the current fiscal year;

(c) the assessed value and aggregate market value of all taxable real estate for the most recent fiscal year;

(d) the taxes and millage rates imposed for the most recent fiscal year;

(e) the real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior



years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount); and

(f) a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the most recent fiscal year.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the School District or related public entities, which have been submitted to each Repository or the Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The School District shall clearly identify each such other document so incorporated by reference. The School District reserves the right to modify from time to time specific types of information provided hereunder or the format of the presentation of such information, to the extent necessary or appropriate; provided, however, that any such modification will be done in a manner consistent with the Rule.

#### SECTION 5. Reporting of Significant Events.

(a) The occurrence of any of the following events with respect to a particular series of the Bonds constitutes a "Listed Event" only with respect to such series of the Bonds. This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

- (i) Principal and interest payment delinquencies;
- (ii) Nonpayment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of securities holders, if material;
- (viii) Bond calls, if material, and tender offers for the Bonds;
- (ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar events of the School District;

(xiii) The consummation of a merger, consolidation, or acquisition involving the School District or the sale of all or substantially all of the assets of the School District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) Appointment of a successor or additional trustee or paying agent or the change of name of a trustee or paying agent, if material;

(xv) Incurrence of a Financial Obligation of the School District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the School District, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the School District, any of which reflect financial difficulties.

(b) Whenever the School District obtains knowledge of the occurrence of a Listed Event, the School District shall as soon as possible (with respect to those Listed Events where a determination of materiality by the School District is applicable) determine if such event would constitute material information for Holders of Bonds under applicable federal securities laws.

(c) If (i) a Determination of materiality by the School District is not relevant to the obligation to give notice of a Listed Event or (ii) the School District determines (with respect to those Listed Events where a determination of materiality by the School District is applicable) that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the School District shall promptly file in a timely manner, not in excess of ten (10) business days after the occurrence of the Listed Event, or cause the Dissemination Agent to so file (if a Dissemination Agent has been designated hereunder) a notice of such occurrence with each NRMSIR and the SID, if any, with a copy to the Paying Agent.

(d) For purposes of the Listed Events in Section 5(a)(xii), the School District and the Dissemination Agent acknowledge the following interpretive note which the Commission has set forth in the Rule: *“Note: for the purposes of the event identified in subparagraph (b)(5)(i)(C)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal*

*law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person;”.*

SECTION 6. Termination of Reporting Obligation. The School District’s obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

In the event that any person or entity subsequent to the execution hereof becomes an “obligated person,” as such term is defined in the Rule, with respect to the Bonds, the School District covenants to use its best effort to cause such obligated person to enter into a written undertaking to comply with the provisions of the Rule or to cause this Disclosure Certificate to be amended and to cause such obligated person to join in the execution of such amendment.

SECTION 7. Dissemination Agent. The School District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The School District shall cause the Dissemination Agent appointed hereunder and any successors to execute and deliver an acknowledgment of acceptance of the designation and duties of Dissemination Agent under this Disclosure Statement.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the School District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, as well as any change in circumstances.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the School District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the School District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the School District shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the School District to comply with any provision of this Disclosure Certificate, any Bondholder may take such actions as may

be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Bonds or the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the School District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent, if other than the School District. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the School District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the School District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Undertaking with Respect to Certain Procedures and Policies. The School District agrees to begin the process of establishing internal policies and procedures for the purpose of continuing disclosure compliance. Without intending to preclude the adoption of other necessary or useful policies and procedures, a single School District official will be designated with ultimate responsibility for continuing disclosure compliance and will oversee the process of informing and training appropriate deputies and other School District employees with respect to the School District's continuing disclosure undertakings.

SECTION 13. EMMA. Filings shall be made to the continuing disclosure service portal provided through EMMA as provided at <http://www.emma.msrb.org>, or any similar system that is acceptable to the Commission.

SECTION 14. Alternative Filing. Notwithstanding the other provisions of this Disclosure Certificate, any filing under this Disclosure Certificate, and any additional supplements hereto, may be made with such depositories and using such electronic filing systems as may be approved by the United States Securities and Exchange Commission (in lieu of the procedures currently in this Disclosure Certificate).

SECTION 15. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School District, the Paying Agent, the Dissemination Agent (if any), the Participating Underwriter and the Holders from time to time of the Bonds and shall create no rights in any other person or entity.

GOVERNOR MIFFLIN SCHOOL DISTRICT  
Berks County, Pennsylvania

(SEAL)

By: \_\_\_\_\_  
President

Attest: \_\_\_\_\_  
Secretary

Date: \_\_\_\_\_, 2025

EXHIBIT A<sup>1</sup>

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Governor Mifflin School District  
Berks County, Pennsylvania

Name of Issue: Governor Mifflin School District  
Berks County, Pennsylvania  
\$\_\_\_\_\_ aggregate principal amount  
General Obligation Bonds, Series of 2025  
(the “Bonds”)

Date of Issuance: \_\_\_\_\_, 2025

NOTICE IS HEREBY GIVEN that the Governor Mifflin School District, Berks County, Pennsylvania (the “School District”), has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated \_\_\_\_\_, 2025, executed by the School District. The School District anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

GOVERNOR MIFFLIN SCHOOL DISTRICT,  
BERKS COUNTY, PENNSYLVANIA, [OR  
DISSEMINATION AGENT ON BEHALF OF  
THE GOVERNOR MIFFLIN SCHOOL  
DISTRICT, BERKS COUNTY,  
PENNSYLVANIA]

cc: Paying Agent

---

<sup>1</sup> The substantive content of this notice shall be provided in any applicable notice filing. Appropriate modifications may be made to accommodate the electronic submission format requirements of the EMMA system or other successor electronic filing system.

**APPENDIX E**  
**AUDITED FINANCIAL STATEMENTS**



***GOVERNOR MIFFLIN SCHOOL DISTRICT***

**FINANCIAL AND COMPLIANCE REPORT**

**Year Ended June 30, 2024**



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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Governor Mifflin School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Governor Mifflin School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Governor Mifflin School District, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 86 through 90 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Supplementary Information**

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024, on our consideration of Governor Mifflin School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Governor Mifflin School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Governor Mifflin School District's internal control over financial reporting and compliance.

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
December 16, 2024**



## **Management's Discussion and Analysis (MD&A)**

The following is a discussion and analysis of the Governor Mifflin School District's annual financial performance during the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

### **Financial Highlights**

- District-wide revenue of \$87.2 million exceeded expenditures of \$80.7 million by \$6.5 million. General revenues in the form of property and other taxes along with state subsidies and investment earnings accounted for \$67.1 million or 77% of all revenues. Program specific revenues in the form of charges for services, grants and contributions totaled \$20.1 million or 23% of total revenues. Instruction, instructional student support, and student transportation expenses accounted for \$57.7 million or 71.5% of total expenses. Operation and maintenance of plant, administrative, financial support and other services totaled \$23 million or 28.5% of total expenses.
- The Taxpayer Relief Act of 2006, or more commonly referred to as Act 1, subjects Pennsylvania Public Schools to a real estate property base tax cap, or adjusted tax cap, if applicable, annually. For fiscal year 2023-24, the District's adjusted tax cap was 5.2%, or 1.5392 mills. Millage was set at 30.1 mills, which was an increase of 0.5 mills and therefore did not need to include any exceptions approved by the Pennsylvania Department of Education.
- Under the provisions of the Homestead Property Exclusion Program Act and the Taxpayer Relief Act, the School Board passed the 2023-24 Homestead and Farmstead Exclusion Resolution in June 2023 whereby County approved homestead and farmstead property taxpayers received an assessment reduction on the July 1, 2023 real estate tax bills of \$5,298 each, which resulted in a \$159.47 tax reduction per homestead and farmstead. This property tax reduction was the result of the District's allocation of gambling tax funds, Philadelphia tax credit reimbursement funds, as well as remaining property tax reduction funds totaling \$1,086,721.
- Act 1 also requires each school district to offer homestead and farmstead property owners the option of paying the flat rate of their real estate taxes in installments. Act 25 of 2011 broadened the mandatory real estate tax installment option to include small business owners. The District allows all District property owners to choose the installment option, in fiscal year 2023-24 the District offered installments with three equal installment payments due July 31, September 30, and November 30. Approximately 3.47% of District real estate properties elected the installment method for the 2023-24 fiscal year.
- Salary increases during the 2023-24 school year were as follows: Governor Mifflin Education Association, 3.9%; Act 93 Professionals, 3% Act 93 Support, 3%, and AFSCME Support, \$.60/hr.

- The required District contribution to the Pennsylvania School Employees Retirement System (PSERS) decreased from 35.26% to 34% for 2023-24, with an additional rate decrease projected for the next fiscal year.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, adopted by the District establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting for pensions by governments and establishes standards for recording and reporting contributions made to a defined benefit plan after the measurement date of the government's net pension liability. Pension expense recognized in the Statement of Activities for the year ended June 30, 2024 totaled \$8.9 million, with a District-wide net pension liability of \$95,423,000 as of June 30, 2024 in the Statement of Net Position. Deferred outflows of resources of \$16.4 million and deferred inflows of resources of \$2.5 million as of June 30, 2024 related to the pension calculation in accordance with these GASB statements. See Note 9 for details and further explanation.
- Effective July 1, 2017, the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, to be in conformity with generally accepted accounting principles. Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for other postemployment benefit plans. At June 30, 2024, the District reported deferred outflows of resources of \$1,255,926, deferred inflows of resources of \$3,833,471 and a liability of \$6,753,227, related to other postemployment benefit plans. The District does not fund this liability, but rather pays for benefits as they become due. See Note 10 for details and further explanation.
- GASB Statement No. 87, *Leases*, adopted by the District effective July 1, 2021, was established to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about governments' leasing activities. Right-to-use lease assets are recognized in the Statement of Net Position as \$831,864 and lease liability is recognized as \$842,092.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, adopted by the District effective July 1, 2022, was established to (1) define a SBITA, (2) establish that a SBITA results in a right-to-use subscription asset and a corresponding liability, (3) provide capitalization criteria, and (4) enhance note disclosures. At June 30, 2024, right-to-use subscription assets of \$227,470 are recognized and the SBITA liability is \$196,686.

## **Overview of the Financial Statements**

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

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



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

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

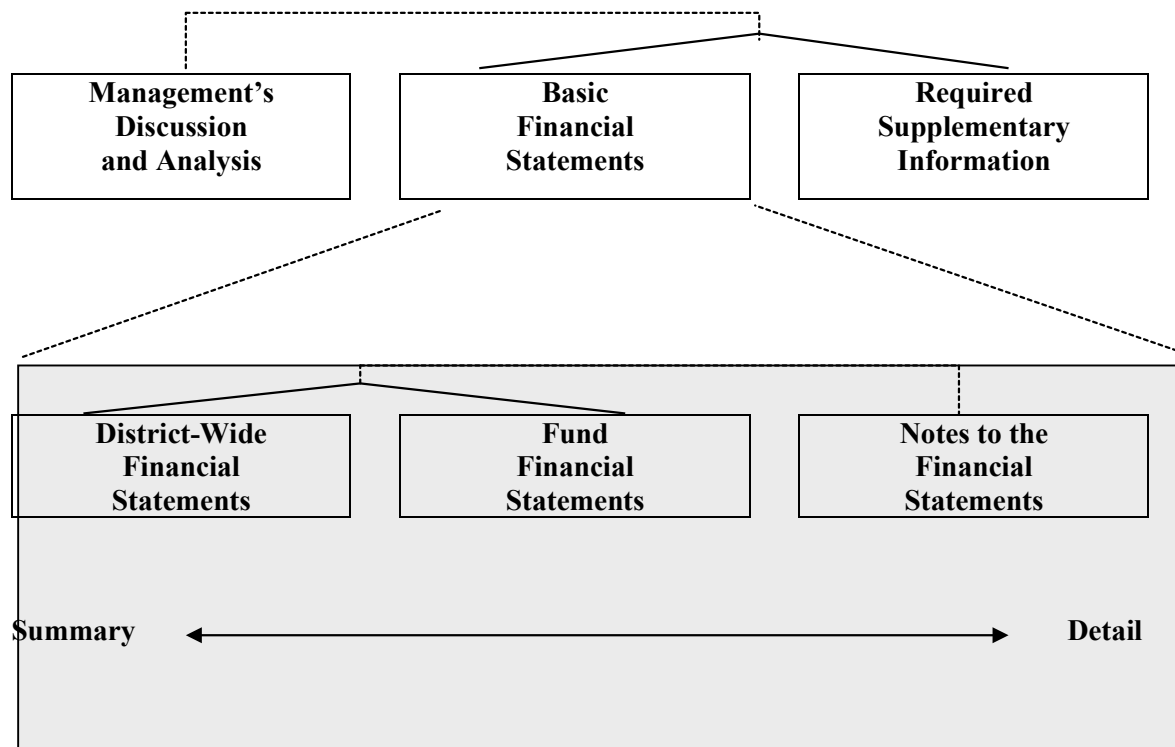


Figure 2 summarizes the major features of the District's financial statements including the portion of the District activity they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each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

**Figure 2**

| <b>Major Features of the District-Wide and Fund Financial Statements</b> |  |   |  |   |
|--|--|---|--|---|
|  | District-Wide Statements   | Fund Financial Statements   |  |   |
|  |  | Governmental Funds  | Proprietary Funds  | Fiduciary Funds   |
| Scope  | Entire District (except fiduciary funds)   | Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects  | Activities the District operates similar to private businesses, such as food services  | Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements  | Statement of net position<br>Statement of activities   | Balance sheet<br>Statement of revenues, expenditures, and changes in fund balances  | Statement of net position<br>Statement of revenues, expenses and changes in net position<br>Statement of cash flows            | Statement of net position<br>Statement of changes in net position   |
| Accounting basis and measurement focus                                   | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial focus   | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| Type of asset/liability information                                      | All assets and liabilities, both financial and capital, current and noncurrent, and deferred inflows and outflows of resources | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or noncurrent liabilities included                   | All assets and liabilities, both financial and capital, current and noncurrent, and deferred inflows and outflows of resources | All assets and liabilities, both current and noncurrent; funds do not currently contain capital assets, although they can                   |
| Type of inflow/outflow information                                       | All revenues and expenses during the year, regardless of when cash is received or paid   | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable | All revenues and expenses during the year, regardless of when cash is received or paid   | All additions and deductions during the year, regardless of when cash is received or paid   |

## **District-Wide Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies.

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

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

Both statements report two activities:

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

## **Fund Financial Statements**

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

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

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

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

## Financial Analysis of the District as a Whole

The Statement of Net Position contains information about what the District owns, owes, i.e., assets, liabilities, deferred inflows and outflows of resources and the remaining financial position. Figure 3 shows a comparative summary of the District's net position for the fiscal years ended June 30, 2023 and June 30, 2024.

**Figure 3**  
**Condensed Statements of Net Position**

Fiscal Years as of June 30, 2023 and June 30, 2024

|                                       | <b>Governmental Activities</b> |                        | <b>Business Type Activities</b> |                   | <b>Total</b>           |                        |
|---------------------------------------|--------------------------------|------------------------|---------------------------------|-------------------|------------------------|------------------------|
|                                       | <b>2023</b>                    | <b>2024</b>            | <b>2023</b>                     | <b>2024</b>       | <b>2023</b>            | <b>2024</b>            |
| Current and other assets              | \$ 58,618,754                  | \$ 49,299,522          | \$ 2,096,044                    | \$ 2,531,558      | \$ 60,715              | \$ 51,831,080          |
| Capital assets                        | 101,874                        | 107,336,252            | 213,671                         | 193,840           | 102,088,105            | 107,530                |
| <b>Total Assets</b>                   | <b>58,720,628</b>              | <b>156,635,774</b>     | <b>2,309,715</b>                | <b>2,725,398</b>  | <b>102,148,820</b>     | <b>51,938,610</b>      |
| <b>Deferred Outflows of Resources</b> | <b>16,331,303</b>              | <b>17,642,476</b>      | <b>370,012</b>                  | <b>429,160</b>    | <b>16,701,315</b>      | <b>18,072</b>          |
| Current liabilities                   | 18,262,261                     | 14,037,543             | 24,496                          | 30,264            | 18,286,757             | 14,067,807             |
| Noncurrent liabilities                | 193,599,992                    | 191,266,448            | 1,969,098                       | 2,221             | 195,569,090            | 193,487                |
| <b>Total Liabilities</b>              | <b>211,862,253</b>             | <b>205,303,991</b>     | <b>1,993,594</b>                | <b>32,485</b>     | <b>213,855,847</b>     | <b>14,261,294</b>      |
| <b>Deferred Inflows of Resources</b>  | <b>8,270,283</b>               | <b>6,229,346</b>       | <b>401,635</b>                  | <b>133,708</b>    | <b>8,671,918</b>       | <b>6,363,054</b>       |
| Net Investment in Capital Assets      | 27,524,796                     | 30,625,608             | 213,671                         | 193,840           | 27,738,467             | 30,819,448             |
| Restricted for Capital Projects       | 12,172,891                     | 13,455,738             | -                               | -                 | 12,172,891             | 13,455,738             |
| Unrestricted (Deficit)                | (83,005,732)                   | (81,336,433)           | 70,827                          | 576,166           | (82,934,905)           | (80,760,267)           |
| <b>Total Net Position (Deficit)</b>   | <b>\$ (43,308,045)</b>         | <b>\$ (37,255,087)</b> | <b>\$ 284,498</b>               | <b>\$ 770,006</b> | <b>\$ (43,023,547)</b> | <b>\$ (36,485,081)</b> |

Total assets decreased by \$3.4 million from the prior year due to an overall increase in capital assets of \$5.4 million offset by a decrease in cash, investments and receivables of \$8.8 million. Deferred outflows of resources increased by \$1.3 million due to an increase in deferred pension and other postemployment benefits. The overall decrease in liabilities of \$6.3 million is primarily the result of a \$3.6 million decrease in bonds and notes payable and a \$3.8 million decrease in outstanding accounts payable, offset by a \$1.4 million increase in net pension liability related to GASB Statements No. 68 and No. 71. Deferred inflows of resources decreased by \$2.3 million over the prior year due to a \$1.8 million decrease for pension and a \$0.5 million decrease for other postemployment benefits.

District-wide revenue exceeded expenses by \$6.5 million, which effectively decreased the net deficit for the year ended June 30, 2024 made up of \$6 million positive change in net position in the Governmental Activities and \$0.5 million in the Business-Type Activities.

The results of operations for the fiscal year ended June 30, 2024 as a whole are reported in the Statement of Activities. Figure 4 is a comparative summary of changes in net position for the years ended June 30, 2023 and June 30, 2024.

**Figure 4**  
**Changes in Net Position from Operating Results**

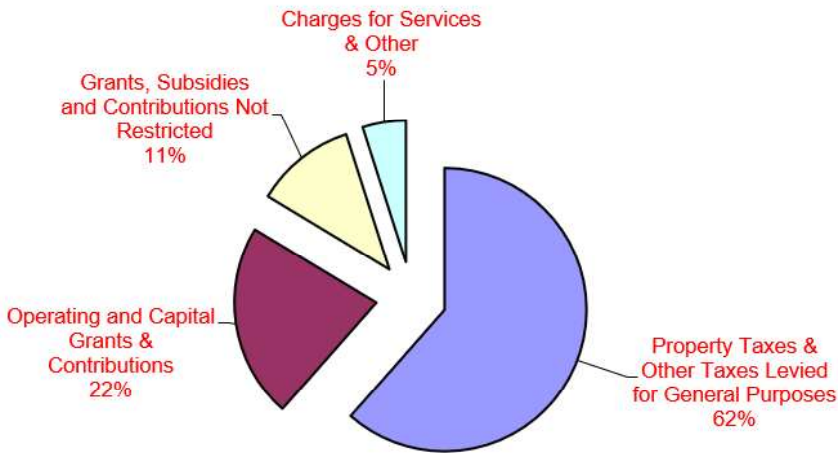
| Fiscal Years Ended June 30, 2023 and June 30, 2024         |                            |                        |                             |                   |                        |                        |
|--|----------------------------|------------------------|-----------------------------|-------------------|------------------------|------------------------|
|  | Governmental<br>Activities |                        | Business-Type<br>Activities |                   | Total                  |                        |
|  | 2023                       | 2024                   | 2023                        | 2024              | 2023                   | 2024                   |
| <b>Revenues</b>  |                            |                        |                             |                   |                        |                        |
| Program Revenues   |                            |                        |                             |                   |                        |                        |
| Charges for services                                       | \$ 394,304                 | \$ 477,726             | \$ 787,639                  | \$ 305,477        | \$ 1,181,943           | \$ 783,203             |
| Operating grants and contributions                         | 15,616,661                 | 15,868,685             | 2,210,805                   | 2,621,551         | 17,827,466             | 18,490,236             |
| Capital grants and contributions                           | 4,032,444                  | 821,977                | -                           | -                 | 4,032,444              | 821,977                |
| General Revenues   |                            |                        |                             |                   |                        |                        |
| Property taxes and other taxes levied for general purposes | 52,716,553                 | 53,689,533             | -                           | -                 | 52,716,553             | 53,689,533             |
| Grants, Subsidies, and Contributions Not Restricted        | 9,061,527                  | 9,975,714              | -                           | -                 | 9,061,527              | 9,975,714              |
| Other  | 1,810,193                  | 3,429,276              | 34,622                      | 92,834            | 1,844,815              | 3,522,110              |
| <b>Total Revenues</b>                                      | <b>83,631,682</b>          | <b>84,262,911</b>      | <b>3,033,066</b>            | <b>3,019,862</b>  | <b>86,664,748</b>      | <b>87,282,773</b>      |
| <b>Expenses</b>  |                            |                        |                             |                   |                        |                        |
| Instruction  | 43,022,131                 | 46,501,365             | -                           | -                 | 43,022,131             | 46,501,365             |
| Instructional student support                              | 6,316,148                  | 7,403,550              | -                           | -                 | 6,316,148              | 7,403,550              |
| Administrative and financial support services              | 6,040,431                  | 6,569,119              | -                           | -                 | 6,040,431              | 6,569,119              |
| Operation and maintenance of plant services                | 7,795,416                  | 9,368,137              | -                           | -                 | 7,795,416              | 9,368,137              |
| Pupil transportation                                       | 2,954,646                  | 3,790,801              | -                           | -                 | 2,954,646              | 3,790,801              |
| Other  | 4,434,171                  | 4,576,981              | 2,190,039                   | 2,534,354         | 6,624,210              | 7,111,335              |
| <b>Total Expense</b>                                       | <b>70,562,943</b>          | <b>78,209,953</b>      | <b>2,190,039</b>            | <b>2,534,354</b>  | <b>72,752,982</b>      | <b>80,744,307</b>      |
| <b>Change in Net Position</b>                              | <b>\$ 13,068,739</b>       | <b>\$ 6,052,958</b>    | <b>\$ 843,027</b>           | <b>\$ 485,508</b> | <b>\$ 13,911,766</b>   | <b>\$ 6,538,466</b>    |
| Beginning Net Position (Deficit)                           | (56,376,784)               | (43,308,045)           | (558,529)                   | 284,498           | (56,935,313)           | (43,023,547)           |
| <b>Ending Net Position (Deficit)</b>                       | <b>\$ (43,308,045)</b>     | <b>\$ (37,255,087)</b> | <b>\$ 284,498</b>           | <b>\$ 770,006</b> | <b>\$ (43,023,547)</b> | <b>\$ (36,485,081)</b> |

Revenues are defined as either program or general revenues. Program revenues are generated by the services themselves or provided externally for use in a particular function. Program revenues reduce the net expense to the public. Program revenues are categorized as charges for services, operating grants and contributions and capital grants and contributions. General revenues include the basic education subsidy provided by the State of Pennsylvania, local taxes assessed to community taxpayers, and other general revenues the District uses to finance the total net cost of programs. District-wide revenues totaled \$87.2 million, an increase of \$0.6 million or 0.7% over the prior year, which represents a slight increase in governmental activities' revenue, offset by a slight decrease in business-type activities revenues.

Figure 5 depicts the 2023-24 sources of revenues as of percentage of District-wide revenues.

District-wide expenses are categorized into six major activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. Figure 6 presents these categories of expenditures as a percentage of 2023-24 district-wide expenses. District-wide expenses totaled \$80.7 million, an increase of \$8 million or 10% over the prior year.

**Figure 5**  
**Sources of District-Wide Revenues for Fiscal Year 2024**



**Figure 6**  
**District-Wide Expenses for Fiscal Year 2024**

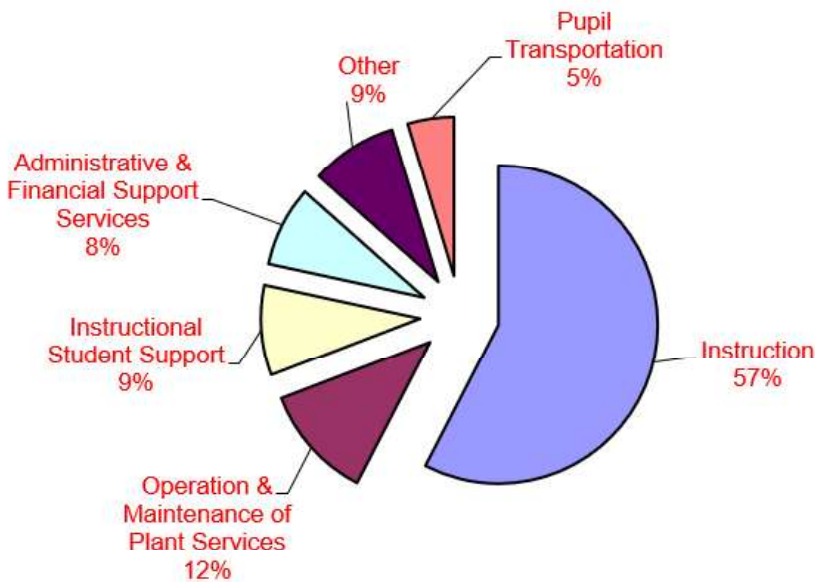


Figure 7 represents the cost of six major District governmental activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). For the year ended June 30, 2024, general revenue supported 86% of governmental activities' costs, and program revenue supported 22% of governmental activities' costs.

**Figure 7**  
**Net Cost of Governmental Activities**

| Fiscal Years Ended June 30, 2023 and June 30, 2024 |                           |                      |                         |                      |
|--|---------------------------|----------------------|-------------------------|----------------------|
|  | Total Cost<br>of Services |                      | Net Cost<br>of Services |                      |
|  | 2023                      | 2024                 | 2023                    | 2024                 |
| Instruction  | 43,022,131                | 46,501,365           | \$ 31,241,236           | \$ 34,879,598        |
| Instructional Student Support                      | 6,316,148                 | 7,403,550            | 5,023,390               | 6,222,616            |
| Administrative and Financial<br>Support Services   | 6,040,431                 | 6,569,119            | 5,162,752               | 5,879,058            |
| Operation and Maintenance<br>of Plant Services     | 7,795,416                 | 9,368,137            | 4,306,477               | 7,868,613            |
| Pupil Transportation                               | 2,954,646                 | 3,790,801            | 1,842,996               | 2,719,007            |
| Other  | 4,434,171                 | 4,576,981            | 2,942,683               | 3,472,673            |
| <b>Total</b>                                       | <b>\$ 70,562,943</b>      | <b>\$ 78,209,953</b> | <b>\$ 50,519,534</b>    | <b>\$ 61,041,565</b> |

Figure 8 represents the total cost and net cost (income) of services in the District's business-type activities. Program revenue supported more than 100% of food services activities for the year ended June 30, 2024.

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

| Fiscal Years Ended June 30, 2023 and June 30, 2024 |                           |              |                                  |              |
|--|---------------------------|--------------|----------------------------------|--------------|
|  | Total Cost<br>of Services |              | Net Cost (Income)<br>of Services |              |
|  | 2023                      | 2024         | 2023                             | 2024         |
| Food Services                                      | \$ 2,179,794              | \$ 2,491,192 | \$ (818,650)                     | \$ (435,836) |



## Financial Analysis of the District's Funds

The District's governmental funds include the general fund, capital projects fund, and debt service fund. Figure 9 details the current and prior year end fund balances and change therein for the fiscal year ended June 30, 2024.

**Figure 9**  
**Fund Balances**

| For Fiscal Years Ended June 30, 2023 and June 30, 2024 |                      |                      |                        |
|--|----------------------|----------------------|------------------------|
|  | Fund Balance         |                      | Increase<br>(Decrease) |
|  | 2023                 | 2024                 |                        |
| General Fund   | \$ 7,629,694         | \$ 7,629,694         | \$ -                   |
| Capital Projects Fund                                  | 36,434,168           | 31,007,675           | (5,426,493)            |
| Debt Service Fund                                      | -                    | -                    | -                      |
| <b>Total</b>   | <b>\$ 44,063,862</b> | <b>\$ 38,637,369</b> | <b>\$ (5,426,493)</b>  |

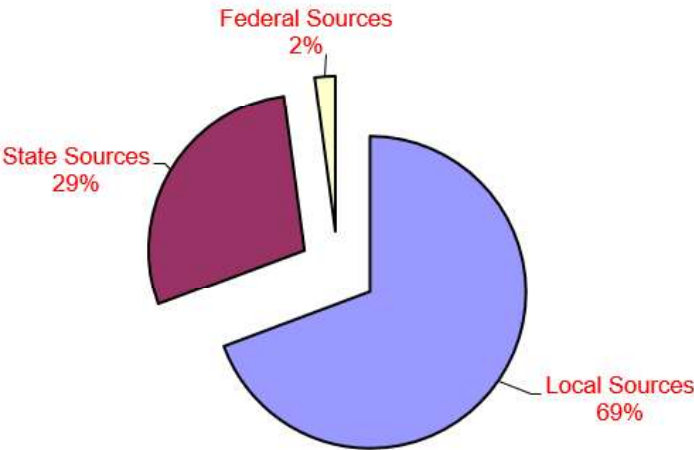
The District's governmental funds reported combined fund balances as of June 30, 2024 of \$38.6 million. The decrease of \$5.4 million compared to the prior year is due to the drawing down of cash in the capital projects fund due to construction costs.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be classified into the following categories - nonspendable, restricted, committed, assigned and unassigned. As of June 30, 2024, general fund balance of \$7.6 million consisted of \$1.25 million in committed fund balance for the District's construction project, \$0.5 million in assigned fund balance which represents the 2024-25 budgeted deficit, \$0.39 million in nonspendable fund balance which represents prepaid expenses, and unassigned fund balance of \$5.5 million. The capital projects fund had \$31 million in restricted fund balance, consisting of reserve funds for capital expenditures and anticipated construction projects.

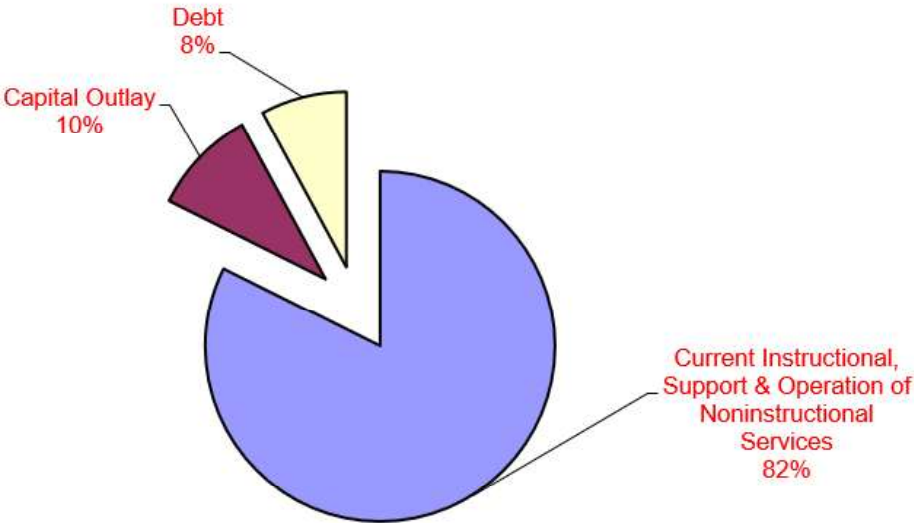
**Governmental Funds’ Revenues and Expenditures**

In the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds, for the year ended June 30, 2024, total revenues of \$84.3 million are comprised of local revenues of 69.3% with state and federal revenues contributing 28.6% and 2.1%, respectively. Expenditures of governmental funds totaling \$90.3 million are categorized as current (instructional, support and operation of noninstructional services) representing 82.4% of the total, capital outlay represents 9.7%, with debt service comprising 7.9% of total expenditures. Figures 10 and 11 depict the percentages of total governmental revenue and expenditure categories for the fiscal year 2023-24.

**Figure 10**  
**Sources of Governmental Funds’ Revenues for Fiscal Year 2024**



**Figure 11**  
**Governmental Funds’ Expenditures for Fiscal Year 2024**



## Capital Assets and Debt Administration

### Capital Assets

In total, net capital assets increased \$5.4 million primarily as a result of a \$4 million increase in buildings and building improvements (includes \$38.4 million that moved from Construction in progress) and a \$1.4 million increase in Machinery and Equipment.

**Figure 12**  
**Capital Assets (net of depreciation and amortization)**

| Fiscal Years Ended June 30, 2023 and June 30, 2024 |                         |                       |                          |                   |                       |                       |
|--|-------------------------|-----------------------|--------------------------|-------------------|-----------------------|-----------------------|
|  | Governmental Activities |                       | Business-Type Activities |                   | Total                 |                       |
|  | 2023                    | 2024                  | 2023                     | 2024              | 2023                  | 2024                  |
| Land   | \$ 14,780,338           | \$ 14,780,338         | \$ -                     | \$ -              | \$ 14,780,338         | \$ 14,780,338         |
| Construction in progress                           | 38,434,958              | -                     | -                        | -                 | 38,434,958            | -                     |
| Site Improvements                                  | 444,415                 | 569,121               | -                        | -                 | 444,415               | 569,121               |
| Building and Building Improvements                 | 44,399,882              | 86,899,710            | -                        | -                 | 44,399,882            | 86,899,710            |
| Machinery and Equipment                            | 2,532,104               | 4,027,749             | 213,671                  | 193,840           | 2,745,775             | 4,221,589             |
| Right to Use Assets                                | 1,282,737               | 1,059,334             | -                        | -                 | 1,282,737             | 1,059,334             |
| <b>Total</b>                                       | <b>\$ 101,874,434</b>   | <b>\$ 107,336,252</b> | <b>\$ 213,671</b>        | <b>\$ 193,840</b> | <b>\$ 102,088,105</b> | <b>\$ 107,530,092</b> |

### Long-Term Debt

Outstanding long-term debt totaling \$94.7 million as of June 30, 2024, consists of general obligation bonds and notes of \$88.4 million with varying maturities through year 2046, bond premiums of \$5.3 million, lease payables of \$0.8 million, and subscription liabilities of \$0.2 million. Principal payments totaled \$4.4 million during the fiscal year, with interest payments totaling \$2.8 million.

**Figure 13**  
**Outstanding Long-Term Debt**

|                                  | For Fiscal Years Ended June 30, 2023 and June 30, 2024 |                      |                       |
|----------------------------------|--|----------------------|-----------------------|
|                                  | Total  |                      | Change                |
|                                  | 2023   | 2024                 |                       |
| General Obligation Bonds & Notes | \$ 92,103,000  | \$ 88,360,000        | \$ (3,743,000)        |
| Bond Premiums                    | 5,552,913  | 5,308,829            | (244,084)             |
| Lease Payable                    | 1,080,823  | 842,092              | (238,731)             |
| Subscription Liability           | 186,562  | 196,686              | 10,124                |
| <b>Total</b>                     | <b>\$ 98,923,298</b>                                   | <b>\$ 94,707,607</b> | <b>\$ (4,215,691)</b> |

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

## **Factors Bearing on the District's Future**

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

- Under Act 1, Pennsylvania Public Schools are subject to a real estate property base tax cap of 5.3% for fiscal year 2024-25 and 4% for fiscal year 2025-26. Due to the District's aid ratio exceeding 0.4 for both the 2024-25 and the 2025-26 fiscal years, the District's millage is limited to a 6.8% and a 5.2% increase, respectively. The District's 2024-25 millage increased from 30.1 mills to 31.55 mills. If the District anticipates the need to exceed the cap, it must have exceptions approved through the courts or the Pennsylvania Department of Education or seek voter approval. The adoption of the preliminary budget or a resolution stating that the District will not raise the millage by more than the Act 1 index is due in January 2025. At the November 18, 2024 meeting, the Board has already adopted a resolution stating that it will not increase the tax rate by an amount that exceeds the applicable index (5.2%) for the 2025-26 fiscal year.
- The District's collective bargaining agreement with the Governor Mifflin Education Association is effective for July 1, 2022 through June 30, 2025. Salary increases will be 3.9% for 2024-25. The district will be in negotiations with the Education Association for a new contract to start on July 1, 2025.
- The District's collective bargaining agreement with AFSCME for support personnel is effective for July 1, 2021 through June 30, 2024. As set forth in the new contract, wage increases will be \$1.85/hour for 2024-25 and 2.5% for 2025-26 and 2026-27.
- The required District contribution to the Pennsylvania School Employees Retirement System decreased from 34% to 33.9% for 2024-25 with rate increases projected in future years.
- Health Trust insurance premiums for 2024-25 increased 12% over the prior year.

## **Contacting the District's Financial Management**

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

## GOVERNOR MIFFLIN SCHOOL DISTRICT

## STATEMENT OF NET POSITION

June 30, 2024

|  | Governmental<br>Activities | Business-<br>Type<br>Activities | Total                  |
|--|----------------------------|---------------------------------|------------------------|
| <b>ASSETS</b>  |                            |                                 |                        |
| Cash and investments   | \$ 42,235,841              | \$ 2,446,625                    | \$ 44,682,466          |
| Restricted cash  | 644,396                    | -                               | 644,396                |
| Internal balances  | (16,460)                   | 16,460                          | -                      |
| Taxes receivable, net  | 1,924,812                  | -                               | 1,924,812              |
| Intergovernmental receivables                                    | 3,897,566                  | 22,570                          | 3,920,136              |
| Other receivables  | 216,938                    | 507                             | 217,445                |
| Inventories  | -                          | 45,396                          | 45,396                 |
| Prepaid expenses   | 396,429                    | -                               | 396,429                |
| Capital assets:  |                            |                                 |                        |
| Capital assets not being depreciated                             | 14,780,338                 | -                               | 14,780,338             |
| Capital assets, net of accumulated depreciation                  | 91,496,580                 | 193,840                         | 91,690,420             |
| Right-to-use assets, net of accumulated amortization             | 1,059,334                  | -                               | 1,059,334              |
| <b>TOTAL ASSETS</b>  | <b>156,635,774</b>         | <b>2,725,398</b>                | <b>159,361,172</b>     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                            |                            |                                 |                        |
| Deferred charge on bond refunding                                | 445,026                    | -                               | 445,026                |
| Deferred outflows of resources for pension                       | 15,967,164                 | 403,520                         | 16,370,684             |
| Deferred outflows of resources for other postemployment benefits | 1,230,286                  | 25,640                          | 1,255,926              |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                      | <b>17,642,476</b>          | <b>429,160</b>                  | <b>18,071,636</b>      |
| <b>LIABILITIES</b>   |                            |                                 |                        |
| Accounts payable   | 1,360,401                  | 798                             | 1,361,199              |
| Accrued interest   | 689,360                    | -                               | 689,360                |
| Accrued salaries and benefits                                    | 7,895,090                  | 2,073                           | 7,897,163              |
| Unearned revenues  | 42,576                     | 27,393                          | 69,969                 |
| Noncurrent liabilities due within one year                       | 4,050,116                  | -                               | 4,050,116              |
| Noncurrent liabilities:  |                            |                                 |                        |
| Bonds and notes payable, net                                     | 90,258,829                 | -                               | 90,258,829             |
| Lease payable  | 468,115                    | -                               | 468,115                |
| Subscription liability   | 91,266                     | -                               | 91,266                 |
| Long-term portion of compensated absences                        | 446,216                    | -                               | 446,216                |
| Long-term portion of retirement severances                       | 36,375                     | -                               | 36,375                 |
| Long-term portion of early retirement incentives                 | 10,000                     | -                               | 10,000                 |
| Net pension liability  | 93,400,032                 | 2,022,968                       | 95,423,000             |
| Net other postemployment benefit liabilities                     | 6,555,615                  | 197,612                         | 6,753,227              |
| <b>TOTAL LIABILITIES</b>   | <b>205,303,991</b>         | <b>2,250,844</b>                | <b>207,554,835</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                             |                            |                                 |                        |
| Deferred inflows of resources for pension                        | 2,476,325                  | 53,258                          | 2,529,583              |
| Deferred inflows of resources for other postemployment benefits  | 3,753,021                  | 80,450                          | 3,833,471              |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                       | <b>6,229,346</b>           | <b>133,708</b>                  | <b>6,363,054</b>       |
| <b>NET POSITION</b>  |                            |                                 |                        |
| Net investment in capital assets                                 | 30,625,608                 | 193,840                         | 30,819,448             |
| Restricted for capital projects                                  | 13,455,738                 | -                               | 13,455,738             |
| Unrestricted (deficit)   | (81,336,433)               | 576,166                         | (80,760,267)           |
| <b>TOTAL NET POSITION (DEFICIT)</b>                              | <b>\$ (37,255,087)</b>     | <b>\$ 770,006</b>               | <b>\$ (36,485,081)</b> |

See accompanying notes.

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2024**

| Functions/Programs   | Program Revenue      |                         |  | Net (Expense) Revenue and<br>Changes in Net Position |                            |                             |                        |
|--|----------------------|-------------------------|--|--|----------------------------|-----------------------------|------------------------|
|  | Expenses             | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions               | Governmental<br>Activities | Business-Type<br>Activities | Total                  |
| <b>Governmental Activities:</b>  |                      |                         |  |  |                            |                             |                        |
| Instruction  | \$ 46,501,365        | \$ 254,379              | \$ 11,367,388                            | \$ -   | \$ (34,879,598)            | \$ -                        | \$ (34,879,598)        |
| Instructional student support  | 7,403,550            | -                       | 1,180,934                                | -  | (6,222,616)                | -                           | (6,222,616)            |
| Administrative and financial support services                              | 6,569,119            | -                       | 690,061                                  | -  | (5,879,058)                | -                           | (5,879,058)            |
| Operation and maintenance of plant services                                | 9,368,137            | 83,645                  | 1,306,500                                | 109,379  | (7,868,613)                | -                           | (7,868,613)            |
| Pupil transportation   | 3,790,801            | -                       | 1,071,794                                | -  | (2,719,007)                | -                           | (2,719,007)            |
| Student activities   | 1,784,211            | 139,702                 | 231,399                                  | -  | (1,413,110)                | -                           | (1,413,110)            |
| Community services   | 178,159              | -                       | 20,609                                   | -  | (157,550)                  | -                           | (157,550)              |
| Interest on long-term debt   | 2,614,611            | -                       | -  | 712,598  | (1,902,013)                | -                           | (1,902,013)            |
| <b>Total Governmental Activities</b>                                       | <b>78,209,953</b>    | <b>477,726</b>          | <b>15,868,685</b>                        | <b>821,977</b>                                       | <b>(61,041,565)</b>        | <b>-</b>                    | <b>(61,041,565)</b>    |
| <b>Business-Type Activities:</b>   |                      |                         |  |  |                            |                             |                        |
| Food services  | 2,491,192            | 305,477                 | 2,621,551                                | -  | -                          | 435,836                     | 435,836                |
| <b>Total Primary Government</b>  | <b>\$ 80,701,145</b> | <b>\$ 783,203</b>       | <b>\$ 18,490,236</b>                     | <b>\$ 821,977</b>                                    | <b>(61,041,565)</b>        | <b>435,836</b>              | <b>(60,605,729)</b>    |
| <b>General Revenues</b>  |                      |                         |  |  |                            |                             |                        |
| Taxes:   |                      |                         |  |  |                            |                             |                        |
| Property taxes   |                      |                         |  |  | 46,701,752                 | -                           | 46,701,752             |
| Earned income tax  |                      |                         |  |  | 5,796,796                  | -                           | 5,796,796              |
| Public utility reality, and mercantile tax                                 |                      |                         |  |  | 1,190,985                  | -                           | 1,190,985              |
| Grants, subsidies, and contributions not restricted for a specific program |                      |                         |  |  | 9,975,714                  | -                           | 9,975,714              |
| Investment earnings  |                      |                         |  |  | 3,276,675                  | 92,834                      | 3,369,509              |
| Miscellaneous income   |                      |                         |  |  | 109,439                    | -                           | 109,439                |
| <b>Transfers</b>   |                      |                         |  |  | 43,162                     | (43,162)                    | -                      |
| <b>Total General Revenues and Transfers</b>                                |                      |                         |  |  | <b>67,094,523</b>          | <b>49,672</b>               | <b>67,144,195</b>      |
| <b>Change in Net Position</b>  |                      |                         |  |  | <b>6,052,958</b>           | <b>485,508</b>              | <b>6,538,466</b>       |
| <b>Net Position (Deficit) - Beginning of Year</b>                          |                      |                         |  |  | <b>(43,308,045)</b>        | <b>284,498</b>              | <b>(43,023,547)</b>    |
| <b>Net Position (Deficit) - End of Year</b>                                |                      |                         |  |  | <b>\$ (37,255,087)</b>     | <b>\$ 770,006</b>           | <b>\$ (36,485,081)</b> |

See accompanying notes.

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2024**

|  | General              | Capital<br>Projects  | Debt<br>Service | Total<br>Governmental<br>Funds |
|--|----------------------|----------------------|-----------------|--------------------------------|
| <b>ASSETS</b>  |                      |                      |                 |                                |
| Cash and investments   | \$ 13,355,290        | \$ 28,880,551        | \$ -            | \$ 42,235,841                  |
| Restricted cash  | -                    | 644,396              | -               | 644,396                        |
| Interfund receivables  | 9,265                | 1,870,119            | -               | 1,879,384                      |
| Taxes receivable   | 1,949,371            | -                    | -               | 1,949,371                      |
| Intergovernmental receivables  | 3,897,566            | -                    | -               | 3,897,566                      |
| Other receivables  | 215,964              | 974                  | -               | 216,938                        |
| Prepaid expenditures   | 396,429              | -                    | -               | 396,429                        |
| <b>TOTAL ASSETS</b>  | <b>\$ 19,823,885</b> | <b>\$ 31,396,040</b> | <b>\$ -</b>     | <b>\$ 51,219,925</b>           |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b>       |                      |                      |                 |                                |
| <b>LIABILITIES</b>   |                      |                      |                 |                                |
| Interfund payables   | \$ 1,903,061         | \$ -                 | \$ -            | \$ 1,903,061                   |
| Accounts payable   | 964,819              | 388,365              | -               | 1,353,184                      |
| Accrued salaries and benefits  | 8,055,809            | -                    | -               | 8,055,809                      |
| Unearned revenues  | 42,576               | -                    | -               | 42,576                         |
| <b>TOTAL LIABILITIES</b>   | <b>10,966,265</b>    | <b>388,365</b>       | <b>-</b>        | <b>11,354,630</b>              |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                      |                      |                 |                                |
| Unavailable revenue - property taxes   | 1,227,926            | -                    | -               | 1,227,926                      |
| <b>FUND BALANCES</b>   |                      |                      |                 |                                |
| Nonspendable   | 396,429              | -                    | -               | 396,429                        |
| Restricted   | -                    | 31,007,675           | -               | 31,007,675                     |
| Committed for:   |                      |                      |                 |                                |
| Construction   | 1,250,000            | -                    | -               | 1,250,000                      |
| Assigned   | 500,000              | -                    | -               | 500,000                        |
| Unassigned   | 5,483,265            | -                    | -               | 5,483,265                      |
| <b>TOTAL FUND BALANCES</b>   | <b>7,629,694</b>     | <b>31,007,675</b>    | <b>-</b>        | <b>38,637,369</b>              |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS<br/>OF RESOURCES, AND FUND BALANCES</b> | <b>\$ 19,823,885</b> | <b>\$ 31,396,040</b> | <b>\$ -</b>     | <b>\$ 51,219,925</b>           |

GOVERNOR MIFFLIN SCHOOL DISTRICT

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

June 30, 2024

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

|   |                 |                               |
|---|-----------------|-------------------------------|
| <b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>   |                 | \$ 38,637,369                 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$189,877,206 and the accumulated depreciation/amortization is \$82,540,954.             |                 | 107,336,252                   |
| Property and other taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts. |                 | 1,203,367                     |
| Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:   |                 |                               |
| Bonds and notes payable   | \$ (88,360,000) |                               |
| Leases payable  | (842,092)       |                               |
| Subscription liability  | (196,686)       |                               |
| Accrued interest on bonds, leases, and subscriptions  | (689,360)       |                               |
| Unamortized bond premium  | (5,308,829)     |                               |
| Deferred charge on bond refunding   | 445,026         |                               |
| Long-term portion of compensated absences   | (446,216)       |                               |
| Long-term portion of retirement severances  | (36,375)        |                               |
| Long-term portion of early retirement incentives  | <u>(10,000)</u> | (95,444,532)                  |
| The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.   |                 | (79,909,193)                  |
| The net other postemployment benefit liabilities and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.   |                 | <u>(9,078,350)</u>            |
| <b>TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES</b>   |                 | <u><u>\$ (37,255,087)</u></u> |



**GOVERNOR MIFFLIN SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2024**

|   | General       | Capital<br>Projects | Debt<br>Service | Total<br>Governmental<br>Funds |
|---|---------------|---------------------|-----------------|--------------------------------|
| <b>REVENUES</b>   |               |                     |                 |                                |
| Local sources   | \$ 56,762,993 | \$ 1,712,506        | \$ -            | \$ 58,475,499                  |
| State sources   | 24,089,385    | -                   | -               | 24,089,385                     |
| Federal sources   | 1,789,758     | -                   | -               | 1,789,758                      |
| <b>TOTAL REVENUES</b>   | 82,642,136    | 1,712,506           | -               | 84,354,642                     |
| <b>EXPENDITURES</b>   |               |                     |                 |                                |
| Current:  |               |                     |                 |                                |
| Instructional services  | 47,412,198    | 306                 | -               | 47,412,504                     |
| Support services  | 23,498,961    | 1,046,132           | -               | 24,545,093                     |
| Operation of noninstructional<br>services                               | 2,076,373     | 298,535             | -               | 2,374,908                      |
| Facilities acquisition, construction,<br>and improvement services       | 111,995       | 8,664,911           | -               | 8,776,906                      |
| Debt service:   |               |                     |                 |                                |
| Principal   | 642,528       | -                   | 3,743,000       | 4,385,528                      |
| Interest  | 70,635        | 14,295              | 2,686,876       | 2,771,806                      |
| <b>TOTAL EXPENDITURES</b>   | 73,812,690    | 10,024,179          | 6,429,876       | 90,266,745                     |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b>            | 8,829,446     | (8,311,673)         | (6,429,876)     | (5,912,103)                    |
| <b>OTHER FINANCING SOURCES (USES)</b>                                   |               |                     |                 |                                |
| Proceeds from issuance of leases and<br>other right-to-use arrangements | 413,921       | -                   | -               | 413,921                        |
| Transfers in  | 54,339        | 2,885,180           | 6,429,876       | 9,369,395                      |
| Sale of capital assets  | 17,350        | -                   | -               | 17,350                         |
| Transfers out   | (9,315,056)   | -                   | -               | (9,315,056)                    |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>                         | (8,829,446)   | 2,885,180           | 6,429,876       | 485,610                        |
| <b>NET CHANGE IN FUND BALANCES</b>                                      | -             | (5,426,493)         | -               | (5,426,493)                    |
| <b>FUND BALANCES - BEGINNING OF YEAR</b>                                | 7,629,694     | 36,434,168          | -               | 44,063,862                     |
| <b>FUND BALANCES - END OF YEAR</b>                                      | \$ 7,629,694  | \$ 31,007,675       | \$ -            | \$ 38,637,369                  |

See accompanying notes.

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2024**

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

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ (5,426,493)

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

|   |                  |           |
|---|------------------|-----------|
| Capital outlays                             | \$ 10,981,396    |           |
| Less: depreciation and amortization expense | (5,173,747)      |           |
| Less: loss on sale of fixed assets          | <u>(345,831)</u> | 5,461,818 |

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. (134,893)

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

|   |                  |           |
|---|------------------|-----------|
| Repayment of bond and note principal              | 3,743,000        |           |
| Issuance of leases                                | (294,865)        |           |
| Repayment of lease principal                      | 533,596          |           |
| Issuance of subscription liability                | (119,056)        |           |
| Repayment of subscription liability               | 108,932          |           |
| Amortization of bond premium                      | 244,084          |           |
| Amortization of deferred charge on bond refunding | <u>(112,698)</u> | 4,102,993 |

Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. 25,809

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

|   |                |                  |
|---|----------------|------------------|
| Long-term portion of compensated absences                       | (30,047)       |                  |
| Long-term portion of retirement severances                      | 16,000         |                  |
| Long-term portion of early retirement incentives                | (3,000)        |                  |
| Net pension liability and related deferred outflows and inflows | 1,863,380      |                  |
| Net OPEB liability and related deferred outflows and inflows    | <u>177,391</u> | <u>2,023,724</u> |

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** \$ 6,052,958

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND**

**June 30, 2024**

|  | <u>Enterprise Fund<br/>Food Service</u> |
|--|---|
| <b>ASSETS</b>  |   |
| <b>CURRENT ASSETS</b>  |   |
| Cash and investments   | \$ 2,446,625                            |
| Interfund receivables  | 16,460                                  |
| Intergovernmental receivables                                    | 22,570                                  |
| Other receivables  | 507                                     |
| Inventories  | 45,396                                  |
| <b>TOTAL CURRENT ASSETS</b>                                      | <b>2,531,558</b>                        |
| <b>NONCURRENT ASSETS</b>   |   |
| Machinery and equipment, net                                     | 193,840                                 |
| <b>TOTAL ASSETS</b>  | <b>2,725,398</b>                        |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                            |   |
| Deferred outflows of resources for pension                       | 403,520                                 |
| Deferred outflows of resources for other postemployment benefits | 25,640                                  |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                      | <b>429,160</b>                          |
| <b>LIABILITIES</b>   |   |
| <b>CURRENT LIABILITIES</b>                                       |   |
| Accounts payable   | 798                                     |
| Accrued salaries and benefits                                    | 2,073                                   |
| Unearned revenues  | 27,393                                  |
| <b>TOTAL CURRENT LIABILITIES</b>                                 | <b>30,264</b>                           |
| <b>NONCURRENT LIABILITIES</b>                                    |   |
| Net pension liability  | 2,022,968                               |
| Net other postemployment benefit liabilities                     | 197,612                                 |
| <b>TOTAL NONCURRENT LIABILITIES</b>                              | <b>2,220,580</b>                        |
| <b>TOTAL LIABILITIES</b>   | <b>2,250,844</b>                        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                             |   |
| Deferred inflows of resources for pension                        | 53,258                                  |
| Deferred inflows of resources for other postemployment benefits  | 80,450                                  |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                       | <b>133,708</b>                          |
| <b>NET POSITION</b>  |   |
| Investment in capital assets                                     | 193,840                                 |
| Unrestricted   | 576,166                                 |
| <b>TOTAL NET POSITION</b>  | <b>\$ 770,006</b>                       |

See accompanying notes.

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND**

**For the Year Ended June 30, 2024**

|   | <u>Enterprise Fund<br/>Food Service</u> |
|---|---|
| <b>OPERATING REVENUES</b>               |   |
| Food service revenue                    | \$ 305,477                              |
| <b>TOTAL OPERATING REVENUES</b>         | <b>305,477</b>                          |
| <b>OPERATING EXPENSES</b>               |   |
| Salaries                                | 685,097                                 |
| Employee benefits                       | 353,731                                 |
| Pension and OPEB valuation adjustments  | (75,593)                                |
| Purchased professional services         | 3,584                                   |
| Purchased property services             | 17,451                                  |
| Other purchased services                | 1,556                                   |
| Supplies                                | 1,478,779                               |
| Depreciation                            | 24,873                                  |
| Other operating expenses                | <u>1,714</u>                            |
| <b>TOTAL OPERATING EXPENSES</b>         | <b><u>2,491,192</u></b>                 |
| <b>OPERATING LOSS</b>                   | <b>(2,185,715)</b>                      |
| <b>NONOPERATING REVENUES</b>            |   |
| Earnings on investments                 | 92,834                                  |
| State sources                           | 346,392                                 |
| Federal sources                         | <u>2,275,159</u>                        |
| <b>TOTAL NONOPERATING REVENUES</b>      | <b><u>2,714,385</u></b>                 |
| <b>INCOME BEFORE TRANSFERS</b>          | <b>528,670</b>                          |
| <b>TRANSFERS OUT</b>                    | <b><u>(43,162)</u></b>                  |
| <b>CHANGE IN NET POSITION</b>           | <b>485,508</b>                          |
| <b>NET POSITION - BEGINNING OF YEAR</b> | <b><u>284,498</u></b>                   |
| <b>NET POSITION - END OF YEAR</b>       | <b><u><u>\$ 770,006</u></u></b>         |

See accompanying notes.

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

**For the Year Ended June 30, 2024**

|   | <u>Enterprise Fund<br/>Food Service</u> |
|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |   |
| Received from users   | \$ 316,071                              |
| Payments to employees for services                          | (1,038,038)                             |
| Payments to suppliers for goods and services                | <u>(1,310,005)</u>                      |
| <b>NET CASH USED FOR OPERATING ACTIVITIES</b>               | (2,031,972)                             |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>      |   |
| State sources   | 346,392                                 |
| Federal sources   | 2,074,044                               |
| Transfers out   | <u>(43,162)</u>                         |
| <b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b> | 2,377,274                               |
| <b>CASH FLOWS/CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |   |
| Purchases of equipment                                      | (5,042)                                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |   |
| Earnings on investments                                     | <u>92,834</u>                           |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>            | 433,094                                 |
| <b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>        | <u>2,013,531</u>                        |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>              | <u><u>\$ 2,446,625</u></u>              |

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

**For the Year Ended June 30, 2024**

Enterprise Fund  
Food Service

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

|   |                              |
|---|------------------------------|
| Operating loss  | \$ (2,185,715)               |
| Adjustments to reconcile operating loss to net cash<br>used for operating activities:                 |                              |
| Depreciation  | 24,873                       |
| Donated commodities used  | 194,350                      |
| Changes in assets, deferred outflows of resources, liabilities,<br>and deferred inflows of resources: |                              |
| Interfund receivables   | 14,909                       |
| Other receivables   | 1,439                        |
| Inventories   | (14,846)                     |
| Deferred outflows of resources for pension  | (59,654)                     |
| Deferred outflows of resources for other postemployment benefits                                      | 506                          |
| Accounts payable  | (1,334)                      |
| Accrued salaries and benefits   | 790                          |
| Unearned revenues   | 9,155                        |
| Net pension liability   | 247,483                      |
| Net other postemployment benefits liabilities   | 3,999                        |
| Deferred inflows of resources for pension   | (259,966)                    |
| Deferred inflows of resources for other postemployment benefits                                       | (7,961)                      |
|   | <u>153,743</u>               |
| Total adjustments   |                              |
|   | <u>153,743</u>               |
| <b>NET CASH USED FOR OPERATING ACTIVITIES</b>   | <b><u>\$ (2,031,972)</u></b> |

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the District used \$194,350 of commodities  
from the U.S. Department of Agriculture.

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

**June 30, 2024**

|                          | <u>Custodial<br/>Funds</u> |
|--------------------------|----------------------------|
| <b>ASSETS</b>            |                            |
| Cash and investments     | \$ 448,255                 |
| Interfund receivables    | <u>12,600</u>              |
| <b>TOTAL ASSETS</b>      | 460,855                    |
| <b>LIABILITIES</b>       |                            |
| Accounts payable         | 2,110                      |
| Interfund payables       | <u>5,383</u>               |
| <b>TOTAL LIABILITIES</b> | <u>7,493</u>               |
| <b>NET POSITION</b>      | <u><u>\$ 453,362</u></u>   |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2024**

|   | <u>Custodial<br/>Funds</u> |
|---|----------------------------|
| <b>ADDITIONS</b>                        |                            |
| Earnings on investments                 | \$ 12,914                  |
| Contributions                           | <u>451,873</u>             |
| <b>TOTAL ADDITIONS</b>                  | 464,787                    |
| <b>DEDUCTIONS</b>                       |                            |
| Scholarships and fees                   | 3,750                      |
| Student activities                      | <u>358,935</u>             |
| <b>TOTAL DEDUCTIONS</b>                 | <u>362,685</u>             |
| <b>INCOME BEFORE TRANSFERS</b>          | 102,102                    |
| <b>TRANSFERS OUT</b>                    | <u>(11,177)</u>            |
| <b>CHANGE IN NET POSITION</b>           | 90,925                     |
| <b>NET POSITION - BEGINNING OF YEAR</b> | <u>362,437</u>             |
| <b>NET POSITION - END OF YEAR</b>       | <u><u>\$ 453,362</u></u>   |



## **GOVERNOR MIFFLIN SCHOOL DISTRICT**

### **NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

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

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

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

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

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

##### **A. Reporting Entity**

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

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**A. Reporting Entity - continued**

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

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

**Joint Venture:** The District is a participating member of the Berks Career & Technology Center. See Note 11 for details of involvement and financial information of the joint venture.

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

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

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

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

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

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

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

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

**The District Reports the Following Major Governmental Funds:**

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

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

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

**The District has the Following Major Enterprise Fund:**

**Food Service Fund:** The food service fund is authorized under section 504 of the Public School Code of 1949 to account for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is the District's only major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

**Additionally, the District Reports the Following Fund Type:**

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**C. Basis of Presentation - Fund Financial Statements - continued**

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

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

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

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

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**D. Measurement Focus and Basis of Accounting - continued**

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

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

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**E. Budgetary Process**

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

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

**Accelerated Budget Process Option**

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

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

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

**Board Resolution Option**

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

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Financial Position**

**1. Cash and Cash Equivalents**

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

**2. Investments**

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

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

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

**3. Interfund Transactions**

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

**4. Inventories and Prepaid Items**

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

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

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

4. Inventories and Prepaid Items - continued

Inventories of the enterprise fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2024, consist of the following:

|                     |                  |
|---------------------|------------------|
| Purchased food      | \$ 23,413        |
| Supplies            | 15,063           |
| Donated commodities | <u>6,920</u>     |
|                     | <u>\$ 45,396</u> |

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

5. Capital Assets, Depreciation, and Amortization

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

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



GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization - continued

Estimated useful lives for depreciable and amortizable assets are as follows:

| Assets                             | Years   |
|------------------------------------|---------|
| Building and building improvements | 20 - 50 |
| Land improvements                  | 5 - 10  |
| Machinery and equipment            | 3 - 20  |
| Right-to-use lease assets          | 2 - 6   |
| Right-to-use subscription assets   | 2 - 3   |

6. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The District periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the District's long-lived assets were considered to be impaired as of June 30, 2024.

7. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental and proprietary fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

8. Compensated Absences

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Financial Position - continued**

**9. Retirement Severances**

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

**10. Early Retirement Incentives**

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

**11. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Other bond issuance costs are expensed at the time the debt is issued.

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Financial Position - continued**

**12. Leases and Subscription-Based Information Technology Arrangements**

Governor Mifflin School District is a lessee for noncancellable leases of equipment and subscription-based information technology arrangements (SBITA). The District recognizes a lease or subscription liability and an intangible right-to-use asset (lease or subscription asset) in the government-wide financial statements.

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

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

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

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

Lease and subscription assets are reported with capital assets and related liabilities are reported with noncurrent liabilities on the statement of net position.

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Financial Position - continued**

**13. Pension**

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

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

**14. Other Postemployment Benefits (OPEB)**

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

**PSERS OPEB Plan**

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

**District OPEB Plan**

The District sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District OPEB plan is unfunded.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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F. Financial Position - continued

15. Deferred Outflows/Inflows of Resources

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

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

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

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Financial Position - continued**

**15. Deferred Outflows/Inflows of Resources - continued**

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

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

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

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Financial Position - continued**

**16. Net Position and Flow Assumptions**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in the capital assets component of net position is comprised of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. If there are unspent related debt proceeds at year end, the portion of debt attributed to the unspent bond proceeds is not included in the calculation of net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

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

**17. Fund Balance Policies and Flow Assumptions**

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

The nonspendable fund balance classification represents assets in nonspendable form and includes items such as prepaid expenditures and inventory.

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

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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**F. Financial Position - continued**

**17. Fund Balance Policies and Flow Assumptions - continued**

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

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

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

**G. Use of Estimates**

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



**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**A. Compliance with Finance Related Legal and Contractual Provisions**

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

**B. Deficit Fund Balance or Net Position of Individual Funds**

For the year ended June 30, 2024, no individual funds had a deficit fund balance or net position.

**C. Excess of Expenditures Over Appropriations in Individual Funds**

For the year ended June 30, 2024, the General Fund had excess expenditures over appropriations of \$697,660, which was satisfied with excess revenues received over budgeted revenues.

**NOTE 3 - CASH AND INVESTMENTS**

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

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

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

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

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

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

The breakdown of total cash and investments at June 30, 2024, is as follows:

|                             |                      |
|-----------------------------|----------------------|
| Petty cash                  | \$ 3,150             |
| Cash                        | 7,553,385            |
| Certificates of deposit     | 720,250              |
| Pooled cash and investments | 37,498,332           |
|                             | <u>\$ 45,775,117</u> |

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does have a policy for custodial credit risk on deposits. At June 30, 2024, the carrying amount of the District's deposits was \$8,273,635 and the bank balance was \$9,012,291. Of the bank balance, \$1,225,800 was covered by federal depository insurance, and \$7,786,491 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly. Included in deposits are certificates of deposit (CDs) that have original maturity dates of greater than three months. The CDs are considered deposits for the purposes of this disclosure and included as deposits in the custodial credit risk disclosure above. The District has CDs outstanding totaling \$720,250.

Restricted Cash

Restricted cash consists of \$644,396 of cash held in escrow related to the District's current construction projects.

Pooled Cash and Investments

As of June 30, 2024, the District had the following pooled cash and investments:

|  | <u>Maturities</u> | <u>Fair Value</u> | <u>Carrying Value</u> | <u>Level</u> |
|--|-------------------|-------------------|-----------------------|--------------|
| PA Local Government Investment Trust (PLGIT):  |                   |                   |                       |              |
| PLGIT/Prime                                    |                   | \$ 4,821,530      | \$ 4,821,530          | N/A          |
| PLGIT/Class                                    |                   | 901,680           | 901,680               | N/A          |
| PLGIT/Term                                     | < 1 year          | 15,261,901        | 15,261,901            | N/A          |
| PLGIT/Term                                     | 1-5 years         | 10,000,000        | 10,000,000            | N/A          |
| PA School District Liquid Asset Fund (PSDLAF): |                   |                   |                       |              |
| MAX Account Balance                            |                   | 3,473,348         | 3,473,348             | N/A          |
| Flex Account                                   |                   | 3,039,873         | <u>3,039,873</u>      | N/A          |
| Total Pooled Cash and Investments              |                   |                   | <u>\$ 37,498,332</u>  |              |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

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**Pooled Cash and Investments - continued**

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include \$30,985,111 (PLGIT) and \$6,513,221 (PSDLAF) at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

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

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

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

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

A portion of the District's deposits are in the Pennsylvania School District Liquid Asset Fund. PSDLAF acts like a money market mutual fund in that the objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

The PSDLAF Full Flex Pool are fixed-term investments collateralized in accordance with Act 72 and invests in assets as permitted under Section 440.1 of the Public School Code of 1949. The Fixed-Term Series are fixed-term investment vehicles with maturities depending upon the maturity date of each particular Fixed-Term Series. All investments in a Fixed-Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed-Term Series; however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed-Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed-Term Series are invested is registered in the name of that particular Fixed-Term Series.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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**Pooled Cash and Investments - continued**

As of June 30, 2024, the entire PLGIT and PSDLAF book balance of \$37,498,332 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

**Interest Rate Risk**

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

**Credit Risk**

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2024, the District's investments were rated as:

| <u>Investment</u> | <u>Standard<br/>&amp; Poor's</u> |
|-------------------|----------------------------------|
| PLGIT             | AAAm                             |
| PSDLAF            | AAAm                             |

**Concentration of Credit Risk**

The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2024, the District has no investments subject to concentration of credit risk.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE**

The District has five independently elected tax collectors who are responsible for the collection of real estate taxes. Assessed values are established by the County Board of Assessment. All taxable real property was assessed at \$1,604,142,900. In accordance with Act 1 of 2006, the District received \$1,086,721 in property tax reduction funds for the 2023/2024 fiscal year. The District tax rate for the year ended June 30, 2024, was 30.10 mills (\$30.10 per \$1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for the current fiscal year was as follows:

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

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

The balances at June 30, 2024, are as follows:

|  | Gross<br>Taxes<br>Receivable | Allowance for<br>Uncollectible<br>Taxes | Net Estimated<br>to be<br>Collectible | Tax<br>Revenue<br>Recognized | Unavailable<br>Revenue |
|--|------------------------------|---|---------------------------------------|------------------------------|------------------------|
| Real estate tax                                      | \$ 1,408,857                 | \$ 24,559                               | \$ 1,384,298                          | \$ 180,931                   | \$ 1,227,926           |
| Other taxes - earned<br>income, real estate transfer | 540,514                      | -                                       | 540,514                               | 540,514                      | -                      |
|  | <u>\$ 1,949,371</u>          | <u>\$ 24,559</u>                        | <u>\$ 1,924,812</u>                   | <u>\$ 721,445</u>            | <u>\$ 1,227,926</u>    |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 5 - INTERGOVERNMENTAL RECEIVABLES**

The following schedule represents intergovernmental receivables at June 30, 2024:

|  | General<br>Fund     | Enterprise<br>Food Service |
|--|---------------------|----------------------------|
| Commonwealth of Pennsylvania:                        |                     |                            |
| Retirement   | \$ 2,186,748        | \$ -                       |
| Social Security                                      | 464,445             | -                          |
| Pre-K Counts   | 50,000              | -                          |
| Transportation                                       | 116,043             | -                          |
| PCCD Safety Grant                                    | 268,486             | -                          |
| Berks County IU - Special Education Grants to States | 371,202             | -                          |
| Berks County IU - Preschool Grants                   | 10,393              | -                          |
| Berks County IU - Other                              | 3,667               | -                          |
| Other LEA's  | 202,518             | -                          |
| E-Rate Rebate  | 14,599              | -                          |
| Federal Subsidies:                                   |                     |                            |
| Title I - Grants to Local Educational Agencies       | 141,758             | -                          |
| Supporting Effective Instruction State Grant         | 17,666              | -                          |
| English Language Acquisition State Grant             | 6,676               | -                          |
| COVID-19 - Education Stabilization Fund              | 42,515              | -                          |
| Medical Assistance Program                           | 850                 | -                          |
| Summer Food Programs                                 | -                   | 22,570                     |
|  | <u>\$ 3,897,566</u> | <u>\$ 22,570</u>           |
| Total  | <u>\$ 3,897,566</u> | <u>\$ 22,570</u>           |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 6 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

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The following is a summary of interfund receivables and payables at June 30, 2024:

|                                     | <u>Interfund<br/>Receivables</u> | <u>Interfund<br/>Payables</u> |
|-------------------------------------|----------------------------------|-------------------------------|
| General Fund                        | \$ 9,265                         | \$ 1,903,061                  |
| Capital Projects                    | 1,870,119                        | -                             |
| Enterprise Fund - Food Service      | 16,460                           | -                             |
| Custodial Fund - Student Activities | 12,600                           | 5,383                         |
|                                     | <u>\$ 1,908,444</u>              | <u>\$ 1,908,444</u>           |

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

The District made the following interfund operating transfers during the fiscal year ended June 30, 2024:

|                                     | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------------|---------------------|----------------------|
| General Fund                        | \$ 54,339           | \$ 9,315,056         |
| Capital Projects Fund               | 2,885,180           | -                    |
| Debt Service Fund                   | 6,429,876           | -                    |
| Enterprise Fund - Food Service      | -                   | 43,162               |
| Custodial Fund - Student activities | -                   | 11,177               |
|                                     | <u>\$ 9,369,395</u> | <u>\$ 9,369,395</u>  |

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 7 - CHANGES IN CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2024, were as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increase</u>     | <u>(Reclass)<br/>Decrease</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|---------------------|-------------------------------|---------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                 |                              |                     |                               |                           |
| Capital assets not being depreciated:          |                              |                     |                               |                           |
| Land   | \$ 14,780,338                | \$ -                | \$ -                          | \$ 14,780,338             |
| Construction in progress                       | 38,434,958                   | -                   | (38,434,958)                  | -                         |
| Total assets not being depreciated             | <u>53,215,296</u>            | <u>-</u>            | <u>(38,434,958)</u>           | <u>14,780,338</u>         |
| Capital assets being depreciated:              |                              |                     |                               |                           |
| Buildings and building improvements            | 100,265,502                  | 8,819,262           | 37,522,367                    | 146,607,131               |
| Land improvements                              | 6,789,684                    | 240,049             | (31,867)                      | 6,997,866                 |
| Machinery and equipment                        | 17,463,384                   | 1,453,425           | 566,706                       | 19,483,515                |
| Totals being depreciated                       | <u>124,518,570</u>           | <u>10,512,736</u>   | <u>38,057,206</u>             | <u>173,088,512</u>        |
| Less accumulated depreciation for:             |                              |                     |                               |                           |
| Buildings and building improvements            | 55,865,620                   | 3,841,801           | -                             | 59,707,421                |
| Land improvements                              | 6,345,269                    | 108,342             | (24,866)                      | 6,428,745                 |
| Machinery and equipment                        | 14,931,280                   | 531,541             | (7,055)                       | 15,455,766                |
| Total accumulated depreciation                 | <u>77,142,169</u>            | <u>4,481,684</u>    | <u>(31,921)</u>               | <u>81,591,932</u>         |
| Total capital assets being depreciated, net    | 47,376,401                   | 6,031,052           | 38,089,127                    | 91,496,580                |
| Right-to-use assets:                           |                              |                     |                               |                           |
| Leased machinery and equipment                 | 1,852,511                    | 316,345             | (545,899)                     | 1,622,957                 |
| Subscriptions                                  | 305,039                      | 152,315             | (71,955)                      | 385,399                   |
| Total right-to-use assets being amortized      | 2,157,550                    | 468,660             | (617,854)                     | 2,008,356                 |
| Less accumulated amortization for:             |                              |                     |                               |                           |
| Leased machinery and equipment                 | 759,576                      | 577,416             | (545,899)                     | 791,093                   |
| Subscriptions                                  | 115,237                      | 114,647             | (71,955)                      | 157,929                   |
| Total accumulated amortization                 | <u>874,813</u>               | <u>692,063</u>      | <u>(617,854)</u>              | <u>949,022</u>            |
| Total right-to-use assets being amortized, net | 1,282,737                    | (223,403)           | -                             | 1,059,334                 |
| Governmental activities, capital assets, net   | <u>\$ 101,874,434</u>        | <u>\$ 5,807,649</u> | <u>\$ (345,831)</u>           | <u>\$ 107,336,252</u>     |



**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 7 - CHANGES IN CAPITAL ASSETS - CONTINUED**

|  | Beginning<br>Balance | Increase           | (Reclass)<br>Decrease | Ending<br>Balance |
|--|----------------------|--------------------|-----------------------|-------------------|
| <b>BUSINESS-TYPE ACTIVITIES</b>                          |                      |                    |                       |                   |
| Capital assets being depreciated:                        |                      |                    |                       |                   |
| Machinery and equipment                                  | \$ 1,310,104         | \$ 5,042           | \$ -                  | \$ 1,315,146      |
| Less accumulated depreciation for:                       |                      |                    |                       |                   |
| Machinery and equipment                                  | 1,096,433            | 24,873             | -                     | 1,121,306         |
| <b>BUSINESS-TYPE ACTIVITIES,<br/>CAPITAL ASSETS, NET</b> | <u>\$ 213,671</u>    | <u>\$ (19,831)</u> | <u>\$ -</u>           | <u>\$ 193,840</u> |

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

|   |               |
|---|---------------|
| Instruction                                   | \$ 415,806    |
| Instructional student support                 | 753,222       |
| Administrative and financial support services | 113,489       |
| Operation and maintenance of plant services   | 3,833,973     |
| Pupil transportation                          | 4,024         |
| Student activities                            | <u>53,233</u> |

|  |                            |
|--|----------------------------|
| <b>TOTAL DEPRECIATION AND AMORTIZATION<br/>EXPENSE - GOVERNMENTAL ACTIVITIES</b> | <u><u>\$ 5,173,747</u></u> |
|--|----------------------------|

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 8 - LONG-TERM LIABILITIES

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**Bonds and Notes Payable**

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

Bonds and notes payable are as follows at June 30, 2024:

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

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

\$ 26,660,000

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

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

14,575,000

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

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

19,395,000

General Obligation Bonds - Series of 2021:

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

27,730,000

Total Bonds and Notes Payable

\$ 88,360,000

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 8 - LONG-TERM LIABILITIES - CONTINUED**

**Bonds and Notes Payable - continued**

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

|              | Direct Borrowings  |  | General<br>Obligation<br>Notes,<br>Series A of 2020 | General<br>Obligation<br>Notes,<br>Series B of 2020 | General<br>Obligation<br>Bonds,<br>Series of 2021 |
|--------------|--|--|---|---|---|
|              | General<br>Obligation<br>Notes,<br>Series C of 2020<br>Principal | Interest   |   |   |   |
| 2025         | \$ 3,185,000   | \$ 283,167   | \$ 5,000  | \$ 30,000   | \$ 190,000  |
| 2026         | 3,240,000  | 236,666  | 5,000   | 20,000  | 195,000   |
| 2027         | 3,300,000  | 189,362  | 5,000   | 10,000  | 195,000   |
| 2028         | 3,350,000  | 141,182  | 5,000   | 5,000   | 200,000   |
| 2029         | 3,400,000  | 92,272   | 5,000   | 5,000   | 205,000   |
| 2030-2034    | 2,920,000  | 42,632   | 505,000   | 14,505,000  | 415,000   |
| 2035-2039    | -  | -  | 9,420,000   | -   | 9,665,000   |
| 2040-2044    | -  | -  | 11,460,000  | -   | 11,430,000  |
| 2045-2046    | -  | -  | 5,250,000   | -   | 5,235,000   |
| <b>Total</b> | <b>\$ 19,395,000</b>   | <b>\$ 985,281</b>                                      | <b>\$ 26,660,000</b>                                | <b>\$ 14,575,000</b>                                | <b>\$ 27,730,000</b>                              |
|              | Total General<br>Obligation<br>Notes/Bonds<br>Principal          | Total General<br>Obligation<br>Notes/Bonds<br>Interest | Total<br>General<br>Long-Term<br>Debt               | Total<br>Interest                                   |   |
|              |  |  |   |   |   |
| 2025         | \$ 225,000   | \$ 2,370,137   | \$ 3,410,000  | \$ 2,653,304  |   |
| 2026         | 220,000  | 2,367,588  | 3,460,000   | 2,604,254   |   |
| 2027         | 210,000  | 2,364,189  | 3,510,000   | 2,553,551   |   |
| 2028         | 210,000  | 2,360,989  | 3,560,000   | 2,502,171   |   |
| 2029         | 215,000  | 2,363,814  | 3,615,000   | 2,456,086   |   |
| 2030-2034    | 15,425,000   | 11,243,143   | 18,345,000  | 11,285,775  |   |
| 2035-2039    | 19,085,000   | 8,721,900  | 19,085,000  | 8,721,900   |   |
| 2040-2044    | 22,890,000   | 4,915,800  | 22,890,000  | 4,915,800   |   |
| 2045-2046    | 10,485,000   | 633,200  | 10,485,000  | 633,200   |   |
| <b>Total</b> | <b>\$ 68,965,000</b>   | <b>\$ 37,340,760</b>                                   | <b>\$ 88,360,000</b>                                | <b>\$ 38,326,041</b>                                |   |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 8 - LONG-TERM LIABILITIES - CONTINUED**

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**Events of Default**

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

**Leases**

The District has entered into lease agreements for various technology equipment including copiers, printers, and computers. The leases have various termination dates through February 2029. These leases include either monthly, quarterly, or annual payments of principal and interest at rates ranging from 4.00% to 6.56%.

Future lease maturities as of June 30 are as follows:

|      | Principal         | Interest         | Total             |
|------|-------------------|------------------|-------------------|
| 2025 | \$ 373,977        | \$ 40,114        | \$ 414,091        |
| 2026 | 332,851           | 21,465           | 354,316           |
| 2027 | 120,787           | 4,253            | 125,040           |
| 2028 | 13,733            | 767              | 14,500            |
| 2029 | 744               | 6                | 750               |
|      | <u>\$ 842,092</u> | <u>\$ 66,605</u> | <u>\$ 908,697</u> |

**Subscriptions**

The District has entered into various agreements for subscription-based information technology arrangements. The arrangements mature through May 2029. Annual payments are made and interest is accrued at rates ranging from 4.50% to 5.00%.

Future subscription liability maturities as of June 30 are as follows:

|      | Principal         | Interest         | Total             |
|------|-------------------|------------------|-------------------|
| 2025 | \$ 105,420        | \$ 9,441         | \$ 114,861        |
| 2026 | 29,066            | 4,193            | 33,259            |
| 2027 | 30,402            | 2,857            | 33,259            |
| 2028 | 31,798            | 1,461            | 33,259            |
|      | <u>\$ 196,686</u> | <u>\$ 17,952</u> | <u>\$ 214,638</u> |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 8 - LONG-TERM LIABILITIES - CONTINUED**

Long-term liability balances and activity for the year ended June 30, 2024, are as follows:

|   | Beginning<br>Balance  | Additions            | Reductions           | Ending<br>Balance     | Amounts Due<br>Within<br>One Year |
|---|-----------------------|----------------------|----------------------|-----------------------|-----------------------------------|
| <b>Governmental Activities</b>                    |                       |                      |                      |                       |                                   |
| General Obligation Bonds<br>and Notes:            |                       |                      |                      |                       |                                   |
| Bonds/notes payable                               | \$ 68,975,000         | \$ -                 | \$ 10,000            | \$ 68,965,000         | \$ 225,000                        |
| Premiums  | 5,552,913             | -                    | 244,084              | 5,308,829             | -                                 |
| Total bonds/notes payable                         | 74,527,913            | -                    | 254,084              | 74,273,829            | 225,000                           |
| Direct borrowings                                 | 23,128,000            | -                    | 3,733,000            | 19,395,000            | 3,185,000                         |
| Bonds/notes and direct<br>borrowings payable, net | 97,655,913            | -                    | 3,987,084            | 93,668,829            | 3,410,000                         |
| Leases payable                                    | 1,080,823             | 294,865              | 533,596              | 842,092               | 373,977                           |
| Subscription liability                            | 186,562               | 119,056              | 108,932              | 196,686               | 105,420                           |
| Compensated absences                              | 537,713               | 149,666              | 121,544              | 565,835               | 119,619                           |
| Retirement severance                              | 113,525               | 31,100               | 67,150               | 77,475                | 41,100                            |
| Early retirement incentive                        | 13,000                | -                    | 3,000                | 10,000                | -                                 |
| Net pension liability                             | 92,165,515            | 12,077,422           | 10,842,905           | 93,400,032            | -                                 |
| Net other postemployment<br>benefit liabilities   | 6,366,095             | 552,683              | 363,163              | 6,555,615             | -                                 |
| Total governmental<br>long-term liabilities       | <u>\$ 198,119,146</u> | <u>\$ 13,224,792</u> | <u>\$ 16,027,374</u> | <u>\$ 195,316,564</u> | <u>\$ 4,050,116</u>               |
| <b>Business-Type Activities</b>                   |                       |                      |                      |                       |                                   |
| Net pension liability                             | \$ 1,775,485          | \$ 482,464           | \$ 234,981           | \$ 2,022,968          | \$ -                              |
| Net other postemployment<br>benefit liabilities   | 193,613               | 11,802               | 7,803                | 197,612               | -                                 |
| Total business-type<br>long-term liabilities      | <u>\$ 1,969,098</u>   | <u>\$ 494,266</u>    | <u>\$ 242,784</u>    | <u>\$ 2,220,580</u>   | <u>\$ -</u>                       |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 8 - LONG-TERM LIABILITIES - CONTINUED**

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Total interest paid during the year ended June 30, 2024, was \$2,771,806. Payments on bonds and notes payable are made by the general fund via transfer to the debt service fund. The lease, subscription, compensated absence, retirement severance, and early retirement incentive liabilities will be liquidated by the general fund. The net pension and PSERS OPEB Plan portion of the OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general and food service funds. The District OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general and food service funds.

**NOTE 9 - EMPLOYEE RETIREMENT PLANS**

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**Employee Defined Benefit Pension Plan**

***General Information About the Pension Plan***

Plan Description

PSERS (the System) is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24, Part IV of the Pennsylvania General Assembly. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](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.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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Employee Defined Benefit Pension Plan - continued

*General Information About the Pension Plan - continued*

Benefits Provided - continued

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally equal to 1.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of 5 years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

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

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

**Employee Defined Benefit Pension Plan - continued**

***General Information About the Pension Plan - continued***

**Contributions**

The contribution policy is set by state statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania. The contribution rates based on qualified member compensation for virtually all members is presented below:

| <b>Member Contribution Rates</b> |                                    |   |                             |   |
|----------------------------------|------------------------------------|---|-----------------------------|---|
| <b>Membership Class</b>          | <b>Continuous Employment Since</b> | <b>Defined Benefit (DB) Contribution Rate</b> | <b>DC Contribution Rate</b> | <b>Total Contribution Rate</b>                  |
| <b>T-C</b>                       | Prior to July 22, 1983             | 5.25%   | N/A                         | 5.25%   |
|                                  |                                    |   |                             | 6.25%   |
| <b>T-C</b>                       | On or after July 22, 1983          | 6.25%   | N/A                         | 6.25%   |
| <b>T-D</b>                       | Prior to July 22, 1983             | 6.50%   | N/A                         | 6.50%   |
|                                  |                                    |   |                             | 6.50%   |
| <b>T-D</b>                       | On or after July 22, 1983          | 7.50%   | N/A                         | 7.50%   |
| <b>T-E</b>                       | On or after July 1, 2011           | 7.50% base rate with shared risk provision    | N/A                         | Prior to 7/1/21: 7.50%<br>After 7/1/21: 8.00%   |
| <b>T-F</b>                       | On or after July 1, 2011           | 10.30% base rate with shared risk provision   | N/A                         | Prior to 7/1/21: 10.30%<br>After 7/1/21: 10.80% |
| <b>T-G</b>                       | On or after July 1, 2019           | 5.50% base rate with shared risk provision    | 2.75%                       | Prior to 7/1/21: 8.25%<br>After 7/1/21: 9.00%   |
| <b>T-H</b>                       | On or after July 1, 2019           | 4.50% base rate with shared risk provision    | 3.00%                       | Prior to 7/1/21: 7.50%<br>After 7/1/21: 8.25%   |
| <b>DC</b>                        | On or after July 1, 2019           | N/A   | 7.50%                       | 7.50%   |

| <b>Shared Risk Program Summary</b> |                                       |                              |                |                |
|------------------------------------|---------------------------------------|------------------------------|----------------|----------------|
| <b>Membership Class</b>            | <b>Defined Benefit (DB) Base Rate</b> | <b>Shared Risk Increment</b> | <b>Minimum</b> | <b>Maximum</b> |
| T-E                                | 7.50%                                 | +/- 0.50%                    | 5.50%          | 9.50%          |
| T-F                                | 10.30%                                | +/- 0.50%                    | 8.30%          | 12.50%         |
| T-G                                | 5.50%                                 | +/- 0.75%                    | 2.50%          | 8.50%          |
| T-H                                | 4.50%                                 | +/- 0.75%                    | 1.50%          | 7.50%          |



**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2024**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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**Employee Defined Benefit Pension Plan - continued**

***General Information About the Pension Plan - continued***

Contributions - continued:

Employer Contributions:

The District's contractually required contribution rate for the fiscal year ended June 30, 2024 was 33.09% of covered payroll, actuarially determined as an amount that when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$10,905,538 for the year ended June 30, 2024. In addition, the District's contribution to the defined contribution plan was \$88,984 for the year ended June 30, 2024.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and OPEB. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2024, for pension and OPEB benefits was \$5,940,073.

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

**Employee Defined Benefit Pension Plan - continued**

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

At June 30, 2024, the District reported a liability of \$95,423,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2024, the District's proportion was 0.2145% which was an increase of 0.0032% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2024, the District recognized a pension expense of \$8,970,021. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                                       | \$ 22,000                            | \$ 1,307,000                        |
| Net difference between projected and actual investment earnings                          | 2,700,000                            | -                                   |
| Changes in assumptions   | 1,424,000                            | 1,130,000                           |
| Changes in proportion - plan level   | 1,291,000                            | -                                   |
| Changes in proportion - internal   | 28,146                               | 28,146                              |
| Difference between employer contributions and proportionate share of total contributions | -                                    | 64,437                              |
| Contributions made subsequent to the measurement date                                    | 10,905,538                           | -                                   |
|  | <u>\$ 16,370,684</u>                 | <u>\$ 2,529,583</u>                 |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

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**Employee Defined Benefit Pension Plan - continued**

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

The \$10,905,538 reported as deferred outflows of resources related to pensions resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

|      |                     |
|------|---------------------|
| 2025 | \$ 973,851          |
| 2026 | (2,106,476)         |
| 2027 | 3,198,871           |
| 2028 | <u>869,317</u>      |
|      | <u>\$ 2,935,563</u> |

**Actuarial Assumptions**

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

- Actuarial valuation date - June 30, 2022.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions - continued

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

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

The PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023 is:

| <u>Asset Class</u>   | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|----------------------|------------------------------|---|
| Global public equity | 30.0%                        | 5.2%  |
| Private equity       | 12.0%                        | 7.9%  |
| Fixed income         | 33.0%                        | 3.2%  |
| Commodities          | 7.5%                         | 2.7%  |
| Infrastructure/ MLPs | 10.0%                        | 5.4%  |
| Real estate          | 11.0%                        | 5.7%  |
| Absolute return      | 4.0%                         | 4.1%  |
| Cash                 | 3.0%                         | 1.2%  |
| Leverage             | (10.5%)                      | 1.2%  |
|                      | <u>100.0%</u>                |   |

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Discount Rate

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

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

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

|  | 1% Decrease<br>6.00% | Current<br>Discount Rate<br>7.00% | 1% Increase<br>8.00% |
|--|----------------------|-----------------------------------|----------------------|
| District's proportionate share of the<br>net pension liability | \$ 123,695,000       | \$ 95,423,000                     | \$ 71,571,000        |

Pension Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2024, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$3,078,737. This amount represents the District's contractually obligated contributions for wages earned in April 2024 through June 2024.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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**403(b) Tax Shelter Plan**

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS

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**Employee Defined Benefit Other Postemployment Benefit Plans**

The District has other postemployment benefits (OPEB) under 2 different plans: (1) a cost-sharing, multiple employer, employee defined benefit other postemployment benefits plan administered through PSERS (PSERS OPEB Plan) and (2) a single employer defined benefit healthcare plan (District OPEB Plan). The District's aggregate net OPEB liability and deferred outflows and inflows of resources related to OPEB at June 30, 2024 are as follows:

| Plan               | Net OPEB<br>Liability | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--------------------|-----------------------|--------------------------------------|-------------------------------------|
| PSERS OPEB Plan    | \$ 3,877,000          | \$ 652,926                           | \$ 880,000                          |
| District OPEB Plan | 2,876,227             | 603,000                              | 2,953,471                           |
| Total              | <u>\$ 6,753,227</u>   | <u>\$ 1,255,926</u>                  | <u>\$ 3,833,471</u>                 |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

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**PSERS OPEB Plan**

***General Information About the PSERS OPEB Plan***

Health Insurance Premium Assistance Program

PSERS (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, 2023, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age.

For Class DC members to become eligible for Premium Assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

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).

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

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**PSERS OPEB Plan - continued**

***General Information About the PSERS OPEB Plan - continued***

**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.

**Contributions**

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The School District's contractually required contribution rate for the fiscal year ended June 30, 2024, was 0.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$210,926 for the year ended June 30, 2024.

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net PSERS OPEB Plan liability and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2024, for pension and OPEB benefits was \$5,940,073.

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

At June 30, 2024, the District reported a liability of \$3,877,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2024, the District's proportion was 0.2413%, which was an increase of 0.0300% from its proportion measured as of June 30, 2023.



**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

**PSERS OPEB Plan - continued**

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$71,158. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience                 | \$ 25,000                            | \$ 38,000                           |
| Changes in assumptions   | 335,000                              | 734,000                             |
| Net difference between projected and actual<br>investment earnings | 9,000                                | -                                   |
| Changes in proportion  | 73,000                               | 108,000                             |
| Contributions made subsequent to the measurement date              | 210,926                              | -                                   |
|  | <u>\$ 652,926</u>                    | <u>\$ 880,000</u>                   |

The \$210,926 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

|       |                     |
|-------|---------------------|
| 2025  | \$ (96,000)         |
| 2026  | (109,000)           |
| 2027  | (109,000)           |
| 2028  | (126,000)           |
| 2029  | 2,000               |
|       | <u>          </u>   |
| Total | <u>\$ (438,000)</u> |

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

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PSERS OPEB Plan - continued

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

Actuarial Assumptions

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

- Actuarial valuation date - June 30, 2022.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.13% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement scale.
- Participation rate:
  - Eligible retirees will elect to participate Pre-age 65 at 50%
  - Eligible retirees will elect to participate Post-age 65 at 70%

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2021 determined the employer contribution rate for fiscal year 2023.
- 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: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumptions for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

Actuarial Assumptions - continued

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

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

The PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023 is:

| Asset Class | Target<br>Allocation | Long-Term<br>Expected Real<br>Rate of Return |
|-------------|----------------------|--|
| Cash        | 100.0%               | 1.2%   |

Discount Rate

The discount rate used to measure the total OPEB liability was 4.13%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.13% which represents the S&P 20-year Municipal Bond Rate at June 30, 2023, was applied to all projected benefit payments to measure the total OPEB liability.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

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

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2023, 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, 2023, 92,677 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2023, 522 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District's proportionate share of the net OPEB liability for the June 30, 2023 measurement date, calculated using current Healthcare cost trends as well as what the District's proportionate share of the net OPEB liability would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

|   | <u>1% Decrease</u> | <u>Current<br/>Trend Rate</u> | <u>1% Increase</u> |
|---|--------------------|-------------------------------|--------------------|
| District's proportionate share of the<br>net OPEB liability | \$ 3,877,000       | \$ 3,877,000                  | \$ 3,877,000       |

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

The following presents the net OPEB liability, calculated using the discount rate of 4.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (3.13%) or one-percentage point higher (5.13%) than the current rate:

|   | <u>1% Decrease<br/>3.13%</u> | <u>Current<br/>Discount Rate<br/>4.13%</u> | <u>1% Increase<br/>5.13%</u> |
|---|------------------------------|--|------------------------------|
| District's proportionate share of the<br>net OPEB liability | \$ 4,384,000                 | \$ 3,877,000                               | \$ 3,453,000                 |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2024**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

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**PSERS OPEB Plan - continued**

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

OPEB Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2024, the District had an accrued balance due to PSERS of \$3,078,737, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2024 through June 2024.

**District OPEB Plan**

***General Information About the District OPEB Plan***

Plan Description

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**

June 30, 2024

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

**District OPEB Plan - continued**

***General Information About the District OPEB Plan - continued***

Benefits Provided

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

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

| <i>ELIGIBILITY</i>                    | <i>COVERAGE AND PREMIUM SHARING</i>   | <i>DURATION</i>   |
|---------------------------------------|---|---|
| Must be eligible for PSERS retirement | <u>Coverage</u><br>Medical and Prescription Drug<br><br><u>Premium Sharing</u><br>Member and spouse must pay 102% of full premium for coverage<br><br><u>Dependents</u><br>Spouse and Family included | <ul style="list-style-type: none"> <li>• Member is covered until Medicare age</li> <li>• Spouse is covered until the earlier of member reaches Medicare age or spouse reaches Medicare age</li> </ul> |

Pennsylvania Act 110 of 1988 and Act 43 of 1989 require school employers in Pennsylvania to give retirees and their dependents the right to continue coverage in the group health plan to which they belonged as employees, until they reach Medicare age. To be eligible for this benefit, retirees must provide payment equal to the premium determined for the purpose of COBRA.

**PSERS Retirement:**

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS retirement if he (or she) is eligible for either: a) PSERS early retirement while under 62 with 5 years of PSERS service or b) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service, or 35 years of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

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District OPEB Plan - continued

*General Information About the District OPEB Plan - continued*

Benefits Provided - continued

- 2) Pension Class T-E or T-F: An employee is eligible for PSERS retirement if he (or she) is eligible for either: a) PSERS early retirement while under 65 with 10 years of PSERS service or b) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.
- 3) Pension Class T-G: An employee is eligible for PSERS retirement if he (or she) is eligible for either: a) PSERS early retirement while under 67 with 10 years of PSERS service or b) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 4) Pension Class T-H: An employee is eligible for PSERS retirement if he (or she) is eligible for either: a) PSERS early retirement while under 67 with 10 years of PSERS service or b) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 5) All individuals except those in Pension Class T-G are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service. Individuals in Pension Class T-G are eligible for a special early retirement upon reaching age 57 with 25 years of PSERS service.

Employees Covered by Benefit Terms

At July 1, 2022, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

|                      |                   |
|----------------------|-------------------|
| Active participants  | 435               |
| Retired participants | <u>15</u>         |
| Total                | <u><u>450</u></u> |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2024**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

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**District OPEB Plan - continued**

***OPEB Liability***

**Actuarial Assumptions and Other Inputs**

The total OPEB liability as of June 30, 2023, was determined by rolling forward the District's total OPEB liability as of July 1, 2022 to July 1, 2023, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1.5% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate - 4.13% - based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index at July 1, 2023.
- Mortality rates - PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.
- Healthcare cost trend rates - 7.0% in 2023 with 0.5% decrease per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 50% of employees are assumed to elect coverage.

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



**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2024**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

**District OPEB Plan - continued**

***Changes in the Total OPEB Liability***

|                          | Total OPEB<br>Liability    |
|--------------------------|----------------------------|
| Balance at July 1, 2023  | \$ 2,669,708               |
| Changes for the year:    |                            |
| Service cost             | 181,726                    |
| Interest                 | 112,935                    |
| Changes of assumptions   | 40,666                     |
| Benefit payments         | <u>(128,808)</u>           |
| Net changes              | <u>206,519</u>             |
| Balance at June 30, 2024 | <u><u>\$ 2,876,227</u></u> |

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 4.06% to 4.13%, (2) the trend assumption was updated.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (3.13%) or one-percentage point higher (5.13%) than the current discount rate:

|                                  | 1% Decrease<br>3.13% | Current<br>Discount Rate<br>4.13% | 1% Increase<br>5.13% |
|----------------------------------|----------------------|-----------------------------------|----------------------|
| OPEB Plan - Total OPEB liability | \$ 3,102,530         | \$ 2,876,227                      | \$ 2,662,537         |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED**

**District OPEB Plan - continued**

***Changes in the Total OPEB Liability - continued***

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

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

|                                  | <u>1% Decrease</u> | <u>Current<br/>Healthcare<br/>Cost Trend<br/>Rate</u> | <u>1% Increase</u> |
|----------------------------------|--------------------|---|--------------------|
| OPEB Plan - Total OPEB liability | \$ 2,537,284       | \$ 2,876,227  | \$ 3,275,902       |

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$72,594. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Changes of assumptions                                   | \$ 474,624                                    | \$ 1,508,479                                 |
| Difference between expected and actual experience        | 14,703  | 1,444,992                                    |
| Benefit payments made subsequent to the measurement date | 113,673                                       | -  |
|  | <u>\$ 603,000</u>                             | <u>\$ 2,953,471</u>                          |

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2024

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

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

The \$113,673 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

|            |                       |
|------------|-----------------------|
| 2025       | \$ (222,067)          |
| 2026       | (222,067)             |
| 2027       | (222,067)             |
| 2028       | (222,067)             |
| 2029       | (222,067)             |
| Thereafter | <u>(1,353,809)</u>    |
| Total      | <u>\$ (2,464,144)</u> |

NOTE 11 - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of Berks Career & Technology Center operations is the responsibility of the joint board. The District's share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2023/2024 year was \$1,556,289. The District also paid \$18,556 for additional services provided.

Summary financial information as of June 30, 2023 (the most recent information available) is as follows:

| <u>Berks Career &amp; Technology Center (Governmental Activities)</u> |                     |
|---|---------------------|
| Total assets and deferred outflows of resources                       | \$ 33,997,081       |
| Total liabilities and deferred inflows of resources                   | <u>29,608,358</u>   |
| Total net position  | <u>\$ 4,388,723</u> |

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

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 12 - RISK MANAGEMENT**

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The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. The District's Workmen's Compensation policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance carrier. For insured programs, there were no significant reductions in insurance coverages for the 2023/2024 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 13 - CONTINGENT LIABILITIES AND COMMITMENTS**

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

The District has entered into an agreement for the transportation of students. The agreement is for the period of July 1, 2023 through June 30, 2030, with the option to renew upon mutual agreement with the contractor. The contractor provides all equipment, fuel, and labor necessary. The District is billed monthly, based on rates per mile and per hour as stipulated in the contract.

Subsequent to year end, in September 2024, the District entered into a contract related to security camera upgrades for a total commitment of \$525,000. The commitment outstanding will be satisfied through the capital projects fund.

**NOTE 14 - FUND BALANCE**

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Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2024, were as follows:

**General Fund**

The general fund has nonspendable funds of \$396,429, committed funds of \$1,250,000 for construction, assigned funds of \$500,000 appropriated for the 2024/2025 budget, and unassigned fund balance of \$5,483,265. The commitment was authorized by the board of school directors' motion to set aside resources to fund anticipated future construction expenditures.

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2024**

**NOTE 14 - FUND BALANCE - CONTINUED**

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**Capital Projects Fund**

The capital projects fund has restricted funds of \$31,007,675 comprised of \$17,551,937 of unspent bond funds and \$13,455,738 of surplus monies transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

**NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS**

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

- Statement No. 101, *Compensated Absences* - The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.
- Statement No. 102, *Certain Risk Disclosures* - The primary objective of this statement is to provide users of government financial statements with essential information about risks related to government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.
- Statement No. 103, *Financial Reporting Model Improvements* - The primary objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
- Statement No. 104, *Disclosure of Certain Capital Assets* - The primary objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**

**For the Year Ended June 30, 2024**

|  | BUDGET              |                     | ACTUAL              | VARIANCE          |
|--|---------------------|---------------------|---------------------|-------------------|
|  | Original            | Final               | (GAAP Basis)        | Final to Actual   |
| <b>REVENUES</b>  |                     |                     |                     |                   |
| Local sources  | \$ 55,648,889       | \$ 55,648,889       | \$ 56,762,993       | \$ 1,114,104      |
| States sources   | 22,589,756          | 22,589,756          | 24,089,385          | 1,499,629         |
| Federal sources  | 1,681,021           | 1,681,021           | 1,789,758           | 108,737           |
| <b>TOTAL REVENUES</b>  | 79,919,666          | 79,919,666          | 82,642,136          | 2,722,470         |
| <b>EXPENDITURES</b>  |                     |                     |                     |                   |
| <b>INSTRUCTIONAL SERVICES:</b>   |                     |                     |                     |                   |
| Regular programs - elementary/secondary  | 30,981,316          | 30,946,809          | 30,665,747          | 281,062           |
| Special programs - elementary/secondary  | 13,226,872          | 13,251,872          | 14,429,209          | (1,177,337)       |
| Vocational education   | 1,556,289           | 1,556,289           | 1,556,289           | -                 |
| Other instructional programs - elementary/secondary  | 258,434             | 258,434             | 177,117             | 81,317            |
| Nonpublic school programs  | 22,166              | 15,076              | 9,415               | 5,661             |
| Pre-kindergarten   | 678,217             | 716,148             | 574,421             | 141,727           |
| <b>TOTAL INSTRUCTIONAL SERVICES</b>  | 46,723,294          | 46,744,628          | 47,412,198          | (667,570)         |
| <b>SUPPORT SERVICES:</b>   |                     |                     |                     |                   |
| Students   | 3,272,755           | 3,286,478           | 3,264,537           | 21,941            |
| Instructional staff  | 3,463,563           | 3,461,994           | 2,961,514           | 500,480           |
| Administration   | 3,882,527           | 3,889,888           | 3,812,793           | 77,095            |
| Pupil health   | 671,819             | 671,819             | 841,880             | (170,061)         |
| Business   | 1,260,064           | 1,260,064           | 1,130,516           | 129,548           |
| Operation and maintenance of plant   | 6,394,563           | 6,363,582           | 5,953,342           | 410,240           |
| Student transportation   | 3,689,942           | 3,689,942           | 3,789,655           | (99,713)          |
| Central  | 1,670,693           | 1,670,693           | 1,691,887           | (21,194)          |
| Other  | 56,500              | 56,500              | 52,837              | 3,663             |
| <b>TOTAL SUPPORT SERVICES</b>  | 24,362,426          | 24,350,960          | 23,498,961          | 851,999           |
| <b>OPERATION OF NONINSTRUCTIONAL SERVICES:</b>   |                     |                     |                     |                   |
| Student activities   | 1,793,498           | 1,793,498           | 1,898,838           | (105,340)         |
| Community services   | 235,812             | 225,944             | 177,535             | 48,409            |
| <b>TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES</b>  | 2,029,310           | 2,019,442           | 2,076,373           | (56,931)          |
| <b>FACILITIES ACQUISITION, CONSTRUCTION,<br/>AND IMPROVEMENT SERVICES</b>                          | -                   | -                   | 111,995             | (111,995)         |
| <b>DEBT SERVICE</b>  | -                   | -                   | 713,163             | (713,163)         |
| <b>TOTAL EXPENDITURES</b>  | 73,115,030          | 73,115,030          | 73,812,690          | (697,660)         |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b>  | 6,804,636           | 6,804,636           | 8,829,446           | 2,024,810         |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                     |                     |                     |                   |
| Proceeds from issuance of leases and<br>other right-to-use arrangements                            | -                   | -                   | 413,921             | 413,921           |
| Transfers in   | 35,000              | 35,000              | 54,339              | 19,339            |
| Sale of capital assets   | -                   | -                   | 17,350              | 17,350            |
| Transfers out  | (6,839,636)         | (6,839,636)         | (9,315,056)         | (2,475,420)       |
| Budgetary reserve  | (500,000)           | (500,000)           | -                   | 500,000           |
| <b>TOTAL OTHER FINANCING USES</b>  | (7,304,636)         | (7,304,636)         | (8,829,446)         | (1,524,810)       |
| <b>REVENUES AND OTHER FINANCING SOURCES OVER<br/>(UNDER) EXPENDITURES AND OTHER FINANCING USES</b> | <u>\$ (500,000)</u> | <u>\$ (500,000)</u> | -                   | <u>\$ 500,000</u> |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>  |                     |                     | 7,629,694           |                   |
| <b>FUND BALANCE - END OF YEAR</b>  |                     |                     | <u>\$ 7,629,694</u> |                   |

See note to required supplementary information.

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2024**

**BUDGETARY DATA**

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2023/2024 budget transfers.

**Excess of Expenditures Over Appropriations in Individual Funds**

For the year ended June 30, 2024, the General Fund had excess expenditures over appropriations of \$697,660, which was satisfied with excess revenues received over budgeted revenues.

**Budgetary Compliance**

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2024. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.



GOVERNOR MIFFLIN SCHOOL DISTRICT

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

|  | LAST TEN FISCAL YEARS |               |               |                |                |                |                |                |               |               |
|--|-----------------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|
|  | 2024                  | 2023          | 2022          | 2021           | 2020           | 2019           | 2018           | 2017           | 2016          | 2015          |
| District's proportion of the collective net pension liability                                      | 0.2145%               | 0.2113%       | 0.2162%       | 0.2143%        | 0.2143%        | 0.2200%        | 0.2213%        | 0.2268%        | 0.2207%       | 0.2221%       |
| District's proportionate share of the collective net pension liability                             | \$ 95,423,000         | \$ 93,941,000 | \$ 88,765,000 | \$ 105,519,000 | \$ 100,255,000 | \$ 105,611,000 | \$ 109,297,000 | \$ 112,395,000 | \$ 95,597,000 | \$ 87,909,000 |
| District's covered payroll   | \$ 32,834,964         | \$ 31,070,363 | \$ 30,654,823 | \$ 30,118,234  | \$ 29,550,691  | \$ 29,623,412  | \$ 29,466,062  | \$ 29,376,144  | \$ 28,392,397 | \$ 28,336,379 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 290.61%               | 302.35%       | 289.56%       | 350.35%        | 339.26%        | 356.51%        | 370.93%        | 382.61%        | 336.70%       | 310.23%       |
| Plan fiduciary net position as a percentage of the total pension liability                         | 61.85%                | 61.34%        | 63.67%        | 54.32%         | 55.66%         | 54.00%         | 51.84%         | 50.14%         | 54.36%        | 57.24%        |

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

**NOTES TO SCHEDULE**

***Changes in benefit terms***

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

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

- The Discount Rate decreased from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

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

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

GOVERNOR MIFFLIN SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLAN

|  | LAST TEN FISCAL YEARS |               |               |               |               |               |               |               |               |               |
|--|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2024                  | 2023          | 2022          | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          |
| Contractually required contribution                                  | \$ 10,905,538         | \$ 11,077,886 | \$ 10,576,322 | \$ 10,289,687 | \$ 10,148,076 | \$ 9,821,362  | \$ 9,454,544  | \$ 8,420,726  | \$ 7,509,949  | \$ 5,889,211  |
| Contributions in relation to the contractually required contribution | 10,905,538            | 11,077,886    | 10,576,322    | 10,289,687    | 10,148,076    | 9,821,362     | 9,454,544     | 8,420,726     | 7,509,949     | 5,889,211     |
| Contribution deficiency (excess)                                     | \$ -                  | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| District's covered payroll   | \$ 32,790,841         | \$ 32,834,964 | \$ 31,070,363 | \$ 30,654,823 | \$ 30,118,234 | \$ 29,550,691 | \$ 29,623,412 | \$ 29,466,062 | \$ 29,376,144 | \$ 28,392,397 |
| Contributions as a percentage of covered payroll                     | 33.26%                | 33.74%        | 34.04%        | 33.57%        | 33.69%        | 33.24%        | 31.92%        | 28.58%        | 25.56%        | 20.74%        |

GOVERNOR MIFFLIN SCHOOL DISTRICT

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

|   | LAST TEN FISCAL YEARS |               |               |               |               |               |               |               |
|---|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2024                  | 2023          | 2022          | 2021          | 2020          | 2019          | 2018          | 2017          |
| District's proportion of the collective net PSERS OPEB liability  | 0.2413%               | 0.2113%       | 0.2162%       | 0.2146%       | 0.2143%       | 0.2200%       | 0.2213%       | 0.2268%       |
| District's proportionate share of the collective net PSERS OPEB liability   | \$ 3,877,000          | \$ 3,890,000  | \$ 5,125,000  | \$ 4,637,000  | \$ 4,558,000  | \$ 4,587,000  | \$ 4,509,000  | \$ 4,885,000  |
| District's covered payroll  | \$ 32,834,964         | \$ 31,070,363 | \$ 30,654,823 | \$ 30,118,234 | \$ 29,550,691 | \$ 29,623,412 | \$ 29,466,062 | \$ 29,376,144 |
| District's proportionate share of the net PSERS OPEB liability as a percentage of its covered payroll   | 11.81%                | 12.52%        | 16.72%        | 15.40%        | 15.42%        | 15.48%        | 15.30%        | 16.63%        |
| Plan fiduciary net position as a percentage of the total PSERS OPEB liability   | 7.22%                 | 6.86%         | 5.30%         | 5.69%         | 5.56%         | 5.56%         | 5.73%         | 5.47%         |
| The District's covered payroll noted above is as of the measurement date of the net PSERS OPEB liability, which is one year prior to the fiscal year end. |                       |               |               |               |               |               |               |               |

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

NOTES TO SCHEDULE

Changes in benefit terms

None.

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

- The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data) adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

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

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

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

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

GOVERNOR MIFFLIN SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PSERS OPEB PLAN

|  | LAST TEN FISCAL YEARS |               |               |               |               |               |               |               |               |               |
|--|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2024                  | 2023          | 2022          | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          |
| Contractually required contribution                                  | \$ 210,926            | \$ 242,158    | \$ 248,928    | \$ 251,791    | \$ 255,528    | \$ 250,053    | \$ 247,236    | \$ 239,356    | \$ 252,334    | \$ 258,551    |
| Contributions in relation to the contractually required contribution | 210,926               | 242,158       | 248,928       | 251,791       | 255,528       | 250,053       | 247,236       | 239,356       | 252,334       | 258,551       |
| Contribution deficiency (excess)                                     | \$ -                  | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| District's covered payroll   | \$ 32,790,841         | \$ 32,834,964 | \$ 31,070,363 | \$ 30,654,823 | \$ 30,118,234 | \$ 29,550,691 | \$ 29,623,412 | \$ 29,466,062 | \$ 29,376,144 | \$ 28,392,397 |
| Contributions as a percentage of covered payroll                     | 0.64%                 | 0.74%         | 0.80%         | 0.82%         | 0.85%         | 0.85%         | 0.83%         | 0.81%         | 0.86%         | 0.91%         |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

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

|  | LAST TEN FISCAL YEARS |                      |                      |                      |                      |                      |                      |
|--|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2024                  | 2023                 | 2022                 | 2021                 | 2020                 | 2019                 | 2018                 |
| Total OPEB liability:  |                       |                      |                      |                      |                      |                      |                      |
| Service cost   | \$ 181,726            | \$ 410,704           | \$ 415,158           | \$ 314,683           | \$ 314,974           | \$ 276,268           | \$ 269,782           |
| Interest   | 112,935               | 125,646              | 99,636               | 164,061              | 142,092              | 140,812              | 104,997              |
| Difference between expected and actual experience                | -                     | (1,332,562)          | -                    | (458,524)            | -                    | 27,303               | -                    |
| Changes of assumptions   | 40,666                | (1,543,055)          | (160,829)            | 555,123              | (128,542)            | 4,733                | 108,819              |
| Benefit payments   | (128,808)             | (198,760)            | (191,625)            | (213,907)            | (213,385)            | (224,304)            | (188,848)            |
| Net change in total OPEB liability                               | 206,519               | (2,538,027)          | 162,340              | 361,436              | 115,139              | 224,812              | 294,750              |
| Total OPEB liability, beginning                                  | 2,669,708             | 5,207,735            | 5,045,395            | 4,683,959            | 4,568,820            | 4,344,008            | 4,049,258            |
| Total OPEB liability, ending                                     | <u>\$ 2,876,227</u>   | <u>\$ 2,669,708</u>  | <u>\$ 5,207,735</u>  | <u>\$ 5,045,395</u>  | <u>\$ 4,683,959</u>  | <u>\$ 4,568,820</u>  | <u>\$ 4,344,008</u>  |
| Covered Employee Payroll   | <u>\$ 28,192,504</u>  | <u>\$ 28,192,504</u> | <u>\$ 27,794,850</u> | <u>\$ 27,794,850</u> | <u>\$ 27,141,063</u> | <u>\$ 27,141,063</u> | <u>\$ 24,952,172</u> |
| Total OPEB Liability as a Percentage of Covered Employee Payroll | 10.20%                | 9.47%                | 18.74%               | 18.15%               | 17.26%               | 16.83%               | 17.41%               |

**NOTES TO SCHEDULE**

*Changes of Benefit Terms*  
None.

*Changes of Assumptions*

Significant changes in assumptions for the July 1, 2023 measurement date are as follows:

- The discount rate changed from 4.06 to 4.13%.
- The trend assumption was updated.

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

- For the July 1, 2022 measurement date, the election assumption was decreased from 60% to 50%.
- For the July 1, 2022 measurement date, the marriage assumption was decreased from 50% to 45%.
- The discount rate was updated each year based on the S&P Municipal Bond 20-year High Grade Index.
- The healthcare cost trend assumption was updated each year.

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

## **SUPPLEMENTARY INFORMATION**

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2024**

|   |   | <u>Budget</u>     | <u>Actual</u>     | <u>Variance</u>  |
|---|---|-------------------|-------------------|------------------|
| <b>6000 Revenues from Local Sources</b> |   |                   |                   |                  |
| <u>Taxes</u>                            |   |                   |                   |                  |
| 6111                                    | Current real estate taxes                         | \$ 45,569,676     | \$ 45,594,253     | \$ 24,577        |
| 6112                                    | Interim real estate taxes                         | 40,000            | 171,762           | 131,762          |
| 6113                                    | Public utility realty tax                         | 48,918            | 46,456            | (2,462)          |
| 6114                                    | Payments in lieu of current taxes                 | 1,489             | 34,888            | 33,399           |
| 6120                                    | Current per capita taxes, Section 679             | 86,000            | 87,480            | 1,480            |
| 6141                                    | Current Act 511 per capita taxes                  | 86,000            | 87,422            | 1,422            |
| 6142                                    | Current Act 511 occupation taxes                  | 65,000            | 63,497            | (1,503)          |
| 6143                                    | Current Act 511 local services taxes              | 45,000            | 56,231            | 11,231           |
| 6151                                    | Current Act 511 earned income taxes               | 5,565,000         | 5,796,796         | 231,796          |
| 6153                                    | Current Act 511 real estate transfer taxes        | 700,000           | 774,872           | 74,872           |
| 6400                                    | Delinquent taxes (all levies)                     | 980,000           | 1,110,769         | 130,769          |
|   | <b>Total</b>                                      | <b>53,187,083</b> | <b>53,824,426</b> | <b>637,343</b>   |
| <u>Other</u>                            |   |                   |                   |                  |
| 6510                                    | Earnings on investments                           | 1,340,000         | 1,564,169         | 224,169          |
| 6700                                    | Admissions and fees                               | 133,000           | 139,702           | 6,702            |
| 6830                                    | Federal revenue from intermediary sources         | 703,531           | 787,233           | 83,702           |
| 6910                                    | Rentals   | 64,000            | 83,645            | 19,645           |
| 6920                                    | Contributions                                     | 41,000            | 52,685            | 11,685           |
| 6940                                    | Tuition from patrons                              | 170,275           | 264,779           | 94,504           |
| 6991                                    | Refund of prior year expenditure                  | -                 | 27,413            | 27,413           |
| 6990                                    | Miscellaneous revenue                             | 10,000            | 18,941            | 8,941            |
|   | <b>Total</b>                                      | <b>2,461,806</b>  | <b>2,938,567</b>  | <b>476,761</b>   |
|   | <b>TOTAL REVENUES FROM LOCAL SOURCES</b>          | <b>55,648,889</b> | <b>56,762,993</b> | <b>1,114,104</b> |
| <b>7000 Revenues from State Sources</b> |   |                   |                   |                  |
| 7111                                    | Basic education formula payments                  | 8,271,512         | 8,806,544         | 535,032          |
| 7160                                    | Tuition/court placed institutions                 | 100,000           | 82,449            | (17,551)         |
| 7250                                    | Migratory children                                | -                 | 40                | 40               |
| 7270                                    | Special education of exceptional pupils           | 2,994,756         | 2,970,586         | (24,170)         |
| 7292                                    | Pre-K Counts Grant                                | 660,000           | 600,000           | (60,000)         |
| 7310                                    | Transportation                                    | 1,117,365         | 1,068,022         | (49,343)         |
| 7320                                    | Rental and Sinking Fund Payments                  | 706,687           | 712,598           | 5,911            |
| 7330                                    | Health services                                   | 70,000            | 66,594            | (3,406)          |
| 7340                                    | State property tax reduction allocation           | 1,086,721         | 1,086,721         | -                |
| 7362                                    | Mental health & safety grants                     | 327,258           | 327,258           | -                |
| 7505                                    | Ready to Learn Block Grant                        | 436,905           | 686,905           | 250,000          |
| 7599                                    | Other State Revenues                              | -                 | 620,000           | 620,000          |
| 7810                                    | State share of social security and medicare taxes | 1,235,432         | 1,235,385         | (47)             |
| 7820                                    | State share of retirement                         | 5,583,120         | 5,826,283         | 243,163          |
|   | <b>TOTAL REVENUES FROM STATE SOURCES</b>          | <b>22,589,756</b> | <b>24,089,385</b> | <b>1,499,629</b> |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2024**

|   |  | <u>Budget</u>               | <u>Actual</u>               | <u>Variance</u>            |
|---|--|-----------------------------|-----------------------------|----------------------------|
| <b>8000 Revenues from Federal Sources</b> |  |                             |                             |                            |
| 8514                                      | Title I  | 705,920                     | 706,494                     | 574                        |
| 8515                                      | Title II   | 112,587                     | 107,736                     | (4,851)                    |
| 8516                                      | Title III  | 24,630                      | 30,263                      | 5,633                      |
| 8517                                      | Title IV   | 45,485                      | 44,611                      | (874)                      |
| 8744                                      | ARP ESSER - Elementary and Secondary School<br>Emergency Relief Fund (ESSER) | 632,399                     | 683,422                     | 51,023                     |
| 8755                                      | ARP ESSER Emergency Relief for Other<br>Educational Entities                 | -                           | 65,438                      | 65,438                     |
| 8810                                      | Access Medical Assistance Reimbursement                                      | 150,000                     | 150,000                     | -                          |
| 8820                                      | Access Medical Assistance Reimbursement - Admin                              | 10,000                      | 1,794                       | (8,206)                    |
|   | <b>TOTAL REVENUES FROM<br/>FEDERAL SOURCES</b>                               | <u>1,681,021</u>            | <u>1,789,758</u>            | <u>108,737</u>             |
| <b>9000 Other Financing Sources</b>       |  |                             |                             |                            |
| 9220                                      | Proceeds from issuance of leases and<br>other right-to-use arrangements      | -                           | 413,921                     | 413,921                    |
| 9350                                      | Transfers in   | 35,000                      | 43,162                      | 8,162                      |
| 9380                                      | Transfer in -custodial funds   | -                           | 11,177                      | 11,177                     |
| 9400                                      | Sale of capital assets   | -                           | 17,350                      | 17,350                     |
|   | <b>TOTAL OTHER FINANCING SOURCES</b>   | <u>35,000</u>               | <u>485,610</u>              | <u>450,610</u>             |
|   | <b>TOTAL REVENUES AND<br/>OTHER FINANCING SOURCES</b>                        | <u><u>\$ 79,954,666</u></u> | <u><u>\$ 83,127,746</u></u> | <u><u>\$ 3,173,080</u></u> |



**GOVERNOR MIFFLIN SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2024**

|  |   | Budget               | Actual               | Variance              |
|--|---|----------------------|----------------------|-----------------------|
| <b>1000 Instructional Services</b>   |   |                      |                      |                       |
| 1100   | Regular programs - elementary/secondary                           | \$ 30,946,809        | \$ 30,665,747        | \$ 281,062            |
| 1200   | Special programs - elementary/secondary                           | 13,251,872           | 14,429,209           | (1,177,337)           |
| 1300   | Vocational education  | 1,556,289            | 1,556,289            | -                     |
| 1400   | Other instructional programs -<br>elementary/secondary            | 258,434              | 177,117              | 81,317                |
| 1500   | Nonpublic school programs   | 15,076               | 9,415                | 5,661                 |
| 1800   | Pre-kindergarten  | 716,148              | 574,421              | 141,727               |
|  | <b>Total instructional services</b>                               | <b>46,744,628</b>    | <b>47,412,198</b>    | <b>(667,570)</b>      |
| <b>2000 Support Services</b>   |   |                      |                      |                       |
| 2100   | Students  | 3,286,478            | 3,264,537            | 21,941                |
| 2200   | Instructional staff   | 3,461,994            | 2,961,514            | 500,480               |
| 2300   | Administration  | 3,889,888            | 3,812,793            | 77,095                |
| 2400   | Pupil health  | 671,819              | 841,880              | (170,061)             |
| 2500   | Business  | 1,260,064            | 1,130,516            | 129,548               |
| 2600   | Operation and maintenance of plant                                | 6,363,582            | 5,953,342            | 410,240               |
| 2700   | Student transportation  | 3,689,942            | 3,789,655            | (99,713)              |
| 2800   | Central   | 1,670,693            | 1,691,887            | (21,194)              |
| 2900   | Other   | 56,500               | 52,837               | 3,663                 |
|  | <b>Total support services</b>                                     | <b>24,350,960</b>    | <b>23,498,961</b>    | <b>851,999</b>        |
| <b>3000 Operation of Noninstructional Services</b>                         |   |                      |                      |                       |
| 3200   | Student activities  | 1,793,498            | 1,898,838            | (105,340)             |
| 3300   | Community services  | 225,944              | 177,535              | 48,409                |
|  | <b>Total operation of noninstructional services</b>               | <b>2,019,442</b>     | <b>2,076,373</b>     | <b>(56,931)</b>       |
| <b>4000 Facilities Acquisition, Construction, and Improvement Services</b> |   |                      |                      |                       |
| 4000   | Facilities Acquisition, Construction,<br>and Improvement Services | -                    | 111,995              | (111,995)             |
| <b>5000 Other Expenditures and Financing Uses</b>                          |   |                      |                      |                       |
| 5100   | Debt service  | -                    | 713,163              | (713,163)             |
| 5200   | Fund transfers  | 6,839,636            | 9,315,056            | (2,475,420)           |
| 5900   | Budgetary reserve   | 500,000              | -                    | 500,000               |
|  | <b>Total other financing uses</b>                                 | <b>7,339,636</b>     | <b>10,028,219</b>    | <b>(2,688,583)</b>    |
|  | <b>TOTAL EXPENDITURES AND<br/>OTHER FINANCING USES</b>            | <b>\$ 80,454,666</b> | <b>\$ 83,127,746</b> | <b>\$ (2,673,080)</b> |

## GOVERNOR MIFFLIN SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET POSITION -  
CUSTODIAL FUNDS

June 30, 2024

|                          | Scholarship      | Student<br>Activities | Total<br>Custodial<br>Funds |
|--------------------------|------------------|-----------------------|-----------------------------|
| <b>ASSETS</b>            |                  |                       |                             |
| Cash and investments     | \$ 39,275        | \$ 408,980            | \$ 448,255                  |
| Interfund receivables    | -                | 12,600                | 12,600                      |
| <b>TOTAL ASSETS</b>      | 39,275           | 421,580               | 460,855                     |
| <b>LIABILITIES</b>       |                  |                       |                             |
| Accounts payable         | -                | 2,110                 | 2,110                       |
| Interfund payables       | -                | 5,383                 | 5,383                       |
| <b>TOTAL LIABILITIES</b> | -                | 7,493                 | 7,493                       |
| <b>NET POSITION</b>      | <u>\$ 39,275</u> | <u>\$ 414,087</u>     | <u>\$ 453,362</u>           |

**GOVERNOR MIFFLIN SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2024**

|   | <u>Scholarship</u>      | <u>Student<br/>Activities</u> | <u>Total<br/>Custodial<br/>Funds</u> |
|---|-------------------------|-------------------------------|--------------------------------------|
| <b>ADDITIONS</b>                        |                         |                               |                                      |
| Earnings on investments                 | \$ 1,911                | \$ 11,003                     | \$ 12,914                            |
| Contributions                           | <u>1,154</u>            | <u>450,719</u>                | <u>451,873</u>                       |
| <b>TOTAL ADDITIONS</b>                  | 3,065                   | 461,722                       | 464,787                              |
| <b>DEDUCTIONS</b>                       |                         |                               |                                      |
| Scholarships and fees                   | 3,750                   | -                             | 3,750                                |
| Student activities                      | <u>-</u>                | <u>358,935</u>                | <u>358,935</u>                       |
| <b>TOTAL DEDUCTIONS</b>                 | <u>3,750</u>            | <u>358,935</u>                | <u>362,685</u>                       |
| <b>LOSS BEFORE TRANSFERS</b>            | (685)                   | 102,787                       | 102,102                              |
| <b>TRANSFERS OUT</b>                    | <u>-</u>                | <u>(11,177)</u>               | <u>(11,177)</u>                      |
| <b>CHANGE IN NET POSITION</b>           | (685)                   | 91,610                        | 90,925                               |
| <b>NET POSITION - BEGINNING OF YEAR</b> | <u>39,960</u>           | <u>322,477</u>                | <u>362,437</u>                       |
| <b>NET POSITION - END OF YEAR</b>       | <u><u>\$ 39,275</u></u> | <u><u>\$ 414,087</u></u>      | <u><u>\$ 453,362</u></u>             |

## GOVERNOR MIFFLIN SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2024

| Federal Grantor/Pass-Through Grantor/Program Title                               | Source Code | Assistance Listing Number (ALN) | Pass-Through Grantor's Number | Grant Period Beginning/ Ending Dates | Program or Award Amount | Receipts for the Year | Accrued/ (Unearned) Revenue at June 30, 2023 | Revenue Recognized/ Expenditures | Accrued/ (Unearned) Revenue at June 30, 2024 |
|--|-------------|---------------------------------|-------------------------------|--------------------------------------|-------------------------|-----------------------|--|----------------------------------|--|
| <b>U.S. DEPARTMENT OF EDUCATION</b>  |             |                                 |                               |                                      |                         |                       |  |                                  |  |
| Passed through Commonwealth of Pennsylvania Department of Education:             |             |                                 |                               |                                      |                         |                       |  |                                  |  |
| Title I Grants to Local Educational Agencies                                     | I           | 84.010                          | 013-24-0167                   | 07/01/23 - 09/30/24                  | \$ 706,494              | \$ 564,736            | \$ -   | \$ 706,494                       | \$ 141,758                                   |
| Title I Grants to Local Educational Agencies                                     | I           | 84.010                          | 013-23-0167                   | 07/01/22 - 09/30/23                  | 581,006                 | 38,732                | 38,732                                       | -                                | -  |
| Subtotal - ALN 84.010  |             |                                 |                               |                                      |                         | 603,468               | 38,732                                       | 706,494                          | 141,758                                      |
| Supporting Effective Instruction State Grant                                     | I           | 84.367                          | 020-24-0167                   | 07/01/23 - 09/30/24                  | 113,358                 | 90,070                | -  | 107,736                          | 17,666                                       |
| English Language Acquisition State Grants  | I           | 84.365                          | 010-24-0167                   | 07/01/23 - 09/30/24                  | 30,263                  | 23,587                | -  | 30,263                           | 6,676  |
| English Language Acquisition State Grants  | I           | 84.365                          | 010-23-0167                   | 07/01/22 - 09/30/23                  | 26,116                  | 5,563                 | 5,563  | -                                | -  |
| Subtotal - ALN 84.365  |             |                                 |                               |                                      |                         | 29,150                | 5,563  | 30,263                           | 6,676  |
| Student Support and Academic Enrichment Program                                  | I           | 84.424                          | 144-24-0167                   | 07/01/23 - 09/30/24                  | 45,485                  | 45,485                | -  | 43,129                           | (2,356)                                      |
| Student Support and Academic Enrichment Program                                  | I           | 84.424                          | 144-23-0167                   | 07/01/22 - 09/30/23                  | 46,216                  | -                     | (1,496)                                      | 1,482                            | (14)   |
| Student Support and Academic Enrichment Program                                  | I           | 84.424                          | 144-22-0167                   | 07/01/21 - 09/30/22                  | 41,657                  | 25                    | 25   | -                                | -  |
| Subtotal - ALN 84.424  |             |                                 |                               |                                      |                         | 45,510                | (1,471)                                      | 44,611                           | (2,370)                                      |
| <b>Education Stabilization Fund</b>  |             |                                 |                               |                                      |                         |                       |  |                                  |  |
| Passed through Commonwealth of Pennsylvania Department of Education:             |             |                                 |                               |                                      |                         |                       |  |                                  |  |
| COVID-19 - Governor's Emergency Education Relief Fund                            | I           | 84.425C                         | 224-21-0167                   | 03/13/20 - 09/30/24                  | 86,605                  | 15,746                | (7,177)                                      | 65,438                           | 42,515                                       |
| Passed through Commonwealth of Pennsylvania Department of Education:             |             |                                 |                               |                                      |                         |                       |  |                                  |  |
| COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief | I           | 84.425U                         | 223-21-0167                   | 03/13/20 - 09/30/24                  | 4,137,495               | 1,805,452             | 1,122,030                                    | 683,422                          | -  |
| COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief | I           | 84.425U                         | 225-21-0167                   | 03/13/20 - 09/30/24                  | 45,939                  | 1,670                 | 1,670  | -                                | -  |
| COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief | I           | 84.425U                         | 225-21-0167                   | 03/13/20 - 09/30/24                  | 45,939                  | 1,670                 | 1,670  | -                                | -  |
| COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief | I           | 84.425U                         | 225-21-0167                   | 03/13/20 - 09/30/24                  | 229,698                 | 8,353                 | 8,353  | -                                | -  |
| Subtotal - ALN 84.425U   |             |                                 |                               |                                      |                         | 1,817,145             | 1,133,723                                    | 683,422                          | -  |
| Total Education Stabilization Fund - ALN 84.425                                  |             |                                 |                               |                                      |                         | 1,832,891             | 1,126,546                                    | 748,860                          | 42,515                                       |
| <b>Special Education Cluster (IDEA)</b>  |             |                                 |                               |                                      |                         |                       |  |                                  |  |
| Passed through Berks County Intermediate Unit:                                   |             |                                 |                               |                                      |                         |                       |  |                                  |  |
| Special Education - Preschool Grants   | I           | 84.173                          | N/A                           | 07/01/23 - 06/30/24                  | 10,393                  | -                     | -  | 10,393                           | 10,393                                       |
| Special Education - Grants to States   | I           | 84.027                          | N/A                           | 07/01/23 - 09/30/24                  | 776,840                 | 405,638               | -  | 776,840                          | 371,202                                      |
| Special Education - Grants to States   | I           | 84.027                          | N/A                           | 07/01/22 - 06/30/23                  | 695,531                 | 216,322               | 216,322                                      | -                                | -  |
| Subtotal - ALN 84.027  |             |                                 |                               |                                      |                         | 621,960               | 216,322                                      | 776,840                          | 371,202                                      |
| Total Special Education Cluster (IDEA)   |             |                                 |                               |                                      |                         | 621,960               | 216,322                                      | 787,233                          | 381,595                                      |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>  |             |                                 |                               |                                      |                         | 3,223,049             | 1,385,692                                    | 2,425,197                        | 587,840                                      |

See notes to schedule of expenditures of federal awards.

## GOVERNOR MIFFLIN SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

June 30, 2024

| Federal Grantor/Pass-Through Grantor/Program Title                     | Source Code | Assistance Listing Number (ALN) | Pass-Through Grantor's Number | Grant Period Beginning/Ending Dates | Program or Award Amount | Receipts for the Year | Accrued/ (Unearned) Revenue at June 30, 2023 | Revenue Recognized/ Expenditures | Accrued/ (Unearned) Revenue at June 30, 2024 |
|--|-------------|---------------------------------|-------------------------------|-------------------------------------|-------------------------|-----------------------|--|----------------------------------|--|
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                    |             |                                 |                               |                                     |                         |                       |  |                                  |  |
| <b>Medicaid Cluster</b>  |             |                                 |                               |                                     |                         |                       |  |                                  |  |
| Passed through Pennsylvania Department of Human Services:              |             |                                 |                               |                                     |                         |                       |  |                                  |  |
| Medical Assistance Program   | I           | 93.778                          | N/A                           | 07/01/23 - 06/30/24                 | N/A                     | 944                   | -  | 1,794                            | 850  |
| Medical Assistance Program   | I           | 93.778                          | N/A                           | 07/01/22 - 06/30/23                 | N/A                     | 4,197                 | 4,197  | -                                | -  |
| <b>TOTAL MEDICAID CLUSTER AND</b>                                      |             |                                 |                               |                                     |                         |                       |  |                                  |  |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                    |             |                                 |                               |                                     |                         |                       |  |                                  |  |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                  |             |                                 |                               |                                     |                         |                       |  |                                  |  |
| <b>Child Nutrition Cluster</b>   |             |                                 |                               |                                     |                         |                       |  |                                  |  |
| Passed through Commonwealth of Pennsylvania Department of Education:   |             |                                 |                               |                                     |                         |                       |  |                                  |  |
| School Breakfast Program   | I           | 10.553                          | N/A                           | 07/01/23 - 06/30/24                 | N/A                     | 398,379               | -  | 398,379                          | -  |
| Summer Food Program  | I           | 10.559                          | N/A                           | 07/01/23 - 06/30/24                 | N/A                     | 18,543                | -  | 41,113                           | 22,570                                       |
| Summer Food Program  | I           | 10.559                          | N/A                           | 07/01/22 - 06/30/23                 | N/A                     | 15,805                | 15,805                                       | -                                | -  |
| Subtotal - ALN 10.559  |             |                                 |                               |                                     |                         | 34,348                | 15,805                                       | 41,113                           | 22,570                                       |
| National School Lunch Program  | I           | 10.555                          | N/A                           | 07/01/23 - 06/30/24                 | N/A                     | 1,537,012             | -  | 1,537,012                        | -  |
| National School Lunch Program  | I           | 10.555                          | N/A                           | 07/01/23 - 06/30/24                 | N/A                     | 101,049               | -  | 101,049                          | -  |
| Passed through Commonwealth of Pennsylvania Department of Agriculture: |             |                                 |                               |                                     |                         |                       |  |                                  |  |
| National School Lunch Program  | I           | 10.555                          | N/A                           | 07/01/23 - 06/30/24                 | N/A                     | 191,507               | (9,763)                                      | 194,350                          | (6,920)                                      |
| Subtotal - ALN 10.555  |             |                                 |                               |                                     |                         | 1,829,568             | (9,763)                                      | 1,832,411                        | (6,920)                                      |
| Total Child Nutrition Cluster  |             |                                 |                               |                                     |                         | 2,262,295             | 6,042  | 2,271,903                        | 15,650                                       |
| Passed through Commonwealth of Pennsylvania Department of Education:   |             |                                 |                               |                                     |                         |                       |  |                                  |  |
| COVID-19 - Pandemic EBT Administrative Costs                           | I           | 10.649                          | N/A                           | 07/01/23 - 06/30/24                 | N/A                     | 3,256                 | -  | 3,256                            | -  |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>                            |             |                                 |                               |                                     |                         |                       |  |                                  |  |
| <b>TOTAL FEDERAL AWARDS</b>  |             |                                 |                               |                                     |                         |                       |  |                                  |  |
|  |             |                                 |                               |                                     |                         | 2,265,551             | 6,042  | 2,275,159                        | 15,650                                       |
|  |             |                                 |                               |                                     |                         | \$ 5,493,741          | \$ 1,395,931                                 | \$ 4,702,150                     | \$ 604,340                                   |

Source Code: I = Indirect

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2024.

See notes to schedule of expenditures of federal awards.

## GOVERNOR MIFFLIN SCHOOL DISTRICT

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2024

#### NOTE 1 - BASIS OF PRESENTATION

---

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Governor Mifflin School District under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Governor Mifflin School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Governor Mifflin School District.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

#### NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

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

#### NOTE 4 - ACCESS PROGRAM

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The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding classified as fee-for-service and recognized for the year ended June 30, 2024 was \$150,000.

#### NOTE 5 - FOOD COMMODITIES

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Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2024, the District had \$6,920 of food commodity inventory.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Governor Mifflin School District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Governor Mifflin School District's basic financial statements, and have issued our report thereon dated December 16, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
December 16, 2024**



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

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

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

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

We have audited Governor Mifflin School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Governor Mifflin School District's major federal programs for the year ended June 30, 2024. Governor Mifflin School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Governor Mifflin School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*Herbein + Company, Inc.*

**Reading, Pennsylvania**  
**December 16, 2024**

GOVERNOR MIFFLIN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes    X no

Significant deficiency(ies) identified not considered to be material weaknesses?

\_\_\_\_\_ yes    X none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes    X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

\_\_\_\_\_ yes    X no

Significant deficiency(ies) identified not considered to be material weaknesses?

\_\_\_\_\_ yes    X none reported

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

Unmodified

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

\_\_\_\_\_ yes    X no

Identification of major program(s):

Assistance Listing Number(s)    Name of Federal Program or Cluster

Child Nutrition Cluster

10.553

School Breakfast Program

10.555

National School Lunch Program

10.559

Summer Food Program

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

Auditee qualified as low-risk auditee?

X yes    \_\_\_\_\_ no

**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2024**

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**Section II - Financial Statement Findings**

There were no financial statement findings reported.

**Section III - Federal Awards Findings and Questioned Costs**

There were no federal awards findings or questioned costs reported.



**GOVERNOR MIFFLIN SCHOOL DISTRICT**  
EDUCATING, INSPIRING, & EMPOWERING  
EVERY STUDENT. EVERY DAY.

**LISA TEMPLIN HESS, ED.D.**  
SUPERINTENDENT  
**MARY E. LIBBY, ED.D.**  
ASSISTANT SUPERINTENDENT  
**KELLY PRICE**  
CHIEF FINANCIAL OFFICER

## **STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2024**

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### **Section II - Financial Statement Findings**

There were no financial statement findings reported for the year ended June 30, 2023.

### **Section III - Federal Awards Findings and Questioned Costs**

There were no federal awards findings or questioned costs reported for the year ended June 30, 2023.

**APPENDIX F**  
**BOND AMORTIZATION SCHEDULE**