MIDDLETOWN AREA SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Middletown Area School District
Middletown, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Middletown Area School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control over financial reporting and compliance.

Boyer & Ritter

Camp Hill, Pennsylvania
December 12, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2023

The discussion and analysis of Middletown Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the independent auditor's letter, the basic financial statements, the notes to the financial statements and the supplementary information to enhance their understanding of the District's financial performance.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* issued June 1999. Certain comparative information between the current and prior years is required to be presented in the MD&A to present the District's financial performance as a whole.

Financial Highlights

Key financial highlights for the year ended June 30, 2023, are as follows:

- In total, net position increased approximately $7.34 million. Overall, the net position of governmental activities increased approximately $7.10 million and the net position of business-type activities increased approximately $240,000. The increase in net position of business-type activities is primarily attributable to the food service fund, which benefitted from the state's decision to extend free breakfasts to all students during the 2022-23 school year.
- Revenues totaled $61.70 million, an increase of approximately $5.20 million from the prior year. General revenues accounted for $44.53 million or 72.2% of total revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for $17.17 million or 27.8% of total revenues. General revenues as a percentage of total revenues increased 0.2% and program specific revenues decreased 0.2%, reflecting a slight decrease in grant revenue, which aligns with the additional grant funding related to the pandemic approaching its expiration.
- Expenses totaled $54.36 million, an increase of approximately $3.22 million from the prior year. The District had $52.02 million in expenses related to governmental activities, an increase of approximately $2.89 million from the prior year. The increase can primarily be attributed to instruction and interest on long-term debt. Of the expenses related to governmental activities, $14.73 million were offset by program specific charges for services, grants, or contributions. General revenues (primarily taxes and subsidies) of $44.39 million were more than sufficient to fund the remaining cost of governmental activities. The District had $2.34 million in expenses related to business-type activities, an increase of approximately $330,000 from the prior year, consisting of a $110,000 increase for the food service fund, $20,000 decrease for the radio station fund and $220,000 increase for the Middletown Area Recreation Alliance. The food service fund increase is attributable to food production. The increase for Middletown Area Recreation Alliance is tied to the commencement of before and after school programming for the community. Of the expenses related to business-type activities, $2.44 million were offset by program specific charges for services, grants or contributions. General revenues (primarily contributions and fund transfers) of $140,000 were not needed to fund the cost of business-type activities and increased the amount added to net position.

Financial Highlights (Continued)

- Among governmental funds, the general fund had $58.48 million in revenues (an increase of $4.34 million over the prior year) and $49.86 million in expenditures (an increase of $3.77 million over the prior year). The general fund also had $7.32 million in net other financing uses (a decrease of $370,000 over the prior year), primarily consisting of transfers to the debt service fund to meet obligations and transfers to the capital reserve fund for future capital projects. The general fund's fund balance increased by $1.30 million, which is approximately $940,000 more than the prior year.

Using this Annual Report

The District's annual report consists of a series of financial statements and notes to those statements that show information for the District as a whole, its various funds and its fiduciary responsibilities. The statements are organized in a manner so that the reader might understand the Middletown Area School District. First, the statements show the District as a financial whole by presenting information on a government-wide basis. Then, the statements provide the reader with a detailed look at specific financial activities of the District.

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide information about the financial status and operations of the entire District on the accrual basis of accounting, which is different than the basis of accounting used for budgeting and reporting in the governmental funds.

Fund financial statements provide the next level of detail, showing the District's most significant funds in separate columns and non-major funds totaled in one column. For governmental funds, these statements tell how the services were financed in the short-term as well as what remains for future spending. Proprietary fund statements show the financial information for activities operated like a business - the food service fund, the WMSS radio station fund and the Middletown Area Recreation Alliance (MARA). Fiduciary fund statements present information for relationships where the District acts solely as a trustee or agent of the party to whom the resources belong.

The notes to financial statements further explain the information presented in the financial statements and provide more detailed data. The notes are an integral part of the financial statements. The notes are followed by a section of supplementary information that further explains and supports the financial statements with additional post-employment benefits plan information.

Reporting the District as a Whole

The analysis of the District as a whole in the MD&A begins on page 7. While this report contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole examines all financial transactions and asks the question, "Is the condition of the District better or worse as a result of the operations during the school year?" The government-wide statements, which begin on page 18, present information about the District as a whole in a way that helps to answer this question. The Statement of Net Position includes all of the District's assets, deferred inflows of resources, deferred outflows of resources and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. Both statements are prepared on the accrual basis of accounting, which is similar to the method used by most private-sector companies.

Reporting the District as a Whole (Continued)

The government-wide statements report the District's net position - assets plus deferred outflows of resources less liabilities and deferred inflows of resources, as reported in the statement of net position - as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position - as reported in the statement of activities - are used as one indicator of whether the District's financial health is improving or deteriorating. The District exists to provide services, primarily educational, to its students, so it does not have the profit-generation goal of private-sector companies. For this reason, the reader must also consider nonfinancial factors, such as the quality of the education provided, when assessing the *overall* health of the District.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental Activities* - Most of the District's programs and services are reported under this category including instruction, support services, operation and maintenance of plant services, pupil transportation and extracurricular activities. These activities are primarily financed by local taxes and subsidies and grants from the Federal and state governments.
- *Business-Type Activities* - The District operates a food service program that charges students, staff and other users in order to cover the costs of the food provided. The District operates a student-run radio station, which is primarily funded by contributions and fundraisers. The District operates recreation programs, primarily funded by charges for services, a start-up grant from the state and support from local government entities.

Reporting the District's Most Significant Funds

The analysis of the District's major funds in the MD&A begins on page 10. The fund financial statements, which provide detailed information about the most significant funds - not the District as a whole, begin on page 20. The District's funds are divided into three broad types - governmental, proprietary and fiduciary. Each type of fund uses a different accounting approach.

- *Governmental Funds* - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information is used to determine whether there are more or less financial resources that can be spent in the near future to finance District programs. The relationship (or differences) between governmental activities (as reported in the statement of net position and the statement of activities) and governmental funds is described in the financial statements on pages 21 and 23.
- *Proprietary Funds* - Proprietary funds consist solely of activities treated as business-type activities in the government-wide financial statements. As the same basis of accounting is used by proprietary funds and business-type activities, the information presented is essentially the same. The fund financial statements do provide some additional detail and information, such as cash flows.
- *Fiduciary Funds* - The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in separate statements beginning on page 28. These activities are excluded from the District's other statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Recall that the statement of net position provides the perspective of the District as a whole. Table 1 provides a comparison of the District's net position at June 30, 2023 and 2022.

Table 1 - Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	2023	2022	2023	2022	2023	2022
Assets						
Current assets	$ 41,147,160	$ 28,500,717	$ 1,288,961	$ 1,023,891	$ 42,436,121	$ 29,524,608
Capital and right-to-use assets	80,987,894	80,899,189	333,862	356,042	81,321,756	81,255,231
Total assets	$ 122,135,054	$ 109,399,906	$ 1,622,823	$ 1,379,933	$ 123,757,877	$ 110,779,839
Deferred Outflows of Resources	$ 11,599,753	$ 12,611,133	$ 35,325	$ 37,641	$ 11,635,078	$ 12,648,774
Liabilities						
Current liabilities	$ 6,212,421	$ 5,979,376	$ 108,867	$ 95,160	$ 6,321,288	$ 6,074,536
Long-term liabilities	121,096,240	111,453,171	215,624	215,372	121,311,864	111,668,543
Total liabilities	$ 127,308,661	$ 117,432,547	$ 324,491	$ 310,532	$ 127,633,152	$ 117,743,079
Deferred Inflows of Resources	$ 5,427,653	$ 10,681,792	$ 22,084	$ 34,210	$ 5,449,737	$ 10,716,002
Net Position (Deficit)						
Net investment in capital assets	$ 37,344,908	$ 37,034,274	$ 333,862	$ 356,042	$ 37,678,770	$ 37,390,316
Restricted	9,994,802	7,211,317	-	-	9,994,802	7,211,317
Unrestricted	(46,341,217)	(50,348,891)	977,711	716,790	(45,363,506)	(49,632,101)
Total net position (deficit)	$ 998,493	$ (6,103,300)	$ 1,311,573	$ 1,072,832	$ 2,310,066	$ (5,030,468)

The District's net position consists of $37.69 million invested in capital assets (buildings, land and equipment). The restricted net position of $9.99 million consists of the proceeds from the sale of one of the District's elementary school buildings that must be used for payment of debt service on the school building that replaced the property that was sold, balances in capital reserve fund that are restricted for capital expenditures and funds raised by students toward school-sponsored activities. The deficit unrestricted net position of $45.36 million is combined of designated and undesignated amounts. The designated balances are amounts set aside to offset future debt service, to stabilize future health insurance costs, to offset future technology replacement costs, to offset future special education costs, to offset future building or equipment maintenance or replacement costs, to offset safety and security improvements and to offset the anticipated operational deficit in the 2023-24 fiscal year for nonrecurring revenue loss due to the pandemic and for nonrecurring expenditures.

Financial Analysis of the District as a Whole (Continued)

The results of this year's operations as a whole are reported in the statement of activities on page 19. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are listed as program revenues in the second, third and fourth columns. The fifth and sixth columns show the amount of the District's governmental and business-type activities, respectively, that must be supported by other general revenues. The District's two largest general revenues are the basic education subsidy provided by the state and the various taxes paid by residents and employers within the District. Table 2 takes the information from the Statement of Activities and rearranges it slightly to display total revenues and expenses for the year.

Table 2 - Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Charges for services	$ 406,178	$ 385,518	$ 564,075	$ 268,811	$ 970,253	$ 654,329
Operating grants and contributions	12,120,227	12,131,742	1,838,208	2,010,694	13,958,435	14,142,436
Capital grants and contributions	2,207,508	1,042,398	38,073	-	2,245,581	1,042,398
General revenues:						
Property taxes	24,774,590	23,126,729	-	-	24,774,590	23,126,729
Other taxes	7,973,286	7,753,421	-	-	7,973,286	7,753,421
Grants, subsidies, and contributions	10,438,430	9,676,470	25,039	29,038	10,463,469	9,705,508
Investment earnings	1,304,444	84,614	16,912	1,596	1,321,356	86,210
Loss on disposition of capital assets	(2,886)	(7,743)	(5,425)	(3,000)	(8,311)	(10,743)
Miscellaneous income	1,669	220	5,202	6,020	6,871	6,240
Total revenues	59,223,446	54,193,369	2,482,084	2,313,159	61,705,530	56,506,528
Expenses						
Instruction	30,631,311	29,741,834	-	-	30,631,311	29,741,834
Support services						
Instructional student support	5,880,244	5,232,780	-	-	5,880,244	5,232,780
Administrative and financial support services	5,174,051	5,131,118	-	-	5,174,051	5,131,118
Operation and maintenance of plant services	4,096,005	4,052,926	-	-	4,096,005	4,052,926
Pupil transportation	1,936,679	1,718,501	-	-	1,936,679	1,718,501
Student activities	1,649,457	1,682,070	-	-	1,649,457	1,682,070
Community services	26,676	26,068	-	-	26,676	26,068
Interest on long-term debt	2,628,191	1,546,317	-	-	2,628,191	1,546,317
Food services	-	-	1,863,433	1,749,402	1,863,433	1,749,402
Radio station	-	-	115,398	117,543	115,398	117,543
MARA	-	-	363,551	148,405	363,551	148,405
Transfers	99,039	69,039	(99,039)	(69,039)	-	-
Total expenses	52,121,653	49,200,653	2,243,343	1,946,311	54,364,996	51,146,964
Change in net position	7,101,793	4,992,716	238,741	366,848	7,340,534	5,359,564
Net Position (Deficit) - beginning	(6,103,300)	(11,096,016)	1,072,832	705,984	(5,030,468)	(10,390,032)
Net Position (Deficit) - ending	$ 998,493	$ (6,103,300)	$ 1,311,573	$ 1,072,832	$ 2,310,066	$ (5,030,468)

Financial Analysis of the District as a Whole (Continued)

Table 2 shows that total revenues exceeded total expenses for governmental activities of the District by $7.10 million, total revenues exceeded total expenses for business-type activities by $240,000 and total revenues exceeded total expenses for all activities by $7.34 million for the year ended June 30, 2023. It should be noted that although the District is required to present government-wide information using the accrual basis of accounting, as detailed in Table 2, the District must still prepare its general fund budget and report its operations under the modified accrual basis of accounting used in the fund financial statements. Operations in relation to the District's budget will be discussed later in this report under the "Analysis of the District by Funds" section.

The statement of activities breaks the expenses of the District into functions or programs. These expenses are offset by program revenues (charges for services, grants and contributions) before the general revenues of the District are applied. Table 3 shows the District's governmental activities, the expenses by program, as well as each program's net cost (the total cost less the applicable program revenues). It also shows the net costs offset by other unrestricted grants, subsidies and contributions to identify the cost of these services that must be supported by local tax revenue and other miscellaneous revenues.

Table 3 - Total and Net Cost of Program Services - Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Instruction	$ 30,631,311	$ 29,741,834	$ 20,654,478	$ 20,654,870
Support services				
Instructional student support	5,880,244	5,232,780	3,794,490	3,392,148
Administrative and financial support services	5,174,051	5,131,118	4,348,481	4,299,819
Operation and maintenance of plant services	4,096,005	4,052,926	3,594,787	3,635,649
Pupil transportation	1,936,679	1,718,501	1,315,199	1,201,049
Student activities	1,649,457	1,682,070	1,330,225	1,322,829
Community services and scholarships awarded	26,676	26,068	6,713	10,077
Interest on long-term debt	2,628,191	1,546,317	2,244,328	1,055,515
Total expenses	$ 52,022,614	$ 49,131,614	37,288,701	35,571,956
Less: unrestricted grants, subsidies and contributions			10,438,430	9,676,470
Total required local taxes and other general revenues			$ 26,850,271	$ 25,895,486

The dependence upon local taxes for governmental activities is apparent. Program revenue provides only 32.57% of the funding needed for instruction, the major program area of the District. Even if all of the unrestricted grants, subsidies, and contributions are used toward instruction, there remains a need for approximately $10.22 million or 33.35% of the funding for instruction to come from local taxes and other general revenues. The community, as a whole, contributes a significant portion toward the education of the District's students.

Financial Analysis of the District as a Whole (Continued)

The District has three business-type activities - food service, a student-run radio station and Middletown Area Recreation Alliance (MARA). The total cost of food service operations was approximately $1.86 million. These costs were offset by charges for services (primarily fees paid by students and employees for lunches and breakfasts consumed) of approximately $530,000, and operating grants (primarily federal and state participation in the National School Lunch and National School Breakfast Programs) of approximately $1.50 million. The total cost of radio station operations was approximately $120,000. These costs were offset by contributions and fundraising of approximately $30,000 and operating grants (primarily benefit subsidies) of approximately $10,000. The total cost of MARA operations was approximately $360,000. These costs were offset by contributions and charges for services of approximately $250,000 and operating grants (primarily benefits subsidies and government assistance toward program services) of approximately $110,000. The general fund budget included support for business-type activities in the amount of $20,000 for MARA in support of recreation programming as part of an intergovernmental agreement with the local municipalities that also provide support and $50,000 for WMSS in support of the management costs of the radio station. Transfers from the general fund to business-type activities totaled approximately $100,000, including the amounts included in the budget ($20,000 for the support of MARA and $50,000 for the support of WMSS) plus an additional transfer to the radio station fund of $30,000 for its inability to provide sufficient revenue to offset operational costs.

Financial Analysis of the District by Funds

As previously noted, the District uses a number of funds, in accordance with the Pennsylvania Public School Code, to control and manage resources for particular purposes. Information about the District's major governmental funds starts on page 20. These funds are accounted for using the modified accrual basis of accounting. Combined, the governmental funds had total revenues of $58.96 million, expenditures of $56.74 million, and net other financing uses of approximately $10.09 million. The net change in fund balance for the year was an increase of approximately $12.30 million. The increase primarily consists of proceeds from the issuance of long-term debt and revenue received in the general fund that exceeded budget expectations as further detailed in the "Budget Highlights" section of this report.

<u>General Fund</u>

The general fund increased its fund balance by $1.30 million to a total of $16.81 million. The District had budgeted for expenditures to exceed revenues by approximately $960,000, requiring the use of fund balance for non-recurring revenue loss or specific expenditures as part of the District's multi-year planning.

Nonspendable fund balance in the amount of $80,000 corresponds with the prepaid expense amount included in assets. Restricted fund balance in the amount of $470,000 is equal to the proceeds from the sale of an elementary school that must be used toward debt service on the replacement school building. The District has committed fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* to identify and protect resources to address future costs. The District has committed $8.95 million to pay future debt service costs, $750,000 to stabilize future health insurance costs, $1.20 million for technology equipment replacements; $110,000 to fund special education costs, $490,000 to fund building or equipment maintenance or replacement costs; and $210,000 for safety and security improvements. The District has $640,000 of fund balance that is assigned to offset the operational deficit that is anticipated in the 2023-24 fiscal year for nonrecurring revenue loss and nonrecurring expenditures. The District's remaining fund balance of $3.90 million is recorded as unassigned.

Financial Analysis of the District by Funds (Continued)

General Fund (Continued)

In accordance with Act 1 of 2006 legislation, the District may not adopt a general fund budget that would result in the unassigned fund balance exceeding 8% of the budgeted expenditures for that fiscal year. The District's current unassigned fund balance is 6.73% of the 2023-24 budgeted expenditures. The District's unassigned fund balance provides resources to deal with increasing or unexpected costs and future liabilities. The unassigned fund balance also provides resources to pay obligations in the next fiscal year while revenues are being collected. Maintaining a healthy fund balance is important to the District's favorable bond rating and allows the District to address unanticipated financial challenges.

Debt Service Fund

The District does not typically maintain a fund balance in the debt service fund. The District makes transfers from its general fund on an annual basis to pay the principal and interest obligations for the current fiscal year.

Capital Reserve Fund

The District uses the capital reserve fund for major repairs and small construction projects that have been identified in the District's facility planning. In total, the fund balance for the capital reserve fund increased by $2.79 million to $9.40 million. Expenditures in the capital reserve fund were approximately $80,000 for capital improvements and were less than the interest earned on investments of $110,000. The fund also received transfers from the general fund of $2.76 million, including a $940,000 budgeted transfer and a $1.82 million transfer from surplus funds. Fund balance in the capital reserve fund is restricted for capital expenditures.

Capital Projects Fund

The District's capital projects fund contains the proceeds from the issuance of long-term debt and related expenditures. The $10.00 million borrowing in December 2022 was intended to provide the first phase of financing needed for the District's planned construction of a new primary elementary building with attached administrative area as well as a new maintenance building. Expenditures in the capital projects fund totaled $1.93 million for design engineer and construction management services, which were partially offset by interest earnings of $240,000. Ending fund balance in the capital projects fund of $8.22 million is recorded as restricted, and the District's intent is to fully utilize the funds for this construction project.

Student Sponsored Activity Fund

The fund balance in the student activity fund was approximately the same as the prior year with expenditures during the year almost covered by contributions or other revenue raised in support of the activities. Fund balance in the student activity fund is restricted for school-sponsored student activities.

The District's proprietary funds were discussed earlier as business-type activities. There was no significant change in the operation or activity of the District's fiduciary funds.

Budget Highlights

The District's budget is prepared according to Pennsylvania law and is based on the modified accrual basis of accounting. The only fund with a formally adopted budget is the general fund.

During the fiscal year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was finalized after year-end, which is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with actual results is shown on page 24 of this report.

Total general fund revenue was approximately $3.75 million higher than budgeted. Expenditures were approximately $70,000 less than budgeted. The District's other financing uses were approximately $1.56 million more than the adjusted budget as the District transferred surplus funds to the capital reserve fund. The end result is that instead of using $960,000 of fund balance as budgeted, the District added $1.30 million to its fund balance.

Relative to the budget, the following significant variances occurred during the fiscal year:

- Real estate tax collections exceeded the budget by approximately $750,000. The favorable variance consists of $640,000 from interim real estate taxes and $120,000 from delinquent real estate taxes with other real estate tax revenue falling slightly under budget. Interim real estate taxes included two large tax bills for commercial properties that were improved during the year. Delinquent real estate tax revenue is challenging to determine the budget estimate and since the District tends to be conservative when budgeting it is not uncommon for collections to exceed budget estimates.

- Other taxes exceeded the budget by approximately $1.40 million. Current and delinquent earned income tax collections, real estate transfer tax collections, and patron parking tax collections all exceeded budget estimates. Current earned income tax (EIT) collections exceeded the budget by approximately $940,000. The District has been cautious in increasing the budget estimate for earned income tax post-pandemic. Not only were collection sustained over the prior year, there was additional growth in earned income. EIT collections for 2022-23 were the highest they have ever been. Delinquent earned income tax collections exceeded the budget by approximately $150,000. The District's collector continued to aggressively pursue delinquent taxpayers so that its clients would have consistent revenue. Real estate transfer tax collections exceeded the budget by approximately $100,000. Two significant real estate transfers accounted for $30,000 in revenue that would not have been budgeted. The remaining difference points to conservative budgeting and potential room for budget revision in future years if the collections are sustained. Patron parking tax collections exceeded the budget by approximately $210,000. Patron parking tax collections were the only tax source that continued to be impacted by the pandemic; however, that impact seems to have eroded.

- Investment earnings exceeded the budget by approximately $700,000. The yields obtained during the year significantly exceeded budget estimates, partially due to an anticipated economic slowdown that did not occur.

Budget Highlights (Continued)

- Other local revenue exceeded the budget by approximately $360,000. The District's IDEA grant allocation was $30,000 higher than budgeted. The District received $20,000 in rental income more than the budget estimate, which is partially attributable to a lack of historical information to be used for facility rental of the District's new synthetic turf field. The District received $20,000 in contributions not anticipated in the adopted budget. The District received refunds in the amount of $200,000 that were not budgeted. The refunds consisted of vocational school tuition reimbursement from the prior fiscal year, a reimbursement from the District's transportation contractor for fuel use during the prior year, return of tuition reimbursement from employees who left the District, and other miscellaneous vendor refunds. Gate admissions fell short of budget estimates by $10,000. Tuition revenue for the education of students living in other school districts fell short of budget estimates by $20,000.

- Revenue from state sources exceeded the budget by approximately $190,000. The District received $310,000 in basic education and special education subsidies from the state beyond the amount budgeted as the state budget was not adopted until after the District's budget was adopted. The District recorded $90,000 in grant revenue for safety and security expenditures that were not in the budget. The District's benefit subsidies from the state were $200,000 less than budgeted, which aligns with the District's actual salaries falling below budget estimates and points to the challenge of being fully staffed since the pandemic.

- Revenue from federal sources exceeded the budget by approximately $360,000. The District's use of Title I grant funding (and related recording of revenue) in 2022-23 was $100,000 higher than anticipated. The District recorded $300,000 more in federal pandemic funds than budgeted based upon decisions made during the year on how the funds would be utilized. The District again made the decision to reduce its use of medical assistance funds below the budget amount by $20,000 because of the additional grant revenue available so the funds could be preserved for future years when their use might have a greater positive impact on financial operations. Other Title grant funding recorded also fell short of the budget estimate by $20,000.

- The District's actual expenditures were more than the adopted budget by approximately $290,000 before budget transfers were made and by approximately $70,000 after budget transfers were made. Budget transfers were made to utilize the budgetary reserve line item of the budget and reclassify budget amounts to account for spending needs that differed from when the budget was adopted.

- Interfund transfers out of the general fund exceeded budget estimates by approximately $1.84 million after budget transfers. The District budgeted a transfer of approximately $940,000 to the capital reserve fund, $20,000 to MARA and $50,000 to the WMSS radio station fund. In addition to the budgeted transfers, the District also transferred $1.820 million of surplus funds to the capital reserve fund and $30,000 to the WMSS radio station fund.

- Insurance recoveries of approximately $30,000 were received during the year that were not budgeted. The revenue was used for equipment repairs and replacements.

- Proceeds from extended-term financing of approximately $250,000 was recorded that was not budgeted due to the implementation of an accounting pronouncement.

Capital Assets and Debt Administration

Section 1.01 Capital Assets

At June 30, 2023, the District had total capital assets of $81.32 million, with $80.99 million of that figure in governmental activities. Table 4 shows the fiscal 2023 balances compared to July 1, 2022:

Table 4 - Capital Assets, Net of Depreciation at June 30

	Governmental Activities		Business-Type Activities		Total Activities	
	2023	2022	2023	2022	2023	2022
Land and land						
improvements	$ 8,629,141	$ 9,154,550	$ -	$ -	$ 8,629,141	$ 9,154,550
Buildings and building						-
improvements	65,311,371	67,968,989	-	-	65,311,371	67,968,989
Furniture and equipment	4,555,667	3,675,337	333,862	356,042	4,889,529	4,031,379
Right-to-use leased equipment	50,156	100,313	-	-	50,156	100,313
Right-to-use subscription assets	599,910	443,013			599,910	443,013
Construction-in-progress	1,841,649	-	-	-	1,841,649	-
	$80,987,894	$81,342,202	$333,862	$356,042	$81,321,756	$81,698,244

Net capital assets decreased by approximately $380,000 during fiscal 2023. The District had additions to capital assets of $2.75 million, an addition to construction in progress in the capital projects fund of $1.84 million, depreciation of $4.96 million disposals that reduced the net book value of capital assets by $10,000, and the addition of leased equipment of $100,000. Additions of $80,000 from the capital reserve fund included brick repairs at Kunkel Elementary School, installation of network infrastructure protection at Middletown Area High School, carpet replacement at Middletown Area Middle School, purchase of offline backup equipment, and construction of office space for MARA at Reid Elementary School. Additions of $2.34 million from the general fund included instructional technology equipment, music instruments, instructional materials, appliances, custodial equipment, telephony equipment, network technology equipment, athletic equipment, and field maintenance equipment. Deletions to capital assets of approximately $180,000 during fiscal 2023 consisted primarily of obsolete items in the food service fund and field maintenance equipment in the general fund. No proceeds were received for the disposed assets.

Capital Assets and Debt Administration (Continued)

Section 1.02 Debt Administration

At June 30, 2023, the District had $45.98 million in general obligation bonds, general obligation notes and capital appreciation bonds outstanding; $2.69 million due within one year. Table 5 summarizes bonds and notes outstanding:

Table 5 - Outstanding Debt at June 30

	Governmental Activities	
	2023	2022
General Obligation Bonds:		
Series A of 2017	$ 27,040,000	$ 27,215,000
Series of 2022	9,995,000	-
	$ 37,035,000	$ 27,215,000
Capital Appreciation Bonds:		
Series B of 2014	$ 8,942,725	$ 11,462,476
Total Outstanding Debt	$ 45,977,725	$ 38,677,476

The District's outstanding debt increased by $7.30 million during fiscal 2023, the net effect of the issuance of $10.00 million in general obligation bonds and principal payments made on the outstanding obligations.

In its most recent bond refunding, the District's municipal bond rating and outlook were retained at A+ stable by S&P Global Ratings. In accordance with the Local Government Unit Debt Act, the District's borrowing capacity is capped at 225% of the average net revenues for the prior three fiscal years. The District estimates that its current borrowing limit is approximately $118.53 million. The District estimates that its remaining borrowing capacity is $60.04 million. The District has completed capital improvements or new construction on many of its school buildings with the last planned project anticipated to be bid in early 2024. When this proposed project is complete all of the District's buildings will have construction dates in the 21st century.

Factors Expected to Have an Effect on Future Operations

For the fourth fiscal year the District's financial statements have included the recognition of federal funding to address the impact of the pandemic on education. This funding, while beneficial to overall District operations, is non-recurring and requires thoughtful use in order to avoid a shortfall when it is no longer available. The District received approximately $290,000 from the Coronavirus Aid, Relief, and Economic Security Act (CARES) that was fully spent by the end of the 2020-21 fiscal year. The District received $10.46 million from the Elementary and Secondary School Emergency Relief Fund (ESSER) in three "pots" that must be fully obligated by September 30, 2024. The District used $1.07 million of ESSER funds in the 2020-21 fiscal year, $3.49 million in the 2021-22 fiscal year, and $4.11 million in the 2022-23 fiscal year, leaving $1.79 million available for future spending. The remaining ESSER grant funds are expected to be fully utilized in the 2023-24 fiscal year, which is several months before the deadline for obligation. The District has attempted to use the grant funding for non-recurring expenditures as much as possible; however, the full grant allocation was unable to be utilized in this way. In the budget for the 2023-24 fiscal year, the District has identified that approximately $1.03 million of the planned spending using the ESSER grant will continue when the grant funding is no longer available. While there have been some significant increases in real estate tax revenue related to commercial real estate, the additional revenue is not expected to be sufficient to avoid an increase in the real estate tax rate and/or expenditure reductions in order to manage the loss of grant funding.

The District will also see increases in its annual debt service requirements through 2038-39 related to the District's final construction project. Through ongoing fiscal planning, the District has managed to set aside $8.95 million in committed fund balance that will be used to offset a portion of the debt service requirements through 2032-33 to allow for a gradual increase in the District's millage rate specific to debt service. The phase-in of the mills needed for this project will require only 0.20 mills per year, which was less than 1/3 of the District's 2.98% tax increase for the 2023-24 fiscal year. The District anticipates bidding the first phase of this final construction project in early 2024, which will allow for any necessary revisions to the District's financing plan for the projected $70 million project and a determination of the additional general obligation debt that will be needed subsequent to the $10 million borrowings in December 2022 and in December 2023. When all phases are complete, the District will have a new primary elementary building housing all kindergarten through third grade students, a renovated fourth and fifth grade elementary building that was originally built in 2003, a sixth through eighth grade middle school that was built in 2007, a ninth through twelfth grade high school that was built in 2016, a new District administration office attached to the primary building, and a new maintenance building. All of the District's buildings will be located on its campus, which will allow for shared services and quick access in emergency situations. The District has been planning for this project since the completion of the new high school building in 2016. Following this building project, the District anticipates that it will have sufficient capacity at all educational levels to house its student enrollment. As part of the planning for this construction project, the District has also analyzed the maintenance needs of existing buildings and athletic facilities for the next five years and has been able to set aside $5.70 million in the District's capital reserve fund to fund these future maintenance or replacement projects.

Student needs will always be a priority for the District and it has been evident that student mental health and learning was challenged during the pandemic. Increasing operational costs to address student needs may require additional resources in future budgets, necessitating tax increases beyond the phase-in dedicated to the construction project if revenue growth is not sufficient to address the student needs. Historically, operational costs have grown at a pace that surpassed the District's revenue growth; however, the District has consistently managed to minimize tax increases as much as possible with only four tax increases required in the last ten budgets that were adopted. Even while minimizing real estate tax increases, the District has maintained a healthy unassigned fund balance just slightly below the maximum (percentage of expenditures) allowed by the state.

Contacting the District’s Financial Management

This financial report provides our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District’s financial operations and the District’s accountability for the money it manages. If you have questions about this report or wish to request additional financial information, please contact the Chief Financial Officer/Board Secretary, David A. Franklin, CPA, PCSBA, at Middletown Area School District, 55 West Water Street, Middletown, PA 17057.

MIDDLETOWN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 6,901,530	$ 1,024,503	$ 7,926,033
Investments	26,850,841	-	26,850,841
Receivables	7,274,489	247,815	7,522,304
Inventories	-	16,283	16,283
Prepaid expenses	84,485	360	84,845
Other current assets	35,815	-	35,815
Capital and right-to-use assets			
Land and construction-in-progress	4,192,140	-	4,192,140
Other capital and right-to-use assets, net of depreciation/amortization	76,795,754	333,862	77,129,616
Total capital and right-to-use assets	80,987,894	333,862	81,321,756
Total assets	$ 122,135,054	$ 1,622,823	$ 123,757,877
Deferred Outflows of Resources			
Deferred amounts on pension liability	$ 9,264,000	$ 28,000	$ 9,292,000
Deferred amounts on OPEB liabilities	1,661,446	7,325	1,668,771
Deferred amounts on refunding debt	674,307	-	674,307
Total deferred outflows of resources	$ 11,599,753	$ 35,325	$ 11,635,078
Liabilities			
Internal balances	$ 49,185	$ (49,185)	$ -
Accounts payable and accrued expenses	6,104,784	61,786	6,166,570
Unearned revenues	57,498	78,358	135,856
Other current liabilities	954	17,908	18,862
Long-term obligations			
Due within one year	2,970,369	-	2,970,369
Due in more than one year	50,525,620	-	50,525,620
Net pension liability	58,864,000	177,000	59,041,000
OPEB liabilities	8,736,251	38,624	8,774,875
Total long-term liabilities	121,096,240	215,624	121,311,864
Total liabilities	$ 127,308,661	$ 324,491	$ 127,633,152
Deferred Inflows of Resources			
Deferred amounts on pension liability	$ 1,785,000	$ 5,000	$ 1,790,000
Deferred amounts on OPEB liabilities	3,642,653	17,084	3,659,737
Total deferred inflows of resources	$ 5,427,653	$ 22,084	$ 5,449,737
Net Position (Deficit)			
Net investment in capital assets	$ 37,344,908	$ 333,862	$ 37,678,770
Restricted	9,994,802	-	9,994,802
Unrestricted (deficit)	(46,341,217)	977,711	(45,363,506)
Total net position	$ 998,493	$ 1,311,573	$ 2,310,066

See Notes to Financial Statements.

MIDDLETOWN AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

		Program Revenues			Net (Expense) Revenues and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	$ 30,631,311	$ 325,251	$ 7,903,897	$ 1,747,685	$ (20,654,478)	$ -	$ (20,654,478)
Instructional student support	5,880,244	8,546	2,076,059	1,149	(3,794,490)	-	(3,794,490)
Administration and financial support	5,174,051	15,639	809,931	-	(4,348,481)	-	(4,348,481)
Operation and maintenance of plant services	4,096,005	30,474	418,597	52,147	(3,594,787)	-	(3,594,787)
Pupil transportation	1,936,679	-	615,613	5,867	(1,315,199)	-	(1,315,199)
Student activities	1,649,457	26,268	276,167	16,797	(1,330,225)	-	(1,330,225)
Community services and scholarships	26,676	-	19,963	-	(6,713)	-	(6,713)
Interest on long-term debt	2,628,191	-	-	383,863	(2,244,328)	-	(2,244,328)
Total governmental activities	52,022,614	406,178	12,120,227	2,207,508	(37,288,701)	-	(37,288,701)
Business-type activities:							
Food service	1,863,433	527,680	1,500,679	38,073	-	202,999	202,999
Radio station	115,398	29,810	14,851	-	-	(70,737)	(70,737)
MARA	363,551	6,585	322,678	-	-	(34,288)	(34,288)
Total business-type activities	2,342,382	564,075	1,838,208	38,073	-	97,974	97,974
Total primary government	$ 54,364,996	$ 970,253	$ 13,958,435	$ 2,245,581	$ (37,288,701)	$ 97,974	$ (37,190,727)
General Revenues and Transfers:							
General revenues							
Property taxes, levied for general purposes, net					$ 24,774,590	$ -	$ 24,774,590
Public utility, realty transfer, earned income and other taxes for general purposes, net					7,973,286	-	7,973,286
Grants, subsidies and contributions not restricted					10,438,430	25,039	10,463,469
Investment earnings					1,304,444	16,912	1,321,356
Gain (loss) on disposition of capital assets					(2,886)	(5,425)	(8,311)
Miscellaneous income					1,669	5,202	6,871
Transfers					(99,039)	99,039	-
Total general revenues and transfers					44,390,494	140,767	44,531,261
Change in net position					7,101,793	238,741	7,340,534
Net Position (Deficit) - July 1, 2022					(6,103,300)	1,072,832	(5,030,468)
Net Position - June 30, 2023					$ 998,493	$ 1,311,573	$ 2,310,066

See Notes to Financial Statements.

MIDDLETOWN AREA SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Debt Service Fund	Capital Reserve Fund	Capital Projects Fund	Student Sponsored Activity Fund
Assets					
Cash and cash equivalents	$ 2,764,614	$ -	$ 4,008,045	$ -	$ 128,871
Investments	15,553,561	-	1,835,217	9,462,063	-
Due from other funds	17,036	-	3,579,254	-	-
Due from other governments	4,774,261	-	-	-	-
Taxes receivable	2,221,173	-	-	-	-
Other receivables	269,131	-	-	35	9,889
Prepaid expenses	84,485	-	-	-	-
Other current assets	35,815	-	-	-	-
Total assets	$ 25,720,076	$ -	$ 9,422,516	$ 9,462,098	$ 138,760
Liabilities					
Due to other funds	$ 2,842,691	$ -	$ -	$ 793,850	$ 8,934
Accounts payable	1,119,126	-	20,095	443,826	4,713
Accrued salaries and benefits	3,814,670	-	-	-	-
Payroll deductions and withholdings	216,454	-	-	-	-
Unearned revenues	57,498	-	-	-	-
Other current liabilities	954	-	-	-	-
Total liabilities	8,051,393	-	20,095	1,237,676	13,647
Deferred Inflows of Resources					
Delinquent property taxes	861,796	-	-	-	-
Fund Balances					
Nonspendable	84,485	-	-	-	-
Restricted	467,268	-	9,402,421	8,224,422	125,113
Committed	11,710,521	-	-	-	-
Assigned	643,149	-	-	-	-
Unassigned	3,901,464	-	-	-	-
Total fund balances	16,806,887	-	9,402,421	8,224,422	125,113
Total liabilities, deferred inflows of resources and fund balances	$ 25,720,076	$ -	$ 9,422,516	$ 9,462,098	$ 138,760

See Notes to Financial Statements.

MIDDLETOWN AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2023

Total fund balances - governmental funds		$ 34,558,843
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital and right-to-use assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is $136,381,296 and the accumulated depreciation/amortization is $55,393,402.		80,987,894
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred inflows of resources in the funds.		861,796
The difference between the re-acquisition price and the net carrying amount of the refunded debt is a deferred outflow of resources, which is not reported in the funds.		674,307
Deferred inflows and outflows of resources related to pensions are applicable to future periods, and therefore, are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnotes for detail):		
Deferred outflows		9,264,000
Deferred inflows		(1,785,000)
Deferred inflows and outflows of resources related to OPEB are applicable to future periods, and therefore are not reported within the funds. Deferred inflows and outflows related to OPEB are as follows (see footnote for detail):		
Deferred outflows		1,661,446
Deferred inflows		(3,642,653)
Long-term liabilities; including bonds payable, leases payable, subscription liabilities, net pension liabilities, other post-employment benefits, reserve for loss contingencies and compensated absences 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 payable, net of related discounts and premiums	(51,921,737)	
Accrued interest	(485,900)	
Leases payable	(51,654)	
Subscription liabilities	(568,324)	
Net pension liability	(58,864,000)	
Other post-employment benefit liabilities	(8,736,251)	
Reserve for loss contingencies	(106,203)	
Compensated absences	(848,071)	(121,582,140)
Total net position - governmental activities		$ 998,493

See Notes to Financial Statements.

MIDDLETOWN AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	General Fund	Debt Service Fund	Capital Reserve Fund	Capital Projects Fund	Student Sponsored Activity Fund
Revenues					
Local sources	$ 34,702,260	$ -	$ 105,195	$ 243,316	$ 128,435
State sources	18,462,611	-	-	3,244	-
Federal sources	5,311,852	-	-	-	-
Total revenues	58,476,723	-	105,195	246,560	128,435
Expenditures					
Instruction	30,535,072	-	-	-	-
Support services	17,423,145	1,560	39,745	167,982	-
Operation of non-instructional services	1,502,907	-	-	-	131,416
Capital outlay	39,302	-	42,348	1,764,367	-
Debt service	359,174	4,732,786	-	-	-
Refund of prior year's receipts	3,185	-	-	-	-
Total expenditures	49,862,785	4,734,346	82,093	1,932,349	131,416
Excess (deficiency) of revenues over expenditures	8,613,938	(4,734,346)	23,102	(1,685,789)	(2,981)
Other Financing Sources (Uses)					
Interfund transfers in	-	4,734,346	2,763,271	-	93
Interfund transfers out	(7,596,749)	-	-	-	-
Proceeds from issuance of long-term debt	-	-	-	9,995,000	-
Bond discount	-	-	-	(84,789)	-
Insurance recoveries	29,460	-	-	-	-
Proceeds from sale of capital assets	2,659	-	-	-	-
Proceeds from subscription arrangements	247,637	-	-	-	-
Total other financing sources (uses)	(7,316,993)	4,734,346	2,763,271	9,910,211	93
Net change in fund balances	1,296,945	-	2,786,373	8,224,422	(2,888)
Fund Balances - July 1, 2022	15,509,942	-	6,616,048	-	128,001
Fund Balances - June 30, 2023	$ 16,806,887	$ -	$ 9,402,421	$ 8,224,422	$ 125,113

See Notes to Financial Statements.

MIDDLETOWN AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

Net change in fund balances - governmental funds		$ 12,304,852
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation/amortization expense. This is the amount by which depreciation/amortization and dispositions exceed capital outlays in the period.		
Capital outlays	4,515,727	
Less net book value of disposed assets	(5,545)	
Less depreciation/amortization expense	(4,864,490)	(354,308)
Because some taxes will not be collected for several months after the District's fiscal year-end, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.		239,961
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. The additional interest accrued in the Statement of Activities over the amount due is shown here.		(705,573)
Governmental funds report District pension and OPEB contributions as expenditures. However in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as a pension and OPEB expense.		
District pension and OPEB contributions (PSERS)		7,183,000
Cost of benefits earned net of employee contributions (PSERS)		(4,482,900)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences		(30,357)
Change in other post-employment benefits (District's Plan)		(87,842)
Change in reserve for loss contingencies		20,282
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction; however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of long-term debt, net of discount	(9,910,211)	
Issuance of subscription liabilities	(247,637)	
Repayment of long-term debt	2,694,751	
Repayment of leases payable	50,003	
Repayment of subscription liabilities	122,326	
Repayment of financed purchase agreements payable	174,841	
Amortization of bond premiums and discounts - net	220,275	
Amortization of charges for bond refunding	(89,670)	(6,985,322)
Change in net position (deficit) of governmental activities		$ 7,101,793

See Notes to Financial Statements.

MIDDLETOWN AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2023

	Budgeted Amounts			Variance
	Original	Final	Actual	with Final Budget
Revenues				
Local sources				
Real estate taxes	$ 23,787,174	$ 23,787,174	$ 24,534,629	$ 747,455
Other taxes	6,577,934	6,577,934	7,973,286	1,395,352
Investment earnings	250,000	250,000	953,187	703,187
Other revenue	885,694	885,694	1,241,158	355,464
Total local sources	31,500,802	31,500,802	34,702,260	3,201,458
State sources	18,275,567	18,275,567	18,462,611	187,044
Federal sources	4,950,924	4,950,924	5,311,852	360,928
Total revenues	54,727,293	54,727,293	58,476,723	3,749,430
Expenditures				
Instruction				
Regular programs	20,717,940	20,879,605	20,872,217	7,388
Special programs	7,749,959	8,198,959	8,195,036	3,923
Vocational education	1,094,485	1,097,985	1,097,978	7
Other instructional programs	343,264	222,264	219,511	2,753
Nonpublic school programs	15,775	7,775	7,301	474
Adult education programs	143,029	143,029	143,029	-
Support services				
Pupil personnel services	3,390,992	3,352,563	3,346,604	5,959
Instructional staff services	2,058,489	1,966,589	1,958,074	8,515
Administrative services	2,689,978	2,767,909	2,764,451	3,458
Pupil health services	818,931	829,431	823,970	5,461
Business services	729,559	857,982	854,836	3,146
Operation and maintenance of plant services	4,313,970	4,161,867	4,140,240	21,627
Student transportation services	2,019,826	1,957,326	1,953,835	3,491
Central support services	1,621,817	1,556,663	1,554,720	1,943
Other support services	25,000	26,500	26,415	85
Operation of noninstructional services				
Student activities	1,626,655	1,457,255	1,455,663	1,592
Community services	26,907	38,907	38,394	513
Scholarships and awards	-	9,000	8,850	150
Capital outlay	12,500	40,500	39,302	1,198
Debt service	177,446	359,513	359,174	339
Refund of prior year's receipts	-	3,500	3,185	315
Total expenditures	49,576,522	49,935,122	49,862,785	72,337
Excess of revenues over expenditures	5,150,771	4,792,171	8,613,938	3,821,767
Other Financing Sources (Uses)				
Interfund transfers out	(5,665,459)	(5,756,859)	(7,596,749)	(1,839,890)
Insurance recoveries	-	-	29,460	29,460
Proceeds from sale of capital assets	-	-	2,659	2,659
Budgetary reserve	(450,000)	-	-	-
Proceeds from extended-term financing	-	-	247,637	247,637
Total other financing uses	(6,115,459)	(5,756,859)	(7,316,993)	(1,560,134)
Net change in fund balance	$ (964,688)	$ (964,688)	1,296,945	$ 2,261,633
Fund Balance - July 1, 2022			15,509,942	
Fund Balance - June 30, 2023			$ 16,806,887	

See Notes to Financial Statements.

MIDDLETOWN AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2023

	Enterprise Funds			
		Non-major		
	Food Service	Radio Station	MARA	Total
Assets				
Cash and cash equivalents	$ 898,244	$ 36,447	$ 89,812	$ 1,024,503
Due from other funds	19,464	38,496	-	57,960
Receivables				
State sources	22,254	-	12,920	35,174
Federal sources	178,494	-	-	178,494
Other receivables	28,055	4,750	1,342	34,147
Inventories	16,283	-	-	16,283
Prepaid expenses	-	-	360	360
Other capital assets, net of depreciation	327,881	4,695	1,286	333,862
Total assets	$ 1,490,675	$ 84,388	$ 105,720	$ 1,680,783
Deferred Outflows of Resources				
Deferred amounts on pension liability	$ 28,000	$ -	$ -	$ 28,000
Deferred amounts on OPEB liabilities	7,325	-	-	7,325
Total deferred outflows of resources	$ 35,325	$ -	$ -	$ 35,325
Liabilities				
Due to other funds	$ -	$ -	$ 8,775	$ 8,775
Accounts payable	54,667	310	6,809	61,786
Unearned revenue	66,834	-	11,524	78,358
Other current liabilities	17,908	-	-	17,908
Long-term liabilities				
Net pension liability	177,000	-	-	177,000
Other post-employment benefits liabilities	38,624	-	-	38,624
Total long-term liabilities	215,624	-	-	215,624
Total liabilities	$ 355,033	$ 310	$ 27,108	$ 382,451
Deferred Inflows of Resources				
Deferred amounts on pension liability	$ 5,000	$ -	$ -	$ 5,000
Deferred amounts on OPEB liabilities	17,084	-	-	17,084
Total deferred inflows of resources	$ 22,084	$ -	$ -	$ 22,084
Net Position				
Net investment in capital assets	$ 327,881	$ 4,695	$ 1,286	$ 333,862
Unrestricted	821,002	79,383	77,326	977,711
Total net position	$ 1,148,883	$ 84,078	$ 78,612	$ 1,311,573

See Notes to Financial Statements.

MIDDLETOWN AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2023

	Enterprise Funds			
		Non-major		
	Food Service	Radio Station	MARA	Total
Operating Revenues				
Food service revenue	$ 527,744	$ -	$ -	$ 527,744
Station services	-	29,810	-	29,810
Program revenue	-	-	191,759	191,759
Total operating revenues	527,744	29,810	191,759	749,313
Operating Expenses				
Salaries	86,615	62,637	206,499	355,751
Employee benefits	12,383	35,967	104,564	152,914
Purchased professional and technical services	30	4,805	12,261	17,096
Purchased property services	26,367	1,562	1,468	29,397
Other purchased services	1,488,342	7,064	1,869	1,497,275
Supplies	152,705	1,058	24,825	178,588
Depreciation	96,242	1,249	706	98,197
Dues and fees	749	1,056	9,641	11,446
Other operating expenses	-	-	1,718	1,718
Total operating expenses	1,863,433	115,398	363,551	2,342,382
Operating loss	(1,335,689)	(85,588)	(171,792)	(1,593,069)
Nonoperating Revenues and Expenses				
Investment earnings	14,364	446	2,102	16,912
Local sources	-	-	40,399	40,399
State sources	152,169	14,446	105,839	272,454
Federal sources	1,346,752	-	-	1,346,752
Contributions from private sources	38,073	405	16,304	54,782
Loss on sale of capital assets	(5,425)	-	-	(5,425)
Refunds of prior year expenditures	1,758	-	-	1,758
Miscellaneous income	-	-	5,139	5,139
Total nonoperating revenues	1,547,691	15,297	169,783	1,732,771
Income (loss) before transfers	212,002	(70,291)	(2,009)	139,702
Interfund Transfers In	-	80,000	19,039	99,039
Change in net position	212,002	9,709	17,030	238,741
Net Position - July 1, 2022	936,881	74,369	61,582	1,072,832
Net Position - June 30, 2023	$ 1,148,883	$ 84,078	$ 78,612	$ 1,311,573

See Notes to Financial Statements.

MIDDLETOWN AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2023

	Enterprise Funds			
		Non-major		
	Food Service	Radio Station	MARA	Total
Cash Flows From Operating Activities				
Cash received from meal sales	$ 501,673	$ -	$ -	$ 501,673
Cash received from charges for services	-	30,660	186,047	216,707
Cash payments for goods and services	(1,576,332)	(8,422)	(39,894)	(1,624,648)
Cash payments to employees for services	(108,556)	(98,604)	(311,063)	(518,223)
Net cash used in operating activities	(1,183,215)	(76,366)	(164,910)	(1,424,491)
Cash Flows From Non-Capital Financing Activities				
Miscellaneous income	-	-	5,139	5,139
Contributions from private sources	52,951	405	57,678	111,034
State sources	137,083	14,446	106,669	258,198
Federal sources	1,296,000	-	-	1,296,000
Transfers	-	80,000	19,039	99,039
Refund of prior year expenditures	1,758	-	-	1,758
Net cash provided by non-capital financing activities	1,487,792	94,851	188,525	1,771,168
Cash Flows From Capital and Related Financing Activities				
Capital outlay	(80,013)	-	(1,429)	(81,442)
Cash Flows From Investing Activities				
Investment earnings	14,364	446	2,102	16,912
Net change in cash and cash equivalents	238,928	18,931	24,288	282,147
Cash and Cash Equivalents:				
July 1, 2022	659,316	17,516	65,524	742,356
June 30, 2023	$ 898,244	$ 36,447	$ 89,812	$ 1,024,503
Reconciliation of Operating Loss to Net Cash Used in Operating Activities				
Operating loss	$ (1,335,689)	$ (85,588)	$ (171,792)	$ (1,593,069)
Adjustments to reconcile operating loss to net cash used in operating activities				
Depreciation	96,242	1,249	706	98,197
Value of donated commodities	98,837	-	-	98,837
(Increase) decrease in:				
Other receivables	(26,070)	850	-	(25,220)
Inventories	(2,722)	-	-	(2,722)
Prepaids	-	-	(360)	(360)
Deferred outflow of resources	2,316	-	-	2,316
Increase (decrease in:				
Internal balances	(4,597)	8,935	12,896	17,234
Accounts payable	289	(1,812)	(648)	(2,171)
Unearned revenue	-	-	(5,712)	(5,712)
Other current liabilities	53	-	-	53
Net pension liability	12,000	-	-	12,000
OPEB liabilities	(11,748)	-	-	(11,748)
Deferred inflow of resources	(12,126)	-	-	(12,126)
Net cash used in operating activities	$ (1,183,215)	$ (76,366)	$ (164,910)	$ (1,424,491)
Supplemental Disclosure				
Noncash non-capital financing activity				
USDA donated commodities	$ 98,837	$ -	$ -	$ 98,837

See Notes to Financial Statements.

MIDDLETOWN AREA SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023

	Private-Purpose Trust Fund
Assets	
Cash and cash equivalents	$ 420,512
Total assets	$ 420,512
Liabilities	
Accounts payable	$ 35,256
Total liabilities	$ 35,256
Net Position	
Held in trust for scholarships	$ 385,256
Total net position	$ 385,256

See Notes to Financial Statements.

MIDDLETOWN AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2023

	Private-Purpose Trust Fund
Additions	
Gifts and contributions	$ 21,606
Investment earnings	7,075
Refund of prior year's expenditures	1,000
Total additions	29,681
Deductions	
Scholarships awarded	35,083
Total deductions	35,083
Change in net position	(5,402)
Net Position - July 1, 2022	390,658
Net Position - June 30, 2023	$ 385,256

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Middletown Area School District (the District), located in Dauphin County, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through twelfth to students living in Middletown Borough, Royalton Borough and Lower Swatara Township. These include regular, advanced academic programs, vocational education programs and special education programs for gifted and special needs children. The governing body of the District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the District is carried out by the administrative staff of the District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The District operates three elementary schools, one middle school and one high school, serving approximately 2,400 students.

The financial statements of the 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 policies are as follows:

A. Reporting Entity

In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. This report presents the activities of the District. The District is not a component unit of another reporting entity, nor does it have any component units. The District does; however, participate in jointly-governed organizations which are described in Note 14.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate fund financial statements are provided in the report for all of the governmental funds, proprietary funds and the fiduciary funds of the District, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements. Non-major, individual governmental funds are also reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (assets plus deferred outflows of resources less liabilities less deferred inflows of resources) are used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation and amortization are charged as an expense against current operations.

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 generally considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. 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.

The District reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The District reduces committed amounts first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The District reports the following major governmental funds:

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for and the payment of principal, interest and related costs.

Capital Reserve Fund - The capital reserve fund is used to account for financial resources to be used for the acquisition, construction, or improvement of major capital facilities (other than those financed by proprietary funds).

Capital Projects Fund – The capital projects fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Student Sponsored Activity Fund - This fund is set up in accordance with Section 511 of the PA School Code for student sponsored school organizations and publications which do not meet the criteria to be reported as custodial funds per GASB Statement No. 84, *Fiduciary Activities.*

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund’s principal ongoing operations. The District operates three proprietary funds - the food service fund, radio station fund and Middletown Area Recreation Alliance (MARA).

The food service fund accounts for the activities of the District’s food service program. The principal operating revenues of the District’s food service fund are food service charges. Operating expenses for the District’s food service fund include food production costs, supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses. The District does not attempt to allocate "building-wide costs" to the food service fund. Thus, general fund expenditures which partially benefit the food service fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the food service fund; similarly, the food service fund does not recognize a cost for the building space it occupies (no rental of facilities expense).

The radio station fund is an enterprise fund that accounts for the revenue, expenses and other transactions surrounding the operation of the District’s student operated radio station.

The MARA fund is an enterprise fund that accounts for an intergovernmental agreement of cooperation between the District and the Borough of Middletown, Borough of Royalton and Lower Swatara Township, for the joint operation of recreation programs within the school district boundaries. MARA is administered by the School Board with the municipalities providing representatives to an Advisory Board that exists to provide input into the program offerings.

The radio station fund and the MARA fund are presented as non-major funds. Due to their non-major status and the nature of operations of these funds, the District has determined that allocation of amounts relating to the Pension and OPEB liabilities is not required. Any amounts for Pension and OPEB liabilities associated with employees within these funds will be paid by the District’s general fund.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The District maintains the following fiduciary fund types:

Private-Purpose Trust Fund **-** The private purpose trust fund accounts for assets held by the District in a trustee capacity. It accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to students as prescribed by donor stipulations.

D. Budget and Budgetary Accounting

The District follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. The Pennsylvania Department of Education (PDE) issues a schedule of actions for school districts for the development of the annual budget under Act 1. Management submits to the Board for consideration a draft operating budget projection or other information to review for the fiscal year commencing the following July 1. The Board determines if it will approve a resolution to keep any tax increase below the index by the PDE deadline.
2. If the Board adopts the resolution, management must submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
3. If the Board does not adopt the resolution, management prepares and submits a proposed operating budget for the fiscal year commencing the following July 1 in accordance with the deadlines established by PDE under Act 1. These deadlines will vary with the setting of the spring municipal election date each year.
4. At public Board meetings, information is presented and debated. The public is welcome to comment on the budget.
5. Prior to June 30, legislation requires a budget to be legally enacted through passage of a resolution.
6. Legal budgetary control is maintained by the Board at the sub-function/major object level. Transfers between departments, whether between funds or within a fund or revisions that alters the total revenues and expenditures of any fund, must be approved by the Board. 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.
7. Budgetary data is included in the District's management information system and is employed as a management control device during the year.
8. Unused appropriations lapse at the end of each fiscal year; however, encumbrance accounting allows the District to increase the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserve a portion of fund balance in a like amount. There were no outstanding encumbrances for the year ended 2023.
9. The budget for the general fund is adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles in the United States of America.
10. Where applicable, unbudgeted federal and state revenue and expenditures have been added to the original budgeted revenue and expenditures

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

Cash and Cash Equivalents: The District considers all highly-liquid investments with maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are carried at fair value or at amortized cost, depending on the investment type, consistent with generally accepted accounting principles.

Inventories: There is no inventory recorded in the general fund. Items such as office supplies and cleaning materials are expensed as incurred.

Inventories in the food service fund represent the cost using the first-in/first-out (FIFO) method of food supplies on hand at June 30, 2023, including the value of commodities donated by the federal government. Any unused commodities donated by the federal government at June 30, 2023, were reported as unearned revenue since title does not pass to the District until the commodities are used.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

Capital Assets and Depreciation: Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are capitalized in accordance with Board policy at the discretion of management. Management considers various factors in the capitalization of assets, including the asset’s estimated useful life, cost and the extent to which the asset is part of a larger capital project. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Depreciation is provided for fixed assets on the straight-line basis over the following estimated useful lives:

Asset Class	Years
Land improvements	5-20
Buildings and improvements	10-40
Furniture and equipment	3-20
Vehicles	10
Textbooks	6
Library books	10

Deferred Outflows of Resources - Deferred Amounts on Refunding Debt: The District recognizes the difference between the re-acquisition price and the net carrying amount of the old debt as a deferred outflow and recognizes it as a component of interest expense over the remaining life of the old or new debt, whichever is shorter.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Deferred Outflows of Resources - Pensions and Other Post-Employment Benefits: The District recognizes deferred outflows of resources, which represent a consumption of net assets that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has identified these items in subsequent notes to the financial statements.

Long-Term Obligations: In the government-wide financial statements, and proprietary fund types presented in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities columns in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the related bonds. Bond insurance costs are deferred as prepaid expenses and amortized over the lives of the bonds. Other issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Lease and Subscription Based Information Technology Arrangement (SBITA) Liabilities: The District enters into non-cancellable arrangements for the leasing of buildings and equipment and for subscription based information technology. A liability and an intangible right-to-use asset is recognized in the government-wide financial statements. Lease and SBITA that are significant, either individually or in the aggregate, are recognized.

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 agreement 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 contract commencement date. Subsequently, the right-to-use asset is amortized on a straight-line basis over its useful life and the useful life is consistent with the term of the agreement.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected payments to present value, (2) contract term, and (3) contract payments. The District uses the interest rate charged by the lessor as the discount rate for lease and SBITA liabilities, if provided. When the interest rate charged is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for lease and SBITA liabilities.

The term includes the non-cancellable period of the lease or SBITA. Payments included in the measurement of the liability are composed of fixed payments and the purchase option price that the District is reasonably certain to exercise. The District monitors changes in circumstances that would require a remeasurement of its arrangements and will remeasure the related asset and liability if certain changes occur that are expected to significantly affect the amount of the liability.

Right-to-use assets are reported with other capital assets and lease and SBITA liabilities are reported with long-term debt on the Statement of Net Position.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Compensated Absences: The District accrues vacation leave as a liability as the benefits are earned by the employees if it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year-end, taking into consideration any limits specified in the District's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected.

Additional amounts are accrued for salary related payments associated with the payment of compensated absences using the rates in effect at the balance sheet date. The District has accrued the employer's share of social security and Medicare taxes.

Pensions: Substantially all full-time and qualifying part-time employees of the District participate in a cost-sharing multiple employer defined benefit pension plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation. The District participates in two plans, the first is a single employer plan administered by the District. The Plan provides retiree health, vision, dental care and prescription drug benefits for eligible, retired employees and their qualified spouses/beneficiaries. The District estimates the cost of providing these benefits through an actuarial valuation.

The District also participates in a governmental cost sharing, multiple-employer other post-employment benefit plan (OPEB) with PSERS for all eligible retirees who qualify and elect to participate. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Other Post-Employment Benefits (Continued) The balance of the District's OPEB liabilities and related deferred outflows/inflows of resources at June 30, 2023, are as follows:

	Governmental Activities	Business-Type Activities	Total
OPEB Liabilities			
District's Single Employer Plan	$ 6,293,251	$ 31,624	$ 6,324,875
PSERS Cost Sharing Plan	2,443,000	7,000	2,450,000
Total	$ 8,736,251	$ 38,624	$ 8,774,875
Deferred Outflows of Resources			
District's Single Employer Plan	$ 1,159,246	$ 5,825	$ 1,165,071
PSERS Cost Sharing Plan	502,200	1,500	503,700
Total	$ 1,661,446	$ 7,325	$ 1,668,771
Deferred Inflows of Resources			
District's Single Employer Plan	$ 3,041,453	$ 15,284	$ 3,056,737
PSERS Cost Sharing Plan	601,200	1,800	603,000
Total	$ 3,642,653	$ 17,084	$ 3,659,737

Additional disclosures related to other post-employment benefits of the District's Single Employer Plan and PSERS Cost Sharing Plan can be found in subsequent notes to the financial statements.

Deferred Inflows of Resources - Unearned Revenues: The District recognizes property tax revenues when they become available, which includes property tax receivables expected to be collected within 60 days after year-end. Those property tax receivables expected to be collected more than 60 days after year-end are shown as deferred inflows of resources in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Deferred Inflows of Resources - Pensions and Other Post-Employment Benefits: The District recognizes deferred inflows of resources, which represent an acquisition of net assets that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has identified these items in subsequent notes to the financial statements.

Interfund Activity: Advances between funds that are not expected to be repaid are accounted for as transfers. In cases when repayment is expected, the advances are accounted for through the various due from and due to accounts. Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are indicated on the Statement of Net Position as internal balances.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

Encumbrances: Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration and project control in the general fund. Encumbrances outstanding at year-end are reported as reservations of fund balances because they do not constitute expenditures or liabilities. GASB Statement No. 54 provides additional guidance on the classification within the net position section of amounts that have been encumbered. These encumbrances, along with encumbrances of balances in funds that are restricted, committed or assigned, are not separately classified in the financial statements.

Fund Balance: The District's fund balance classifications are defined and described as follows:

Nonspendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provisions, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specified purposes through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. Through Board policy, the Board has delegated the authority to the Finance Committee and/or the Chief Financial Officer.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The District has a board policy which prescribes fund balance guidelines. The District will strive to maintain an unassigned general fund balance of not less than 5% and not more than 8% of the budgeted expenditures for the next year.

Note 1. Summary of Significant Accounting Policies (Continued)

F. New Accounting Pronouncements

The following list reflects only those pronouncements initially effective in the current or upcoming reporting periods which based on our review, may be applicable to the District's reporting requirements.

Following are descriptions of significant pronouncements that were considered or initially selected during the year ended June 30, 2023:

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. The adoption of this pronouncement was determined not to have a material impact on the District's beginning balances and current year results.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnerships. The adoption of this pronouncement was determined not to have a material impact on the District's beginning balances and current year results.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The adoption of this pronouncement resulted in the measurement of SBITA liabilities using the remaining lease term and discount rate at July 1, 2022, and the right-to-use assets were measured based on the lease liability. Accordingly, a restatement of net position was not necessary to implement this statement.

GASB Statement No. 99, *Omnibus 2022,* enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The adoption of this pronouncement was determined not to have a material impact on the District's beginning balances and current year results.

The following are descriptions of accounting pronouncements which will be considered for implementation during subsequent fiscal years, with modified effective dates as established by GASB Statement No. 95:

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, will be effective for the District beginning with its year ending June 30, 2024 (fiscal years beginning after June 15, 2023). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

F. New Accounting Pronouncements (Continued)

GASB Statement No. 101, *Compensated Absences*, will be effective for the District beginning with its year ending June 30, 2025, (fiscal years beginning after December 15, 2023). This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

The effects of implementation of these standards have not yet been determined.

G. Other

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition of disclosure through December 12, 2023, the date the financial statements were available to be issued. See Note 15.

Note 2. Deposits and Investments

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

- U.S. Treasury Bills
- Short-term obligations of the U.S. Government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
    1. The Federal Deposit Insurance Corporation (FDIC), or
    2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
    3. The National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and for any amounts above maximum insurable limits, provided that approved collateral as provided by law shall be pledged by the depository
- Obligations of (a) the United States of America or its agencies or instrumentalities backed by the full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of these political subdivisions
- Shares of investment companies whose investments are restricted to the above categories

The deposit and investment policies of the District adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either state statutes or the policy of the District.

Note 2. Deposits and Investments (Continued)

Deposits: Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank default, the District's investments may not be returned to it. A summary of the District's deposits at June 30, 2023, are shown below:

Financial Institution	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	$ 250,000	$ 250,000	Mid Penn Bank
Uninsured, collateralized in accordance with Act 72	3,502,567	4,533,431	Mid Penn Bank
	$ 3,752,567	$ 4,783,431	

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgers of the assets.

Investments

As of June 30, 2023, the District had the following investments:

	Credit Rating	Weighted Avg. Maturity in Years	Carrying Value
Pennsylvania School District Liquid Asset Fund (PSDLAF)			
PSDMAX	AAAm	0.1644	$ 4,593,679
PSDLAF Full Flex Pool	NA	Various	26,850,840
			$ 31,444,519

Certain external pool 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 the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PSDMAX, at amortized cost.

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.

Note 2. Deposits and Investments (Continued)

Investments (Continued)

The PSDLAF Full Flex Pool, as part of the Fixed Term Series at PSDLAF, are fixed term investments collateralized in accordance with Act 72 and invests in assets listed above 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. Certificates of Deposit used for Fixed Term Series (i) are normally in principal amounts in excess of the FDIC insurance limit of $250,000, (ii) are collateralized in accordance with law and (iii) the collateral is held by a third-party custodian pursuant to a custody agreement among the Fund, the bank that issues the Certificate of Deposit and the third party custodian. In some instances, the collateral consists of an Irrevocable Letter of Credit issued by the applicable Federal Home Loan Bank.

The District reports these nonparticipating contracts, as nonnegotiable Certificates of Deposit with redemption terms that do not consider market rates, using a cost-based measure, provided that the fair value of those contracts is not significantly affected by the impairment of the credit standing of the issuer or other factors consistent with GASB Statement No. 31.

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 the 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. Presently, the investments currently held by the District are valued at amortized cost and are not subject to the fair value categorization disclosures.

Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons - the time when investments become due and payable - in years or months, weighted to reflect the dollar-size of individual investments within an investment type. In this illustration, WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

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

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments, and the District has no investment policy that would further limit its investment choices.

Concentrations of Credit Risk

The District places no limit on the amounts invested in any one issuer. The District's investments are entirely held with PSDLAF.

Note 3. Property Taxes

Based upon assessed valuations provided by the County, the District bills and collects its own property taxes. The schedule for property taxes levied for 2022-23 is as follows:

July 1, 2022	Tax levy date
Through September 30, 2022	2% discount
October 1, 2021 – November 30, 2022	Face payment period
December 1, 2021 - December 31, 2022	10% penalty period
January 1, 2023	Lien filing date

The District's tax rate for all purposes in 2022-23, was 23.19 mills ($23.19 per $1,000 assessed valuation). Refunds on payments of prior year taxes are classified as Other Debt Service items under the Commonwealth of Pennsylvania's accounting system. The District collected approximately 97% of the adjusted tax duplicate during the fiscal year before factoring discounts extended and penalties received. Actual cash collections amounted to approximately 95% of the adjusted tax duplicate.

Note 4. Taxes Receivable, Deferred Inflows of Resources and Estimated Uncollectible Taxes

A summary of the taxes receivable and related accounts at June 30, 2023, are as follows:

	Amount
Uncollected Taxes	$ 3,660,136
Estimated uncollectible taxes	(1,438,963)
Taxes Receivable - Net	$ 2,221,173
Taxes to be collected within 60 days	$ 1,359,377
Deferred inflows of resources - delinquent property taxes	861,796
Taxes Receivable - Net	$ 2,221,173

Note 5. Interfund Balances and Interfund Transfers

Individual fund receivable and payable balances at June 30, 2023, are as follows:

Fund	Interfund Receivables	Interfund Payables
Governmental Funds		
General	$ 17,036	$ 2,842,691
Capital reserve	3,579,254	-
Capital projects	-	793,850
Student sponsored activity	-	8,934
Proprietary Funds		
Food service	19,464	-
Radio station	38,496	-
MARA	-	8,775
	$ 3,654,250	$ 3,654,250

All interfund receivable/payable balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All balances are expected to be repaid within the following year.

Individual fund transfers during the fiscal year ended June 30, 2023, are as follows:

Fund	Transfers In	Transfers Out
Governmental Funds		
General	$ -	$ 7,596,749
Capital reserve	2,763,271	-
Debt service	4,734,346	-
Student sponsored activity	93	-
Proprietary Funds		
Radio station	80,000	-
MARA	19,039	-
	$ 7,596,749	$ 7,596,749

Transfers are made from the general fund to the debt service fund to provide resources for the payment of principal and interest on general obligation debt. Transfers are made from the general fund to the proprietary funds for offsets to operating losses experienced and for operation of the radio station and recreation activities. Transfers are made from the general fund to the capital reserve fund for future capital needs.

Note 6. Capital and Right-to-use Assets

Capital and right-to-use asset activity for governmental-type and business-type activities for the year ended June 30, 2023, was as follows:

	July 1, 2022 (restated)	Additions	Deletions	June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	$ 2,350,491	$ -	$ -	$ 2,350,491
Construction-in-progress	-	1,841,649	-	1,841,649
Total capital assets not being depreciated	2,350,491	1,841,649	-	4,192,140
Capital and right-to-use assets being depreciated/amortized				
Land improvements	10,273,579	-	-	10,273,579
Buildings and building improvements	104,248,816	52,651	-	104,301,467
Furniture and equipment	11,762,076	2,091,396	(6,161)	13,847,311
Vehicles	677,602	-	-	677,602
Textbooks	1,345,183	270,151	-	1,615,334
Library books	620,500	12,243	-	632,743
Right-to-use leased equipment	150,470	-	-	150,470
Right-to-use subscription assets	443,013	247,637	-	690,650
Total capital and right-to-use assets being depreciated/amortized	129,521,239	2,674,078	(6,161)	132,189,156
Less accumulated depreciation/amortization				
Land improvements	3,469,520	525,409	-	3,994,929
Buildings and building improvements	36,279,827	2,710,269	-	38,990,096
Furniture and equipment	8,353,102	1,340,347	(616)	9,692,833
Vehicles	585,109	34,744	-	619,853
Textbooks	1,206,783	103,155	-	1,309,938
Library books	585,030	9,669	-	594,699
Right-to-use leased equipment	50,157	50,157	-	100,314
Right-to-use subscription assets	-	90,740	-	90,740
Total accumulated depreciation/amortization	50,529,528	4,864,490	(616)	55,393,402
Total capital and right-to-use assets being depreciated/amortized - net	78,991,711	(2,190,412)	(5,545)	76,795,754
Total Governmental Activities, Capital and Right-to-use Assets - Net	$ 81,342,202	$ (348,763)	$ (5,545)	$ 80,987,894
Business-Type Activities				
Furniture and equipment	$ 2,542,393	$ 81,442	$ (173,284)	$ 2,450,551
Less accumulated depreciation				
Furniture and equipment	2,186,351	98,197	(167,859)	2,116,689
Business-Type Activities, Capital Assets - Net	$ 356,042	$ (16,755)	$ (5,425)	$ 333,862

Note 6. Capital and Right-to-use Assets (Continued)

Depreciation and amortization expenses were charged to the functions/programs of the District as follows:

	Amount
Governmental Activities	
Instruction	$ 4,044,768
Instructional student support	150,225
Administration and financial support	311,545
Operation and maintenance of plant services	167,883
Pupil transportation	1,074
Student activities	188,995
Total governmental activities	4,864,490
Business-Type Activities	
Food service	96,242
Radio station	1,249
MARA	706
Total business-type activities	98,197
Total School District	$ 4,962,687

Note 7. Long-Term Obligations

A summary of the reporting entity's long-term obligations as of June 30, 2023, and transactions during the year then ended follows:

	July 1, 2022 (restated)	Increases	Decreases	June 30, 2023	Due within one year
General Obligation Debt					
General Obligation Bonds Series A of 2017	$ 27,215,000	$ -	$ (175,000)	$ 27,040,000	$ 285,000
Capital Appreciation Bonds (CAB)					
Series B of 2014	11,462,476	-	(2,519,751)	8,942,725	2,403,811
General Obligation Bonds Series 2022	-	9,995,000	-	9,995,000	5,000
Total Bonds and Notes	38,677,476	9,995,000	(2,694,751)	45,977,725	2,693,811
Series B of 2014 CAB Accrued Interest	3,785,781	574,160	-	4,359,941	-
Unamortized bond premium (discount), net	1,889,136	-	(305,065)	1,584,071	-
Total General Obligation Debt	44,352,393	10,569,160	(2,999,816)	51,921,737	2,693,811
Other Long-Term Obligations					
Financed purchase agreements payable	174,841	-	(174,841)	-	-
Leases payable	101,657	-	(50,003)	51,654	51,654
Reserve for loss contingencies	126,485	-	(20,282)	106,203	106,203
Compensated absences	817,714	30,357		848,071	-
Subscription liabilities	443,013	247,637	(122,326)	568,324	118,701
Total Other Long-Term Obligations	1,663,710	277,994	(367,452)	1,574,252	276,558
Total Long-Term Obligations	$ 46,016,103	$ 10,847,154	$ (3,367,268)	$ 53,495,989	$ 2,970,369

General Obligation Debt

Capital Appreciation Bonds - Series B of 2014 - On June 12, 2014, the District issued Capital Appreciation Bonds - Series B of 2014, in the principal amount of $11,462,476. The proceeds provided funds to finance the construction of a new high school and various capital projects of the District, pay capitalized interest and pay the costs of issuing the bonds. Interest accrues annually and is payable when the principal matures at rates between 3.50% and 3.97%, with principal maturing starting March 1, 2023, and continuing annually through March 1, 2027.

General Obligation Bonds - Series A of 2017 - On December 28, 2017, the District issued General Obligation Bonds - Series A of 2017, in the principal amount of $28,730,000. The proceeds provided funds for the advance refunding of the General Obligation Bonds - Series A of 2014 and for payment of the costs and expenses of issuing the bonds. The economic gain on the refunding of the 2014A bonds was $2,256.363. Interest is payable semi-annually on September 1 and March 1 at rates between 1.30% and 4.00%, with principal maturing through March 1, 2034.

General Obligation Bonds - Series of 2022 - On December 15, 2022, the District issued General Obligation Bonds - Series of 2022, in the principal amount of $9,995,000. The proceeds provided funds for the purpose of paying all or a portion of the costs of various capital projects and expenses of issuing the bonds. Interest is payable semi-annually on September 1 and March 1 at rates between 3.25% and 4.00%, with principal maturing through March 1, 2036.

Note 7. Long-Term Obligations (Continued)

General Obligation Debt (Continued)

Debt service requirements on long-term debt at June 30, 2023, are as follows:

	General Obligation Debt		
Year ending June 30:	Principal	Interest	Total
2024	$ 2,693,811	$ 2,459,520	$ 5,153,331
2025	2,597,168	2,562,226	5,159,394
2026	2,493,513	2,666,569	5,160,082
2027	2,393,233	2,767,236	5,160,469
2028	3,740,000	1,345,806	5,085,806
2029-2033	21,275,000	3,809,275	25,084,275
2034-2036	10,785,000	1,180,288	11,965,288
	$ 45,977,725	$ 16,790,920	$ 62,768,645

All debt service payments for general obligation notes and bonds are funded by the General Fund. As required by the Pennsylvania Department of Education Financial Accounting and Reporting Manual, debt issuance costs are reported on the Statement of Revenues, Expenditures and Changes in Fund Balances as Support Services.

Financed Purchase Agreements Payable

The District finances computers and other technology equipment which are located throughout the District. The related lease agreements qualify as capital leases, and accordingly, these transactions are recorded at the present values of related future, minimum lease payments as of the inception date. All financed purchase agreements are funded by the General Fund.

The assets acquired through financed purchase agreements are as follows:

	Amount
Assets	
Furniture and equipment	$ 2,062,189
Less accumulated depreciation	(1,688,821)
Total machinery and equipment	$ 373,368

Scheduled minimum payments concluded as of June 30, 2023.

Note 7. Long-Term Obligations (Continued)

Leases Payable

The District leases equipment for certain District offices and buildings. The remaining lease term is for one year. The District's equipment leases contain scheduled monthly payments with expiration dates extending through 2024. Leases payables are fully funded by the general fund.

The following is a schedule of future minimum lease payments for leases with initial or remaining terms in excess of one year as of June 30, 2023:

Year ending June 30:	Principal	Interest	Total
2024	$ 51,654	$ 914	$ 52,567
	$ 51,654	$ 914	$ 52,567

Reserve for Loss Contingencies

The District has recorded a $106,203 reserve for loss contingencies in its government-wide financial statements, which results from unfavorable rulings in compensatory education related lawsuits.

Compensated Absences

The District accrues vacation leave as a liability as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive severance benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at year end, taking into consideration any limits specified in the District's severance policy. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected.

Additional amounts are accrued for salary-related payments associated with the payment of compensated absences using the rates in effect at the balance sheet date. The District has accrued the employer's share of social security and Medicare taxes.

Note 7. Long-Term Obligations (Continued)

Subscription Based Information Technology Arrangements (SBITA) Liabilities

The District enters into various arrangements for administrative and educational software and other information technology. Many of the software and information technology arrangements are for a term of one year or less. However, the District also enters into arrangements that are for greater than one year which require accounting for and reporting of a right-to-use subscription asset and liability. These terms range from two to eighteen years in length.

The District's subscription based information technology arrangements contain scheduled annual payments with expiration dates extending through 2040. Payments of the subscription liability are primarily funded by the general fund.

The following is a schedule of future minimum subscription liability payments for agreements with initial or remaining terms in excess of one year as of June 30, 2023:

Year ending June 30:	Principal	Interest	Total
2024	$ 118,701	$ 15,827	$ 52,567
2025	67,136	13,049	52,567
2026	68,945	11,240	52,567
2027	36,157	9,380	52,567
2028	37,277	8,260	52,567
2029-2033	89,957	30,560	52,567
2034-2038	104,080	16,237	52,567
2039-2040	46,071	2,055	52,567
	$ 568,324	$ 106,608	$ 262,835

Note 8. Defined-Benefit Pension Plan

Plan Description

PSERS (Pennsylvania Public School Employee's Retirement System or 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. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 three 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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit 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 between 1% and 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members, whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

Note 8. Defined-Benefit Pension Plan (Continued)

Contributions

Member Contributions:

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	**Continuous Employment Since**	**Defined Benefit (DB) Contribution Rate**	**DC Contribution Rate**	**Total Contribution Rate**
T-C	Prior to July 22, 1983	5.25%	N/A	5.25% 6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

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

Employer Contributions:

The District's contractually required contribution rate for the fiscal year ended June 30, 2023, was 34.51% 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. Included in the District's contractually required contribution rate is the Act 5 contribution rate totaling an estimated .20 percent.

The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total District's rate. The District's contributions to the Plan, relating to pension benefits, for the year ended June 30, 2023, was $7,043,665, and is equal to the required contribution for the year. For the year ended June 30, 2023, the District recognized gross retirement subsidy revenue from the Commonwealth in the amount of $3,867,428.

Note 8. Defined-Benefit Pension Plan (Continued)

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

At June 30, 2023, the District reported a liability of $59,041,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the District's reported proportion was .1328 percent, which was a decrease of .0008 percent from its proportion reported as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense of $4,399,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27,000	$ 511,000
Changes in assumptions	1,763,000	-
Net difference between projected and actual investment earnings	-	1,002,000
Changes in proportions	348,000	277,000
Difference between employer contributions and proportionate share of total contributions	111,000	-
Contributions subsequent to the measurement date	7,043,000	-
	$ 9,292,000	$ 1,790,000

$7,043,000 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Amount
2024	$ 404,000
2025	245,000
2026	(1,606,000)
2027	1,412,000
2028	4,000
	$ 459,000

Note 8. Defined-Benefit Pension Plan (Continued)

Actuarial Assumptions

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

- Valuation Date - June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.75%.
- 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 discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.

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

Investments

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

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

For the year ended June 30, 2022, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.40%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 8. Defined-Benefit Pension Plan (Continued)

Investments (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	(11.0)%	0.5%
	100.0%	

The above table was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

Discount Rate

The discount rate used to measure the total 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.

Note 8. Defined-Benefit Pension Plan (Continued)

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

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 7.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current discount rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	$ 76,366,000	$ 59,041,000	$ 44,435,000

Pension Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2023, the District reported a payable to PSERS of $2,321,319, which represents the employer contributions owed to the pension plan.

Note 9. Other Post-Employment Benefits - District's Single Employer Plan

Plan Description, Benefit Terms and Funding Policy

The District provides retiree health, vision and dental care benefits, including prescription-drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. The District funds OPEB on a pay-as-you go basis, and there is no obligation to make contributions in advance of when insurance premiums or claims are due for payment. The District does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB Statement No. 75. The plan description and benefit terms provided by the Plan are summarized in the chart below:

GROUP	ELIGIBILITY	COVERAGE AND PREMIUM SHARING	DURATION
I. SUPERINTENDENTS	Age 55 with 30 years of PSERS Service and 10 years of service with MASD	**Coverage**: Medical, Prescription Drug, Dental, Vision and Life Insurance coverage for Retiree. **Premium Sharing**: District pays 100% of premium after reduced by $100 monthly PSERS supplement. Life insurance on the Superintendent is equal to 2 times the salary at retirement. Coverage is provided by the District until age 65. **Spousal Coverage**: Health insurance coverage available if fully paid by Retiree.	Retiree coverage is provided until Medicare age. Spouse coverage is provided until Spouse Medicare age. If Retiree dies prior to Medicare age, Spouse coverage may continue until Spouse Medicare age.
II. ALL OTHER ADMINISTRATORS			
A) Retired prior to 6/30/2019	N/A - Already retired	**Coverage**: Medical, Prescription Drug, Dental and Vision coverage for Retiree. **Premium Sharing**: The District pays 100% of premium after reduced by $100 monthly PSERS Supplement plus monthly cost share paid by active single employee up to an additional $100 per month. **Spousal Coverage:** Available if fully paid by Retiree.	Same as I.
B) Retired 7/1/2019 and later	Age 55 with 30 years of PSERS Service and 25 years of service within MASD	**Coverage**: Medical, Prescription Drug, Dental and Vision coverage for Retiree. **Premium Sharing**: District pays 75% of premium. **Spousal Coverage**: Available if fully paid by Retiree.	Same as I.

Note 9. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

Plan Description, Benefit Terms and Funding Policy (Continued)

III. TEACHERS			
A) Retired 7/1/2003 -6/30/2006	N/A - Already retired	**Coverage**: Medical, Prescription Drug, Dental and Vision coverage for Retiree. **Premium Sharing:** Retiree pays the difference between the medical and prescription drug premium that was in effect at date of retirement and the premium effective 7/01/2006, not to exceed $450 annually. The District pays remainder of premium. District also pays 100% of Dental and Vision premium. **Spousal Coverage:** Available if fully paid by Retiree.	Same as I.
B) Retired 7/1/2013 - 6/30/2019	N/A - Already retired	Same as II. A.	Same as I.
C) Retired 7/1/2019 and later	Same as II.B.	**Coverage**: Medical, Prescription Drug, Dental and Vision coverage for Retiree. **Premium Sharing**: District pays 75% of premium for up to 84 months after retirement. The member may continue coverage after this subsidy period by paying for 50% of premium. **Spousal Coverage:** Available if fully paid by Retiree.	Same as I.
IV. SUPPORT STAFF			
A) Retired 7/1/2003 -6/30/2006	N/A - Already retired	Same as III.A	Same as I.
B) Retired 7/1/2013 and later	Same as II. B.	Same as II.A	Same as I.
V. MAINTENANCE AND CUSTODIAL STAFF	Same as II.B	Same as II.A	Same as I.

Notes:
Act 110/43 Eligibility: All employees are eligible for this benefit upon retirement with 30 years of PSERS service or upon superannuation retirement.

Act 110/43 Coverage and Premium Sharing: Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

PSERS Supplement: A retiree may receive a $100 monthly medical reimbursement from PSERS if he (or she) meets one of the following qualifications at retirement:
1) 24.5 years of PSERS service.

2) Upon superannuation retirement with at least 15 years of PSERS service.

PSERS Superannuation Retirement:
1) Pension Class T-C or T-D: An employee is eligible for 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.

2) Pension Class T-E or T-F: An employee is eligible for 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 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, these pension class apply to individuals who became members of PSERS on or after July 1, 2019.

4) Pension Class T-H: An employee is eligible for PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.

Retirees receiving subsidized coverage under the Qualified High Deductible plan will receive an HSA account provided by the district. The account will be contributed to annually in the amount determined by the current contract.

Note 9. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

Employees Covered by Benefit Terms

As of the July 1, 2022 actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	32
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	300
	332

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

At June 30, 2023, the District reported a liability of $6,324,875 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2022, and was determined by an actuarial valuation as of July 1, 2022. The OPEB liability is composed of the following:

	Amount
Total OPEB Liability, beginning	$ 8,074,453
Changes for the year	
Service cost	548,321
Interest	191,862
Differences between expected and actual experience	(269,454)
Changes in assumptions	(1,836,711)
Estimated benefit payments	(383,596)
Net changes	(1,749,578)
Total OPEB Liability, ending	$ 6,324,875

For the year ended June 30, 2023, the District recognized OPEB expense of $534,137. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 719,013
Changes in assumptions	719,218	2,337,724
Benefit payments subsequent to the measurement date	445,853	-
	$ 1,165,071	$ 3,056,737

Note 9. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

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

Of the total amount reported as deferred outflows of resources related to OPEB, $445,853 resulting from District benefit payments subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ending June 30:		Total
2024	$	(206,046)
2025		(206,046)
2026		(206,046)
2027		(206,046)
2028		(206,046)
Thereafter		(1,307,289)
	$	(2,337,519)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation - 2.5%.
- Salary Increases - 2.5% 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 – 4.06%. Based on S&P Municipal Bond 20 Year High Grade Rate Index at July 1, 2022.
- Actuarial Cost Method: Entry Age Normal, Level Percent of Pay
- Health Care Cost Trend Rate - 6.5% in 2022, 6.0% in 2023 and 5.5% in 2024-2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075, and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Retirees' Share of Benefit-Related Costs - Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.
- Mortality rates are separate and assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. 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.

Note 9. Other Post-Employment Benefits - District's Single Employer Plan (Continued)

Sensitivity of the District's Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District calculated using the discount rate of 4.06%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (3.06%) or one percentage higher (5.06%) than the current discount rate:

	1% Decrease 3.06%	Current Discount Rate 4.06%	1% Increase 5.06%
Total OPEB liability	$ 6,827,281	$ 6,324,875	$ 5,855,236

Changes in Actuarial Assumptions

The discount rate used to measure the total OPEB liability increased from 2.28 % as of July 1, 2021, to 4.06% as of July 1, 2022.

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

The following presents the total OPEB liability of the District calculated using the health care cost trend rates of (6.5% decreasing to 3.9%), as well as what the total OPEB liability would be if it were calculated using a health care cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	$ 5,668,018	$ 6,324,875	$ 7,109,030

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan

Plan Description

PSERS administers a defined benefit pension plan, and two post-employment healthcare programs, the Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP) for its retirees. The HOP is a PSERS sponsored voluntary health insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents who participate in HOP. The HOP is funded exclusively by the premiums paid by its participants for the benefit coverage they elect.

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other post-employment 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, 2022, there were no assumed future benefit increases to participating eligible retirees.

Retirees of the System can participate in Premium Assistance 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, and

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.

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.

Employer Contributions

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2023, was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were $153,079 for the year ended June 30, 2023.

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

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

At June 30, 2023, the District reported a liability of $2,450,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the District's reported proportion was .1331%, which was a decrease of .0006% from its proportion reported as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of $87,900. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 23,000	$ 13,000
Changes in assumptions	272,000	579,000
Net difference between projected and actual investment earnings	7,000	-
Changes in proportion	46,000	11,000
Difference between employer contributions and proportionate share of total contributions	2,700	-
Contributions subsequent to the measurement date	153,000	-
	$ 503,700	$ 603,000

$153,000 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	Amount
2024	$ (44,600)
2025	(32,300)
2026	(46,700)
2027	(57,700)
2028	(71,000)
	$ (252,300)

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Actuarial Assumptions

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

- Valuation Date - June 30, 2021
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.5%, 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 discount rate used to measure the total OPEB liability increased from 2.18% as of June 30, 2021, to 4.09%, as of June 30, 2022.

The actuarial assumptions used in the June 30, 2021 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, 2020, determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021, was used in lieu of the 63% utilization assumption 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.

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

Investments

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0%	0.5%
	100.0%	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class of June 30, 2022.

Discount Rate

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

Note 10. Other Post-Employment Benefits - PSERS Cost Sharing Plan (Continued)

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

The following presents the District's proportionate share of the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.09%) or one percentage point higher (5.09%) than the current discount rate:

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's proportionate share of the net OPEB liability	$ 2,771,000	$ 2,450,000	$ 2,182,000

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

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates (between 5% to 7%) that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 2,450,000	$ 2,450,000	$ 2,450,000

OPEB Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2023, the District reported a payable to PSERS of $50,449, which represents the employer contributions owed to the OPEB plan.

Note 11. Restricted Net Position

The District has certain funds that are legally restricted for a specific future use or are not appropriable for expenditure. At June 30, 2023, the District has included the following amounts as restricted net position:

Restricted Funds Description	Amount
Debt payments - Reid Elementary	$ 467,268
Capital Reserve Fund Balance	9,402,421
Student Sponsored Activity Fund Balance	125,113
	$ 9,994,802

Note 12. Fund Balance Designations

Nonspendable

The District has certain amounts recorded as prepaid expense. Accordingly, such amounts have been classified as nonspendable fund balance.

Restricted

The District has third-party restrictions on certain amounts as follows:

Restricted to, reported in:	General Fund	Capital Reserve Fund	Capital Projects Fund	Student Sponsored Activity Fund
Debt payments - Reid Elementary	$ 467,268	$ -	$ -	$ -
Capital projects	-	9,402,421	8,224,422	-
Student sponsored activities	-	-	-	125,113
	$ 467,268	$ 9,402,421	$ 8,224,422	$ 125,113

Committed

The District has committed certain portions of the general fund balance as follows:

Committed Funds Description	Amount
Technology equipment replacement	$ 1,195,604
Health insurance cost stabilization	750,000
Debt service stablization	8,953,311
Special education cost stabilization	106,454
Safety and security improvements	214,000
Replacement and maintenance of buildings and equipment	491,152
	$ 11,710,521

Assigned

The District has assigned certain portions of the general fund balance as follows:

Assigned Funds Description	Amount
Assignments in 23-24 budget	$ 193,149
Budgetary reserve	450,000
	$ 643,149

Note 13. Joint Ventures

Dauphin County Technical School (DCTS)

The District is one of the seven-member school districts of the Dauphin County Technical School (DCTS). DCTS provides vocational-technical training and education to participating students of the member districts. DCTS is controlled and governed by the Dauphin County Technical School Joint Board (Joint Board) which is comprised of school board members of all the member school districts. No member school district exercises specific control over the fiscal policies or operations of DCTS. The DCTS is not reported as part of the District's reporting entity. The District's share of annual operating costs for DCTS fluctuates, based upon a five year rolling average of the percentage of enrollment of each member school district. The amount paid for these services for the year ended June 30, 2023, was approximately $953,119 In 2015, DCTS issued bonds to refund debt incurred in 2007, to construct improvements to the school's premises and facilities. The District has a financial responsibility to the DCTS for a portion of the debt obligation relating to these improvements. The balance of the District's share of this obligation at June 30, 2023, was $1,035,613. The amount paid for debt service for the year ended June 30, 2022, was $144,858 Complete general purpose financial statements for DCTS can be obtained from the Administrative Office at 6001 Locust Lane, Harrisburg, PA 17109.

Minimum future rental payments under this debt obligation are as follows:

Year ending June 30:	Amount
2024	$ 144,906
2025	145,382
2026	145,132
2027	145,415
2028	144,972
2029-2032	435,296
	$ 1,161,103

Dauphin County Area Vocational-Technical School Authority

The District is also a member of the Dauphin County Area Vocational-Technical School Authority (Authority). In 1983, the Authority entered into an agreement with the member school districts and the Joint Board to acquire land and construct buildings to provide the facilities for the operation of DCTS. Complete general purpose financial statements for the Authority can be obtained from the Administrative Office at 6001 Locust Lane, Harrisburg, PA 17109.

Note 13. Joint Ventures (Continued)

Capital Area Intermediate Unit (CAIU)

The CAIU Board of Directors consists of members from the IU's constituent school districts. The CAIU Board members are school district board members who are elected by the public and are appointed to the CAIU Board by the member school districts' Boards of Directors. Middletown Area School District and one other school district alternate responsibility for appointing one of these members. The CAIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Middletown Area School District contracts with the CAIU for special education, hospitalized education and nonpublic education services for District students as well as online learning, software support and professional development. The amount paid for these services in the year ended June 30, 2023, was approximately $892,466. Complete financial information for CAIU can be obtained from the Administrative Office at 55 Miller Street, Enola, PA 17025-1640.

Note 14. Risk Management

Risk of Loss and Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors, or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years. During the year ended June 30, 2023, the District did not incur any significant losses that were not covered by insurance.

Note 15. Subsequent Events

On November 29, 2023, the District authorized an Addendum to the Bond Purchase Agreement issued on November 1, 2022. This addendum was to authorize the issuance of General Obligation Bonds Series of 2023 in the principal amount of $9,995,000. The proceeds of the issuance will provide funds toward the cost of various capital projects and expenses of issuing the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

MIDDLETOWN AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2023	0.1328%	$ 59,041,000	$ 19,570,996	301.68%	61.34%
2022	0.1336%	$ 54,852,000	$ 18,953,936	289.40%	63.67%
2021	0.1328%	$ 65,389,000	$ 18,616,768	351.24%	54.32%
2020	0.1315%	$ 61,519,000	$ 18,131,566	339.29%	55.66%
2019	0.1313%	$ 63,031,000	$ 17,685,850	356.39%	54.00%
2018	0.1302%	$ 64,304,000	$ 17,329,599	371.06%	51.84%
2017	0.1278%	$ 63,334,000	$ 16,547,296	382.75%	50.14%
2016	0.1236%	$ 53,537,000	$ 15,905,088	336.60%	54.36%
2015	0.1228%	$ 48,605,000	$ 15,666,722	310.24%	57.24%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

MIDDLETOWN AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S PENSION CONTRIBUTIONS -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 7,043,665	$ (7,043,665)	$ -	$ 20,391,003	34.54%
2022	$ 6,697,452	$ (6,697,452)	$ -	$ 19,569,915	34.22%
2021	$ 6,422,616	$ (6,422,616)	$ -	$ 18,952,643	33.89%
2020	$ 6,246,755	$ (6,246,755)	$ -	$ 18,625,051	33.54%
2019	$ 5,936,716	$ (5,936,716)	$ -	$ 18,132,468	32.74%
2018	$ 5,629,884	$ (5,629,884)	$ -	$ 17,685,850	31.83%
2017	$ 5,075,833	$ (5,075,833)	$ -	$ 17,331,406	29.29%
2016	$ 4,186,586	$ (4,186,586)	$ -	$ 16,547,296	25.30%
2015	$ 3,216,244	$ (3,216,244)	$ -	$ 15,904,120	20.22%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

MIDDLETOWN AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS -
DISTRICT'S SINGLE EMPLOYER PLAN
For the Fiscal Year Ended June 30,

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	$ 548,321	$ 561,846	$ 457,771	$ 465,753	$ 511,659	$ 524,096
Interest	191,862	155,310	256,991	226,153	252,702	195,075
Changes of benefit terms	-	-	(447,595)	-	-	-
Differences between expected and actual experience	(269,454)	-	(216,316)	-	(485,618)	-
Changes in assumptions	(1,836,711)	(265,796)	915,370	(228,147)	(323,572)	(87,860)
Benefit payments	(383,596)	(360,113)	(379,201)	(416,394)	(367,100)	(394,518)
Net change in total OPEB liability	(1,749,578)	91,247	587,020	47,365	(411,929)	236,793
Total OPEB Liability - beginning	8,074,453	7,983,206	7,396,186	7,348,821	7,760,750	7,523,957
Total OPEB Liability - ending	$ 6,324,875	$ 8,074,453	$ 7,983,206	$ 7,396,186	$ 7,348,821	$ 7,760,750
Covered payroll	$ 17,791,637	$ 17,761,408	$ 17,761,408	$ 17,447,189	$ 17,447,189	$ 16,243,608
Total OPEB liability as a percentage of covered payroll	35.55%	45.46%	44.95%	42.39%	42.12%	47.78%

Notes to Schedule:

For the fiscal year ended June 30, 2023:
Changes in assumptions: The discount rate changed from 2.28% to 4.06%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

MIDDLETOWN AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

For the Fiscal Year Ended June 30	District's Proportion of the Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2023	0.1331%	$ 2,450,000	$ 19,570,996	12.52%	6.86%
2022	0.1337%	$ 3,169,000	$ 18,953,936	16.72%	5.30%
2021	0.1326%	$ 2,865,000	$ 18,616,768	15.39%	5.69%
2020	0.1315%	$ 2,797,000	$ 18,131,566	15.43%	5.56%
2019	0.1313%	$ 2,738,000	$ 17,685,850	15.48%	5.56%
2018	0.1302%	$ 2,653,000	$ 17,329,599	15.31%	5.73%

The amounts presented for each fiscal year were determined as of the measurement date, which is one year prior to the fiscal year end.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

MIDDLETOWN AREA SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULES OF DISTRICT'S OPEB CONTRIBUTIONS -
PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	$ 153,079	$ (153,079)	$ -	$ 20,391,003	0.75%
2022	$ 156,941	$ (156,941)	$ -	$ 19,569,915	0.80%
2021	$ 156,324	$ (156,324)	$ -	$ 18,952,643	0.82%
2020	$ 156,869	$ (156,869)	$ -	$ 18,625,051	0.84%
2019	$ 151,150	$ (151,150)	$ -	$ 18,132,468	0.83%
2018	$ 147,221	$ (147,221)	$ -	$ 17,685,850	0.83%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, only information for those years for which information is available is shown.

SUPPLEMENTARY INFORMATION

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

Board of School Directors
Middletown Area School District
Middletown, 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 Middletown Area School District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boyer & Ritter

Camp Hill, Pennsylvania
December 12, 2023

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

Board of School Directors
Middletown Area School District
Middletown, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Middletown Area School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The 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, the District complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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.

Boyer & Ritter

Camp Hill, Pennsylvania
December 12, 2023

MIDDLETOWN AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

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 that are not considered to be a material weakness (es)? ____ 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 that are not considered to be a material weakness (es)? ____ Yes _X_ None Reported

Type of auditor's report issued on compliance for the major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ____ Yes _X_ No

Section I -- Summary of Auditor's Results (Continued)

Identification of the major programs:

Assistance Listing Number(s)	Name of Federal Programs/Cluster
84.010	Title I - Grants to Local Educational Agencies
84.425	COVID-19 - Education Stabilization Fund

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

Auditee qualified as low-risk auditee? __X__ Yes ____ No

Section II -- Financial Statement Findings

A. Significant Deficiency(ies) in Internal Control

There were no findings relating to the financial statement audit required to be reported.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

Section III -- Federal Award Findings and Questioned Costs

A. Compliance Findings

There were no findings relating to the federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

B. Significant Deficiency(ies) in Internal Control

There were no significant deficiencies in internal controls relating to the federal awards as required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance.

MIDDLETOWN AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Grantor Program Title	Assistance Listing Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2022	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2023	Provided to Subrecipients
U.S. Department of Education										
Passed through the Pennsylvania Department of Education										
Title I - Grants to Local Educational Agencies	84.010	013-220249	21-22	$ 887,430	$ 295,797	$ 83,655	$ 212,142	$ 212,142	$ -	$ -
Title I - Grants to Local Educational Agencies	84.010	013-230249	22-23	$ 755,291	542,219	-	649,040	649,040	106,821	-
					838,016	83,655	861,182	861,182	106,821	-
Title II - Supporting Effective Instruction State Grants	84.367	020-220249	21-22	$ 103,052	19,307	13,581	5,726	5,726	-	-
Title II - Supporting Effective Instruction State Grants	84.367	020-230249	22-23	$ 80,832	62,951	-	73,799	73,799	10,848	-
					82,258	13,581	79,525	79,525	10,848	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-220249	21-22	$ 67,438	13,480	2,316	20,189	20,189	9,025	-
Title IV - Student Support and Academic Enrichment Program	84.424	144-230249	22-23	69,632	37,904	-	28,959	28,959	(8,945)	-
					51,384	2,316	49,148	49,148	80	-
COVID-19 - Elementary & Secondary School Emergency Relief (ESSER) Fund	84.425D	200-210249	22-23	$ 3,311,505	616,094	535,662	80,432	80,432	-	-
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	223-210249	22-23	$ 6,698,217	2,192,144	746,874	3,764,887	3,764,887	2,319,617	-
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	225-210249	22-23	$ 520,603	246,104	(18,696)	252,059	252,059	(12,741)	-
					2,438,248	728,178	4,016,946	4,016,946	2,306,876	-
COVID-19 - American Rescue Plan Elementary and Secondary School Emergency Relief - Homeless Children and Youth (ARP-HCY)	84.425W	181-212256	22-23	$ 28,485	13,147	(1,461)	15,531	15,531	923	-
Total passed through the Pennsylvania Department of Education					4,039,147	1,361,931	5,102,764	5,102,764	2,425,548	-
Passed through the Capital Area Intermediate Unit										
Special Education - Grants to States (IDEA, Part B)	84.027	062-220015	21-22	$ 424,771	243,681	243,681	-	-	-	-
Special Education - Grants to States (IDEA, Part B)	84.027	062-230015	22-23	$ 461,687	254,982	-	461,687	461,687	206,705	-
					498,663	243,681	461,687	461,687	206,705	-
COVID-19 - Special Education - Grants to States (IDEA, Part B)	84.027X	062-220015	22-23	$ 105,386	105,100	-	105,386	105,386	286	-
Special Education Preschool Grants (IDEA Preschool)	84.173	131-2330015	22-23	$ 2,827	2,827	-	2,827	2,827	-	-
Title III - English Language Acquisition State Grants	84.365	010-220615	21-22	$ 7,586	6,615	6,615	-	-	-	-
Title III - English Language Acquisition State Grants	84.365	010-230615	22-23	$ 21,257	1,303	-	3,387	3,387	2,084	-
					7,918	6,615	3,387	3,387	2,084	-
Total passed through the Capital Area Intermediate Unit					614,508	250,296	573,287	573,287	209,075	-
Passed through the Lancaster-Lebanon Intermediate Unit										
Special Education - Grants to States (IDEA, Part B)	84.027	062-220033	21-22	$ 8,000	4,000	3,841	159	159	-	-
Passed through the Pennsylvania Commission on Crime and Delinquency										
COVID-19 - Elementary & Secondary School Emergency Relief (ESSER) Fund	84.425D	2020-ES-01-35337	22-23	$ 76,232	69	69	-	-	-	-
Total U.S. Department of Education					4,657,724	1,616,137	5,676,210	5,676,210	2,634,623	-

(Continued)

MIDDLETOWN AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
Year Ended June 30, 2023

Grantor Program Title	Assistance Listing Number	Pass Through Grantor's Number	Grant Period	Program or Annual Award	Total Received for the Year	Accrued or (Deferred) Revenue at July 1, 2022	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at June 30, 2023	Provided to Subrecipients
U.S. Department of Health and Human Services										
Passed through the Pennsylvania Department of Public Welfare										
Medicaid Cluster										
Medical Assistance Program (Medicaid; Title XIX)	93.778	N/A	21-22	$ 21,925	19,006	19,006	-	-	-	-
Medical Assistance Program (Medicaid; Title XIX)	93.778	N/A	22-23	$ 17,562	4,099	-	17,562	17,562	13,463	-
Total Medicaid Cluster passed through the Pennsylvania Department of Public Welfare					23,105	19,006	17,562	17,562	13,463	-
Total U.S. Department of Health and Human Services					23,105	19,006	17,562	17,562	13,463	-
U.S. Department of Homeland Security										
Passed through the Pennsylvania Emergency Management Agency										
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4506-DR	19-20	N/A	17,440	17,440	-	-	-	-
Total U.S. Department of Homeland Security					17,440	17,440	-	-	-	-
U.S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
School Breakfast Program	10.553	N/A	21-22	N/A	49,917	49,917	-	-	-	-
School Breakfast Program	10.553	N/A	22-23	N/A	248,972	-	292,853	292,853	43,881	-
					298,889	49,917	292,853	292,853	43,881	-
National School Lunch Program	10.555	N/A	21-22	N/A	178,863	178,863	-	-	-	-
National School Lunch Program	10.555	N/A	22-23	N/A	693,320	-	822,453	822,453	129,133	-
					872,183	178,863	822,453	822,453	129,133	-
COVID-19 - National School Lunch Program - Supply Chain Assistance	10.555	N/A	21-22	N/A	-	(52,609)	52,609	52,609	-	-
COVID-19 - National School Lunch Program - Supply Chain Assistance	10.555	N/A	22-23	N/A	72,388	-	27,016	27,016	(45,372)	-
					72,388	(52,609)	79,625	79,625	(45,372)	-
Summer Food Service Program for Children	10.559	N/A	21-22	N/A	8,373	8,373	-	-	-	-
Summer Food Service Program for Children	10.559	N/A	22-23	N/A	9,949	-	9,949	9,949	-	-
					18,322	8,373	9,949	9,949	-	-
Fresh Fruit and Vegetable Program	10.582	N/A	22-23	N/A	36,929	-	42,408	42,408	5,479	-
COVID-19 - Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	10.649	N/A	22-23	N/A	628	-	628	628	-	-
Total passed through the Pennsylvania Department of Education					1,299,339	184,544	1,247,916	1,247,916	133,121	-
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program - Food Donations (a)	10.555	N/A	22-23	N/A	(b) 103,385	(c) (2,035)	98,836	(d) 98,836	(e) (6,584)	-
Total U.S. Department of Agriculture					1,402,724	182,509	1,346,752	1,346,752	126,537	-
Total Expenditures of Federal Awards					$ 6,100,993	$ 1,835,092	$ 7,040,524	$ 7,040,524	$ 2,774,623	$ -
Child Nutrition Cluster (Assistance Listing Numbers - 10.553, 10.555, 10.559 and 10.582)					$ 1,402,096	$ 182,509	$ 1,346,124	$ 1,346,124	$ 126,537	$ -
Special Education Cluster (Assistance Listing Numbers - 84.027 and 84.173)					$ 610,590	$ 247,522	$ 570,059	$ 570,059	$ 206,991	$ -
Education Stabilization Fund (Assistance Listing Number - 84.425)					$ 3,067,558	$ 1,262,448	$ 4,112,909	$ 4,112,909	$ 2,307,799	$ -

Legends:
(a) Donated commodities value at local market rates
(b) Total amount of commodities received from Department of Agriculture
(c) Inventories at July 1, 2022
(d) Total amount of commodities used
(e) Inventories at June 30, 2023

See Notes to Schedule of Expenditures of Federal Awards.

MIDDLETOWN AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Middletown Area School District under programs of the federal government for the year ended June 30, 2023. 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 Middletown Area School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Middletown Area School District.

Note 2. Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10-percent de Minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Access Program

The ACCESS Program is a medical assistance program that reimburses local education agencies for direct, eligible health-related services provided to enrolled special needs students. ACCESS reimbursements are federal monies but are classified as fee-for-service revenues and are not considered federal financial assistance and are not included on the Schedule. The amount of ACCESS funding expended, but not included on the Schedule for the year ended June 30, 2023, was $191,525.

MIDDLETOWN AREA SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
Year Ended June 30, 2023

There were no prior year's audit findings.