

**MILLCREEK TOWNSHIP SCHOOL DISTRICT**

**ERIE, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2020**

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
YEAR ENDED JUNE 30, 2020

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# *Zelenkofske Axlerod LLC*

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## Independent Auditor's Report

Members of the Board  
Millcreek Township School District  
Erie, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the MILLCREEK TOWNSHIP SCHOOL DISTRICT as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the MILLCREEK TOWNSHIP SCHOOL DISTRICT's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information for the MILLCREEK TOWNSHIP SCHOOL DISTRICT as of June 30, 2020, and the respective changes in the financial position, and cash flows, where applicable, thereof for the year ended in conformity with the accounting principles generally accepted in the United States of America.



# *Zelenkofske Axlerod LLC*

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Members of the Board  
Millcreek Township School District  
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## **Adoption of GASB Statements**

As described in Note 1 to the financial statements, in 2020 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". Our opinion is not modified with respect to this matter.

## **Emphasis of Matter**

As discussed in Note 14, subsequent events may have a significant impact on the operations of the District. Management has determined that it is not possible to predict the eventual outcome of the subsequent event. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, Schedule of Changes in the Total OPEB Liability and Related Ratios - Retirees Health Plan, Schedule of District's Proportionate Share of the Net OPEB Liability - PSERS Plan Schedule of District's OPEB Contributions - PSERS Plan, Schedule of the District's Proportionate Share of the Net Pension Liability – Last 10 Years, Schedule of the District's Contributions – Last 10 Years on pages 3 through 14 and 55 through 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2020 on our consideration of the MILLCREEK TOWNSHIP SCHOOL DISTRICT's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Zelenkofske Axlerod LLC*

ZELENKOFSCHE AXELROD LLC

December 3, 2020  
Pittsburgh, Pennsylvania

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

MILLCREEK TOWNSHIP SCHOOL DISTRICT, hereafter referred to as the "SCHOOL DISTRICT", is pleased to present its financial statements developed in compliance with Statement of Governmental Accounting Standard No. 34, entitled "Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments (hereafter "GASB 34"), and related standards. GASB 34 enhances information provided to the users of its financial statements. This section of the financial reporting package presents our discussion and analysis of the SCHOOL DISTRICT's financial performance during the year that ended on June 30, 2020. Please read this Management Discussion and Analysis in conjunction with the SCHOOL DISTRICT's financial statements that follow this section.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of the following three parts:

- Management's discussion and analysis (this section)
- Basic financial statements (including notes)
- Required supplementary information

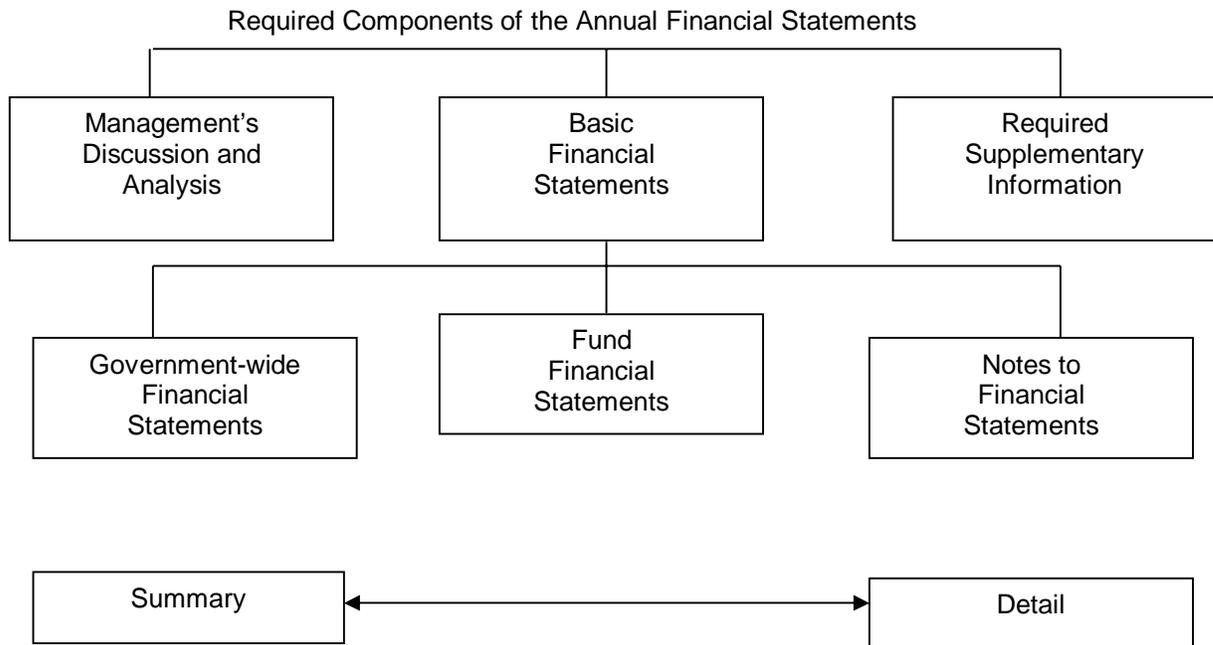
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the SCHOOL DISTRICT's government. The basic financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and fund financial statements. Required supplementary information is provided on the SCHOOL DISTRICT's budget to actual figures for the general fund as well as certain pension and other postretirement benefit schedules.

The basic financial statements present two different views of the SCHOOL DISTRICT.

- *Government-wide financial statements*, the first two statements, provide information about the SCHOOL DISTRICT's overall financial status.
- *Fund financial statements*, the remaining statements, focus on individual parts of the SCHOOL DISTRICT's government. They provide more detail on operations than the government-wide statements. There are three types of fund financial statements:
  - *Governmental funds statements* show how services such as instruction, support services, and non-instructional services are financed in the short term, as well as what remains for future spending.
  - *Proprietary fund statements* offer short-term and long-term financial information about the activities the SCHOOL DISTRICT operates like a business, like the Food Service Fund.
  - *Fiduciary funds statements* reflect activities involving resources that are held by the SCHOOL DISTRICT as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support the SCHOOL DISTRICT's programs.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Table A-1: Organization of the School District's annual financial report**



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

Table A-2 summarizes the major features of the SCHOOL DISTRICT's financial statements, including the area of the SCHOOL DISTRICT's activities they cover and the types of information they contain.

**Table A-2: Major features of the government-wide and fund financial statements**

	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental</b>	<b>Proprietary</b>	<b>Fiduciary</b>
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the SCHOOL DISTRICT, such as instruction and support services.	The activities of the SCHOOL DISTRICT, such as the Food Service Fund	Instances in which the SCHOOL DISTRICT administers resources on behalf of others
Required Financial Statements	-Statement of Net Position -Statement of activities	-Balance Sheet -Statement of revenues, expenditures and changes in fund balances	-Statement of Net Position -Statement of revenues, expenses and changes in Net Position -Statement of cash flows	-Statement of fiduciary Net Position -Statement of changes in fiduciary Net Position
Accounting basis and measurement focus	Accrual	Modified Accrual	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, short-term and long-term	All assets and liabilities, short-term and long-term
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenue for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

The remainder of the overview explains the structure and contents of the government-wide and fund financial statements.

**Government-wide financial statements**

Government-wide financial statements report information about the SCHOOL DISTRICT as a whole using accounting methods similar to those used by private-sector companies.

- The Statement of Net Position includes all the SCHOOL DISTRICT's assets, deferred outflows of resources, deferred inflows of resources and liabilities, except fiduciary funds, with the difference reported as Net Position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.
- The Statement of Activities focuses on how the SCHOOL DISTRICT's Net Position changed during the year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on local taxes for funding.

All changes to Net Position are reported using the economic resources measurement focus and the accrual basis of accounting, which requires that revenues be reported when they are earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow.

Net Position is one way to measure the SCHOOL DISTRICT's financial position. Over time, increases or decreases in the SCHOOL DISTRICT's Net Position are one indicator of whether the SCHOOL DISTRICT's financial position is improving or deteriorating. However, other non-financial factors such as changes in the SCHOOL DISTRICT's property tax base and general economic conditions must be considered to assess the overall position of the SCHOOL DISTRICT.

There are two categories of activities for the primary government:

- *Governmental activities* include the SCHOOL DISTRICT's basic services such as instruction, support services, and non-instructional services.
- *Business-type activities* such as the Food Service Fund charge a fee to customers to help cover the costs of services.

Net Position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets in the fund level statements are reported as expenditures when financial resources (money) are expended to purchase or build assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Government wide statements are reported on the accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities
- Allocate net position balances as follows:
  - Net Investment in Capital Assets
  - Restricted Net Position are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation
  - Unrestricted Net Position is Net Position that does not meet any of the above restrictions

### **Fund Financial Statements**

Fund financial statements provide more detailed information on the SCHOOL DISTRICT's most significant funds, not the SCHOOL DISTRICT as a whole. Funds are accounting devices, i.e., a group of related accounts, the SCHOOL DISTRICT uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using the modified accrual basis of accounting.

The SCHOOL DISTRICT has three kinds of funds:

- *Governmental funds* include most of the SCHOOL DISTRICT's basic services and focus on: (1) the flow in and out of cash and other financial assets that can readily be converted into cash, and: (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting.

The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The SCHOOL DISTRICT adopts an annual budget for the general fund, as required by state law. A budgetary comparison of the SCHOOL DISTRICT's general fund is presented as required supplementary information.

- *Proprietary Funds* report business-type programs and activities that charge fees designed to recover the cost of providing services. The proprietary funds report using the accrual basis of accounting.
- *Fiduciary Funds* are for which the SCHOOL DISTRICT is the trustee or fiduciary. These include certain agency funds, or clearing accounts for assets held by the SCHOOL DISTRICT in its role as custodian until the funds are allocated to the private parties, organizations or government agencies to which they belong. The SCHOOL DISTRICT is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary Net Position. These funds are excluded from the SCHOOL DISTRICT's government-wide financial statements because the SCHOOL DISTRICT cannot use these assets to finance its operations. The fiduciary funds are reported using the accrual basis of accounting.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Net Position**

The SCHOOL DISTRICT's total assets for governmental activities were \$166,220,236 at June 30, 2020. Of this amount, \$76,344,813 was capital assets.

GASB No. 34 required that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements, but allowed infrastructure to be added over several years. The SCHOOL DISTRICT adopted the provisions of GASB 34 related to infrastructure on the retroactive basis.

**Condensed Statement of Net Position – 2020/2019**

	2020 Governmental <u>Activities</u>	2020 Business-Type <u>Activities</u>	<u>2020 Total</u>	<u>2019 Total</u>
Current and other assets	\$ 89,875,423	\$ 1,019,961	\$ 90,895,384	\$ 38,884,958
Capital assets	<u>76,344,813</u>	<u>287,410</u>	<u>76,632,223</u>	<u>75,594,125</u>
Total Assets	<u>\$ 166,220,236</u>	<u>\$ 1,307,371</u>	<u>\$ 167,527,607</u>	<u>\$ 114,479,083</u>
Deferred Outflows of Resources	<u>\$ 17,886,603</u>	<u>\$ -</u>	<u>\$ 17,886,603</u>	<u>\$ 19,650,276</u>
Current and other liabilities	\$ 22,954,902	\$ 198,154	\$ 23,153,056	\$ 20,490,035
Long-term liabilities	<u>239,839,632</u>	<u>-</u>	<u>239,839,632</u>	<u>198,493,303</u>
Total liabilities	<u>262,794,534</u>	<u>198,154</u>	<u>262,992,688</u>	<u>218,983,338</u>
Deferred Inflows of Resources	<u>\$ 6,937,357</u>	<u>\$ -</u>	<u>\$ 6,937,357</u>	<u>\$ 6,538,008</u>
Net Position:				
Net Investment in Capital Assets	43,620,257	287,410	43,907,667	41,696,125
Unrestricted	<u>(129,245,309)</u>	<u>821,807</u>	<u>(128,423,502)</u>	<u>(133,088,112)</u>
Total Net Position	<u>\$ (85,625,052)</u>	<u>\$ 1,109,217</u>	<u>\$ (84,515,835)</u>	<u>\$ (91,391,987)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

**Change in Net Position**

The following Statement of Activities represents the Change in Net Position for the years ended June 30, 2020 and 2019. It shows revenues by source and expenses by function for governmental activities, business-type activities and the government as a whole.

**Condensed Statement of Activities**

	2020 Governmental Activities	2019 Governmental Activities	2020 Business-type Activities	2019 Business-type Activities	2020 Total	2019 Total
Program Revenues:						
Charges for Services	\$ 1,850,103	\$ 1,846,183	\$ 1,644,054	\$ 2,064,776	\$ 3,494,157	\$ 3,910,959
Grants and Contributions	35,195,137	34,180,661	2,213,747	2,437,457	37,408,884	36,618,118
General Revenues:						
Property Taxes	56,482,653	55,196,710	-	-	56,482,653	55,196,710
Other Taxes	8,284,633	7,955,648	-	-	8,284,633	7,955,648
Public Utility Realty	56,804	61,847	-	-	56,804	61,847
Refund of Prior Year Expense	264,113	1,110,370	-	-	264,113	1,110,370
Sale of Fixed Assets	50	1,850	-	-	50	1,850
Interest Earnings	706,117	655,553	5,483	-	711,600	655,553
Other Income	434,360	148,565	-	-	434,360	148,565
<b>Total Revenues</b>	<b>\$ 103,273,970</b>	<b>\$ 101,157,387</b>	<b>\$ 3,863,284</b>	<b>\$ 4,502,233</b>	<b>\$ 107,137,254</b>	<b>\$ 105,659,620</b>
Expenses:						
Instruction	\$ 62,296,990	\$ 60,539,092	\$ -	\$ -	\$ 62,296,990	\$ 60,539,092
Support Services	32,295,791	32,080,853	-	-	32,295,791	32,080,853
Food Service	-	-	2,661,244	3,087,238	2,661,244	3,087,238
Day Care	-	-	1,165,852	1,204,701	1,165,852	1,204,701
Noninstructional Services	1,719,028	1,753,882	-	-	1,719,028	1,753,882
Pension	(2,241,990)	752,635	-	-	(2,241,990)	752,635
Interest on Long-Term Debt	2,364,187	932,155	-	-	2,364,187	932,155
<b>Total Expenses</b>	<b>96,434,006</b>	<b>96,058,617</b>	<b>3,827,096</b>	<b>4,291,939</b>	<b>100,261,102</b>	<b>100,350,556</b>
<b>Change in Net Position</b>	<b>6,839,964</b>	<b>5,098,770</b>	<b>36,188</b>	<b>210,294</b>	<b>6,876,152</b>	<b>5,309,064</b>
Net Position - July 1	(92,465,016)	(97,563,786)	1,073,029	862,735	(91,391,987)	(96,701,051)
<b>Net Position - June 30</b>	<b>\$ (85,625,052)</b>	<b>\$ (92,465,016)</b>	<b>\$ 1,109,217</b>	<b>\$ 1,073,029</b>	<b>\$ (84,515,835)</b>	<b>\$ (91,391,987)</b>

**MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Net Program Expenses**

Net program expenses indicate the amount of support required from taxes and other general revenues for a program of the government. In 2020, taxes brought in \$64,824,090.

**Net Cost of Governmental and Business-type Activities**

	2020	2019	2020	2019
	<u>Total Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>	<u>Net Cost</u>
	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>	<u>of Services</u>
Program:				
Instructional	\$ 62,296,990	\$ 60,539,092	\$ 25,536,404	\$ 24,881,485
Support Services	32,295,791	32,080,853	32,295,791	32,080,853
Non-instructional services	1,719,028	1,753,882	1,434,374	1,384,645
Pension	(2,241,990)	752,635	(2,241,990)	752,635
Interest on Long-Term Debt	2,364,187	932,155	2,364,187	932,155
Food Service	2,661,244	3,087,238	(35,911)	(83,638)
Day Care	<u>1,165,852</u>	<u>1,204,701</u>	<u>5,206</u>	<u>(126,656)</u>
Total Cost	<u>\$ 100,261,102</u>	<u>\$ 100,350,556</u>	<u>\$ 59,358,061</u>	<u>\$ 59,821,479</u>

The SCHOOL DISTRICT relied on property taxes and other general revenues to fund 59.2% of its governmental and business-type activities in 2020.

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

**Capital Assets**

The SCHOOL DISTRICT's investment in capital assets in its Governmental Activities at June 30, 2020, net of accumulated depreciation, was \$76,344,813. Capital assets consist primarily of land, buildings, equipment, and books. The following is a summary of capital assets at June 30, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 549,708	\$ -	\$ -	\$ 549,708
Construction in Progress	593,557	4,514,661	(478,580)	4,629,638
Total Capital Assets, Not Being Depreciated	<u>1,143,265</u>	<u>4,514,661</u>	<u>(478,580)</u>	<u>5,179,346</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	155,223,285	1,023,303	-	156,246,588
Equipment and Vehicles	15,120,017	1,081,449	(16,720)	16,184,746
Total Capital Assets, Being Depreciated	<u>170,343,302</u>	<u>2,104,752</u>	<u>(16,720)</u>	<u>172,431,334</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(86,380,633)	(4,135,884)		(90,516,517)
Equipment and Vehicles	(9,880,152)	(885,918)	16,720	(10,749,350)
Total Accumulated Depreciation	<u>(96,260,785)</u>	<u>(5,021,802)</u>	<u>16,720</u>	<u>(101,265,867)</u>
Total Capital Assets, Being Depreciated, Net	<u>74,082,517</u>	<u>(2,917,050)</u>	<u>-</u>	<u>71,165,467</u>
Governmental Activities Capital Assets, Net	<u>\$ 75,225,782</u>	<u>\$ 1,597,611</u>	<u>\$ (478,580)</u>	<u>\$ 76,344,813</u>
<b>BUSINESS TYPE ACTIVITIES</b>				
Capital Assets, Being Depreciated:				
Food Service Equipment	\$ 1,230,632	\$ 10,091	\$ -	\$ 1,240,723
Total Capital Assets, Being Depreciated	<u>1,230,632</u>	<u>10,091</u>	<u>-</u>	<u>1,240,723</u>
Less Accumulated Depreciation	(862,289)	(91,024)	-	(953,313)
Total Capital Assets, Being Depreciated, Net	<u>368,343</u>	<u>(80,933)</u>	<u>-</u>	<u>287,410</u>
Business Type Activities Capital Assets, Net	<u>\$ 368,343</u>	<u>\$ (80,933)</u>	<u>\$ -</u>	<u>\$ 287,410</u>

Detailed information about the SCHOOL DISTRICT's capital assets can be found in Note 4, Notes to the Financial Statements.

**MANAGEMENT DISCUSSION AND ANALYSIS**  
**JUNE 30, 2020**

**Debt Administration**

At June 30, 2020, the SCHOOL DISTRICT had \$244,562,400 of long-term liabilities outstanding. Long-term liabilities increased 20.6% from the previous year. The following is a summary of long-term liabilities for the 2020 year:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds and Notes payable:</b>					
General obligation bonds	\$ 33,615,000	\$ 43,350,000	\$ (3,910,000)	\$ 73,055,000	\$ 4,380,000
Bond Premiums	851,783	7,294,002	(627,611)	7,518,174	-
<b>Total bonds and notes payable</b>	<b>34,466,783</b>	<b>50,644,002</b>	<b>(4,537,611)</b>	<b>80,573,174</b>	<b>4,380,000</b>
<b>Other Liabilities:</b>					
Compensated absences	3,523,863	-	(61,600)	3,462,263	-
Net Pension Liability	148,095,317	-	(4,192,015)	143,903,302	-
Other Postemployment Benefits	15,772,053	140,415	-	15,912,468	-
Lease Payable	937,628	160,000	(386,435)	711,193	342,768
<b>Total Other Liabilities</b>	<b>168,328,861</b>	<b>300,415</b>	<b>(4,640,050)</b>	<b>163,989,226</b>	<b>342,768</b>
<b>Governmental Activities     Long-Term Liabilities</b>	<b>\$ 202,795,644</b>	<b>\$ 50,944,417</b>	<b>\$ (9,177,661)</b>	<b>\$ 244,562,400</b>	<b>\$ 4,722,768</b>

Detailed information on the SCHOOL DISTRICT's debt can be found in Note 6, Notes to the financial statements.

**GOVERNMENTAL FUNDS**

The SCHOOL DISTRICT uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Such information is useful in assessing the SCHOOL DISTRICT's financing requirements. In particular, unreserved/undesignated fund balance may serve as a useful measure of the SCHOOL DISTRICT's net resources available for spending at the end of the year.

The SCHOOL DISTRICT's governmental funds include the general fund, capital reserve fund and capital projects fund. The general fund is the chief operating fund for the SCHOOL DISTRICT. Capital reserve fund and capital projects funds are restricted to specific legislated use.

**MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**GOVERNMENTAL FUND REVENUES**

Governmental fund revenues by source at June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Revenues:		
Local Sources	\$ 68,040,544	\$ 67,022,339
State Sources	31,430,868	30,750,216
Federal Sources	<u>3,682,620</u>	<u>3,472,097</u>
Total revenues	<u>\$ 103,154,032</u>	<u>\$ 101,244,652</u>

There are several factors relating to increases in revenues from 2020 to 2019. Local revenues increased \$1,018,205 or 1.52%. This increase was due to an increase in collections of real estate taxes as well as increased earnings on investments. State revenues increased \$680,652 or 2.21% during 2020 due to a slight increase in the state budget for education. Federal revenues increased \$210,523 or 6.06% during 2020 due to the receipt of ESSER funds and minor increases in Erate and Access funding in 2020.

**GOVERNMENTAL FUND EXPENDITURES**

Governmental fund expenditures by function at June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Expenditures:		
Instruction	\$ 58,100,012	\$ 56,649,550
Support Services	32,597,174	31,268,791
Non-instructional Services	1,720,182	1,752,669
Facilities Acquisition, Construction and Improvements	4,936,862	1,296,495
Debt Service	<u>6,434,590</u>	<u>5,598,494</u>
Total expenditures	<u>\$103,788,820</u>	<u>\$ 96,565,999</u>

Total expenditures for the year increased \$7,222,821 or 7.48%. Instruction expenditures increased \$1,450,462 or 2.56%. This increase can be primarily attributed to increases in pupil expenditures. Support services increased \$1,328,383 or 4.25%. Non-instructional expenditures remained relatively level from the prior year with a small decrease of \$32,487 or 1.85%. Facilities acquisition, construction, and improvements increased \$3,640,367 or 280.79%. The increase was related to the commencement of various capital projects throughout the district. Debt Service increased \$836,096 or 14.93%. See Note 6 Long Term Liabilities for further information on the Debt Service requirements.

**MANAGEMENT DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**GOVERNMENTAL FUND BALANCES AND PROPRIETARY FUND NET POSITION**

Ending fund balances for governmental funds and net position for proprietary funds at June 30, 2020 and 2019 were as follows:

	2020	2019	2020	2019
	Governmental	Governmental	Proprietary	Proprietary
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
Fund:				
General Fund	\$ 17,441,058	\$ 15,185,013	\$ -	\$ -
Capital Reserve	46,483,058	-	-	-
Capital Projects	7,254,871	5,984,710	-	-
Food Service	-	-	898,353	858,995
Day Care	<u>-</u>	<u>-</u>	<u>210,864</u>	<u>214,034</u>
Total	<u>\$ 71,178,987</u>	<u>\$ 21,169,723</u>	<u>\$ 1,109,217</u>	<u>\$ 1,073,029</u>

The reasons for the changes in governmental fund balances are explained above in the governmental funds revenues and expenditures sections.

**BUDGETARY HIGHLIGHTS**

The SCHOOL DISTRICT adopts an annual appropriated budget for its general fund. Detailed information about the SCHOOL DISTRICT's 2020 general fund budget can be found in Required Supplemental Information.

Overall the SCHOOL DISTRICT had a positive variance of \$2,811,903 for actual results in comparison to budget. Numerous factors went in to these results. Revenue had a positive variance of \$116,551 which resulted from higher than expected local revenue. Expenditures had a positive variance of \$2,696,302 for actual results in comparison to budget, largely resulting from instruction, support services, data processing, vehicle maintenance, and student activities expenditures that were lower than the budget.

**ECONOMIC CONDITIONS AND NEXT YEAR'S BUDGET**

Current difficult economic conditions have affected the SCHOOL DISTRICT's financial position due largely in part by increased pension and healthcare costs. SCHOOL DISTRICT management has worked on lowering expenses and increasing revenues other than taxes.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the SCHOOL DISTRICT's finances and to demonstrate the SCHOOL DISTRICT's accountability. Questions concerning this financial information or requests for additional information should be directed to:

Millcreek Township School District  
Central Administration Office  
3740 West 26<sup>th</sup> Street  
Erie, PA 16506  
Phone: 814-835-5300

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 80,507,787	\$ 948,150	\$ 81,455,937
Accounts Receivable	1,085,752	51,792	1,137,544
Taxes Receivable	3,422,593	-	3,422,593
Due From Other Governments	4,248,621	153,370	4,401,991
Internal Balances	145,113	(145,113)	-
Prepaid and Other Assets	465,557	-	465,557
Inventory	-	11,762	11,762
Capital Assets:			
Non-depreciable	5,179,346	-	5,179,346
Depreciable (Net)	<u>71,165,467</u>	<u>287,410</u>	<u>71,452,877</u>
<b>Total Assets</b>	<u>166,220,236</u>	<u>1,307,371</u>	<u>167,527,607</u>
<u>Deferred Outflows of Resources</u>			
Deferred Outflows related to Pensions	15,337,469	-	15,337,469
Deferred Outflows related to OPEB - Retirees Health Plan	632,349	-	632,349
Deferred Outflows related to OPEB - PSERS	625,576	-	625,576
Deferred Loss on refunding debt	<u>1,291,209</u>	<u>-</u>	<u>1,291,209</u>
<b>Total Deferred Outflows of Resources</b>	<u>17,886,603</u>	<u>-</u>	<u>17,886,603</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts Payable	5,075,840	43,747	5,119,587
Accrued Wages and Benefits	12,248,478	-	12,248,478
Accrued Interest Payable on Debt	895,892	-	895,892
Unearned Revenues	11,924	154,407	166,331
Current Portions of Long-Term Liabilities:			
Bonds and Notes Payable	4,380,000	-	4,380,000
Capital Lease Payable	342,768	-	342,768
Non-Current Portions of Long-Term Liabilities:			
Bonds and Notes Payable	76,193,174	-	76,193,174
Capital Lease Payable	368,425	-	368,425
Other Post Employment Benefits	15,912,468	-	15,912,468
Compensated Absences	3,462,263	-	3,462,263
Net Pension Liability	<u>143,903,302</u>	<u>-</u>	<u>143,903,302</u>
<b>Total Liabilities</b>	<u>262,794,534</u>	<u>198,154</u>	<u>262,992,688</u>
<u>Deferred Inflows of Resources</u>			
Deferred Inflows related to Pensions	5,302,776	-	5,302,776
Deferred Inflows related to OPEB - Retirees Health Plan	1,376,110	-	1,376,110
Deferred Inflows related to OPEB - PSERS	<u>258,471</u>	<u>-</u>	<u>258,471</u>
<b>Total Deferred Inflows of Resources</b>	<u>6,937,357</u>	<u>-</u>	<u>6,937,357</u>
<u>Net Position</u>			
Net Investment in Capital Assets	43,620,257	287,410	43,907,667
Unrestricted	<u>(129,245,309)</u>	<u>821,807</u>	<u>(128,423,502)</u>
<b>Total Net Position</b>	<u>\$ (85,625,052)</u>	<u>\$ 1,109,217</u>	<u>\$ (84,515,835)</u>

The accompanying notes are an integral part of the financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental Activities:						
Instruction	\$ 62,296,990	\$ 1,565,449	35,195,137	\$ (25,536,404)	\$ -	\$ (25,536,404)
Support Services	32,295,791	-	-	(32,295,791)	-	(32,295,791)
Noninstructional Services	1,719,028	284,654	-	(1,434,374)	-	(1,434,374)
Pension	(2,241,990)	-	-	2,241,990	-	2,241,990
Interest on Long-Term Debt	2,364,187	-	-	(2,364,187)	-	(2,364,187)
Total Governmental Activities	<u>96,434,006</u>	<u>1,850,103</u>	<u>35,195,137</u>	<u>(59,388,766)</u>	<u>-</u>	<u>(59,388,766)</u>
Business-Type Activities:						
Food Service	2,661,244	894,158	1,802,997	-	35,911	35,911
Day Care	1,165,852	749,896	410,750	-	(5,206)	(5,206)
Total Business-Type Activities	<u>3,827,096</u>	<u>1,644,054</u>	<u>2,213,747</u>	<u>-</u>	<u>30,705</u>	<u>30,705</u>
Total Primary Government	<u>\$ 100,261,102</u>	<u>\$ 3,494,157</u>	<u>\$ 37,408,884</u>	<u>\$ (59,388,766)</u>	<u>\$ 30,705</u>	<u>\$ (59,358,061)</u>
General Revenues:						
Taxes:						
Property				56,482,653	-	56,482,653
Other taxes levied				8,284,633	-	8,284,633
Public Utility Realty Tax				56,804	-	56,804
Refund of Prior Year Expense				264,113	-	264,113
Interest Earnings				706,117	5,483	711,600
Sale of Fixed Assets				50	-	50
Miscellaneous				434,360	-	434,360
Total General Revenues				<u>66,228,730</u>	<u>5,483</u>	<u>66,234,213</u>
Change in Net Position				6,839,964	36,188	6,876,152
Net Position - Beginning				<u>(92,465,016)</u>	<u>1,073,029</u>	<u>(91,391,987)</u>
Net Position - Ending				<u>\$ (85,625,052)</u>	<u>\$ 1,109,217</u>	<u>\$ (84,515,835)</u>

The accompanying notes are an integral part of the financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

<u>Assets</u>	<u>General Fund</u>	<u>Capital Reserve</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 24,721,409	\$ 48,559,811	\$ 7,226,567	\$ 80,507,787
Receivables:				
Taxes	3,422,593	-	-	3,422,593
Intergovernmental Receivables	4,248,621	-	-	4,248,621
Due from other funds	261,505	68,123	51,404	381,032
Other Receivables	1,085,752	-	-	1,085,752
Prepaid assets	324,865	-	-	324,865
Other current assets	140,692	-	-	140,692
<b>Total assets</b>	<b>\$ 34,205,437</b>	<b>\$ 48,627,934</b>	<b>\$ 7,277,971</b>	<b>\$ 90,111,342</b>
<u>Liabilities</u>				
Accounts Payable	\$ 2,922,013	2,130,727	\$ 23,100	\$ 5,075,840
Accrued Salaries and Benefits	12,248,478	-	-	12,248,478
Due to other funds	221,770	14,149	-	235,919
Unearned revenues	11,924	-	-	11,924
<b>Total liabilities</b>	<b>15,404,185</b>	<b>2,144,876</b>	<b>23,100</b>	<b>17,572,161</b>
<u>Deferred Inflows of Resources</u>				
Unavailable Revenue - Property Taxes	1,360,194	-	-	1,360,194
<b>Total Deferred Inflows of Resources</b>	<b>1,360,194</b>	<b>-</b>	<b>-</b>	<b>1,360,194</b>
<u>Fund Balances</u>				
Non-spendable	465,557	-	-	465,557
Restricted for Capital Projects	-	46,483,058	-	46,483,058
Committed				
Extracurricular Activities	1,452,626	-	-	1,452,626
Capital Projects	-	-	7,254,871	7,254,871
Assigned				
PSERS	993,114	-	-	993,114
IT	3,072,133	-	-	3,072,133
Salaries	2,197,929	-	-	2,197,929
Vo-Tech	1,400,000	-	-	1,400,000
Unassigned	7,859,699	-	-	7,859,699
<b>Total fund balances</b>	<b>17,441,058</b>	<b>46,483,058</b>	<b>7,254,871</b>	<b>71,178,987</b>
<b>Total liabilities and fund balances</b>	<b>\$ 34,205,437</b>	<b>\$ 48,627,934</b>	<b>\$ 7,277,971</b>	<b>\$ 90,111,342</b>

The accompanying notes are an integral part of the financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds	\$	71,178,987
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$177,610,680 and the accumulated depreciation is \$101,265,867.		76,344,813
Property taxes receivable will be collected, but are not available soon enough to pay for current year's expenditures, and therefore are deferred in the Governmental Funds.		1,360,194
Long-term liabilities and related deferrals such as Debt, Accrued Interest, and Compensated Absences are not due and payable in the current period and accordingly are not reported as fund liabilities. Both current and long-term liabilities are reported in the Statement of Net Position.		
Long-term Bonds and Notes Payable	\$	(73,055,000)
Unamortized Loss on Debt Refundings		1,291,209
Bond Premium		(7,518,174)
Accrued interest		(895,892)
Capital Lease Payable		(711,193)
Other Post Employment Benefits		(15,912,468)
Deferred Outflows related to Pensions		15,337,469
Deferred Outflows related to OPEB - Retirees Health Plan		632,349
Deferred Outflows related to OPEB - PSERS		625,576
Deferred Inflows related to Pensions		(5,302,776)
Deferred Inflows related to OPEB - Retirees Health Plan		(1,376,110)
Deferred Inflows related to OPEB - PSERS		(258,471)
Net Pension Liability		(143,903,302)
Compensated Absences		(3,462,263)
		<u>(234,509,046)</u>
Total net position of governmental activities	\$	<u>(85,625,052)</u>

The Accompanying Notes are an Integral Part of the Financial Statements

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Capital Reserve</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Local Revenue Sources	\$ 67,757,992	\$ 255,731	\$ 26,821	\$ 68,040,544
State Revenue Sources	31,427,777	3,091	-	31,430,868
Federal Revenue Sources	3,682,620	-	-	3,682,620
Total Revenues	<u>102,868,389</u>	<u>258,822</u>	<u>26,821</u>	<u>103,154,032</u>
<b>Expenditures</b>				
Current operating:				
Instruction	58,100,012	-	-	58,100,012
Support Services	32,597,174	-	-	32,597,174
Facilities Acquisition, Construction and Improvements	81,134	3,799,068	1,056,660	4,936,862
Noninstructional Services	1,720,182	-	-	1,720,182
Debt service				
Principal - Bonds and Notes	3,910,000	-	-	3,910,000
Principal - Other	255,700	-	-	255,700
Interest	1,511,972	-	-	1,511,972
Other	136,220	620,698	-	756,918
Total Expenditures	<u>98,312,394</u>	<u>4,419,766</u>	<u>1,056,660</u>	<u>103,788,820</u>
Excess (deficiency) of revenues over expenditures	<u>4,555,995</u>	<u>(4,160,944)</u>	<u>(1,029,839)</u>	<u>(634,788)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	-	2,300,000	2,300,000
Sale of Fixed Assets/Other	50	-	-	50
Bond Proceeds	-	43,350,000	-	43,350,000
Bond Premiums	-	7,294,002	-	7,294,002
Transfers out	<u>(2,300,000)</u>	<u>-</u>	<u>-</u>	<u>(2,300,000)</u>
Total other financing sources (uses)	<u>(2,299,950)</u>	<u>50,644,002</u>	<u>2,300,000</u>	<u>50,644,052</u>
Net change in fund balance	<u>2,256,045</u>	<u>46,483,058</u>	<u>1,270,161</u>	<u>50,009,264</u>
Fund balance beginning of year	<u>15,185,013</u>	<u>-</u>	<u>5,984,710</u>	<u>21,169,723</u>
Fund balance, end of year	<u>\$ 17,441,058</u>	<u>\$ 46,483,058</u>	<u>\$ 7,254,871</u>	<u>\$ 71,178,987</u>

The accompanying notes are an integral part of the financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2020

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

Net Change in fund balances - total governmental funds		\$ 50,009,264
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Capital Outlays	6,140,833	
Depreciation Expense	<u>(5,021,802)</u>	1,119,031
<p>Payments of long-term debt and certain expenditures of debt issuance are expensed when paid in the Governmental Funds, but are amortized or recorded as a reduction of long term liabilities in the Statement of Net Position</p>		
Debt Principal Repayments	3,910,000	
Capital Lease Additions	(160,000)	
Bonds and notes payable	(43,350,000)	
Amortization of Bond Premiums	627,611	
Bond Premium	(7,294,002)	
Amortization of Deferred Interest	(215,202)	
Change in Accrued Interest	(478,441)	
Capital Lease Payments	386,435	
Change in Compensated Absences	<u>61,600</u>	(46,511,999)
<p>Governmental funds do not report the changes in the Other Post Employment Benefit liability:</p>		
		(138,210)
<p>Governmental funds do not report the changes in the Pension expense:</p>		
		2,241,990
<p>Real estate taxes reported in the funds include receipt of prior year delinquent taxes and do not include revenue attributable to the current year's delinquent tax receivable. This amount is the net effect of these differences.</p>		
Current year	1,360,194	
Prior year	<u>(1,240,306)</u>	<u>119,888</u>
Changes in net position of governmental activities		<u>\$ 6,839,964</u>

The accompanying notes are an integral part of the financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020

	Business-Type Activities - Enterprise Fund <u>Food Service</u>	Business-Type Activities - Enterprise Fund <u>Day Care</u>	Business-Type Activities - Enterprise Fund <u>Total</u>
<u>Assets</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 670,997	\$ 277,153	\$ 948,150
Subsidies receivable	131,142	22,228	153,370
Other receivables	248	51,544	51,792
Due from other funds	50,599	51,644	102,243
Inventories	11,762	-	11,762
	<u>864,748</u>	<u>402,569</u>	<u>1,267,317</u>
<u>Non-current Assets:</u>			
Capital Assets (net of accumulated depreciation \$953,313)	287,410	-	287,410
	<u>287,410</u>	<u>-</u>	<u>287,410</u>
<b>Total Assets</b>	<b>\$ 1,152,158</b>	<b>\$ 402,569</b>	<b>\$ 1,554,727</b>
<u>Liabilities</u>			
<u>Current liabilities:</u>			
Accounts payable	\$ 34,450	\$ 9,297	\$ 43,747
Unearned revenues	100,607	53,800	154,407
Due to other funds	118,748	128,608	247,356
	<u>253,805</u>	<u>191,705</u>	<u>445,510</u>
<b>Total liabilities</b>	<b>253,805</b>	<b>191,705</b>	<b>445,510</b>
<u>Net Position</u>			
Net Investment in capital assets	287,410	-	287,410
Unrestricted	610,943	210,864	821,807
	<u>898,353</u>	<u>210,864</u>	<u>1,109,217</u>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,152,158</b>	<b>\$ 402,569</b>	<b>\$ 1,554,727</b>

The accompanying notes are an integral part of the financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Fund <u>Food Service</u>	Business-Type Activities - Enterprise Fund <u>Day Care</u>	Business-Type Activities - Enterprise Fund <u>Total</u>
Operating Revenues			
Receipts from Providing Services	\$ 894,158	\$ 749,896	\$ 1,644,054
Total Operating Revenues	<u>894,158</u>	<u>749,896</u>	<u>1,644,054</u>
Operating Expenses			
Service Costs	2,661,244	1,165,852	3,827,096
Total Operating Expenses	<u>2,661,244</u>	<u>1,165,852</u>	<u>3,827,096</u>
Operating Loss	<u>(1,767,086)</u>	<u>(415,956)</u>	<u>(2,183,042)</u>
Nonoperating Revenues (Expenses)			
Investment Earnings	3,447	2,036	5,483
Grants	1,802,997	410,750	2,213,747
Total Nonoperating Revenues (Expenses)	<u>1,806,444</u>	<u>412,786</u>	<u>2,219,230</u>
Changes in Net Position	39,358	(3,170)	36,188
Net Position - Beginning of Year	<u>858,995</u>	<u>214,034</u>	<u>1,073,029</u>
Net Position - End of Year	<u>\$ 898,353</u>	<u>\$ 210,864</u>	<u>\$ 1,109,217</u>

The accompanying notes are an integral part of the financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Fund Food Service	Business-Type Activities - Enterprise Fund Day Care	Business-Type Activities - Enterprise Fund Total
Cash flows from operating activities			
Cash received from customers	\$ 894,158	\$ 749,896	\$ 1,644,054
Cash paid to employees	(1,308,793)	(165,303)	(1,474,096)
Cash paid to suppliers	(1,400,410)	(1,001,521)	(2,401,931)
Net cash used in operating activities	<u>(1,815,045)</u>	<u>(416,928)</u>	<u>(2,231,973)</u>
Cash flows from investing activities			
Investment earnings	3,447	2,036	5,483
Net cash provided by investing activities	<u>3,447</u>	<u>2,036</u>	<u>5,483</u>
Cash flows from non-capital financing activities			
Grant payments received	1,600,513	486,747	2,087,260
Net cash provided by non-capital financing activities	<u>1,600,513</u>	<u>486,747</u>	<u>2,087,260</u>
Cash flows from capital and related financing activities			
Purchase of capital assets	(10,091)	-	(10,091)
Net cash used in capital and related financing activities	<u>(10,091)</u>	<u>-</u>	<u>(10,091)</u>
Net increase/(decrease) in cash and cash equivalents	(221,176)	71,855	(149,321)
Beginning cash and cash equivalents	892,173	205,298	1,097,471
Ending cash and cash equivalents	<u>\$ 670,997</u>	<u>\$ 277,153</u>	<u>948,150</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Operating loss	\$ (1,767,086)	\$ (415,956)	\$ (2,183,042)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	91,024	-	91,024
Donated commodities	181,525	-	181,525
(Increase) decrease in assets			
Interfund Receivable	(14,208)	(50,857)	(65,065)
Inventories	2,075	-	2,075
Other Assets	-	-	-
Increase (decrease) in liabilities			
Accounts Payable	(236,428)	(4,785)	(241,213)
Interfund Payable	(36,691)	67,189	30,498
Unearned Revenues	(35,256)	-	(35,256)
Accrued Expenses	-	(12,519)	(12,519)
Net cash used in operating activities	<u>\$ (1,815,045)</u>	<u>\$ (416,928)</u>	<u>\$ (2,231,973)</u>

The accompanying notes are an integral part of the financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020

	Agency Funds	Total Fiduciary Funds
Assets		
Cash and Cash Equivalents	\$ 202,193	\$ 202,193
Total Assets	\$ 202,193	\$ 202,193
Liabilities		
Liabilities		
Accounts Payable	\$ 202,193	\$ 202,193
Total Liabilities	\$ 202,193	202,193

The accompanying notes are an integral part of the financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Millcreek Township School District (the "District") is located in Erie County, Pennsylvania. The District's tax base consists of Millcreek Township.

The District is governed by a board of nine school board members who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term.

The Board of Directors (the "Board") has the power and duty to establish, equip, furnish and maintain a sufficient number of elementary, secondary and other schools necessary to educate every person residing in such district between the ages of five and twenty-one years, who may attend.

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

The financial statements of the District have been prepared in accordance with generally accepted accounting principles 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.

A.) 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 expenses during the reporting period. Actual results could differ from those estimates.

B.) Reporting Entity:

The District is the basic level of government, which has financial accountability and control over all activities related to the public school education in the District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the District, is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, since Board members are elected from the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB Statement No. 61, which are included in the District's reporting entity.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C.) Joint Venture:

The Millcreek Township School District, along with other school districts located in the County of Erie, Pennsylvania, own and operate a joint venture, namely the Erie County Area Vocational-Technical School (Vo-Tech).

Students of the School District, if they so elect, may receive vocational/technical training at Vo-Tech. The School District pays the tuition for the students enrolled at the vocational-technical school. The School District paid \$803,237 in tuition and alternative education for the year ended June 30, 2020.

Each School District elects one member to the operating committee of Vo-Tech. The operating committee acts as the school's governing body.

Financial information relating to the Erie County Area Vocational-Technical School is included in a separate audit report for the year ended June 30, 2020. The report can be obtained at the administrative offices of the school, 8500 Oliver Road, Erie, Pennsylvania.

D.) Jointly Governed Organizations:

The District is a participating member of the Northwest Tri-County Intermediate Unit ("IU"). Operations of the IU are directed by a board of directors consisting of members from each participating district. No participating district appoints a majority of the board of directors. The board of directors of each participating district must approve IU's annual operating budget.

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

E.) Fund Accounting:

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, fund balance, revenues and expenditures or expenses as appropriate. Resources are allocated to and accounted for in the individual funds based on the purpose for which they are to be spent.

The District uses the following funds:

**GOVERNMENTAL FUNDS** – These funds are used to account for most of the District's finances. The measurement focus is on determination of the financial position and changes in financial position (current financial resources) rather than on income determination.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E.) Fund Accounting (Continued)

1. General Fund – This is the general operating fund of the District. All activities of the District are accounted for through this major fund except for those required to be accounted for in another fund.
2. Capital Projects Fund - This major fund is used to account for financial resources to be used in acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.
3. Capital Reserve Fund - This fund accounts for financial resources used for the acquisition of capital assets, as deemed necessary by the Board of Directors, other than those financed through the District's Capital Project Fund.

PROPRIETARY FUNDS – These funds account for District activities that are similar to business operations in the private sector or where the reporting focus is on determining net income, financial position and changes in financial position (economic resources measurement focus).

1. Food Service Fund – This major fund is used to account for the District's food service operations that are financed and operated in a manner similar to private business enterprises. The Fund accounts for all revenues, food purchases, costs and expenses for the Food Service Program.
2. Day Care Fund – This major fund is used to account for the District's day care operations that are financed and operated in a manner similar to private business enterprises. The Fund accounts for all revenues, costs and expenses for the Child Development Program.

FIDUCIARY FUNDS – These funds are used to account for assets held by the District as trustee or agent.

1. Other Agency Funds – This fund accounts for the receipts and disbursements of monies from student activity organizations. These organizations exist with the explicit approval and are subject to revocation by the District's governing body. This accounting reflects the District's agency relationship with the student activity organizations.

F.) Basis of Presentation:

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 District. As a general rule, the effect of interfund activity has been eliminated 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.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F.) Basis of Presentation (Continued):

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment. In addition, program revenues include 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 instead as general revenues.

Fund financial statements are also provided in the report for all of the governmental funds, proprietary funds and the fiduciary funds of the District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. The District has no non-major funds. Fiduciary funds are reported by fund type.

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 principal operating revenues of the District's Enterprise Fund are food service charges. Operating expenses for the District's Enterprise Fund include food production costs, supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

G.) Measurement Focus and Basis of Accounting:

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 the 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 revenue as soon as all eligibility requirements imposed by the provider have been met. Net Position (total assets and deferred outflows less total liabilities and deferred inflows) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased Net Position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the Statement of Net Position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within sixty days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred 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.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H.) Budgetary Data:

In accordance with Act 1, the District elected not to increase the real estate tax rate above the index established by the Pennsylvania Department of Education and, therefore, follows the procedures outlined below in establishing the budgetary data reflected in the basic financial statements:

1. Prior to May 31, the Board submits 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.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The budget of the District is the approved spending plan of the District for the year and the Board is prohibited from obligating funds in excess of these amounts. The Board may, during any fiscal year, amend the budget by making additional appropriations or increase existing appropriations to meet emergencies. The funds shall be provided from unexpended balances in existing appropriations, from unappropriated revenues or from temporary loans. Legal budgetary control is maintained by the Board at the department 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. Budget information in the Budgetary Comparison Schedule is presented at or below the legal level of budgetary control.
5. Budgetary data is included in the District's management information system and is employed as a management control device during the year.
6. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.
7. There were supplemental budgetary appropriations or amendments proposed or approved during the year.

Legal budgetary control is maintained by the Director of Finance and Operations at the functional object level. Transfer between functional objects, whether between funds or within a fund or revisions that alters the total revenues and expenditures of any fund, must be approved by the District Board. Budget information in the Budgetary Comparison Schedule for the General Fund is presented at or below the legal level of budgetary control.

Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the program. These budgets are approved on a program basis by the state or federal funding agency.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I.) Cash and Cash Equivalents:

Cash and cash equivalents in the basic financial statements include all highly liquid investments with an original maturity of three months or less.

J.) Investments:

Investments are carried at market value based on quoted market prices.

K.) Receivables/Payables:

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

L.) Accounts Receivable:

Accounts receivable are recorded at the invoiced amount. The District determines the allowance for doubtful accounts based on historical write-off experience. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

M.) Inventories and Prepaid Items:

Inventories of the Food Service Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2020, consist of the following:

Donated Commodities	<u>\$ 11,762</u>
Total Inventory	<u>\$ 11,762</u>

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both government-wide and fund financial statements.

N.) Capital Assets:

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N.) Capital Assets: (continued)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15 – 40
Equipment and vehicles	7 – 15
Food service equipment	5 – 15

O.) Long-Term Obligations:

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium.

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 debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

P.) PSERS Net OPEB Liability:

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 fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q.) Net/Position/Fund Balance:

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q.) Net Position/Fund Balance: (Continued)

- Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

*Fund Balance Classification:* The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- *Non-spendable:* This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School District has \$465,557 in non-spendable fund balance in the General Fund as of June 30, 2020.
- *Restricted:* This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School District had \$46,483,058 of restricted fund balance as of June 30, 2020.
- *Committed:* This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School District had \$7,254,871 of committed resources as of June 30, 2020.
- *Assigned:* This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the District's management. The School District had \$7,663,176 of assigned resources as of June 30, 2020.
- *Unassigned:* This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts. The School District had \$7,859,699 of unassigned fund balance as of June 30, 2020.

The School District uses Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R.) Deferred Outflows /Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The District has three items that qualify for reporting in these categories: deferred outflows on refunding bonds, deferred outflows related to OPEB, deferred outflows and inflows related to pensions, and unavailable tax revenue.

In accordance with applicable guidance, the excess of the reacquisition price over the net carrying amount of refunded debt is recorded as a deferred outflow of resources on the statement of net position and amortized as a component of interest expense over the shorter of the term of the refunding issue or refunded bonds.

Deferred outflows of resources related to OPEB is described further in Note 8. Deferred outflows of resources should be recognized in OPEB expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period. The recognition period for the OPEB Plan's change in assumption and differences between expected and actual experience is 11 years.

Deferred outflows and inflows of resources related to pensions are described further in Note 9. Annual changes to the net pension liability resulting from differences between expected and actual experience with regard to economic and demographic factors and from changes of assumptions about future economic or demographic factors or other inputs are deferred and amortized over a closed period equal to the average of the expected service lives of all employees that are provided with pension benefits determined for the period during which the changes occurred. Differences between projected and actual earnings on pension plan investments are amortized over a closed five-year period.

In the governmental funds balance sheet, the District only has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable tax revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

S.) Adoption of Governmental Accounting Standards Board Statements

The District adopted the provisions of GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance". The adoption of this statement had no effect on previously reported amounts.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T.) Pending Changes in Accounting Principles

In January 2018, the GASB issued Statement No. 84 "Fiduciary Activities". The District is required to adopt Statement No. 84 for its fiscal year 2020 financial statements.

In June 2018, the GASB issued Statement No. 87, "Leases". The District is required to adopt Statement No. 87 for its fiscal year 2021 financial statements.

In June of 2019, The GASB issued Statement No. 89 "Accounting for Interest Cost Incurred before the End of a Construction Period". The District is required to adopt statement No. 89 for its fiscal year 2021 financial statements.

In August of 2019, The GASB issued Statement No. 90 "Majority Equity Interests (an Amendment of GASB Statements No. 14 and No. 61)". The District is required to adopt statement No. 90 for its fiscal year 2020 financial statements.

In May of 2020, The GASB issued Statement No. 91 "Conduit Debt Obligations". The District is required to adopt statement No. 91 for its fiscal year 2022 financial statements.

In January of 2020, the GASB issued Statement No. 92, "Omnibus 2020". The District is required to adopt the requirements related to Statement 92 immediately and the rest of the requirement for its fiscal year 2022 financial statements.

In March of 2020, the GASB issued statement No. 93, "Replacement of Interbank Offered Rates". The District is required to adopt Statement No. 93, except for paragraphs 13 and 14, for its fiscal year 2021 financial statements. The District is required to adopt the requirements in paragraph 13 and 14 for its fiscal year 2022 financial statements.

In March of 2020, the GASB issued statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The District is required to adopt Statement No. 94 for its 2023 financial statements.

In May of 2020, the GASB issued statement No. 96 "Subscription-Based Information Technology Arrangements". The District is required to adopt Statement No. 96 for its fiscal year 2023 financial statements.

In June of 2020, the GASB issued statement No. 97 "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32". The District is required to adopt paragraphs 4 and 5 of this Statement immediately. The District is required to adopt all other paragraphs for its fiscal year 2022 financial statements.

The School District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision and (d) shares of an investment company registered under the Investment Company Act of 1940, provided that the instruments are those types of investments listed above, and the investment company is managed so as to maintain its shares at a constant net asset value and the investment company is rated in the highest category by a nationally recognized rating agency. Pursuant to Act 72 of the Pennsylvania State Legislature, a depository must pledge assets to secure state and municipal deposits. The pledged assets must at least be equal to the total amount of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. Additionally, all such pledged assets must be delivered to a legal custodian.

Act 10 of 2016 broadened the scope of investment options for the District with safeguard measures to protect those investments. The Act added high quality money market instruments including repurchase agreements, commercial paper, negotiable certificates of deposit and bankers' acceptances to the authorized list of investments.

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

A portion of the District's cash and investments are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF"), which is a fund very similar to mutual funds. PSDLAF operates in accordance with appropriate State laws and regulations and under State oversight. The reported value of the pool is the same as the fair value of the pool shares.

In accordance with the Government Accounting Standards Board, investments in PSDLAF are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investment. The net asset value per share for the purpose of calculating the price at which shares are issued and redeemed is determined by the Administrator each banking day. Such determination is made by subtracting the liabilities from the value of the assets and dividing the remainder by the number of shares outstanding.

Although such requirement has been waived since 2005, all investments in PSDLAF's MAX Series by Settlers must be deposited for a minimum of 14 calendar days. No investment made in the MAX Series may be withdrawn by the Settlor making it during the first 14 calendar days after it is made without the incurrence of a penalty for such premature withdrawal. However, the 14 day minimum investment period does not apply to direct deposits of state aid payments into the MAX Series. In the event that a Settlor withdraws a deposit within such initial 14 calendar day period, it will be subject to a penalty equal to the loss of 14 days interest on the amount so withdrawn. Such 14 day interest penalty shall be calculated on the basis of the dividend rates in effect for the MAX Series for the 14 day period immediately preceding the withdrawal date.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Accordingly, the penalty will be equal to the dividend that would have been paid during the 14 days preceding the withdrawal date on the amount prematurely withdrawn. Such penalty will be payable even though the amount withdrawn has not been invested in the MAX Series for the full 14 day period preceding the withdrawal. However, as noted above, the 14 day minimum investment period has been waived since 2005 and would not be reinstated without notice to the Fund's Settlers.

As of June 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

*Interest Rate Risk* – The School District's investment policy seeks to have its investments remain sufficiently liquid to meet all operating requirements that are reasonably anticipated. Investments shall be made with the objective of attaining a market-average rate of return throughout the budgetary and economic cycles, taking into account investment risk constraints and liquidity needs as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* – The School District's investment policy for its operating and Fiduciary funds maintains that preservation of principal shall be the highest priority. Preservation of principal shall be ensured by diversification and other means of means of minimizing credit risk. As of June 30, 2020, the School District's operating investments were all maintained in Money Market funds with the Pennsylvania School District Liquid Asset Fund (PSDLAF).

*Custodial Credit Risk* – For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of June 30, 2020, the School District's cash balances for its governmental activities, business-type activities and agency fund were \$81,658,130 and its bank balances and cash equivalents were \$84,049,606. Of these bank balances, \$506,781 was covered by Federal Depository Insurance Company (FDIC) insurance. The remaining \$83,542,825 was collateralized with securities held by the pledging financial institutions, or by their trust departments or agents, but not in the School District's name, and therefore was subject to custodial credit risk.

*Concentration of Credit Risk* – The School District's formal investment policy for operating investments seeks to avoid concentration of credit risk by diversification and other means of minimizing credit risk. All of the School District's investments were in the PSDLAF and Certificates of Deposit in Erie Bank and First National Bank.

NOTE 3: REAL ESTATE TAXES RECEIVABLE

The District has independently elected tax collectors who are responsible for the collection of taxes. Assessed values are established by the Erie County Board of Assessment. The District tax rate for the year ended June 30, 2020 was 14.5003 mills (\$14.5003 per \$1,000 of assessed valuation) as levied by the Board of School Directors.

The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy Date
July 1 – August 31	2% Discount period
September 1 – October 31	Face payment period
November 1 – December 31	10% Penalty period
January 1	Turnover to delinquent collector

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

## NOTE 3: REAL ESTATE TAXES RECEIVABLE (CONTINUED)

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

The SCHOOL DISTRICT's 2020 real estate taxes are based on assessed values established by the County of Erie's Bureau of Assessments. Assessed values of real property are generally 100% of the market value as determined by the Erie County Tax Assessment Office. The total 2020 real estate taxes levied was \$56,473,949 based on a total SCHOOL DISTRICT assessed valuation of \$3,894,674,529.

## NOTE 4: CAPITAL ASSETS

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

GOVERNMENTAL ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 549,708	\$ -	\$ -	\$ 549,708
Construction in Progress	593,557	4,514,661	(478,580)	4,629,638
Total Capital Assets, Not Being Depreciated	<u>1,143,265</u>	<u>4,514,661</u>	<u>(478,580)</u>	<u>5,179,346</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	155,223,285	1,023,303	-	156,246,588
Equipment and Vehicles	15,120,017	1,081,449	(16,720)	16,184,746
Total Capital Assets, Being Depreciated	<u>170,343,302</u>	<u>2,104,752</u>	<u>(16,720)</u>	<u>172,431,334</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(86,380,633)	(4,135,884)		(90,516,517)
Equipment and Vehicles	(9,880,152)	(885,918)	16,720	(10,749,350)
Total Accumulated Depreciation	<u>(96,260,785)</u>	<u>(5,021,802)</u>	<u>16,720</u>	<u>(101,265,867)</u>
Total Capital Assets, Being Depreciated, Net	<u>74,082,517</u>	<u>(2,917,050)</u>	<u>-</u>	<u>71,165,467</u>
Governmental Activities Capital Assets, Net	<u>\$ 75,225,782</u>	<u>\$ 1,597,611</u>	<u>\$ (478,580)</u>	<u>\$ 76,344,813</u>
BUSINESS TYPE ACTIVITIES	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated:				
Food Service Equipment	\$ 1,230,632	\$ 10,091	\$ -	\$ 1,240,723
Total Capital Assets, Being Depreciated	<u>1,230,632</u>	<u>10,091</u>	<u>-</u>	<u>1,240,723</u>
Less Accumulated Depreciation	(862,289)	(91,024)	-	(953,313)
Total Capital Assets, Being Depreciated, Net	<u>368,343</u>	<u>(80,933)</u>	<u>-</u>	<u>287,410</u>
Business Type Activities Capital Assets, Net	<u>\$ 368,343</u>	<u>\$ (80,933)</u>	<u>\$ -</u>	<u>\$ 287,410</u>

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

## NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Instruction	\$ 4,444,295
Support Services	<u>577,507</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 5,021,802</u>
Business Type Activities:	
Food Service	<u>\$ 91,024</u>
Total Depreciation Expense - Business Type Activities	<u>\$ 91,024</u>

## NOTE 5: CAPITAL LEASES

On September 14, 2006, the District entered into a lease purchase agreement for the Energy Management Project. The lease requires quarterly payments which range from \$51,248 to \$74,656 beginning July 1, 2007 through April 1, 2022. In October 2014, the District entered into a lease purchase agreement for copiers. The lease requires monthly payments totaling \$1,810 beginning October 1, 2014 through September 1, 2019. In September 2015, the District entered into a lease purchase agreement for copiers. The lease requires monthly payments totaling \$7,839 beginning September 1, 2015 through August 1, 2020. In September 2016, the District entered into a lease purchase agreement for copiers. The lease requires monthly payments totaling \$818 beginning September 1, 2016 through August 1, 2020. In August 1, 2019, the District entered into a lease purchase agreement for educational technology equipment. The lease requires monthly payments totaling \$2,896 beginning August 1, 2019 through July 1, 2024.

The assets acquired through capital leases are as follows:

<u>Asset Detail</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 4,316,079
Less: Accumulated Depreciation	<u>(3,457,573)</u>
	<u>\$ 858,506</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2020 are as follows:

<u>Governmental Activities</u> Year Ended June 30:	<u>Governmental Activities</u>
2021	\$ 342,768
2022	333,375
2023	34,752
2024	34,752
2025	<u>2,896</u>
Total Minimum Lease Payments	748,543
Less: Interest	<u>(37,350)</u>
Total	<u>\$ 711,193</u>

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

NOTE 6: LONG-TERM LIABILITIES OBLIGATIONS

Bonds Payable:

The government issues general obligation bonds/notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds/notes have been issued for government activities. General obligation bond/notes are direct general obligations of the School District. Principal and interest payments are backed by the full faith, credit, and taxing authority of the School District.

On October 25, 2010, the School District issued \$26,735,000 General Obligation Bonds Series of 2010. The bonds mature January 15 and July 15 of each year beginning July 15, 2011 and ending in 2021. The bonds pay interest ranging from 1.75% to 5.00% on a semi-annual basis. The bonds will be used to fund various capital projects including, renovations and additions to the McDowell High School and McDowell Intermediate High School and improvements to the District's athletic facilities. The outstanding balance as of June 30, 2020 is \$1,250,000.

On November 27, 2012, the School District issued \$3,080,000 General Obligation Bonds, Refunding Series of 2012. The bonds mature July 15 of each year beginning July 15, 2014 and ending in 2026. The bonds pay interest ranging from .7% to 2.75% on a semi-annual basis. The bonds were used to refund the General Obligation Bonds, Series 2007. The outstanding balance as of June 30, 2020 is \$1,790,000.

On September 30, 2013, the School District issued \$26,695,000 General Obligation Bonds, Refunding Series of 2013A, 2013B and 2013C. Series A was used to refund a portion of the 2002 General Obligation Bonds. Series B was used to refund a portion of General Obligation Bonds, Series 2005. Series C was used to refund a portion of General Obligation Bonds, Series 2010. The bonds pay interest ranging from 2.5% to 5.0% on a semi-annual basis. As a result of the refunding, debt service payments have decreased by \$8,357,170 and resulted in a net economic loss of \$2,448,016. The outstanding balance as of June 30, 2020 is \$2,365,000 for Series A, \$7,145,000 for Series B and \$17,155,000 for Series C.

On January 16, 2020, the School District issued \$43,350,000 General Obligation Bonds Series of 2020. The bonds mature March 15 and September 15 of each year beginning March 15, 2020 and ending in 2034. The bonds pay interest ranging from 2.125% to 5.00% on a semi-annual basis. The bonds will be used to fund various capital projects of the School District and pay the costs of issuing the bonds. The outstanding balance as of June 30, 2020 is \$43,350,000.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

## NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

An analysis of debt service requirements to maturity for the governmental activities on these obligations follows (with the exception of the compensated absences, capital lease and postemployment benefit liability):

Governmental Activities	Principal Requirements	Interest Requirements	Total Debt Service Requirements
Year Ended June 30:			
2021	\$ 4,380,000	\$ 2,807,775	\$ 7,187,775
2022	4,955,000	2,584,134	7,539,134
2023	4,725,000	2,383,469	7,108,469
2024	4,900,000	2,207,384	7,107,384
2025	4,090,000	2,038,063	6,128,063
2026-2030	22,580,000	7,245,681	29,825,681
2031-2035	27,425,000	1,870,425	29,295,425
Total	<u>\$ 73,055,000</u>	<u>\$ 21,136,931</u>	<u>\$ 94,191,931</u>

Compensated Absences:

Compensated absences are comprised of accumulated unused sick days. The aggregate liability is \$3,462,263 as of June 30, 2020.

Under the current plan, the following is a summary of the items covered:

Teachers and Administrators – Rate ranges from \$45 to \$190 per day.  
 Non-Professionals – Rate ranges from \$25 to \$125 per day.

In addition to the above sick day policy, administrators and non-professionals can accumulate and receive compensation for unused vacation pay. The policy describes that upon retirement, any unused vacation days will be paid at a daily rate commensurate to the administrator's or non-professionals current salary.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

## NOTE 6: LONG-TERM OBLIGATIONS (CONTINUED)

A summary of changes in long-term debt obligations for 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Bonds and Notes payable:					
General obligation bonds	\$ 33,615,000	\$ 43,350,000	\$ (3,910,000)	\$ 73,055,000	\$ 4,380,000
Bond Premiums	851,783	7,294,002	(627,611)	7,518,174	-
Total bonds and notes payable	<u>34,466,783</u>	<u>50,644,002</u>	<u>(4,537,611)</u>	<u>80,573,174</u>	<u>4,380,000</u>
Other Liabilities:					
Compensated absences	3,523,863	-	(61,600)	3,462,263	-
Net Pension Liability	148,095,317	-	(4,192,015)	143,903,302	-
Other Postemployment Benefits	15,772,053	140,415	-	15,912,468	-
Lease Payable	937,628	160,000	(386,435)	711,193	342,768
Total Other Liabilities	<u>168,328,861</u>	<u>300,415</u>	<u>(4,640,050)</u>	<u>163,989,226</u>	<u>342,768</u>
Governmental Activities Long-Term Liabilities	<u>\$ 202,795,644</u>	<u>\$ 50,944,417</u>	<u>\$ (9,177,661)</u>	<u>\$ 244,562,400</u>	<u>\$ 4,722,768</u>

General obligation bonds and compensated absence liabilities will be liquidated by the General Fund. Total interest paid during the year ended June 30, 2020 was \$1,511,972.

## NOTE 7: RISK MANAGEMENT

The School District's self-insurance program pays accident and health insurance coverage for School District employees on a cost-reimbursement basis. Retired employees are also covered by the program, provided they pay a monthly premium to the School District. Under the program, the School District is obligated for claim payments.

A stop-loss insurance contract executed with and insurance carrier covers individual claims in excess of \$300,000, with no maximum.

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Significant losses are covered by commercial insurance for all major programs. The District monitors their insured programs and increases insurance coverage as needed. Settlement amounts have not exceeded insurance coverage for the current year of the three prior years. The District has no unfunded liability.

## NOTE 8: OTHER POST-EMPLOYMENT BENEFITS

Plan Description:

The District administers a single-employer defined benefit healthcare plan (the "Retiree Health Plan"). The plan provides healthcare, prescription drug, dental and/or vision insurance, at various costs to the member and the District, for the life of the member or until the member is eligible for Medicare, depending on the terms of the contract when they retire, for eligible retirees and their spouses through the District's health insurance plan. The Retiree Health Plan covers active and retired members. Benefit provisions are

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

established and may be amended through negotiation with the District and the unions representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report.

Employees covered by benefit terms. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	95
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	712
	807

*Funding Policy.* No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The School District covers the balance of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

*Total OPEB Liability.* The District's total OPEB liability of \$9,370,302 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary Increases	Composed of 1.0 percent real wage growth and merit increases which vary by age from 2.75 - 0.0 percent.
Discount rate	3.36 percent
Healthcare cost trend rates	6.0 percent for 2018, and 5.5 percent from 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. Retiree contributions are assumed to increase at the same rate as the Healthcare cost trend rate.

The discount rate was based on the S & P Municipal Bond 20 Year High Grade Rate Index at June 30, 2019.

Separate mortality rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement. A recent actuarial experience study was not performed.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in the total OPEB Liability.

The District's total OPEB liability has been measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, and by rolling forward the liabilities from the July 1, 2018 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$9,370,302, all of which is unfunded. As of June 30, 2020, the total OPEB liability of \$9,370,302 is related to the governmental funds and is recorded in the governmental activities in the government-wide statement of net position.

The District's change in its total OPEB liability for the year ended June 30, 2020 was as follows:

	<u>Governmental Activities</u>
Service Cost	\$ 515,986
Interest	285,767
Change of Assumptions	(279,526)
Benefit payments	<u>(491,910)</u>
Net change in total OPEB liability	30,317
Total OPEB liability - June 30, 2018	9,339,985
Total OPEB liability - June 30, 2019	<u>\$ 9,370,302</u>

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$681,535. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 135,579	\$ 554,500
Changes of assumptions	-	821,610
Contributions subsequent to the measurement date	496,770	-
Total	<u>\$ 632,349</u>	<u>\$ 1,376,110</u>

\$496,700 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 total OPEB liability in the year ended June 30, 2020. The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30:**

2021	\$ (120,218)
2022	(120,218)
2023	(120,218)
2024	(120,218)
2025	(120,218)
Thereafter	<u>(639,441)</u>
	<u>\$ (1,240,531)</u>

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

## NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.36 percent) or 1 percentage point higher (4.36 percent) than the current discount rate:

	<u>1% Decrease (2.36%)</u>	<u>Discount Rate (3.36%)</u>	<u>1% Increase (4.36%)</u>
District's total OPEB liability	\$ 10,128,407	\$ 9,370,302	\$ 8,680,847

*Sensitivity of the total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare trend rates that are 1 percentage point higher or 1 percentage point lower than the current healthcare cost trend rates:

	<u>1% Decrease Between 2.8% to 5%</u>	<u>Current Trend Rate Between 3.8% to 6%</u>	<u>1% Increase Between 4.8% to 7%</u>
District's total OPEB liability	\$ 8,603,145	\$ 9,370,302	\$ 10,279,734

Health Insurance Premium Assistance Plan

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost-sharing multi-employer postretirement benefits plan that provides premium assistance to eligible public school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15 member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the PSERS Plan 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 services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

NOTE 8 OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019 there were no assumed future benefit increases to participating eligible retirees.

*Employer Contributions.* The school districts' contractually required contribution rate for fiscal year ended June 30, 2020 was 0.84% of covered payroll, an actuarially determined 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 PSERS Plan from the District were \$363,188 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$6,542,166 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2018 to June 30, 2019. The 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 of all School Districts in the PSERS Plan. At June 30, 2020, the District's proportion was 0.3076 percent, which was a decrease of 0.0009 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$320,731. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 29,640	\$ -
Changes of assumptions	178,016	144,300
Net difference between projected and actual investment earnings	7,067	-
Changes in proportion	47,665	114,171
District contributions subsequent to the measurement date	363,188	-
Total	<u>\$ 625,576</u>	<u>\$ 258,471</u>

\$363,188 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 ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	
2021	\$ (22,278)
2022	(23,919)
2023	(25,384)
2024	55,492
2025	20,006
	<u>\$ 3,917</u>

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases.
- Premium assistance reimbursement capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females adjusted to reflect PSERS' experience and projected using a modified version of the RP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate pre age 65 at 50%.
  - Eligible retirees will elect to participate post age 65 at 70%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2019.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits). The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

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. The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019 were:

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2020

## NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	3.7%	0.0%
Total	<u>100.0%</u>	

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District's Proportionate Share of the net OPEB liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 6,541,000	\$ 6,542,166	\$ 6,543,000

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, 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 1 percentage point lower (1.79 percent) or higher (3.79 percent) than the current discount rate:

	<u>1% Decrease (1.79%)</u>	<u>Discount Rate (2.79%)</u>	<u>1% Increase (3.79%)</u>
District's proportionate share of net OPEB liability	\$ 7,453,000	\$ 6,542,166	\$ 5,787,000

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

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

NOTE 9: EMPLOYEE RETIREMENT PLAN

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

General Information about the Pension Plan:

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

*Benefits provided.* PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 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. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service.

For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and 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

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

NOTE 9: EMPLOYEE RETIREMENT PLAN (CONTINUED)

(ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

*Contributions.* The contribution policy is established in the Public School Employee's Retirement Code and requires contributions by active members, employers and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute 6.25% (Membership Class TC) or at 7.5% (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (automatic Membership Class TD).

For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a 'shared risk' provision in Act 120 of 2010 that in future years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.30%.

*Employer Contributions.* The school districts' contractually required contribution rate for fiscal year ended June 30, 2020 was 33.45% 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. The 33.45% is comprised of a pension contribution rate of 33.36% for pension benefits and a 0.09% act 5 employer contribution. Contributions to the pension plan from the District were \$14,462,648 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$143,903,302 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 0.3076 percent, which was a decrease of 0.0009 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$15,435,457. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

## NOTE 9: EMPLOYEE RETIREMENT PLAN (CONTINUED)

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 396,221	\$ (2,845,780)
Changes of assumptions	-	-
Net difference between projected and actual investment earnings	-	(1,253,496)
Changes in proportion	478,600	(1,203,500)
District contributions subsequent to the measurement date	14,462,648	-
<b>Total</b>	<b><u>\$ 15,337,469</u></b>	<b><u>\$ (5,302,776)</u></b>

\$14,462,648 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 ended June 30, 2020. 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 ended June 30:**

2021	\$ (3,129,211)
2022	(1,552,720)
2023	253,976
	<b><u>\$ (4,427,955)</u></b>

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

Actuarial cost method	Entry Age Normal – level % of pay
Salary increases	5.00 percent, average, including inflation of 2.75 percent, and real wage growth and merit or seniority increases of 2.25%
Investment rate of return	7.25 percent, net of pension plan investment expense, includes inflation of 2.75%

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

NOTE 9: EMPLOYEE RETIREMENT PLAN (CONTINUED)

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

The 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.6%
Fixed Income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLP's	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
Total	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

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

*Sensitivity of the 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 7.25 percent, 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 (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	Amounts X \$1,000		
	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 179,247	\$ 143,903	\$ 113,976

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

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

## NOTE 9: EMPLOYEE RETIREMENT PLAN (CONTINUED)

*Act 5 of 2017.* On June 12, 2017, the Commonwealth of Pennsylvania Act 5 of 2017 was signed into law. This legislation established a new hybrid defined benefit/defined contribution retirement benefit plan applicable to all school employees who become new members of PSERS on July 1, 2019 and thereafter. The three new plan options under Act 5 include two hybrid plans consisting of defined benefit and defined contribution components and a stand-alone defined contribution plan. The current stand-alone defined benefit plan is no longer available to new members after June 30, 2019.

## NOTE 10: INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of Interfund Receivables and Payables at June 30, 2020:

	Due from	Due to
<u>Governmental Fund Types</u>		
General Fund	\$ 261,505	\$ 221,770
Capital Reserve Fund	68,123	14,149
Capital Projects Fund	51,404	-
Total Governmental Fund Type	381,032	235,919
<u>Enterprise Fund</u>		
Food Service	50,599	118,748
Daycare	51,644	128,608
Total Enterprise Fund	102,243	247,356
Total Internal Balances	\$ 483,275	\$ 483,275

Interfund balances between the General Fund and the Enterprise Fund represent subsidy payments deposited in the General Fund or payments the General Fund paid to the Enterprise Fund for upcoming subsidy receivables during 2020 which have not been remitted to the Enterprise Fund by June 30, 2020.

## NOTE 11: TRANSFERS

	Transfers In	Transfers Out
General Fund	\$ -	\$ 2,300,000
Capital Projects	2,300,000	-
Total Transfers	\$ 2,300,000	\$ 2,300,000

Certain funds are required to fund a portion or all of the expenses of other funds or cover deficits in those funds. The District records operating transfers to account for these transactions. Transfers to the Capital Projects Fund allow the District to provide funding for upcoming renovations or required cosmetic upkeep of buildings.

## NOTE 12: COMMITMENTS AND CONTINGENCIES

The School District is a defendant in various lawsuits. Management does not believe the settlement of these matters will have a material effect upon the District's financial condition.

The District receives a number of state and federal grants. The grants may be subject to audit by the granting agency to determine if activities undertaken by the District comply with the conditions of the grant. Management believes no material liability would arise from any such audit.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2020

NOTE 13: TAX ABATEMENTS

Tax Abatements are the result of agreements that are entered into by the District to forgo real estate tax revenues for the promise by an individual or entity to take specific action that contributes to economic development in the District. Currently, there are no tax abatements entered into by other governments that reduce the District's tax revenues. The District has one real estate tax abatement program: Local Economic Revitalization Tax Assistance (LERTA).

Local Economic Revitalization Tax Assistance (LERTA)

The LERTA program is a tool to encourage private investment and rehabilitation of deteriorated properties within Erie County. The LERTA program exists pursuant to the Commonwealth of Pennsylvania Local Economic Revitalization Tax Assistance Act 76 of 1977 (72 P.S. §4722, et seq.). Authorization of a LERTA can be driven by either a developer for a specific project or a municipality seeking to redevelop a deteriorated area or facilitate a new economic development project. The Erie County LERTA Program Guidelines created by Erie County Council (ECC) provide an understanding of the County's policy and requirements for using LERTA. Evaluation requirements considered for a LERTA include economic and fiscal impact of the new development, demonstration of the need for LERTA, value added to local economy, private investment leverage, type and location of development. The LERTA Project Review Form is evaluated by ECC to determine eligibility under requirements set forth by the Commonwealth and County. ECC facilitates a meeting for community engagement in the Project. Prior to the County ordinance authorizing the LERTA exemption, the local municipal government must affix the boundaries of the deteriorated area during a public hearing. The determination of deteriorated areas takes into account criteria set forth in the Urban Redevelopment Law of Pennsylvania of May 24, 1945 (35 P.S. 1701, et seq.). LERTA allows for an exemption of real estate property tax for the assessed valuation of new construction or improvements to certain industrial, commercial or other business property in deteriorated areas. An exemption is provided on the assessment attributable to a portion of the actual cost of new construction or improvements. Each agreement has a proposed development, termination date and maximum tax exemption and/or yearly maximum tax exemptions. The LERTA exemption schedule is 5 years at 100% declining each year by 20%. The Erie County Office of Property Assessment (OPA) assesses the property to determine the valuation attributable to the actual costs of the improvements to the deteriorated property in conjunction with the project. There is no provision or conditions for recapturing. During 2020, one (1) properties received an exemption from County's real estate property tax. The total County tax abated during 2020 was \$16,364 related to various projects throughout the County.

NOTE 14: SUBSEQUENT EVENTS

A global pandemic, due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of the District's operations. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State and Federal tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by school districts to fund specific projects. In addition, the District's own source revenue or derived revenues could be affected negatively. Overall, decreased funding could result in the District having to curtail or eliminate some services.

REQUIRED  
SUPPLEMENTAL  
INFORMATION

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local Revenue Sources	\$ 68,645,560	\$ 68,645,560	\$ 67,757,992	\$ (887,568)
State Revenue Sources	31,683,879	31,683,879	31,427,777	(256,102)
Federal Revenue Sources	<u>2,422,399</u>	<u>2,422,399</u>	<u>3,682,620</u>	<u>1,260,221</u>
Total Revenues	<u>102,751,838</u>	<u>102,751,838</u>	<u>102,868,389</u>	<u>116,551</u>
<b>Expenditures</b>				
Current operating:				
Instruction	60,023,771	60,027,072	58,100,012	1,927,060
Support Services	33,100,867	33,097,569	32,597,174	500,395
Noninstructional Services	2,069,978	2,069,977	1,720,182	349,795
Facilities Acquisition, Construction and Improvements	-	243,402	81,134	162,268
Debt Service	<u>5,570,676</u>	<u>5,570,676</u>	<u>5,813,892</u>	<u>(243,216)</u>
Total Expenditures	<u>100,765,292</u>	<u>101,008,696</u>	<u>98,312,394</u>	<u>2,696,302</u>
Excess (deficiency) of revenues over expenditures	<u>1,986,546</u>	<u>1,743,142</u>	<u>4,555,995</u>	<u>2,812,853</u>
<b>Other financing sources (uses)</b>				
Transfers out	(2,300,000)	(2,300,000)	(2,300,000)	-
Sale of Fixed Assets/Other	<u>1,000</u>	<u>1,000</u>	<u>50</u>	<u>(950)</u>
Total other financing sources (uses)	<u>(2,299,000)</u>	<u>(2,299,000)</u>	<u>(2,299,950)</u>	<u>(950)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (312,454)</u>	<u>\$ (555,858)</u>	<u>\$ 2,256,045</u>	<u>\$ 2,811,903</u>

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS - RETIREES HEALTH PLAN  
 JUNE 30, 2020

	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Total OPEB liability</b>			
Service cost	\$ 577,189	\$ 597,463	\$ 515,986
Interest	251,818	331,644	285,767
Differences between expected and actual experience	-	(665,400)	-
Changes of assumptions or other inputs	180,771	(678,454)	(279,526)
Benefit payments	(566,994)	(531,208)	(491,910)
Net change in total OPEB liability	442,784	(945,955)	30,317
Total OPEB liability - beginning	9,843,106	10,285,940	9,339,985
Total OPEB liability - ending	<u>\$ 10,285,890</u>	<u>\$ 9,339,985</u>	<u>\$ 9,370,302</u>
<b>Covered payroll</b>	\$ 38,590,212	\$ 35,827,502	\$ 35,827,503
<b>District's total OPEB liability as a percentage of covered payroll</b>	26.65%	26.07%	26.15%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.  
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN  
JUNE 30, 2020

	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net OPEB liability	0.3044%	0.3085%	0.3076%
District's proportionate share of the net OPEB liability	\$ 6,201,882	\$ 6,432,068	\$ 6,542,166
District's covered payroll	\$ 40,523,782	\$ 41,541,609	\$ 42,430,658
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15%	15%	15%
Plan fiduciary net position as a percentage of the total OPEB liability	6%	6%	6%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.  
This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

MILLCREEK TOWNSHIP SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS PLAN  
 JUNE 30, 2020

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually determined contribution	\$ 336,347	\$ 346,789	\$ 352,174	\$ 363,188
Contributions in relation to the actuarially determined contribution	<u>331,906</u>	<u>344,669</u>	<u>352,174</u>	<u>363,188</u>
Contribution deficiency	<u>\$ 4,441</u>	<u>\$ 2,120</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 40,523,782	\$ 41,541,609	\$ 42,430,658	\$ 43,262,483
Contributions as a percentage of covered payroll	0.82%	0.83%	0.83%	0.84%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.  
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Millcreek Township School District  
Schedules of Required Supplementary Information  
SCHEDULE OF THE DISTRICT'S PRPORTIONATE SHARE OF THE  
NET PENSION LIABILITY  
Teachers Pension Plan  
Last 10 Fiscal Years\*  
(Dollar amounts in thousands)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Districts proportion of the net pension liability	0.3304%	0.3176%	0.3153%	0.3044%	0.3085%	0.3076%
District's proportionate share of the net pension liability	\$ 130,775	\$ 137,569	\$ 156,253	\$ 150,338	\$ 148,095	\$ 143,903
District's covered payroll	\$ 43,582	\$ 42,160	\$ 40,862	\$ 40,523	\$ 41,542	\$ 42,431
District's proportionate share of the net pension liability as a percentage of its covered payroll	300.07%	326.30%	382.39%	370.99%	356.49%	339.15%
Plan fiduciary net position as a percentage of the total pension liability	57%	54%	50%	52%	52%	56%

\* The amounts presented for each fiscal year were determined as of 06/30

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available
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Millcreek Township School District  
Schedules of Required Supplementary Information  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
Teachers Pension Plan  
Last 10 Fiscal Years\*

	2015	2016	2017	2018	2019
Contractually required contribution	\$ 8,176,866	\$ 10,854,415	\$ 11,925,355	\$ 13,261,530	\$ 13,832,395
Contributions in relation to the contractually required contribution	8,176,866	10,854,415	12,008,596	13,261,530	13,832,395
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (83,241)</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 42,159,632	\$ 40,861,981	\$ 40,523,782	\$ 41,541,609	\$ 42,430,658
Contributions as a percentage of covered payroll	19.40%	26.56%	29.63%	31.92%	32.60%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available