

MONTROSE AREA SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS  
AND  
SINGLE AUDIT REPORT

JUNE 30, 2021

AND

REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

AND

SUPPLEMENTARY INFORMATION

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### INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Board of School Directors  
Montrose Area School District  
Montrose, 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 Montrose Area School District, Montrose, Pennsylvania as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Montrose Area School District'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 Montrose Area School District'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.

(MONTROSE AREA SCHOOL DISTRICT)  
(INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-  
CONTINUED)

**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 of Montrose Area School District, Montrose, Pennsylvania, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Adoption of Governmental Accounting Standards Board Pronouncement**

As described in Note 16 to the financial statements, in 2021 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 84, Fiduciary Activities. 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 on pages 4 through 10, the schedule of the District's proportionate share of the net pension liability on page 51, the schedule of District contributions to the pension plan on page 52, the schedule of the District's proportionate share of the OPEB liability on page 53, the schedule of District contributions - OPEB on page 54 and the schedule of changes in total OPEB liability and related ratios on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

(MONTROSE AREA SCHOOL DISTRICT)  
(INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS-  
CONTINUED)

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montrose Area School District's basic financial statements. The supplementary information on pages 56 through 63 as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements.

The supplementary information on pages 56 through 63 as listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 56 through 63 as listed in the table of contents and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with "Government Auditing Standards", we have also issued our report dated November 30, 2021 on our consideration of Montrose Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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" in considering the Montrose Area School District's internal control over financial reporting and compliance.

November 30, 2021  
Moscow, Pennsylvania



MONTROSE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED)

The discussion and analysis of Montrose Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2021 are as follows:

- In total, net position increased \$233,392, which represents a 0.6 percent increase from 2020.
- General revenues accounted for \$20,463,247 in revenue or 72 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$7,858,254 or 28 percent of total revenues of \$28,321,501.
- Total assets and deferred outflows of resources of governmental activities increased by \$576,474 as current assets decreased \$272,414, net capital assets decreased by \$684,743, and deferred outflows of resources increased \$1,533,631.
- The School District had \$28,088,109 in expenses; only \$7,858,254 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state revenues) of \$20,463,247 were adequate to provide for these programs.

USING THIS GENERAL ACCEPTED ACCOUNTING PRINCIPALS REPORT (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Montrose Area School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Montrose Area School District, the General Fund is by far the most significant fund.

MONTROSE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED-CONTINUED)

REPORTING THE SCHOOL DISTRICT AS A WHOLE  
STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School District's property tax base, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District operates the food service fund as a business type activity.

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS  
FUND FINANCIAL STATEMENTS

The analysis of the School District's major funds begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Capital Projects Fund and the Debt Service Fund.

GOVERNMENTAL FUNDS

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

MONTROSE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED-CONTINUED)

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2020 compared to 2019:

TABLE 1  
NET POSITION

	<u>2021</u>	<u>2020</u>
<u>ASSETS AND DEFERRED</u>		
<u>OUTFLOWS OF RESOURCES</u>		
Current and Other Assets	\$10,416,975	\$10,333,903
Capital Assets	10,548,682	11,199,546
Deferred Outflows of Resources	<u>6,566,798</u>	<u>5,044,551</u>
TOTAL ASSETS AND DEFERRED		
OUTFLOWS OF RESOURCES	<u>27,532,455</u>	<u>26,578,000</u>
<u>LIABILITIES</u>		
Current Liabilities	3,736,313	3,902,673
Other Liabilities	<u>53,566,666</u>	<u>51,731,398</u>
TOTAL LIABILITIES	<u>57,302,979</u>	<u>55,634,071</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>5,942,243</u>	<u>6,890,088</u>
<u>NET POSITION</u>		
Invested in Capital Assets, Net of Debt	8,064,558	7,963,283
Restricted	1,799,671	1,014,540
Unrestricted deficit	<u>(45,576,996)</u>	<u>(44,923,982)</u>
TOTAL NET POSITION	<u>\$(35,712,767)</u>	<u>\$(35,946,159)</u>

Total assets and deferred outflows of resources increased by \$954,455 as cash and cash equivalents decreased by \$3,604, receivables, prepaid expenses and inventories increased by \$86,676, capital assets decreased by \$650,864, and deferred outflows of resources increased \$1,522,247. Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by \$653,014. This negative unrestricted net position was mainly attributable to Government Accounting Standards Board Statements No. 68 and No. 71 which required the District to recognize their portion of the PSERS pension liability and Government Accounting Standards Board Statement No. 75 which required the District to recognize the total OPEB liability related to their employees.

Table 2 shows the changes in net position for fiscal year 2021 and 2020.

MONTROSE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED-CONTINUED)

TABLE 2  
CHANGES IN NET POSITION

	<u>2021</u>	<u>%</u>	<u>2020</u>	<u>%</u>
<u>REVENUES</u>				
<u>Program Revenues:</u>				
Charges for Services	\$ 24,674	0.1%	\$ 157,708	0.6%
Operating Grants & Contributions	7,833,580	27.7%	6,876,077	24.9%
Capital Grants & Contributions	-0-	0.0%	-0-	0.0%
<u>General Revenues:</u>				
Property taxes	11,222,299	39.6%	11,183,164	40.5%
Grants and Entitlements	8,789,702	31.0%	8,789,582	31.8%
Other	451,246	1.6%	620,180	2.2%
TOTAL REVENUES	<u>28,321,501</u>	<u>100%</u>	<u>27,626,711</u>	<u>100%</u>
<u>PROGRAM EXPENSES</u>				
<u>INSTRUCTION</u>	17,757,628	63.2%	16,224,031	61.9%
<u>SUPPORT SERVICES:</u>				
Pupils and Instructional Staff	1,719,667	6.1%	1,724,968	6.6%
Board of Education, Administration,				
Fiscal and Business	1,920,137	6.8%	1,932,818	7.4%
Operation & Maintenance of Plant	2,067,801	7.4%	1,800,278	6.9%
Pupil Transportation	2,021,662	7.2%	1,995,027	7.6%
Other Support Services	1,598,075	5.7%	1,383,490	5.3%
Operation of Non-Instructional Services	974,978	3.5%	1,042,448	4.0%
Operating transfers	-0-	0.0%	-0-	0.0%
Interest and Fiscal Charges	28,161	0.1%	78,187	0.3%
TOTAL EXPENSES	<u>28,088,109</u>	<u>100%</u>	<u>26,181,247</u>	<u>100%</u>
INCREASE (DECREASE)				
IN NET POSITION	<u>\$ 233,392</u>		<u>\$ 1,445,464</u>	

GOVERNMENTAL ACTIVITIES

Property taxes made up 39.6 and 40.5 percent of revenues for governmental activities for the Montrose Area School District for fiscal year 2021 and 2020, respectively.

Instruction comprises 63.2 and 61.9 percent of District expenses. Support services expenses make up 33.2 and 33.8 percent of the expenses for the years 2021 and 2020, respectively.

MONTROSE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED-CONTINUED)

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

TABLE 3

	<u>TOTAL COST OF SERVICES</u> <u>2021</u>	<u>NET COST OF SERVICES</u> <u>2021</u>	<u>TOTAL COST OF SERVICES</u> <u>2020</u>	<u>NET COST OF SERVICES</u> <u>2020</u>
Instruction	\$17,757,628	\$13,577,280	\$16,224,031	\$12,182,181
<u>Support Services:</u>				
Pupil and Instructional Staff	1,719,667	1,301,156	1,724,968	1,326,834
Board of Education, Administration				
Fiscal and Business	1,920,137	1,706,127	1,932,818	1,728,975
Operation & Maintenance of Plant	2,067,801	1,788,730	1,800,278	1,687,864
Pupil Transportation	2,021,662	621,851	1,995,027	568,193
Other Support Services	1,598,075	967,812	1,383,490	1,181,949
Operation of Non-Instructional Services	974,978	238,738	1,042,448	393,279
Operating transfers	-0-	-0-	-0-	-0-
Interest and Fiscal Charges	<u>28,161</u>	<u>28,161</u>	<u>78,187</u>	<u>78,187</u>
TOTAL EXPENSES	<u>\$28,088,109</u>	<u>\$20,229,855</u>	<u>\$26,181,247</u>	<u>\$19,147,462</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to pupils.

Board of education, administration, fiscal and business includes expenses associated with administrative and financial supervision of the District.

Operation and maintenance of plant activities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Operation of non-instructional services includes the preparation, delivery, and servicing of lunches, snacks and other incidental meals to students and school staff in connection with school activities, and extracurricular activities which includes expenses related to student activities provided by the School District which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purpose of motivation, enjoyment and skill improvement.

Interest and fiscal charges involves the transactions associated with the payment of interest and other related charges to debt of the School District.

MONTROSE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED-CONTINUED)

The dependence upon tax revenue is apparent. Approximately 40 percent of the costs of the District are supported by tax revenue.

THE SCHOOL DISTRICT'S FUNDS

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue of \$31,137,782 and expenditures of \$30,904,791. The net change in fund balance increased by \$232,991 with the General Fund having a decrease of \$552,140 and the Capital Projects Fund having an increase of \$785,131.

The District had budgeted a decrease of \$194,024 (of which \$-0- was a budgetary reserve).

GENERAL FUND BUDGETING HIGHLIGHTS

The School District budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The School District adopted the budget for the fiscal year June 30, 2021 at its June 2020 meeting and made several budget transfers during fiscal 2020-21. The School District's budgetary process flows through the business office after appraisals have been made by authorized supervisory officials. This system is designed to tightly control the budget at the Business Manager level.

During the fiscal year the District had budgeted to receive \$26,939,929 in revenue but actually received \$27,731,803 or an increase in revenue of \$791,874.

The following table will illustrate the major differences between the revenues received and the revenues budgets:

	<u>Over Budget</u>		<u>Under Budget</u>
Rentals and gas lease	\$ 118,976	Access	\$ 55,105
Current real estate taxes	132,037	Social security	67,987
CARES Act Funding	652,825	Retirement revenue	270,910

On the expenditure side the District was over budget by \$1,149,990. Overall the District had a decrease in general fund balance of \$552,140.

The School District had anticipated having a decrease of \$194,024 to decrease its fund balance, but the actual was a decrease of \$552,140. The fund balance at June 30, 2021 was \$5,021,006 and carried over to the June 30, 2022 budget.

CAPITAL ASSETS

At the end of the fiscal year 2021, the School District had \$10,548,682 invested in land, buildings, furniture, equipment and vehicles.

MONTROSE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021  
(UNAUDITED-CONTINUED)

Table 4 shows fiscal 2021 balance compared to 2020.

TABLE 4  
CAPITAL ASSETS (NET OF DEPRECIATION) AT JUNE 30

	<u>2021</u>	<u>2020</u>
Land	\$ 1,167,737	\$ 1,167,737
Buildings and Improvements	8,361,105	8,994,400
Furniture, Equipment and Vehicles	<u>1,019,840</u>	<u>1,037,409</u>
TOTAL	<u>\$10,548,682</u>	<u>\$11,199,546</u>

Depreciation amounted to \$998,880 and \$983,554 and net capital assets decreased by \$650,864 in 2021 and decreased \$544,458 in 2020 with the majority being purchased from the general fund during both 2021 and 2020.

DEBT ADMINISTRATION

At June 30, 2021 the District had \$2,479,000 of total debt. During the fiscal year 2021 the District paid \$751,000 of principal for this debt.

CURRENT FINANCIAL ISSUES AND CONCERNS

The Montrose Area School District is financially stable. The District does not have a large industrial base and property taxes are generated by residential properties.

Finances of the District depend primarily upon state revenues and local property taxes. Should the Commonwealth of Pennsylvania not increase the subsidy payments sufficiently, then local property taxes would need to be raised to meet any budget shortfall.

In conclusion, the Montrose Area School District has committed itself to financial excellence for many years. In addition, the School District system of financial planning, budgeting and internal controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, inventory and regulatory agencies and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Ms. Michelle Lusk, Business Manager of the Montrose Area School District, Montrose, Pennsylvania.

**MONTROSE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,536,151	\$ 431,462	\$ 7,967,613
Investments	0	0	0
Taxes receivable, net	362,013	0	362,013
Interfund receivables	281,057	45,973	327,030
Intergovernmental receivables	1,500,475	39,247	1,539,722
Inventories	64,265	18,106	82,371
Other receivables, net	138,226	0	138,226
Prepaid expenses	0	0	0
Total Current Assets	<u>9,882,187</u>	<u>534,788</u>	<u>10,416,975</u>
<b>NON-CURRENT ASSETS</b>			
Land	1,167,737	0	1,167,737
Building and building improvements	22,857,370	0	22,857,370
Fixtures and equipment	5,657,674	581,499	6,239,173
Construction in progress	0	0	0
Accumulated depreciation	(19,184,698)	(530,900)	(19,715,598)
Total Non-Current Assets	<u>10,498,083</u>	<u>50,599</u>	<u>10,548,682</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amounts related to OPEB	830,563	0	830,563
Deferred amounts related to pensions	5,674,774	61,461	5,736,235
Total Deferred Outflows of Resources	<u>6,505,337</u>	<u>61,461</u>	<u>6,566,798</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>26,885,607</u>	<u>646,848</u>	<u>27,532,455</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Interfund payables	45,973	281,057	327,030
Accounts payable	387,927	60,801	448,728
Accrued salaries & benefits	1,095,060	0	1,095,060
Accrued retirement incentive	64,258	0	64,258
Accrued interest	13,139	0	13,139
Payroll deductions & withholdings	1,258,003	1,898	1,259,901
Revenues received in advance	22,159	20,038	42,197
Other current liabilities	0	0	0
Current portion of long-term obligations	486,000	0	486,000
Total Current Liabilities	<u>3,372,519</u>	<u>363,794</u>	<u>3,736,313</u>
<b>NON-CURRENT LIABILITIES</b>			
Bonds and Notes payable	1,993,000	0	1,993,000
Accrued retirement incentive	60,803	0	60,803
Other postemployment benefits	8,667,379	0	8,667,379
Net pension liability	39,141,396	742,604	39,884,000
Long-term portion of compensated absences	2,961,484	0	2,961,484
Total Non-Current Liabilities	<u>52,824,062</u>	<u>742,604</u>	<u>53,566,666</u>
<b>TOTAL LIABILITIES</b>	<u>56,196,581</u>	<u>1,106,398</u>	<u>57,302,979</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unamortized premium on issuance of bonds	5,124	0	5,124
Deferred amounts related to OPEB	3,787,119	0	3,787,119
Deferred amounts related to pensions	2,126,964	23,036	2,150,000
Total Deferred Inflows of Resources	<u>5,919,207</u>	<u>23,036</u>	<u>5,942,243</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	8,013,959	50,599	8,064,558
Restricted for: Capital Projects	1,799,671	0	1,799,671
Debt Service	0	0	0
Unrestricted	(45,043,811)	(533,185)	(45,576,996)
<b>TOTAL NET POSITION</b>	<u>\$ (35,230,181)</u>	<u>\$ (482,586)</u>	<u>\$ (35,712,767)</u>

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

MONTROSE AREA SCHOOL DISTRICT  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2021

Total Governmental Fund Balance \$ 6,820,677

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	1,167,737
Buildings and building improvements	22,857,370
Furniture and equipment	5,657,674
Accumulated depreciation	(19,184,698)
Total Capital Assets	<u>10,498,083</u>

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 252,388

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	5,674,774
Deferred outflows of resources related to OPEB	830,563
Deferred inflows of resources related to OPEB	(3,787,119)
Deferred inflows of resources related to pensions	(2,126,964)
Total Deferred Outflows and Inflows of Resources	<u>591,254</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds and notes payable	(2,479,000)
Bond premium, net of amortization	(5,124)
Accrued interest	(13,139)
Accrued retirement incentive	(125,061)
Other postemployment benefits	(8,667,379)
Net pension liability	(39,141,396)
Compensated absences	(2,961,484)
Total Liabilities	<u>(53,392,583)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (35,230,181)

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

**MONTROSE AREA SCHOOL DISTRICT  
STATEMENT OF NET ACTIVITIES  
FOR THE YEAR ENDING JUNE 30, 2021**

	EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>GOVERNMENTAL ACTIVITIES</b>							
INSTRUCTION:							
Regular	\$ 13,515,356	\$ -	\$ 2,348,042	\$ -	\$ (11,167,314)	\$ -	\$ (11,167,314)
Special	3,634,480		1,811,085		(1,823,395)		(1,823,395)
Vocational	574,888		8,361		(566,527)		(566,527)
Other Instructional Programs	23,105		3,061		(20,044)		(20,044)
Non Public Programs	9,799		9,799		0		0
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<b>17,757,628</b>	<b>0</b>	<b>4,180,348</b>	<b>0</b>	<b>(13,577,280)</b>	<b>0</b>	<b>(13,577,280)</b>
<b>SUPPORT SERVICES</b>							
Pupil Personnel	708,779		199,433		(509,346)		(509,346)
Instructional Staff	700,550		157,822		(542,728)		(542,728)
Administration	1,487,095		164,324		(1,322,771)		(1,322,771)
Pupil Health	310,338		61,256		(249,082)		(249,082)
Business	433,042		49,686		(383,356)		(383,356)
Operation and Maintenance of Plant Services	2,067,801		279,071		(1,788,730)		(1,788,730)
Student Transportation Services	2,021,662		1,399,811		(621,851)		(621,851)
Central	1,573,590		630,263		(943,327)		(943,327)
Other Support Services	24,485		0		(24,485)		(24,485)
<b>TOTAL SUPPORT SERVICES</b>	<b>9,327,342</b>	<b>0</b>	<b>2,941,666</b>	<b>0</b>	<b>(6,385,676)</b>	<b>0</b>	<b>(6,385,676)</b>
<b>NON-INSTRUCTIONAL SERVICES</b>							
Student Activities	404,074	662	35,250	0	(368,162)		(368,162)
Community Services	1,207	0	0	0	(1,207)		(1,207)
<b>TOTAL NON-INSTRUCTIONAL SERVICES</b>	<b>405,281</b>	<b>662</b>	<b>35,250</b>	<b>0</b>	<b>(369,369)</b>	<b>0</b>	<b>(369,369)</b>
Interest on Long-Term Debt	28,161	0	0	0	(28,161)		(28,161)
<b>TOTAL GOVERNMENT ACTIVITIES</b>	<b>27,518,412</b>	<b>662</b>	<b>7,157,264</b>	<b>0</b>	<b>(20,360,486)</b>	<b>0</b>	<b>(20,360,486)</b>
Business-Type Activities							
Food Service	569,697	24,012	676,316	0	130,631		130,631
Internal Service	0	0	0	0	0		0
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>569,697</b>	<b>24,012</b>	<b>676,316</b>	<b>0</b>	<b>130,631</b>	<b>0</b>	<b>130,631</b>
<b>GENERAL REVENUES:</b>	<b>28,088,109</b>	<b>24,674</b>	<b>7,833,580</b>	<b>-</b>	<b>(20,360,486)</b>	<b>(20,360,486)</b>	<b>(20,229,855)</b>
Property taxes, levied for general purposes					11,222,299	0	11,222,299
Public utility realty, per capita and occupational taxes levied for general purposes					10,656	0	10,656
Grants, subsidies and contributions not restricted					8,789,702	0	8,789,702
Investment earnings					105,530	2,332	107,862
Miscellaneous income					332,728	0	332,728
<b>TOTAL GENERAL REVENUES</b>					<b>20,460,915</b>	<b>2,332</b>	<b>20,463,247</b>
Change in Net Position					100,429	132,963	233,392
<b>NET POSITION - BEGINNING OF YEAR</b>					<b>(35,330,610)</b>	<b>(615,549)</b>	<b>(35,946,159)</b>
<b>NET POSITION - END OF YEAR</b>					<b>(35,230,181)</b>	<b>(482,586)</b>	<b>(35,712,767)</b>

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

MONTROSE AREA SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 5,736,480	\$ 1,799,671	\$ -	\$ 7,536,151
Investments	0	0	0	0
Taxes receivable, net	362,013	0	0	362,013
Interfund receivables	281,057	86,335	0	367,392
Intergovernmental receivables	1,500,475	0	0	1,500,475
Inventories	64,265	0	0	64,265
Other receivables, net	138,226	0	0	138,226
Prepaid expenses	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$ 8,082,516</b>	<b>\$ 1,886,006</b>	<b>\$ -</b>	<b>\$ 9,968,522</b>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Interfund payables	45,973	86,335	0	132,308
Accounts payable	387,927	0	0	387,927
Accrued salaries & benefits	1,095,060	0	0	1,095,060
Accrued interest	0	0	0	0
Payroll deductions & withholding	1,258,003	0	0	1,258,003
Revenue received in advance	22,159	0	0	22,159
Other current liabilities	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>2,809,122</b>	<b>86,335</b>	<b>0</b>	<b>2,895,457</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	252,388	0	0	252,388
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>252,388</b>	<b>0</b>	<b>0</b>	<b>252,388</b>
<u>FUND BALANCES</u>				
Nonspendable:				
Inventories & Prepaid	64,265	0	0	64,265
Restricted for:				
Capital outlays	0	1,799,671	0	1,799,671
Debt service	0	0	0	0
Committed for:				
Future pension costs	1,106	0	0	1,106
Capital 32 Fund	118,976	0	0	118,976
Curriculum	1,071,183	0	0	1,071,183
Budget Shortfall	325,000	0	0	325,000
Bonded Debt	2,010,270	0	0	2,010,270
Unassigned:				
Unassigned	1,430,206	0	0	1,430,206
<b>TOTAL FUND BALANCES</b>	<b>5,021,006</b>	<b>1,799,671</b>	<b>0</b>	<b>6,820,677</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, &amp; FUND BALANCES</b>	<b>\$ 8,082,516</b>	<b>\$ 1,886,006</b>	<b>\$ -</b>	<b>\$ 9,968,522</b>

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

MONTROSE AREA SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2021

Net change in Fund Balances – Total Government Funds \$ 232,991

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	308,567
Depreciation expense	(993,310)
Excess of capital outlay over depreciation expense	(684,743)

Issuance of long-term debt is reported as revenue as it provides current financial resources to governmental funds, while repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Note proceeds from extended term financing	(2,479,000)
Bond principal payments	3,230,000
Bond premium amortization	1,139
	752,139

Some revenues that will not be collected for several months after the District's fiscal year ends are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount this year:

Property taxes	(124,643)
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Governmental funds report district pension contributions as expenditures. However in the statement of net activities, the cost of pension related benefits earned net of employee contributions is reported as pension expense:

District pension contributions	3,803,046
Cost of pension benefits earned, net of employee contributions	(3,378,116)
	424,930

Net OPEB liability is considered long-term in nature, and is not reported as a liability within the funds. Such a liability is, however, reported with in the statement of net position, and changes in the liability is reflected within the statement of net activities. This represents the change in OPEB liability and the deferred outflows and inflows related to the OPEB.

71,733

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net (increase)/decrease in accrued interest	25,245
Net (increase)/decrease in accrued retirement incentive	25,190
Net (increase)/decrease in compensated absences	(622,413)
	(571,978)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 100,429
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The accompanying notes are an integral part of these financial statements.

MONTROSE AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDING JUNE 30, 2021

	GENERAL	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local sources	\$12,054,066	\$ 11,681	\$ -	\$12,065,747
State sources	14,353,425	0	0	14,353,425
Federal sources	1,321,913	0	0	1,321,913
<u>TOTAL REVENUES</u>	<u>27,729,404</u>	<u>11,681</u>	<u>0</u>	<u>27,741,085</u>
<u>EXPENDITURES</u>				
<u>Instructional Services</u>				
Regular	12,684,023	0	0	12,684,023
Special	3,560,981	0	0	3,560,981
Vocational	553,884	0	0	553,884
Other instructional programs	22,631	0	0	22,631
Non public programs	9,799	0	0	9,799
<u>TOTAL INSTRUCTIONAL SERVICES</u>	<u>16,831,318</u>	<u>0</u>	<u>0</u>	<u>16,831,318</u>
<u>Support Services</u>				
Pupil personnel	696,638	0	0	696,638
Instructional staff	682,861	0	0	682,861
Administration	1,416,185	0	53,500	1,469,685
Pupil health	304,853	0	0	304,853
Business	423,749	0	0	423,749
Operation and maintenance of plant services	1,987,144	44,867	0	2,032,011
Student transportation services	2,023,400	0	0	2,023,400
Central	1,702,831	0	0	1,702,831
Other support services	24,485	0	0	24,485
<u>TOTAL SUPPORT SERVICES</u>	<u>9,262,146</u>	<u>44,867</u>	<u>53,500</u>	<u>9,360,513</u>
Operation of Non-Instructional Services	395,663	0	0	395,663
Capital outlay	20,473	96,981	0	117,454
<u>Debt Service</u>				
Interest, Refunds and Costs	49,552	0	4,993	54,545
Principal	809,493	0	2,420,507	3,230,000
<u>TOTAL EXPENDITURES</u>	<u>27,368,645</u>	<u>141,848</u>	<u>2,479,000</u>	<u>29,989,493</u>
(EXCESS) DEFICIENCY OF REVENUES OVER EXPENDITURES	360,759	(130,167)	(2,479,000)	(2,248,408)
<u>OTHER FINANCING SOURCES (USES)</u>				
Bond/Note issue proceeds	0	0	2,479,000	2,479,000
Sale of fixed assets	2,399	0	0	2,399
Operating transfers in	0	915,298	0	915,298
Operating transfers out	(915,298)	0	0	(915,298)
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>(912,899)</u>	<u>915,298</u>	<u>2,479,000</u>	<u>2,481,399</u>
NET CHANGE IN FUND BALANCES	(552,140)	785,131	0	232,991
Fund Balances-Beginning	5,573,146	1,014,540	0	6,587,686
<u>FUND BALANCES-ENDING</u>	<u>\$ 5,021,006</u>	<u>\$ 1,799,671</u>	<u>\$ -</u>	<u>\$ 6,820,677</u>

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

MONTROSE AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET(NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDING JUNE 30, 2021

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<u>REVENUES</u>				
Local sources	\$11,833,133	\$11,833,133	\$12,054,066	\$ 220,933
State sources	14,522,090	14,522,090	14,353,425	(168,665)
Federal sources	583,706	583,706	1,321,913	738,207
Total Revenues	<u>26,938,929</u>	<u>26,938,929</u>	<u>27,729,404</u>	<u>790,475</u>
<u>EXPENDITURES</u>				
<u>Instructional Services:</u>				
Regular	12,434,920	12,698,588	12,684,023	14,565
Special	3,523,064	3,566,243	3,560,981	5,262
Vocational	689,825	554,062	553,884	178
Other instructional programs	95,471	23,122	22,631	491
Non public programs	0	9,799	9,799	0
Total Instructional Services	<u>16,743,280</u>	<u>16,851,814</u>	<u>16,831,318</u>	<u>20,496</u>
<u>Support Services</u>				
Pupil personnel	735,833	698,505	696,638	1,867
Instructional staff	763,970	685,908	682,861	3,047
Administration	1,380,297	1,417,573	1,416,185	1,388
Pupil health	392,258	306,752	304,853	1,899
Business	493,959	404,501	423,749	(19,248)
Operation & maintenance				
of plant services	1,892,507	1,988,767	1,987,144	1,623
Student transportation services	2,037,954	2,023,471	2,023,400	71
Central	1,473,071	1,703,277	1,702,831	446
Other support services	25,072	24,485	24,485	0
Total Support Services	<u>9,194,921</u>	<u>9,253,239</u>	<u>9,262,146</u>	<u>(8,907)</u>
<u>Operation of Non-</u>				
<u>Instructional Services</u>	505,084	398,875	395,663	3,212
Capital outlay	0	20,473	20,473	0
<u>Debt Service: Interest &amp; refunds</u>	71,668	49,552	49,552	0
Principal	510,000	510,000	809,493	(299,493)
TOTAL EXPENDITURES	<u>27,024,953</u>	<u>27,083,953</u>	<u>27,368,645</u>	<u>(284,692)</u>
(EXCESS) DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(86,024)</u>	<u>(145,024)</u>	<u>360,759</u>	<u>505,783</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of fixed assets	1,000	1,000	2,399	1,399
Operating transfers in	0	0	0	0
Operating transfers out	(109,000)	(50,000)	(915,298)	(865,298)
Budgetary reserve	0	0	0	0
Total Other Financing Sources(Uses)	<u>(108,000)</u>	<u>(49,000)</u>	<u>(912,899)</u>	<u>(863,899)</u>
Net Change in Fund Balances	(194,024)	(194,024)	(552,140)	(358,116)
Fund Balances-Beginning	4,342,637	4,342,637	5,573,146	1,230,509
FUND BALANCES-ENDING	<u>\$ 4,148,613</u>	<u>\$ 4,148,613</u>	<u>\$ 5,021,006</u>	<u>\$ 872,393</u>

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

MONTROSE AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2021

	<u>FOOD SERVICE</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 431,462	\$ -	\$ 431,462
Investments	0	0	0
Taxes receivable, net	0	0	0
Interfund receivables	45,973	0	45,973
Intergovernmental receivables	39,247	0	39,247
Inventories	18,106	0	18,106
Prepaid expenses	0	0	0
Total Current Assets	<u>534,788</u>	<u>0</u>	<u>534,788</u>
<u>NON-CURRENT ASSETS</u>			
Fixtures and equipment	581,499	0	581,499
Accumulated depreciation	(530,900)	0	(530,900)
Total Non-Current Assets	<u>50,599</u>	<u>0</u>	<u>50,599</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	61,461	0	61,461
Total Deferred Outflows of Resources	<u>61,461</u>	<u>0</u>	<u>61,461</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 646,848</u>	<u>\$ -</u>	<u>\$ 646,848</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Interfund payables	281,057	0	281,057
Accounts payable	60,801	0	60,801
Accrued salaries & benefits	0	0	0
Payroll deductions & withholding	1,898	0	1,898
Revenue received in advance	20,038	0	20,038
Other current liabilities	0	0	0
Total Current Liabilities	<u>363,794</u>	<u>0</u>	<u>363,794</u>
<u>NON-CURRENT LIABILITIES</u>			
Net Pension Liability	742,604	0	742,604
Total Non-Current Liabilities	<u>742,604</u>	<u>0</u>	<u>742,604</u>
<b>TOTAL LIABILITIES</b>	<u>1,106,398</u>	<u>0</u>	<u>1,106,398</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	23,036	0	23,036
Total Deferred Inflows of Resources	<u>23,036</u>	<u>0</u>	<u>23,036</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	50,599	0	50,599
Unrestricted	(533,185)	0	(533,185)
<b>TOTAL NET POSITION</b>	<u>\$ (482,586)</u>	<u>\$ -</u>	<u>\$ (482,586)</u>

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

MONTROSE AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION-PROPRIETARY FUNDS  
FOR THE YEAR ENDING JUNE 30, 2021

	<u>FOOD SERVICE</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>OPERATING REVENUE</u>			
Food service revenue	\$ 24,012	\$ -	\$ 24,012
<u>OPERATING EXPENSES</u>			
Salaries	128,850	0	128,850
Employee benefits	89,496	0	89,496
Purchased professional & technical services	271	0	271
Purchased property services	20,107	0	20,107
Other purchased services	318,850	0	318,850
Supplies	5,718	0	5,718
Other objects	835	0	835
Depreciation	5,570	0	5,570
Total Operating Expenses	<u>569,697</u>	<u>0</u>	<u>569,697</u>
Operating Income (Loss)	<u>(545,685)</u>	<u>0</u>	<u>(545,685)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Earnings on investments	2,332	0	2,332
State sources	26,128	0	26,128
Federal sources	650,188	0	650,188
Non-operating transfers	0	0	0
Total Non-Operating Revenues (Expenses)	<u>678,648</u>	<u>0</u>	<u>678,648</u>
Change in Net Position	132,963	0	132,963
NET POSITION, BEG. OF YEAR	<u>(615,549)</u>	<u>0</u>	<u>(615,549)</u>
NET POSITION, END OF YEAR	<u>\$ (482,586)</u>	<u>\$ -</u>	<u>\$ (482,586)</u>

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

MONTROSE AREA SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDING JUNE 30, 2021

	<u>FOOD SERVICE</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 23,842	\$ -	\$ 23,842
Cash payments to suppliers for goods & services	(152,667)	0	(152,667)
Cash payments to employees for services	(128,465)	0	(128,465)
Cash payments for other operating expenses	(835)	0	(835)
Net Cash Provided by (used for) Operating Activities	(258,125)	0	(258,125)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING SOURCES</u>			
State sources	26,128	0	26,128
Federal sources	609,872	0	609,872
Net Cash Provided by (used for) Non-capital Financing Activities	636,000	0	636,000
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Fixed asset purchases	(4,182)	0	(4,182)
Net Cash Provided by (used for) Capital and Related Financing Activities	(4,182)	0	(4,182)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interfund transfers in/(out)	0	0	0
Earnings on investments	2,332	0	2,332
Net Cash Provided by (used for) Investing Activities	2,332	0	2,332
Net Increase (Decrease) in Cash & Cash Equivalents	376,025	0	376,025
CASH & CASH EQUIVALENTS, BEG. OF YEAR	55,437	0	55,437
CASH & CASH EQUIVALENTS, END OF YEAR	\$ 431,462	\$ -	\$ 431,462
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>			
Operating Loss	(545,685)	0	(545,685)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	5,570	0	5,570
USDA donated commodities	45,815	0	45,815
(Increase) decrease in accounts receivable	0	0	0
(Increase) decrease in inventories	(1,040)	0	(1,040)
(Increase) decrease in interfund receivable	16,080	0	16,080
(Increase) decrease in deferred outflows	11,384	0	11,384
Increase (decrease) in interfund payable	205,875	0	205,875
Increase (decrease) in accounts payable	25,534	0	25,534
Increase (decrease) in accrued salaries & benefits	(1,162)	0	(1,162)
Increase (decrease) in payroll deductions & withholding	1,547	0	1,547
Increase (decrease) in revenue received in advance	(6,057)	0	(6,057)
Increase (decrease) in net pension liability	14,727	0	14,727
Increase (decrease) in deferred inflows	(30,713)	0	(30,713)
TOTAL ADJUSTMENTS	287,560	0	287,560
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (258,125)	\$ -	\$ (258,125)

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

MONTROSE AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2021

	<u>PRIVATE PURPOSE</u> <u>TRUST</u>	<u>CUSTODIAL</u> <u>FUNDS</u>
	<u>SCHOLARSHIP</u>	<u>STUDENT</u> <u>ACTIVITIES</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 5,703	\$ 105,366
Investments	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>5,703</u>	<u>105,366</u>
<u>LIABILITIES</u>		
Due to Students	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>
<u>NET POSITION</u>		
Restricted for Student Activities	0	105,366
Held in Trust for Scholarships	5,703	0
TOTAL NET POSITION	<u>\$ 5,703</u>	<u>\$ 105,366</u>

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

MONTROSE AREA SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDING JUNE 30, 2021

	<u>PRIVATE PURPOSE</u> <u>TRUST</u>	<u>CUSTODIAL</u> <u>FUNDS</u>
	<u>SCHOLARSHIP</u>	<u>STUDENT</u> <u>ACTIVITIES</u>
<u>ADDITIONS</u>		
Gifts and contributions	\$ -	\$ -
Student activity receipts	0	50,985
Interest income	0	0
	<u>0</u>	<u>50,985</u>
<u>DEDUCTIONS</u>		
Student activity expenditures	0	63,028
Scholarships and awards	1,000	0
	<u>1,000</u>	<u>63,028</u>
CHANGE IN NET POSITION	(1,000)	(12,043)
NET POSITION - BEGINNING OF YEAR	<u>6,703</u>	<u>117,409</u>
NET POSITION - END OF YEAR	<u>\$ 5,703</u>	<u>\$ 105,366</u>

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

MONTROSE AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Montrose Area School District (the District) located in Montrose, Pennsylvania, provides a full range of educational services appropriate to grade levels kindergarten through 12 to students living in Susquehanna County. These include regular, advanced academic, and vocational education programs, and special education programs for gifted and handicapped children. The District has a nine-member elected school board and an appointed Superintendent and Business Manager who oversee the daily operations of the District. The District is comprised of two elementary schools and one high school.

The accounting policies of Montrose Area School District conform with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The following is a summary of the District's significant accounting policies:

A. REPORTING ENTITY

The accompanying financial statements comply with the provisions of GASB Statement No. 61, The Financial Reporting Entity: Omnibus, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financially accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. This report presents the activities of the Montrose Area School District. Based upon the application of these criteria, the School District is not a component unit of another reporting entity. Currently, the School District does not have any potential component units that should be included in the School District's reporting entity.

B. BASIS OF PRESENTATION, FUND ACCOUNTING

The accounts of the District are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows/outflows of resources, fund balances/net position, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District uses the following fund types:

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the District's governmental fund types:

GENERAL FUND

The General Fund accounts for the general operations of the District and all financial transactions not properly accounted for in another fund.

DEBT SERVICE FUND

The Debt Service Fund accounts for the accumulation of resources, sources for and the payment of, general long-term debt principal and interest.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for the revenue and expenditures of major construction projects of the District and the Capital Reserve Fund. The Capital Reserve Fund was set up under the authorization of Sections 1431-1436 of the PA School Code and accounts for monies that can be used for capital improvements and deferred maintenance thereof, including replacement and purchase of equipment and furniture.

PROPRIETARY FUND TYPES

Proprietary Fund Types account for operations that are financed and operated in a manner similar to private business enterprises.

FOOD SERVICE FUND

The Food Service Fund accounts for all financial resources associated with the operations of the cafeterias.

FIDUCIARY FUND TYPES (TRUST AND CUSTODIAL FUNDS)

Fiduciary Fund Types account for assets held by a governmental unit in a trustee capacity or as a custodial agent for other funds.

CUSTODIAL FUND

Custodial funds are used to account for assets held by the District as a custodial agent. Custodial funds are custodial in nature and do not involve measurement or results of operations. The following is in the District's custodial fund:

- The Student Activity Fund accounts for programs operated and sponsored by various clubs and organizations.

TRUST FUND

Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The following is included in the District's trust fund:

- The Private Purpose Trust accounts for scholarship funds for students.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities such as the trust and custodial fund. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and District general revenues, from business-type activities, generally financed in whole or in part with fees charged for services.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the District's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

(NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED)

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the District are prepared in accordance with accounting principles generally accepted in the United States of America. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide, proprietary fund and component unit financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues, net of any uncollectible amounts, are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Net position (total assets less total liabilities) 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 report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible with the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Property taxes levied but collected beyond 60 days after year-end, are recorded as deferred revenue to be recognized as revenue when the taxes are collected. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues, investment income, rent and certain miscellaneous revenues. In general, other revenues are recognized when cash is received. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the District; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges for services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

## (NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED)

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restricted classifications- committed, assigned, and then unassigned fund balances.

### E. BUDGETARY DATA

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting. The District utilizes the Executive Budget approach to budgetary control. This approach requires the Superintendent, together with the Business Office, to prepare and submit a plan of financial operation to the School Board. The District is not required to adopt an operating budget for its Capital Projects Fund.

### F. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in government funds. Encumbrances at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. As of June 30, 2021, the District had no such encumbrances.

### G. INTERFUND TRANSACTIONS

Advances between funds are accounted for in the appropriate interfund receivables and payable accounts. Any outstanding amounts (reported in "due from" asset accounts) are considered "available spendable resources". As of June 30, 2021 the outstanding interfund balances was \$327,030.

### H. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, certificates of deposit and liquid asset funds, are all carried at cost, which approximates fair value. The District considers all investments purchased with an original maturity of three months or less to be cash equivalents.

### I. TAXES RECEIVABLE AND UNEARNED TAX REVENUES

The portion of delinquent real estate taxes receivable that is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of those and other tax receivables is recorded as unearned tax revenues.

### J. INVENTORIES AND PREPAID EXPENSES

Supplies are recorded as expenditures or expenses of all fund types when consumed. Supplies inventories are valued at cost, determined by the first-in, first-out method. Donated inventory is valued at fair value on the date donated.

Prepaid expenses represent the cost of goods and services that has been paid for in advance of receipt. The consumption method is used to account for prepaid expenses in all fund types. Under the consumption method, prepaid expenses are recorded as assets and expended or expensed as the goods or services are received.

Inventories and prepaid expenses in the General Fund are reported as a nonspendable fund balance, which indicates that the amounts do not represent spendable resources and that they are unavailable for appropriation.

(NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED)

**K. CAPITAL ASSETS AND DEPRECIATION**

The District's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary fund capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are generally as follows:

School buildings	40 years
Land improvements & building improvements	20 years
Furniture, fixtures, equipment & vehicles	4-12 years
Computer hardware	5 years

**L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. The capital leases, and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**M. LIABILITY FOR FUTURE COMPENSATED ABSENCES**

Employees of the District are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service, and other factors. Employees are represented by a number of labor unions, and each contract contains different provisions for such employee-compensated absences.

In addition, administration and other non-union employees have agreements with the District that provide for compensated absences. The District normally pays its compensated absences from the general fund.

At June 30, 2021 the District had a compensated absence liability of \$2,961,484.

**N. PENSION PLAN**

Substantially all full-time and part-time employees of the District participates in a cost-sharing multiple employer defined pension plan. The District recognizes annual pension expenditures or expenses equal to its contractually required contributions, subject to the modified accrual basis of accounting in governmental funds. (That is, if contributions from governmental funds are required but not made, the difference would not be reported as an expenditure until payable with expendable, available financial resources.) The District made all required contributions for the year ended June 30, 2021 and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

(NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED)

O. UNEARNED REVENUES

Unearned revenue arises when amounts are received prior to the delivery of goods and/or services or expenditures of allowable costs.

P. NET POSITION

Net position represents the difference between assets and liabilities. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Q. INVESTMENTS

Investments consist of certificates of deposit and are carried at fair market value.

R. 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.

S. ALLOCATION OF INDIRECT EXPENSES

The District allocates the indirect cost of depreciation. (See Note 5)

T. FUND BALANCES

Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" was implemented during fiscal year 2011. The statement establishes fund balance classifications that comprise hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned.

## (NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED)

In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Fund balances are classified as follows:

- Nonspendable – Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to remain intact.
- Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts which can be used only for specific purposes determined by the Board of Education's formal action through a resolution.
- Assigned – Amounts that reflect the District's intent to spend resources for a specific purpose expressed by who is authorized by policy approved by the Board of Education to make assignments.
- Unassigned – All amounts not included in other spendable classifications.

### U. DEFERRED INFLOWS OF RESOURCES

The Government Accounting Standards Board (GASB) has issued Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65). Under GASB 65, in addition to liabilities the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a decrease in net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until then. The District has four items that qualify for reporting in this category. The first is the unamortized premium on debt issuance reported in the government-wide financial statement of net position. An unamortized premium results from the difference between the face value of a bond and the price above this face value, at which the bond has been issued. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the unavailable property tax revenue reported in the balance sheet of the governmental funds financial statements. Unavailable property tax revenue represents property taxes not collected (delinquent taxes) within 60 days subsequent to the District's year-end. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The third are the amounts related to the pension that include the difference between actual and projected investment earning and the difference between the District's actual and proportionate share of pension contributions. The fourth relates to Other Post Employment Benefits (OPEB) and includes changes of assumptions and the difference between the District's actual and proportionate share of contributions.

### V. DEFERRED OUTFLOWS OF RESOURCES

The Government Accounting Standards Board (GASB) has issued Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65). Under GASB 65, in addition to assets the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents an increase in net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expenditure) until then. The District has two items that qualifies for reporting in this category. The first is the amounts related to pensions such as the District's contributions for the period subsequent to the measurement date. The second relates to Other Post Employment Benefits (OPEB) and includes the difference between projected and actual investment earnings.

W. PENSION LIABILITY

Effective July 1, 2014, the District adopted Governmental Accounting Standards Board Statements No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, to be in conformity with generally accepted accounting principles.

Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for pensions. The statement also enhances note disclosure and required supplementary information for government pension plans.

Statement No. 71 establishes standards for recording and reporting contributions made to a defined benefit plan after the measurement date of the government's beginning net pension liability.

X. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Effective July 1, 2017, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which replaces the requirements of GASB Statement No. 45, for the year ended June 30, 2018. Statement No. 75 establishes that governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. Additionally, Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures, including a sensitivity analysis of the discount rate and a healthcare cost trend rate assumptions used for the valuation, and required supplementary information about their OPEB liabilities.

## (NOTES TO FINANCIAL STATEMENTS – CONTINUED)

### NOTE 2 – CASH AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

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

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

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

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

#### Deposits With Financial Institutions and PLGIT

##### Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The District's investment policy limits investment of funds to instruments backed by the full faith and credit of the federal and state governments or those investments specified in the Public School Code. At June 30, 2021, the bank balance of the District's deposits with financial institutions, including cash equivalents, was \$8,870,846 compared to the carrying amount of \$8,078,682. The difference is caused by items in-transit and outstanding checks. \$8,506,863 of the District's deposits was exposed to custodial credit risk and was uninsured and collateralized by securities pledged by the financial institutions for such funds but not in the District's name in accordance with the collateralization provisions of Commonwealth of Pennsylvania Act 72 of 1971 ("Act 72"), as amended. Act 72 allows banking institutions to satisfy the collateralization required by pooling eligible investments to cover public funds on deposit in excess of federal insurance.

The Pennsylvania Local Government Investment Trust ("PLGIT") is a common law trust organized to provide Pennsylvania local governments with a convenient method of pooling their cash for temporary investment. PLGIT functions similar to a money market fund, seeking to maintain a net asset value of \$1 per share. Participants purchase "shares" in PLGIT, which invests the proceeds in: obligations of the United States Government, its agencies or instrumentalities; obligations of the Commonwealth of Pennsylvania, its agencies, instrumentalities or political subdivisions; and deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository. Shares may be withdrawn at any time. PLGIT/PLGIT PLUS have received a "AAAm" rating from Standard & Poor's, an independent credit rating agency. At June 30, 2021, the bank balance of the District's deposits with PLGIT was \$60,109 compared to the carrying amount of \$60,109.

(NOTE 2 – CASH AND INVESTMENTS WITH FINANCIAL INSTITUTIONS – CONTINUED)

Investments

As of June 30, 2021, the District did not have any investments.

NOTE 3 – TAXES RECEIVABLE

Real estate taxes and taxpayer-assessed taxes are recognized as revenue when available on the modified accrual basis, which means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed sixty days. The government-wide financial statements recognize real estate tax revenue when the taxes are levied.

Estimated collectible delinquent taxes at June 30, 2021 are as follows:

	<u>OUTSTANDING BALANCE</u>
Real estate, occupational, transfer tax and per capita taxes	<u>\$362,013</u>

The tax on real estate, as levied by the Board, was 50.2319 mills (\$50.2319 per \$1,000 of assessed valuation) for Susquehanna County for fiscal 2021. Assessed valuations of property are determined by the County and the elected tax collectors are responsible for collection. 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	-Turned over to Susquehanna County

NOTE 4 – DUE FROM OTHER GOVERNMENTS

A summary of the receivables due from other governments at June 30, 2021 is as follows:

	<u>GOVERNMENTAL</u>	<u>PROPRIETARY</u>	<u>TOTAL</u>
Federal grants	\$ 602,565	\$ 39,247	\$ 641,812
State subsidies	897,910	-0-	897,910
Other	-0-	-0-	-0-
Total Due from Other Governments	<u>\$1,500,475</u>	<u>\$ 39,247</u>	<u>\$1,539,722</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 5 – CAPITAL ASSETS

A summary of changes in the capital assets is as follows:

	<u>BALANCE</u> <u>2020</u>	<u>NET</u> <u>ADDITIONS</u>	<u>BALANCE</u> <u>2021</u>
Governmental activities:			
Land & improvements (not depreciated)	\$ 1,167,737	\$ -0-	\$ 1,167,737
Buildings & building improvements	22,747,533	109,837	22,857,370
Furniture, equipment & vehicles	<u>5,458,944</u>	<u>198,730</u>	<u>5,657,674</u>
Total Historical Cost	<u>\$29,374,214</u>	<u>\$ 308,567</u>	<u>\$29,682,781</u>
LESS: Accumulated depreciation:			
Buildings & building improvements	\$13,753,133	\$ 743,132	\$14,496,265
Furniture, equipment & vehicles	<u>4,438,255</u>	<u>250,178</u>	<u>4,688,433</u>
Total Accumulated Depreciation	<u>\$18,191,388</u>	<u>\$ 993,310</u>	<u>\$19,184,698</u>
Governmental Activities, net	<u>\$11,182,826</u>	<u>\$ (684,743)</u>	<u>\$10,498,083</u>
Business-type activities:			
Furniture and equipment	\$ 542,050	\$ 39,449	\$ 581,499
Accumulated depreciation	<u>525,330</u>	<u>5,570</u>	<u>530,900</u>
Business-type Activities, net	<u>\$ 16,720</u>	<u>\$ 33,879</u>	<u>\$ 50,599</u>

Depreciation expense of \$993,310 was charged to governmental functions as follows:

Instructional	\$683,948
Pupil Personnel	28,325
Instructional Staff	27,764
Administration	57,581
Pupil Health	12,395
Business	17,229
Operation & Maintenance of	
Plant Services	80,795
Central	69,235
Student Activities	<u>16,038</u>
TOTAL	<u>\$993,310</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 6 – LONG-TERM OBLIGATIONS

The changes in long-term debt obligations payable during fiscal 2021 are as follows:

	<u>BALANCE</u> <u>7/1/20</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCE</u> <u>6/30/21</u>
G.O.B. Series of 2015	\$ 3,230,000	\$ -0-	\$3,230,000	\$ -0-
Notes Series of 2020	<u>-0-</u>	<u>2,479,000</u>	<u>-0-</u>	<u>2,479,000</u>
 TOTAL	 <u>\$ 3,230,000</u>	 <u>\$ 2,479,000</u>	 <u>\$3,230,000</u>	 <u>\$ 2,479,000</u>

Total interest paid on the general obligation bonds and notes for the year ended June 30, 2021 was \$54,544, which was funded through appropriations from the general fund.

During the year ended June 30, 2016 the School District issued General Obligation Bonds – Series of 2015 in the amount of \$5,175,000 for the purpose of improvements and renovations to the District's facilities, capital equipment, and the costs and expenses incurred with the issuance and sale of the bonds. The bonds were due in varying annual installments plus interest at rates ranging from 0.60% to 2.75% with final maturity scheduled for 2025. The bond issue was refunded during fiscal year 2021 with the issuance of General Obligation Notes, Series of 2020.

During its June 30, 2021 fiscal year, the District issued General Obligation Notes – Series of 2020 in the amount of \$2,479,000 for the purpose of current refunding the remaining portion of its Series of 2015 bond issue and paying the costs associated with issuing the notes. The notes are due in varying annual installments plus interest at 1.06% with final maturity schedules for 2025. Principal due in 2022 is \$486,000.

The following summarizes the District's estimated future debt service requirements on these bonds and notes as of June 30, 2021:

<u>FISCAL YEAR</u> <u>ENDED 6/30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2022	\$ 486,000	\$ 23,702	\$ 509,702
2023	491,000	18,524	509,524
2024	498,000	13,282	511,282
2025	500,000	7,992	507,992
2026	504,000	2,671	506,671
2027-2031	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL	<u>\$2,479,000</u>	<u>\$ 66,171</u>	<u>\$2,545,171</u>

## (NOTES TO FINANCIAL STATEMENTS – CONTINUED)

### NOTE 7 – RETIREMENT PLAN

#### Summary of Significant Accounting Policies

##### Pensions

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

##### 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 under Title 24 Part IV of the Pennsylvania General Assembly. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.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 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 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2 percent or 2.5 percent, 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.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 7 – RETIREMENT PLAN-CONTINUED)

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

Contributions

The contribution policy is set by the state statute and requires contributions by active members, employees, and the Commonwealth of Pennsylvania.

Member Contributions:

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

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

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

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

Employer Contributions:

The District's contractually required contribution rate for fiscal year ended June 30, 2021 was 33.69 percent 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 rate was certified by the PSERS Board of Trustees. Contributions to the pension plan from the District were \$3,844,235 for the year ended June 30, 2021.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. For the year ended June 30, 2021 the contribution rate was 0.82 percent of covered payroll and the District contributed \$93,567.

Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for approximately one-half of the employer contributions made, including contributions related pension and healthcare. The reimbursement recognized by the District for the year ended June 30, 2021 was \$2,039,771.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 7 – RETIREMENT PLAN-CONTINUED)

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

At June 30, 2021, the District reported a liability of \$39,884,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2020, the District's proportion was .0810 percent, which was the same as its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$3,419,305. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 1,753,000	\$ -
Changes in proportion	35,000	1,194,000
Changes in actual experience and expected experience	104,000	956,000
Changes in assumptions	-	-
Contributions subsequent to the measurement date	3,844,235	-
	<u>\$ 5,736,235</u>	<u>\$2,150,000</u>

The \$3,844,235 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2021	\$ (848,000)
2022	(449,000)
2023	519,000
2024	520,000
	<u>\$ (258,000)</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward the System's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method-Entry Age Normal-level percent of pay
- Investment return-7.25 percent, includes inflation at 2.75 percent
- Salary increases-Effective average of 5.00 percent, which reflects an allowance for inflation of 2.75 percent, real wage growth and merit or seniority increases of 2.25 percent
- Mortality rates were based on RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	15.0%	5.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Risk parity	8.0%	3.3%
MLPs/Infrastructure	6.0%	5.7%
Real estate	10.0%	5.5%
Private equity	15.0%	7.2%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	-0.7%
	<u>100.0%</u>	

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 7 – RETIREMENT PLAN-CONTINUED)

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	<u>\$ 49,344,000</u>	<u>\$ 39,884,000</u>	<u>\$31,869,000</u>

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).

Payables to the Pension Plan

At June 30, 2021, the District had an accrued balance due to PSERS of \$1,231,659. This amount represents the District's contractually obligated contributions for wages earned in April 2021 through June 30, 2021. The balance was paid in September 2021.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 8 – CONTINGENT LIABILITIES

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

The District is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of the District solicitor, the ultimate disposition of any matters outstanding at June 30, 2021 will not have a material effect on the District's financial position.

NOTE 9 – SPECIAL TERMINATION BENEFITS

The District's collective bargaining agreements provide an early retirement incentive for those employees who retire with a specified level of service to the District. The District pays from 10% to 35% of the final salary based upon the unused sick and personal days that the employee has accumulated over three (3) years. The District used a discount rate of 6.00% to estimate the effect of making these payments over future years.

The summary of these changes in special termination benefits in 2021 is:

Balance at June 30, 2021	\$ 137,281
<u>LESS: Amortized discount</u>	<u>12,220</u>
Present Value of Special Termination Benefits	125,061
<u>LESS: Current Portion</u>	<u>64,258</u>
Long-Term Special Termination Benefits	<u>\$ 60,803</u>

NOTE 10 – RISK MANAGEMENT

Other Risks

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased various insurance policies to safeguard the assets of the District from risk of loss.

As the effects of the Coronavirus (COVID-19) pandemic continue to evolve and are dependent upon future developments, the impact on the District's operations and financial results are uncertain at this time.

NOTE 11 – NONSPENDABLE FUND BALANCE

At June 30, 2021, the District has segregated the ending fund balance of the General Fund for the nonspendable portion consisting of the following amount:

Inventories	\$ 64,265
Prepaid expenses	<u>-0-</u>
Total Nonspendable	<u>\$ 64,265</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 12 – BOARD COMMITTED FUND BALANCE

The Board of Education committed the following amounts of their June 30, 2021 fund balance by resolution as follows:

Future pension costs	\$ 1,106
Capital 32 Fund	118,976
Curriculum	1,071,183
Budget Shortfall	325,000
Bonded Debt	<u>2,010,270</u>
Total	<u>\$3,526,535</u>

NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

MONTROSE AREA SCHOOL DISTRICT POSTEMPLOYMENT BENEFITS PLAN

Plan Description and Benefits Provided

The District's collective bargaining agreements with its employees provide for post-employment health insurance benefits for eligible employees that have retired through PSERS. The District is providing coverage from the date of retirement until the individual becomes eligible for the federal government health insurance program. The cost of such medical, vision and dental coverage for retirees and spouses is determined by the contract provisions at the time of retirement. Currently, the retiree pays 100% of the coverage cost. The plan provides post-retirement medical and prescription drug. The plan is unfunded and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Retired employees who are ineligible under the above requirements and choose to participate in the medical plan must pay 100% of the composite rate cost of such coverage.

Employees Covered by Benefit Terms

At July 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	27
Active employees	<u>200</u>
Total	<u>227</u>

Funding Policy

The contribution requirements of plan members and the School District are established and may be amended by the School Board. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the health care benefits provided to current retirees. The retiree is responsible for 100% of the premiums.

Total OPEB Liability

The District's total OPEB liability of \$6,908,379 was measured as of July 1, 2020, and was determined by an actuarial valuation as of that date.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 13 –POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) CONTINUED)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Interest rate	2.18%
Salary increases	2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%
Discount rate	2.18%
Healthcare cost trend rates	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Retirees' share of benefit-related costs	Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

The discount rate was based on S&P Municipal Bond 20-year high grade rate index at June 30, 2021.

For mortality rates, separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period January 2021.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2020	\$ 6,966,691
Changes for the year:	
Service cost	414,841
Interest	193,066
Differences between expected and actual experience	( 716,955)
Changes in assumptions or other inputs	278,534
Benefit payments	<u>( 227,798)</u>
Net changes	<u>( 58,312)</u>
Balance at June 30, 2021	<u>\$ 6,908,379</u>

Changes in assumptions or other inputs reflect a change in the discount rate from 2.66% in 2020 to 2.18% in 2021.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 13 –POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) 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 (1.18%) or 1-percentage-point higher (3.18%) than the current discount rate:

	1% Decrease <u>(1.18%)</u>	Discount Rate <u>(2.18%)</u>	1% Increase <u>(3.18%)</u>
Total OPEB Liability	\$7,426,124	\$6,908,379	\$6,417,672

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability, would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease <u></u>	Healthcare Cost Trend Rates <u></u>	1% Increase <u></u>
Total OPEB Liability	\$6,074,519	\$6,908,379	\$7,897,260

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$(50,836). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources <u></u>	Deferred Inflows of Resources <u></u>
Differences between expected and actual experience	\$ 88,957	\$ 1,265,127
Changes of assumptions or other inputs	<u>546,039</u>	<u>2,400,992</u>
	<u>\$ 634,996</u>	<u>\$ 3,666,119</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 13 –POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) CONTINUED)

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

2022	\$	(430,945)
2023		(430,945)
2024		(430,945)
2025		(430,945)
2026		(430,945)
Thereafter		<u>(876,398)</u>
	\$	<u>(3,031,123)</u>

PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

General Information about the PSERS Health Insurance Premium Assistance Program

PSERS provides Premium Assistance which is a governmental cost sharing, multiple employer OPEB plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program ("HOP"). As of June 30, 2020 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of PSERS can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age,  
and
- Participate in the HOP or employer-sponsored health insurance program.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2021 was 0.82% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were \$93,567 for the year ended June 30, 2021.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 13 –POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) CONTINUED)

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

At June 30, 2021, the District reported a liability of \$1,759,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2019 to June 30, 2020. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the District's proportion was .0814%, which was an increase of .0004% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense of \$72,669. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 72,000	\$ 39,000
Net differences between projected and actual investment earnings	3,000	-
Changes in proportion	11,000	82,000
Difference between expected and actual experience	16,000	-
District contributions subsequent to the measurement date	93,567	-
	<u>\$ 195,567</u>	<u>\$ 121,000</u>

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

2021	\$ (10,000)
2022	(11,000)
2023	(11,000)
2024	7,000
2025	(1,000)
Thereafter	7,000
	<u>\$ (19,000)</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 13 –POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) CONTINUED)

Actuarial Assumptions

The Total OPEB Liability as of June 30, 2020, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return – 2.66% - S&P 20 Year Municipal Bond Rate
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Premium Assistance reimbursement is capped at \$1,200 per year
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale
- Participation rate:
  - Eligible retirees will elect to participate Pre age 65 at 50%
  - Eligible retirees will elect to participate Post age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date
- Asset valuation method: Market Value
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 13 –POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) CONTINUED)

<u>OPEB-Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Cash	50.3%	-1.0%
US Core Fixed Income	46.5%	-0.1%
Non-US Developed Fixed	<u>3.2%</u>	-0.1%
	<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, 2020.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.66%. 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 2.66% which represents the S&P 20 year Municipal Bond Rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of PSERS Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2020, 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 PSERS net OPEB liability for June 30, 2020, calculated using current Healthcare cost trends as well as what PSERS net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Healthcare Trends Cost</u>	<u>1% Increase</u>
PSERS Net OPEB Liability	\$ 1,759,000	\$ 1,759,000	\$ 1,759,000

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 13 –POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) CONTINUED)

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

The following presents the net OPEB liability, calculated using the discount rate of 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage-point higher (3.66%) than the current rate:

	1 % Decrease 1.66%	Discount Rate 2.66%	1% Increase 3.66%
PSERS proportionate share of the net OPEB liability	<u>\$ 2,005,000</u>	<u>\$ 1,759,000</u>	<u>\$ 1,555,000</u>

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 14 – ADOPTED ACCOUNTING PRONOUNCEMENTS

The District implemented the effects of GASB Statement No. 84, *Fiduciary Activities* for the period ended June 30, 2021. The adoption of this statement requires the replacement of Agency Funds with Custodial Funds and the presentation of the Statement of Change in Fiduciary Net Position for the Custodial Funds. The adoption of this statement resulted in a restatement of Fund Balance and Net Position as discussed in Note 16.

NOTE 15- PENDING CHANGES IN ACCOUNTING PRINCIPLES

The Government Accounting Standards Board has issued the following standards which have not yet been implemented:

GASB issued Statement No. 87, 'Leases'. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions of this Statement are effective for the School District's June 30, 2022 financial statements.

GASB issued Statement No. 89, 'Accounting for Interest Cost Incurred before the end of a Construction Period'. The primary objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and, (b) to simplify accounting for certain interest costs. The provisions of this Statement are effective for the School District's June 30, 2022 financial statements.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 15 –PENDING CHANGES IN ACCOUNTING PRINCIPLES - CONTINUED)

GASB Statement No. 91, “Conduit Debt Obligations” will be effective for the District for the year ended June 30, 2022. GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB Statement No. 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

GASB Statement No. 94, “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” will be effective for the District for the year ended June 30, 2023. GASB Statement No. 94 improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in GASB Statement No. 94, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

GASB Statement No. 96, “Subscription-Based Information Technology Arrangements” will be effective for the District for the year ended June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA.

The District has not yet completed the analysis to determine the actual financial statement impact of these new pronouncements.

NOTE 16- RESTATEMENT

The beginning net position of the Custodial Funds has been restated for the implementation of GASB 84. The adoption of this statement requires the replacement of Agency Funds with Custodial Funds and the presentation of the Statement of Changes in Fiduciary Net Position for the Custodial Funds.

	<u>Custodial Funds</u>
Beginning Net Position, previously reported	\$ -0-
Net adjustment for adoption of GASB 84	<u>117,409</u>
Beginning Net Position, as restated	<u>\$ 117,409</u>

REQUIRED

SUPPLEMENTARY INFORMATION

MONTROSE AREA SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY

	Last Ten (10) Fiscal Years*									
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014		
District's proportion of the net pension liability	0.0810%	0.0810%	0.0854%	0.0851%	0.0868%	0.0874%	0.0851%	0.0858%		
District's proportionate share of the net pension liability	\$ 39,884,000	\$ 37,894,000	\$ 40,996,000	\$ 42,030,000	\$ 43,015,000	\$ 37,857,000	\$ 33,683,000	\$ 35,124,000		
District's covered-employee payroll	\$ 11,421,806	\$ 11,166,064	\$ 11,502,272	\$ 11,328,393	\$ 11,245,720	\$ 11,240,150	\$ 10,854,025	\$ 11,005,035		
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	349.19%	339.37%	356.42%	371.01%	382.50%	336.80%	310.33%	319.16%		
Plan fiduciary net position as a percentage of the total pension liability	54.32%	55.66%	54.00%	51.84%	50.14%	54.35%	57.24%	54.49%		

\*This schedule is presented to illustrate the requirement to show information for ten (10) years, however, until a full 10-year trend is complete, available information is presented.

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

MONTROSE AREA SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS  
TO THE PENSION PLAN

Last Ten (10) Fiscal Years\*

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 3,844,235	\$ 3,809,703	\$ 3,612,392	\$ 3,630,608	\$ 3,296,144	\$ 2,800,302	\$ 2,303,322	\$ 1,736,542
Contributions in relation to the contractually required contribution	<u>\$ (3,844,235)</u>	<u>\$ (3,809,703)</u>	<u>\$ (3,612,392)</u>	<u>\$ (3,630,608)</u>	<u>\$ (3,296,144)</u>	<u>\$ (2,800,302)</u>	<u>\$ (2,303,322)</u>	<u>\$ (1,736,542)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered-employee payroll	\$ 11,421,806	\$ 11,166,064	\$ 11,502,272	\$ 11,328,393	\$ 11,245,720	\$ 11,240,150	\$ 10,854,025	\$ 11,005,035
Contributions as a percentage of covered-employee payroll	33.7%	34.1%	31.4%	32.0%	29.3%	24.9%	21.2%	15.8%

Amounts are based on actual contributions during the fiscal year.

\*This schedule is presented to illustrate the requirement to show information for ten (10) years, however, until a full 10-year trend is complete, available information is presented.

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

MONTROSE AREA SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE OPEB LIABILITY

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0814%	0.0810%	0.0854%	0.0851%	0.0868%
District's proportionate share of the net OPEB liability	\$ 1,759,000	\$ 1,723,000	\$ 1,781,000	\$ 1,734,000	\$ 1,870,000
District's covered-employee payroll	11,421,806	11,166,064	11,502,272	11,328,393	11,245,720
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.4%	15.4%	15.5%	15.3%	16.6%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Data is not available for years prior to June 30, 2017

Note: Covered-employee payroll above represents the amount for the year  
coinciding with the measurement date

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

MONTROSE AREA SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
OPEB

Last Ten (10) Fiscal Years\*

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Contractually required contribution	\$ 93,567	\$ 95,670	\$ 91,972	\$ 94,940	\$ 93,692
Contributions in relation to the contractually required contribution	\$ (93,567)	\$ (95,670)	\$ (91,972)	\$ (94,940)	\$ (93,692)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,421,806	\$ 11,166,064	\$ 11,502,272	\$ 11,328,393	\$ 11,245,720
Contributions as a percentage of covered-employee payroll	0.82%	0.86%	0.80%	0.84%	0.83%

Amounts are based on actual contributions during the fiscal year.

\*This schedule is presented to illustrate the requirement to show information for ten (10) years, however, until a full 10-year trend is complete, available information is presented.

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

MONTROSE AREA SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
YEAR ENDED JUNE 30, 2021

Total OPEB Liability	2021	2020	2019	2018
Service Cost	\$ 414,841	\$ 367,752	\$ 443,021	\$ 487,905
Interest	193,066	218,779	279,607	273,585
Differences between expected and actual experience	(716,955)	0	(114,450)	(868,360)
Changes of assumptions or other inputs	278,534	355,320	(3,097,669)	(245,176)
Benefit payments	(227,798)	(258,970)	(207,836)	(254,938)
Net Change in Total OPEB liability	(58,312)	682,881	(2,697,327)	(606,984)
Total OPEB Liability, Beginning	6,966,691	6,283,810	8,981,137	9,588,121
Total OPEB Liability, Ending	6,908,379	6,966,691	6,283,810	8,981,137
Covered-employee Payroll	\$ 10,955,138	\$ 10,985,298	\$ 10,985,298	\$ 9,713,401
Total OPEB Liability as a percentage of covered-employee payroll	63.06%	63.42%	57.20%	92.46%

The District implemented GASB Statement No. 75 during its year ended June 30, 2018.  
Information prior to 2018 year is not available.

Notes:

Changes of Assumptions

The discount rate changed from 2.66% to 2.18%. The trend assumption was updated.  
Assumptions for salary, mortality, withdrawal and retirement were updated based on  
new PSERS assumptions.

Changes in Benefit Terms

Each year's loss (or gain) is recognized over a closed period, using the average of  
the expected remaining service lives of all active and inactive employees that are  
currently receiving a benefit or may be eligible to receive a benefit in the future.

These figures are based on estimated benefit payments. These amounts may be  
adjusted for actual benefit payments made during the year.

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

SUPPLEMENTARY INFORMATION

OTHER FINANCIAL STATEMENTS

MONTROSE AREA SCHOOL DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES AND FUND BALANCE  
YEARS ENDING JUNE 30, 2021 AND 2020

EXHIBIT A

	<u>SCHEDULE</u>	<u>BUDGET</u>	<u>2021 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2020 ACTUAL</u>
<u>REVENUES</u>					
Local Sources	1	\$11,833,133	\$12,054,066	\$ 220,933	\$12,148,118
State Sources	2	14,522,090	14,353,425	(168,665)	14,322,450
Federal Sources	3	583,706	1,321,913	738,207	607,029
Extended term financing	-	0	0	0	0
Sale of fixed assets	-	1,000	2,399	1,399	0
Interfund transfers	-	0	0	0	0
		<u>26,939,929</u>	<u>27,731,803</u>	<u>791,874</u>	<u>27,077,597</u>
<u>EXPENDITURES</u>					
1100-INSTRUCTION-					
Regular Programs	4	12,698,588	12,684,023	14,565	11,550,799
1200-INSTRUCTION-					
Special Programs	5	3,566,243	3,560,981	5,262	3,413,856
1300-VOCATIONAL EDUCATION	6	554,062	553,884	178	666,651
1400-OTHER INSTRUCTIONAL					
PROGRAMS-E/S	7	23,122	22,631	491	80,323
1500-NON PUBLIC PROGRAMS	8	9,799	9,799	0	0
2100-SUPPORT SERVICES-					
Pupil Personnel	9	698,505	696,638	1,867	708,503
2200-SUPPORT SERVICES-					
Instructional Staff	10	685,908	682,861	3,047	647,715
2300-SUPPORT SERVICES-					
Administration	11	1,417,573	1,416,185	1,388	1,448,938
2400-SUPPORT SERVICES-					
Pupil Health	12	306,752	304,853	1,899	319,967
2500-SUPPORT SERVICES-Business	13	404,501	423,749	(19,248)	442,250
2600-SUPPORT SERVICES-Operation					
& Maintenance of Plant Services	14	1,988,767	1,987,144	1,623	1,788,218
2700-SUPPORT SERVICES-Student					
Transportation Services	15	2,023,471	2,023,400	71	1,996,217
2800-SUPPORT SERVICES-Central	16	1,703,277	1,702,831	446	1,439,273
2900-SUPPORT SERVICES-Other	17	24,485	24,485	0	25,072
3200-OPERATION OF NONIN-					
STRUCTIONAL SERVICES-					
STUDENT ACTIVITIES	18	397,668	394,456	3,212	428,290
3300-COMMUNITY SERVICES	19	1,207	1,207	0	1,237
4000-FACILITIES ACQUISITION,					
CONSTRUCTION & IMPROVE-					
MENT SERVICES	20	20,473	20,473	0	0
5100- DEBT SERVICE	21	559,552	859,045	(299,493)	584,325
5200-FUND TRANSFERS	22	50,000	915,298	(865,298)	370,410
5900-BUDGETARY RESERVE		0	0	0	0
		<u>27,133,953</u>	<u>28,283,943</u>	<u>(1,149,990)</u>	<u>25,912,044</u>
<u>EXCESS REVENUE OVER</u>					
<u>EXPENDITURES</u>		(194,024)	(552,140)	(358,116)	1,165,553
<u>Fund Balance-Beginning</u>		4,342,637	5,573,146	1,230,509	4,407,593
<u>FUND BALANCE, ENDING</u>		<u>\$ 4,148,613</u>	<u>\$ 5,021,006</u>	<u>\$ 872,393</u>	<u>\$ 5,573,146</u>

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

SCHEDULE 1

		2021	VARIANCE FAVORABLE (UNFAVORABLE)	2020
	<u>BUDGET</u>	<u>ACTUAL</u>		<u>ACTUAL</u>
<u>REVENUE FROM LOCAL SOURCES</u>				
Current real estate taxes	\$10,284,572	\$10,416,609	\$ 132,037	\$10,343,900
Public utility realty taxes	12,300	10,656	(1,644)	9,916
Payment in lieu of taxes	1,341	6,853	5,512	6,853
Per capita - Section 679	0	0	0	0
Per capita - Act 511	0	0	0	0
Occupation privilege taxes	0	0	0	0
Real estate transfer taxes	150,000	246,135	96,135	163,113
Delinquent taxes	600,000	677,345	77,345	729,375
Earnings on investments	66,300	93,849	27,549	137,224
District activities	1,000	662	(338)	10,909
Revenue from intermediary services	286,120	271,630	(14,490)	281,678
Rentals and gas lease	0	118,976	118,976	201,661
Gas lease renewal	0	0	0	0
Contributions & donations from private sources	0	0	0	0
Tuition	2,500	0	(2,500)	3,595
Community service activities	277,500	0	(277,500)	0
Refund of prior year expenses	150,000	209,417	59,417	259,431
Miscellaneous	1,500	1,934	434	463
	<u>\$11,833,133</u>	<u>\$12,054,066</u>	<u>\$ 220,933</u>	<u>\$12,148,118</u>

SCHEDULE 2

<u>REVENUE FROM STATE SOURCES</u>				
Basic instructional subsidy	\$ 8,061,556	\$ 7,690,930	\$ (370,626)	\$ 7,690,941
Section 1305 & 1306	10,000	36,830	26,830	11,530
Homebound instruction	0	0	0	0
Vocational education	2,600	0	(2,600)	0
Driver education	1,300	525	(775)	1,085
Special education of exceptional pupils	1,199,658	1,336,196	136,538	1,336,225
Transportation	1,318,829	1,388,147	69,318	1,412,564
Rentals and sinking fund payments	0	0	0	0
Health services	25,000	23,771	(1,229)	24,538
Property tax reduction allocation	1,098,772	1,098,772	0	1,098,641
PCCD safety grant	35,000	57,060	22,060	37,554
Ready to learn block grant	0	290,716	290,716	290,716
Revenue for social security	480,000	412,013	(67,987)	423,751
Revenue for retirement	2,289,375	2,018,465	(270,910)	1,961,094
Miscellaneous	0	0	0	33,811
	<u>\$14,522,090</u>	<u>\$14,353,425</u>	<u>\$ (168,665)</u>	<u>\$14,322,450</u>

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

SCHEDULE 3

	<u>BUDGET</u>	<u>2021 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2020 ACTUAL</u>
<u>REVENUE FROM FEDERAL SOURCES</u>				
NCLB, Title I	\$ 394,055	\$ 462,918	\$ 68,863	\$ 387,258
NCLB, Title II	62,316	81,736	19,420	72,175
NCLB, Title IV	24,835	15,655	(9,180)	19,731
CARES Act - ESSER I	0	264,216	264,216	88,753
CARES Act - ESSER II	0	116,751	116,751	0
CARES Act - ARP ESSER III	0	97,795	97,795	0
Other CARES Act Funding	0	174,063	174,063	0
ACCESS	102,500	47,395	(55,105)	38,628
Other federal grants	0	61,384	61,384	484
	<u>\$ 583,706</u>	<u>\$ 1,321,913</u>	<u>\$ 738,207</u>	<u>\$ 607,029</u>

SCHEDULE 4

<u>1100-INSTRUCTION-REGULAR PROGRAMS</u>				
Salaries	\$ 6,684,601	\$ 6,684,202	\$ 399	\$ 6,628,302
Employee benefits	4,016,949	4,010,135	6,814	3,861,151
Purchased professional and technical services	292,520	292,520	0	81,061
Purchased property services	55,413	55,413	0	58,051
Other purchased services	1,485,165	1,484,507	658	736,407
Supplies	154,813	149,407	5,406	172,764
Property	3,442	3,442	0	7,106
Other objects	5,685	4,397	1,288	5,957
	<u>\$12,698,588</u>	<u>\$12,684,023</u>	<u>\$ 14,565</u>	<u>\$11,550,799</u>

SCHEDULE 5

<u>1200-INSTRUCTION-SPECIAL PROGRAMS</u>				
Salaries	\$ 1,868,217	\$ 1,868,041	\$ 176	\$ 1,755,834
Employee benefits	1,059,587	1,057,274	2,313	1,036,515
Purchased professional and technical services	449,164	449,124	40	368,731
Purchased property services	0	0	0	0
Other purchased services	156,266	155,917	349	170,224
Supplies	32,509	30,372	2,137	28,623
Property	0	0	0	10,118
Other objects	500	253	247	43,811
	<u>\$ 3,566,243</u>	<u>\$ 3,560,981</u>	<u>\$ 5,262</u>	<u>\$ 3,413,856</u>

SCHEDULE 6

<u>1300-VOCATIONAL EDUCATION PROGRAMS</u>				
Salaries	\$ 39,226	\$ 39,226	\$ -	\$ 38,926
Employee benefits	19,608	19,430	178	19,367
Other purchased services	495,228	495,228	0	608,358
	<u>\$ 554,062</u>	<u>\$ 553,884</u>	<u>\$ 178</u>	<u>\$ 666,651</u>

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

SCHEDULE 7

	<u>BUDGET</u>	<u>2021 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2020 ACTUAL</u>
<u>1400-OTHER INSTRUCTIONAL PROGRAMS-E/S</u>				
Salaries	\$ 11,662	\$ 11,662	\$ -	\$ 32,333
Employee benefits	5,077	5,077	0	13,520
Purchased professional and technical services	0	0	0	0
Purchased property services	0	0	0	0
Other purchased services	5,583	5,583	0	29,475
Supplies	800	309	491	587
Property	0	0	0	0
Other objects	0	0	0	4,408
	<u>\$ 23,122</u>	<u>\$ 22,631</u>	<u>\$ 491</u>	<u>\$ 80,323</u>

SCHEDULE 8

<u>1500-NON PUBLIC PROGRAMS</u>				
Purchased professional and technical services	<u>\$ 9,799</u>	<u>\$ 9,799</u>	<u>\$ -</u>	<u>\$ -</u>
<u>TOTAL INSTRUCTIONAL</u>	<u>\$16,851,814</u>	<u>\$16,831,318</u>	<u>\$ 20,496</u>	<u>\$15,711,629</u>

SCHEDULE 9

<u>2100-SUPPORT SERVICES- PUPIL PERSONNEL</u>				
Salaries	\$ 414,335	\$ 414,184	\$ 151	\$ 437,380
Employee benefits	253,506	252,631	875	264,929
Purchased professional and technical services	26,196	25,596	600	0
Purchased property services	0	0	0	0
Other purchased services	225	225	0	0
Supplies	3,169	3,018	151	5,289
Property	0	0	0	0
Other objects	1,074	984	90	905
	<u>\$ 698,505</u>	<u>\$ 696,638</u>	<u>\$ 1,867</u>	<u>\$ 708,503</u>

SCHEDULE 10

<u>2200-SUPPORT SERVICES- INSTRUCTIONAL SERVICES</u>				
Salaries	\$ 257,558	\$ 257,558	\$ -	\$ 232,243
Employee benefits	189,613	188,166	1,447	206,582
Purchased professional and technical services	22,450	22,450	0	30,611

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

SCHEDULE 10 - CONTINUED

	<u>BUDGET</u>	<u>2021 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2020 ACTUAL</u>
Purchased property services	11,839	11,578	261	10,373
Other purchased services	0	0	0	317
Supplies	204,404	203,065	1,339	167,255
Property	0	0	0	0
Other objects	44	44	0	334
	<u>\$ 685,908</u>	<u>\$ 682,861</u>	<u>\$ 3,047</u>	<u>\$ 647,715</u>

SCHEDULE 11

2300-SUPPORT SERVICES-  
ADMINISTRATION

Salaries	\$ 804,821	\$ 804,721	\$ 100	\$ 817,012
Employee benefits	466,847	466,207	640	451,205
Purchased professional and technical services	95,376	95,376	0	114,771
Purchased property services	1,665	1,665	0	1,665
Other purchased services	28,897	28,897	0	45,399
Supplies	2,079	2,079	0	1,476
Property	0	0	0	0
Other objects	17,888	17,240	648	17,410
	<u>\$ 1,417,573</u>	<u>\$ 1,416,185</u>	<u>\$ 1,388</u>	<u>\$ 1,448,938</u>

SCHEDULE 12

2400-SUPPORT SERVICES-  
PUPIL HEALTH

Salaries	\$ 176,590	\$ 176,590	\$ -	\$ 188,812
Employee benefits	107,864	107,042	822	115,683
Purchased professional and technical services	6,572	6,105	467	4,926
Purchased property services	465	430	35	225
Other purchased services	150	0	150	0
Supplies	11,494	11,069	425	10,321
Property	3,617	3,617	0	0
	<u>\$ 306,752</u>	<u>\$ 304,853</u>	<u>\$ 1,899</u>	<u>\$ 319,967</u>

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

SCHEDULE 13

	<u>BUDGET</u>	<u>2021 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2020 ACTUAL</u>
<u>2500-SUPPORT SERVICES-BUSINESS</u>				
Salaries	\$ 202,596	\$ 202,596	\$ -	\$ 219,184
Employee benefits	153,767	153,363	404	139,953
Purchased professional and technical services	5,755	5,562	193	11,833
Purchased property services	7,768	7,768	0	7,768
Other purchased services	13,896	13,896	0	15,570
Supplies	19,683	39,528	(19,845)	47,364
Property	0	0	0	0
Other objects	1,036	1,036	0	578
	<u>\$ 404,501</u>	<u>\$ 423,749</u>	<u>\$ (19,248)</u>	<u>\$ 442,250</u>

SCHEDULE 14

<u>2600-SUPPORT SERVICES-OPERATION &amp; MAINTENANCE OF PLANT SERVICES</u>				
Salaries	\$ 535,410	\$ 535,410	\$ -	\$ 548,432
Employee benefits	394,261	393,501	760	360,056
Purchased professional and technical services	194,053	194,053	0	55,370
Purchased property services	277,728	277,566	162	219,426
Other purchased services	62,390	62,049	341	77,874
Supplies	497,943	497,583	360	476,738
Property	26,732	26,732	0	50,626
Other objects	250	250	0	(304)
	<u>\$ 1,988,767</u>	<u>\$ 1,987,144</u>	<u>\$ 1,623</u>	<u>\$ 1,788,218</u>

SCHEDULE 15

<u>2700-SUPPORT SERVICES-STUDENT TRANSPORTATION SERVICES</u>				
Salaries	\$ 43,993	\$ 43,993	\$ -	\$ 46,722
Employee benefits	32,352	32,348	4	32,982
Purchased professional and technical services	3,735	3,735	0	3,308
Purchased property services	18,956	18,956	0	25,679
Other purchased services	1,922,969	1,922,969	0	1,886,873
Supplies	1,266	1,266	0	653
Property	0	0	0	0
Other objects	200	133	67	0
	<u>\$ 2,023,471</u>	<u>\$ 2,023,400</u>	<u>\$ 71</u>	<u>\$ 1,996,217</u>

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

SCHEDULE 16

	<u>BUDGET</u>	<u>2021 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2020 ACTUAL</u>
<u>2800-SUPPORT SERVICES-CENTRAL</u>				
Salaries	\$ 526,095	\$ 526,095	\$ -	\$ 481,615
Employee benefits	361,077	360,631	446	377,622
Purchased professional and technical services	15,588	15,588	0	5,449
Purchased property services	132,463	132,463	0	133,019
Other purchased services	134,169	134,169	0	87,897
Supplies	311,150	311,150	0	115,698
Property	222,735	222,735	0	237,833
Other objects	0	0	0	140
	<u>\$ 1,703,277</u>	<u>\$ 1,702,831</u>	<u>\$ 446</u>	<u>\$ 1,439,273</u>

SCHEDULE 17

<u>2900-SUPPORT SERVICES-OTHER</u>				
Other purchased services	<u>\$ 24,485</u>	<u>\$ 24,485</u>	<u>\$ -</u>	<u>\$ 25,072</u>
 <u>TOTAL SUPPORT SERVICES</u>	 <u>\$ 9,253,239</u>	 <u>\$ 9,262,146</u>	 <u>\$ (8,907)</u>	 <u>\$ 8,816,153</u>

SCHEDULE 18

<u>3200-OPERATION OF NONINSTRUCTIONAL SERVICES-STUDENT ACTIVITIES</u>				
Salaries	\$ 171,373	\$ 171,083	\$ 290	\$ 188,174
Employee benefits	72,133	70,665	1,468	74,358
Purchased professional and technical services	41,752	41,752	0	48,693
Purchased property services	12,722	12,722	0	10,704
Other purchased services	26,001	25,801	200	46,921
Supplies	57,588	57,028	560	45,382
Property	0	0	0	0
Other objects	16,099	15,405	694	14,058
	<u>\$ 397,668</u>	<u>\$ 394,456</u>	<u>\$ 3,212</u>	<u>\$ 428,290</u>

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

SCHEDULE 19

	<u>BUDGET</u>	<u>2021 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2020 ACTUAL</u>
<u>3300-OPERATION OF NONINSTRUCTIONAL SERVICES-COMMUNITY SERVICES</u>				
Other objects	\$ 1,207	\$ 1,207	\$ -	\$ 1,237

SCHEDULE 20

<u>4000-FACILITIES ACQUISITION, CONSTRUCTION &amp; IMPROVE- MENT SERVICES</u>	\$ 20,473	\$ 20,473	\$ -	\$ -
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SCHEDULE 21

<u>5100- DEBT SERVICE</u>				
Other objects	\$ 49,552	\$ 49,552	\$ -	\$ 84,325
Other financing uses	510,000	809,493	(299,493)	500,000
	<u>\$ 559,552</u>	<u>\$ 859,045</u>	<u>\$ (299,493)</u>	<u>\$ 584,325</u>

SCHEDULE 22

<u>5200- FUND TRANSFERS</u>				
Other objects	\$ 50,000	\$ 915,298	\$ (865,298)	\$ 370,410

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

# MURPHY, DOUGHERTY & COMPANY

Certified Public Accountants

1310 Church Street, Suite 3000, Route 690 • Moscow, PA 18444

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J. PAUL MURPHY, CPA  
MICHAEL DOUGHERTY, CPA

PAUL T. MURPHY, CPA  
LEAH C. ROSENKRANS, CPA

November 30, 2021

Board of Education  
Montrose Area School District  
Montrose, Pennsylvania 18801

To the Members of the Board:

We have performed the Single Audit of the Montrose Area School District for the year ended June 30, 2021, and have enclosed the Single Audit reporting package.

The Single Audit was done to fulfill the requirements of the Uniform Guidance. It entailed: 1. An audit of the general purpose financial statements and our opinion thereon; 2. a review of compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards; 3. an audit of the Schedule of Expenditures of Federal Awards and our opinion thereon; 4. a review of compliance with requirements applicable to each major program and internal control over compliance in accordance with Uniform Guidance.

Please be advised that a management letter was not necessary as part of our report.

One copy of the Audit Report was distributed to:

a) Federal Audit Clearinghouse  
Bureau of the Census  
1201 E. 10<sup>th</sup> Street  
Jeffersonville, IN 47132

b) Office of Prothonotary  
Susquehanna County  
Montrose, Pennsylvania  
18801

c) N.E.I.U. # 19  
1200 Line Street  
Archbald, Pennsylvania 18403

The Audit Report was distributed electronically to:

- a) Commonwealth of Pennsylvania  
Bureau of Audits  
Special Audit Services Division  
Forum Place – 8<sup>th</sup> Floor  
555 Walnut Street  
Harrisburg, Pennsylvania 17101

Your cooperation in this matter is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "Murphy, Dougherty & Company", written in a cursive style.

Murphy, Dougherty & Company  
Certified Public Accountants

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

Board of Education  
Montrose Area School District  
Montrose, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montrose Area School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Montrose Area School District's basic financial statements and have issued our report thereon dated November 30, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Montrose Area School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Montrose Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Montrose Area School District's internal control.

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

(MONTROSE AREA SCHOOL DISTRICT – AUDITORS’ REPORT – CONTINUED)

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

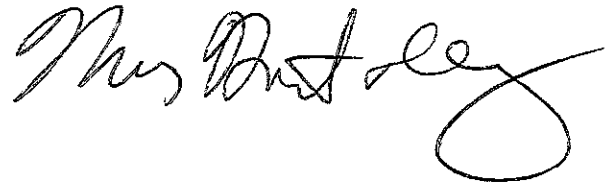
**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Montrose Area School District’s internal control or on compliance. This report is an integral part of an audit performed in accordance with “Government Auditing Standards” in considering the Montrose Area School District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 30, 2021  
Moscow, Pennsylvania

A handwritten signature in black ink, appearing to read "Chris Bostley", with a large, stylized loop at the end.

# MURPHY, DOUGHERTY & COMPANY

Certified Public Accountants

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LEAH C. ROSENKRANS, CPA

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education  
Montrose Area School District  
Montrose, Pennsylvania

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

We have audited the Montrose Area School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021. Montrose Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Montrose Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Montrose Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

(MONTROSE AREA SCHOOL DISTRICT - AUDITORS' REPORT – CONTINUED)

**Opinion on Each Major Federal Program**

In our opinion, the Montrose Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**Report on Internal Control Over Compliance**

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

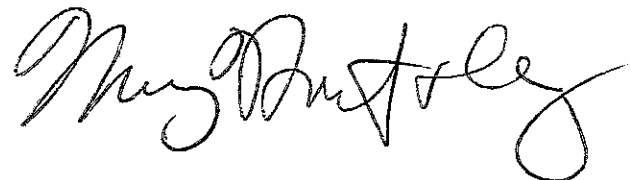
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

November 30, 2021  
Moscow, Pennsylvania



MONTROSE AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: Unmodified  
Internal control over financial reporting:  
Material weakness (es) identified? \_\_\_\_ yes   X   no  
Significant deficiency (ies) identified? \_\_\_\_ yes   X   none reported  
  
Noncompliance material to financial statements noted? \_\_\_\_ yes   X   no

Federal Awards

Internal control over major programs:  
Material weakness (es) identified? \_\_\_\_ yes   X   no  
Significant deficiency (ies) identified? \_\_\_\_ yes   X   none reported  
  
Type of auditor’s report issued on compliance for major programs: Unmodified  
  
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? \_\_\_\_ yes   X   no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I

Dollar threshold used to distinguish between type A and type B programs:   \$750,000    
Auditee qualified as low risk auditee?   X   yes \_\_\_\_ no

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

**MONTROSE AREA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2021**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	THROUGH GRANTOR'S NUMBER	BEGINNING/ ENDING DATE	PROGRAM OR AWARD AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED OR (DEFERRED) REVENUE AT 7/1/2020	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 6/30/2021
U.S. DEPARTMENT OF EDUCATION Department of Education	I	84.010	013-21-0265	013-200265	7/1/20-9/30/21	\$ 462,918	\$ 443,249	\$ -	\$ 462,918	\$ 462,918	\$ 19,669
NCLB - Title I	I	84.010	013-200265	013-200265	7/1/19-9/30/20	387,258	443,212	(37)	462,918	0	19,669
TOTAL CFDA# 84.010											
Title II-A-Teachers in the Workplace	I	84.367	220-200265	220-200265	11/21/19-9/30/21	25,000	20,455	(4,545)	16,722	16,722	(8,278)
Title II-Improving Teacher Quality	I	84.367	020-21-0265	020-210265	7/1/20-9/30/21	65,014	66,477	0	65,014	65,014	(1,463)
Title II-Improving Teacher Quality	I	84.367	020-200265	020-200265	7/1/19-9/30/20	72,175	134	134	0	0	0
TOTAL CFDA# 84.367							87,066	(4,411)	81,736	81,736	(9,741)
Title IV - Student Support & Academic Enrich	I	84.424	144-21-0265	144-200265	7/1/20-9/30/21	29,468	16,782	0	5,895	5,895	(10,887)
Title IV - Student Support & Academic Enrich	I	84.424	144-200265	144-200265	7/1/19-9/30/20	29,492	3,933	(5,828)	9,761	9,761	0
TOTAL CFDA# 84.424							20,715	(5,828)	15,636	15,636	(10,887)
COVID-19, ESSER I Fund Local	I	84.425D	200-200265	200-200265	3/13/20-9/30/21	318,055	301,315	88,753	229,302	229,302	16,740
COVID-19, ESSER CERG	I	84.425C	253-200265	253-200265	3/13/20-9/30/21	25,824	25,824	0	25,824	25,824	0
COVID-19, ESSER II Fund Local	I	84.425D	200-21-0265	200-210265	3/13/20-9/30/21	1,709,332	0	0	116,751	116,751	116,751
COVID-19, ARP-ESSER	I	84.425D	223-21-0265	223-210265	3/13/20-9/30/24	3,457,486	0	0	97,795	97,795	97,795
TOTAL CFDA# 84.425 (passed through PA Dept of Education)							327,139	88,753	469,672	469,672	231,286
COVID-19 SECIM	I	84.027	(1)	252-200265	7/1/20-9/30/21	15,110	5,037	0	9,927	9,927	4,890
Rural and Low Income Schools	I	84.358	007-21-0265	007-210265	11/20/20-9/30/21	25,466	25,466	0	25,466	25,466	0
TOTAL PASSED THROUGH PENNSYLVANIA DEPARTMENT OF EDUCATION							908,635	78,477	1,065,375	1,065,375	235,217
Passed through PA Commission on Crime and Delinquency	I	84.425D	2020-ES-01-35098	2020-ES-01-35098	3/13/20-9/30/22	34,914	0	0	34,914	34,914	34,914
TOTAL PASSED THROUGH PENNSYLVANIA COMMISSION ON CRIME AND DELINQUENCY							0	0	34,914	34,914	34,914
Passed through the N.E.I.U. # 19	I	84.027	(1)	N/A	7/1/20-6/30/21	263,212	0	0	263,212	263,212	263,212
Individuals with Disabilities Education Act	I	84.027	(1)	N/A	7/1/19-6/30/20	282,860	282,860	276,829	6,031	6,031	0
Individuals with Disabilities Education Act	I	84.173	(1)	N/A	7/1/20-6/30/21	2,387	0	0	2,387	2,387	0
IDEA - Section 619	I	84.173	(1)	N/A	7/1/20-6/30/21	2,387	282,860	276,829	271,630	271,630	263,599
TOTAL IDEA PROGRAM CLUSTER							282,860	276,829	271,630	271,630	263,599
Title III - English Language Acquisition	I	84.365	N/A	N/A	7/1/20-9/30/21	166	166	0	166	166	0
Title III - English Language Acquisition	I	84.365	N/A	N/A	7/1/19-9/30/20	484	166	484	0	0	484
TOTAL CFDA# 84.365							166	484	166	166	484
TOTAL N.E.I.U. # 19							283,026	277,313	271,796	271,796	266,083
TOTAL DEPARTMENT OF EDUCATION							1,191,661	355,790	1,372,083	1,372,083	536,214
U.S. DEPARTMENT OF AGRICULTURE Passed through the Pennsylvania Department of Agriculture	I	10.555	N/A	N/A	7/1/20-6/30/21	N/A	39,928	(9,223)	45,816	45,816	(3,333)
National School Lunch Programs-Commodities											
Passed through the Pennsylvania Department of Education	I	10.559	N/A	N/A	7/1/20-6/30/21	N/A	609,872	44,746	604,171	604,171	39,247
Summer Food Service Program							649,800	35,523	650,189	650,189	35,912
TOTAL CHILD NUTRITION CLUSTER							649,800	35,523	650,189	650,189	35,912
TOTAL DEPARTMENT OF AGRICULTURE							649,800	35,523	650,189	650,189	35,912
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES Passed through the Pennsylvania Department of Public Welfare	I	91.778	N/A	N/A	7/1/20-6/30/21	N/A	2,446	0	2,446	2,446	0
Medicaid Assistance Program							2,446	0	2,446	2,446	0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES							2,446	0	2,446	2,446	0
U.S. DEPARTMENT OF TREASURY Passed through PA Commission on Crime and Delinquency	I	21.019	2020-CS-01-33506	2020-CS-01-33506	3/1/20-10/30/20	174,063	174,063	0	174,063	174,063	0
COVID-19, MASD Health and Safety Reopening Plan							174,063	0	174,063	174,063	0
TOTAL U.S. DEPARTMENT OF TREASURY							174,063	0	174,063	174,063	0
TOTAL FEDERAL AWARDS							\$ 2,017,970	\$ 39,313	\$ 2,198,783	\$ 2,198,783	\$ 572,126

SOURCE CODES: D - Direct Funding  
I - Indirect Funding  
F - Federal Share  
(1) - Denotes Special Education Cluster

FOOTNOTES:(a) Total commodities received from Department of Agriculture.  
(b) Beginning inventory at July 1.  
© Total amount of commodities used.  
(d) Ending inventory at June 30, 2021.

MONTROSE AREA SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Montrose Area School District located in Montrose, Pennsylvania is a school district mandated by the Pennsylvania Department of Education. The District provides educational services to children in Grades K-12.

A. REPORTING ENTITY

The accompanying financial statements comply with the provisions of GASB Statement No. 61, The Financial Reporting Entity: Omnibus, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financially accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. In addition, component units can be organizations for which the nature and significance of their relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. This report presents the activities of the Montrose Area School District. Based upon the application of these criteria, the School District is not a component unit of another reporting entity. Currently, the School District does not have any potential component units that should be included in the School District's reporting entity.

B. BASIS OF ACCOUNTING

This financial statement has been prepared on the modified basis of accounting except for the National School Lunch Program which uses the full accrual method.

C. INVENTORY OF MATERIALS, SUPPLIES AND EQUIPMENT

Materials, supplies and equipment of all federal funds are expended on a first-in, first-out basis as the foodstuffs and supplies are consumed in providing meals and services.

PROGRAM DISCLOSURES

A. NCLB - TITLE I

The objective of this program is to improve the teaching and learning of children who are at risk of not meeting challenging academic standards and who reside in areas with high concentrations of children from low-income families.

(MONTROSE AREA SCHOOL DISTRICT – NOTES TO SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS – CONTINUED)

B. TITLE II – IMPROVING TEACHER QUALITY

The objective of the program is to provide funds to State educational agencies (SEAs), local educational agencies (LEAs), State agencies for higher education (SAHEs), and partnerships comprised of institutions of higher education (IHEs), high-need LEAs and other entities to increase the academic achievement of all students by helping schools and school districts to (1) improve teacher and principal quality (including hiring teachers to reduce class size) and (2) ensure that all teachers are highly qualified.

C. NATIONAL SCHOOL LUNCH PROGRAMS AND FOOD DISTRIBUTION

The objective of the National School Breakfast and the National School Lunch Programs are to: (1) assist states, through cash grants and food donations, in making breakfast and lunch available to school children, and (2) encourage the domestic consumption of agricultural commodities and other foods.

The objective of the Food Distribution Program is to improve the diets of school children, needy persons in households on or near Indian reservations not participating in the Food Stamp Program and in charitable institutions, the elderly, and other individuals in need of food assistance, and to increase the market for domestically produced foods acquired under surplus removal or price support operations.

D. INDIVIDUALS WITH DISABILITIES ACT

The objective of the Individuals with Disabilities Education Act is to ensure that all children with disabilities have available to them a free appropriate public education that emphasizes special education and related services designed to meet their unique needs and prepare them for employment and independent living.

MONTROSE AREA SCHOOL DISTRICT  
SCHEDULE OF PRIOR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2021

\* NO PRIOR FINDINGS NOTED.