

MONTROSE AREA SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

AND

SINGLE AUDIT REPORT

JUNE 30, 2020

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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 50, the schedule of District contributions to the pension plan on page 51, the schedule of the District's proportionate share of the OPEB liability on page 52, the schedule of District contributions - OPEB on page 53 and the schedule of changes in total OPEB liability and related ratios on page 54 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 55 through 62 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 55 through 62 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 55 through 62 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, 2020 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, 2020
Moscow, Pennsylvania



MONTROSE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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, 2020. 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 2020 are as follows:

- In total, net position increased \$1,445,464, which represents a 3.9 percent increase from 2019.
- General revenues accounted for \$20,592,926 in revenue or 75 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 \$7,033,785 or 25 percent of total revenues of \$27,626,711.
- Total assets and deferred outflows of resources of governmental activities increased by \$2,380,895 as current assets increased \$3,315,989, net capital assets decreased by \$537,748, and deferred outflows of resources decreased \$397,346.
- The School District had \$26,181,247 in expenses; only \$7,033,785 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state revenues) of \$20,592,926 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, 2020
(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 2020?" 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 and Capital Projects 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, 2020
(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>2020</u>	<u>2019</u>
<u>ASSETS AND DEFERRED</u>		
<u>OUTFLOWS OF RESOURCES</u>		
Current and Other Assets	\$10,333,903	\$ 6,995,297
Capital Assets	11,199,546	11,744,004
Deferred Outflows of Resources	<u>5,044,551</u>	<u>5,460,727</u>
TOTAL ASSETS AND DEFERRED		
OUTFLOWS OF RESOURCES	<u>26,578,000</u>	<u>24,200,028</u>
 <u>LIABILITIES</u>		
Current Liabilities	3,902,673	1,861,091
Other Liabilities	<u>51,731,398</u>	<u>54,531,419</u>
TOTAL LIABILITIES	<u>55,634,071</u>	<u>56,392,510</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	<u>6,890,088</u>	<u>5,199,141</u>
 <u>NET POSITION</u>		
Invested in Capital Assets, Net of Debt	7,963,283	8,006,603
Restricted	1,014,540	781,387
Unrestricted deficit	<u>(44,923,982)</u>	<u>(46,179,613)</u>
TOTAL NET POSITION	<u>\$(35,946,159)</u>	<u>\$(37,391,623)</u>

Total assets and deferred outflows of resources increased by \$2,377,972 as cash and cash equivalents increased by \$2,952,385, receivables, prepaid expenses and inventories increased by \$386,221, capital assets decreased by \$544,458, and deferred outflows of resources decreased \$416,176. 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 increased by \$1,255,631. 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 2020 and 2019.

MONTROSE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED-CONTINUED)

TABLE 2
CHANGES IN NET POSITION

	<u>2020</u>	<u>%</u>	<u>2019</u>	<u>%</u>
<u>REVENUES</u>				
<u>Program Revenues:</u>				
Charges for Services	\$ 157,708	0.6%	\$ 224,430	0.8%
Operating Grants & Contributions	6,876,077	24.9%	6,740,436	24.5%
Capital Grants & Contributions	-0-	0.0%	-0-	0.0%
<u>General Revenues:</u>				
Property taxes	11,183,164	40.5%	10,809,235	39.4%
Grants and Entitlements	8,789,582	31.8%	8,716,931	31.7%
Other	<u>620,180</u>	<u>2.2%</u>	<u>985,530</u>	<u>3.6%</u>
TOTAL REVENUES	<u>27,626,711</u>	<u>100%</u>	<u>27,476,562</u>	<u>100%</u>
<u>PROGRAM EXPENSES</u>				
<u>INSTRUCTION</u>	16,224,031	61.9%	16,611,973	60.8%
<u>SUPPORT SERVICES:</u>				
Pupils and Instructional Staff	1,724,968	6.6%	1,918,423	7.0%
Board of Education, Administration,				
Fiscal and Business	1,932,818	7.4%	1,940,455	7.1%
Operation & Maintenance of Plant	1,800,278	6.9%	2,042,182	7.5%
Pupil Transportation	1,995,027	7.6%	2,091,085	7.7%
Other Support Services	1,383,490	5.3%	1,417,174	5.2%
Operation of Non-Instructional Services	1,042,448	4.0%	1,211,498	4.4%
Operating transfers	-0-	0.0%	-0-	0.0%
Interest and Fiscal Charges	<u>78,187</u>	<u>0.3%</u>	<u>85,629</u>	<u>0.3%</u>
TOTAL EXPENSES	<u>26,181,247</u>	<u>100%</u>	<u>27,318,419</u>	<u>100%</u>
INCREASE (DECREASE)				
IN NET POSITION	<u>\$ 1,445,464</u>		<u>\$ 158,143</u>	

GOVERNMENTAL ACTIVITIES

Property taxes made up 40.5 and 39.4 percent of revenues for governmental activities for the Montrose Area School District for fiscal year 2020 and 2019, respectively.

Instruction comprises 61.9 and 60.8 percent of District expenses. Support services expenses make up 33.8 and 34.5 percent of the expenses for the years 2020 and 2019, respectively.

MONTROSE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(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 2020</u>	<u>NET COST OF SERVICES 2020</u>	<u>TOTAL COST OF SERVICES 2019</u>	<u>NET COST OF SERVICES 2019</u>
Instruction	\$16,224,031	\$12,182,181	\$16,611,973	\$12,539,217
<u>Support Services:</u>				
Pupil and Instructional Staff	1,724,968	1,326,834	1,918,423	1,522,021
Board of Education, Administration				
Fiscal and Business	1,932,818	1,728,975	1,940,455	1,749,520
Operation & Maintenance of Plant	1,800,278	1,687,864	2,042,182	1,928,893
Pupil Transportation	1,995,027	568,193	2,091,085	717,698
Other Support Services	1,383,490	1,181,949	1,417,174	1,322,545
Operation of Non-Instructional Services	1,042,448	393,279	1,211,498	488,030
Operating transfers	-0-	-0-	-0-	-0-
Interest and Fiscal Charges	<u>78,187</u>	<u>78,187</u>	<u>85,629</u>	<u>85,629</u>
TOTAL EXPENSES	<u>\$26,181,247</u>	<u>\$19,147,462</u>	<u>\$27,318,419</u>	<u>\$20,353,553</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, 2020
(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 \$27,455,267 and expenditures of \$26,056,561. The net change in fund balance increased by \$1,398,706 with the General Fund having an increase of \$1,165,553 and the Capital Projects Fund having an increase of \$233,153.

The District had budgeted a decrease of \$327,161 (of which \$150,000 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, 2020 at its June 2019 meeting and made several budget transfers during fiscal 2019-20. 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 \$26,337,070 in revenue but actually received \$27,077,597 or an increase in revenue of \$740,527.

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	\$ 201,661	Access	\$ 62,872
Current real estate taxes	105,106	Social security	21,677
Refund of prior year expenses	209,431	Retirement revenue	210,553

On the expenditure side the District was under budget by \$752,187. Overall the District had an increase in fund balance of \$1,165,553.

The School District had anticipated having a decrease of \$327,161 to decrease its fund balance, but the actual was an increase of \$1,165,553. The fund balance at June 30, 2020 was \$5,573,146 and carried over to the June 30, 2021 budget.

CAPITAL ASSETS

At the end of the fiscal year 2020, the School District had \$11,199,546 invested in land, buildings, furniture, equipment and vehicles.

MONTROSE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
(UNAUDITED-CONTINUED)

Table 4 shows fiscal 2020 balance compared to 2019.

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

	<u>2020</u>	<u>2019</u>
Land	\$ 1,167,737	\$ 1,167,737
Buildings and Improvements	8,994,400	9,604,933
Furniture, Equipment and Vehicles	<u>1,037,409</u>	<u>971,334</u>
TOTAL	<u>\$11,199,546</u>	<u>\$11,744,004</u>

Depreciation amounted to \$983,554 and \$958,342 and net capital assets decreased by \$544,458 in 2020 and decreased \$396,989 in 2019 with the majority being purchased from the general fund during 2020 and from the capital funds in 2019.

DEBT ADMINISTRATION

At June 30, 2020 the District had \$3,230,000 of total debt. During the fiscal year 2020 the District paid \$500,000 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, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,915,780	\$ 55,437	\$ 7,971,217
Investments	0	0	0
Taxes receivable, net	509,108	0	509,108
Interfund receivables	75,182	62,053	137,235
Intergovernmental receivables	1,325,689	44,746	1,370,435
Inventories	29,820	17,066	46,886
Other receivables, net	246,377	0	246,377
Prepaid expenses	52,645	0	52,645
Total Current Assets	<u>10,154,601</u>	<u>179,302</u>	<u>10,333,903</u>
<u>NON-CURRENT ASSETS</u>			
Land	1,167,737	0	1,167,737
Building and building improvements	22,747,533	0	22,747,533
Fixtures and equipment	5,458,944	542,050	6,000,994
Construction in progress	0	0	0
Accumulated depreciation	(18,191,388)	(525,330)	(18,716,718)
Total Non-Current Assets	<u>11,182,826</u>	<u>16,720</u>	<u>11,199,546</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to OPEB	593,848	0	593,848
Deferred amounts related to pensions	4,377,858	72,845	4,450,703
Total Deferred Outflows of Resources	<u>4,971,706</u>	<u>72,845</u>	<u>5,044,551</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>26,309,133</u>	<u>268,867</u>	<u>26,578,000</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Interfund payables	62,053	75,182	137,235
Accounts payable	691,212	0	691,212
Accrued salaries & benefits	1,043,248	1,162	1,044,410
Accrued retirement incentive	61,615	0	61,615
Accrued interest	38,384	0	38,384
Payroll deductions & withholdings	1,349,150	351	1,349,501
Revenues received in advance	44,221	26,095	70,316
Other current liabilities	0	0	0
Current portion of long-term obligations	510,000	0	510,000
Total Current Liabilities	<u>3,799,883</u>	<u>102,790</u>	<u>3,902,673</u>
<u>NON-CURRENT LIABILITIES</u>			
Bonds payable	2,720,000	0	2,720,000
Accrued retirement incentive	88,636	0	88,636
Other postemployment benefits	8,689,691	0	8,689,691
Net pension liability	37,166,123	727,877	37,894,000
Long-term portion of compensated absences	2,339,071	0	2,339,071
Total Non-Current Liabilities	<u>51,003,521</u>	<u>727,877</u>	<u>51,731,398</u>
TOTAL LIABILITIES	<u>54,803,404</u>	<u>830,667</u>	<u>55,634,071</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unamortized premium on issuance of bonds	6,263	0	6,263
Deferred amounts related to OPEB	3,599,825	0	3,599,825
Deferred amounts related to pensions	3,230,251	53,749	3,284,000
Total Deferred Inflows of Resources	<u>6,836,339</u>	<u>53,749</u>	<u>6,890,088</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	7,946,563	16,720	7,963,283
Restricted for: Capital Projects	1,014,540	0	1,014,540
Debt Service	0	0	0
Unrestricted	(44,291,713)	(632,269)	(44,923,982)
TOTAL NET POSITION	<u>\$ (35,330,610)</u>	<u>\$ (615,549)</u>	<u>\$ (35,946,159)</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, 2020

Total Governmental Fund Balance \$ 6,587,686

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	22,747,533
Furniture and equipment	5,458,944
Accumulated depreciation	<u>(18,191,388)</u>
Total Capital Assets	<u>11,182,826</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. 377,031

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	4,377,858
Deferred outflows of resources related to OPEB	593,848
Deferred inflows of resources related to OPEB	(3,599,825)
Deferred inflows of resources related to pensions	<u>(3,230,251)</u>
Total Deferred Outflows and Inflows of Resources	<u>(1,858,370)</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 payable	(3,230,000)
Bond premium, net of amortization	(6,263)
Accrued interest	(38,384)
Accrued retirement incentive	(150,251)
Other postemployment benefits	(8,689,691)
Net pension liability	(37,166,123)
Compensated absences	<u>(2,339,071)</u>
Total Liabilities	<u>(51,619,783)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (35,330,610)

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, 2020

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>PROGRAM REVENUES</u> <u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS & CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>		
					<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>GOVERNMENTAL ACTIVITIES</u>							
<u>INSTRUCTION:</u>							
Regular	\$ 11,944,186		\$ 2,228,873		\$ (9,715,313)	\$ -	\$ (9,715,313)
Special	3,503,009		1,796,853		(1,706,156)		(1,706,156)
Vocational	693,963		8,225		(685,738)		(685,738)
Other Instructional Programs	82,873		7,899		(74,974)		(74,974)
Adult/Continuing	0		0		0		0
<u>TOTAL INSTRUCTIONAL SERVICES</u>	<u>16,224,031</u>	<u>0</u>	<u>4,041,850</u>	<u>0</u>	<u>(12,182,181)</u>	<u>0</u>	<u>(12,182,181)</u>
<u>SUPPORT SERVICES</u>							
Pupil Personnel	727,061		176,283		(550,778)		(550,778)
Instructional Staff	669,314		157,547		(511,767)		(511,767)
Administration	1,477,075		161,656		(1,315,419)		(1,315,419)
Pupil Health	328,593		64,304		(264,289)		(264,289)
Business	455,743		42,187		(413,556)		(413,556)
Operation and Maintenance of Plant Services	1,800,278		112,414		(1,687,864)		(1,687,864)
Student Transportation Services	1,995,027		1,426,834		(568,193)		(568,193)
Central	1,358,418		201,541		(1,156,877)		(1,156,877)
Other Support Services	25,072		0		(25,072)		(25,072)
<u>TOTAL SUPPORT SERVICES</u>	<u>8,836,581</u>	<u>0</u>	<u>2,342,766</u>	<u>0</u>	<u>(6,493,815)</u>	<u>0</u>	<u>(6,493,815)</u>
<u>NON-INSTRUCTIONAL SERVICES</u>							
Student Activities	441,988	10,909	36,959	0	(394,120)		(394,120)
Community Services	1,237	0	0	0	(1,237)		(1,237)
<u>TOTAL NON-INSTRUCTIONAL SERVICES</u>	<u>443,225</u>	<u>10,909</u>	<u>36,959</u>	<u>0</u>	<u>(395,357)</u>	<u>0</u>	<u>(395,357)</u>
Interest on Long-Term Debt	78,187	0	0	0	(78,187)		(78,187)
<u>TOTAL GOVERNMENT ACTIVITIES</u>	<u>25,582,024</u>	<u>10,909</u>	<u>6,421,575</u>	<u>0</u>	<u>(19,149,540)</u>	<u>0</u>	<u>(19,149,540)</u>
<u>Business-Type Activities</u>							
Food Service	599,223	146,799	454,502	0	0	2,078	2,078
Internal Service	0	0	0	0	0	0	0
<u>TOTAL PRIMARY GOVERNMENT</u>	<u>\$ 26,181,247</u>	<u>\$ 157,708</u>	<u>\$ 6,876,077</u>	<u>\$ -</u>	<u>\$ (19,149,540)</u>	<u>\$ 2,078</u>	<u>\$ (19,147,462)</u>
<u>GENERAL REVENUES:</u>							
Property taxes, levied for general purposes					11,183,164	0	11,183,164
Public utility reality, per capita and occupational taxes levied for general purposes					9,916	0	9,916
Grants, subsidies and contributions not restricted					8,789,582	0	8,789,582
Investment earnings					144,484	630	145,114
Miscellaneous income					465,150	0	465,150
<u>TOTAL GENERAL REVENUES</u>					<u>20,592,296</u>	<u>630</u>	<u>20,592,926</u>
Change in Net Position					1,442,756	2,708	1,445,464
<u>NET POSITION - BEGINNING OF YEAR</u>					<u>(36,773,366)</u>	<u>(618,257)</u>	<u>(37,391,623)</u>
<u>NET POSITION - END OF YEAR</u>					<u>\$ (35,330,610)</u>	<u>\$ (615,549)</u>	<u>\$ (35,946,159)</u>

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

MONTROSE AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 6,901,240	\$ 1,014,540	\$ -	\$ 7,915,780
Investments	0	0	0	0
Taxes receivable, net	509,108	0	0	509,108
Interfund receivables	75,182	0	0	75,182
Intergovernmental receivables	1,325,689	0	0	1,325,689
Inventories	29,820	0	0	29,820
Other receivables, net	246,377	0	0	246,377
Prepaid expenses	52,645	0	0	52,645
TOTAL ASSETS	<u><u>\$ 9,140,061</u></u>	<u><u>\$ 1,014,540</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,154,601</u></u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Interfund payables	62,053	0	0	62,053
Accounts payable	691,212	0	0	691,212
Accrued salaries & benefits	1,043,248	0	0	1,043,248
Accrued interest	0	0	0	0
Payroll deductions & withholding	1,349,150	0	0	1,349,150
Revenue received in advance	44,221	0	0	44,221
Other current liabilities	0	0	0	0
TOTAL LIABILITIES	<u><u>3,189,884</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>3,189,884</u></u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	377,031	0	0	377,031
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>377,031</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>377,031</u></u>
<u>FUND BALANCES</u>				
Nonspendable:				
Inventories & Prepaid	82,465	0	0	82,465
Restricted for:				
Capital outlays	0	1,014,540	0	1,014,540
Debt service	0	0	0	0
Committed for:				
Future pension costs	1,106	0	0	1,106
Capital 32 Fund	915,298	0	0	915,298
Curriculum	1,327,183	0	0	1,327,183
Budget Shortfall	325,000			325,000
Bonded Debt	809,762	0	0	809,762
Unassigned:				
Unassigned	2,112,332	0	0	2,112,332
TOTAL FUND BALANCES	<u><u>5,573,146</u></u>	<u><u>1,014,540</u></u>	<u><u>0</u></u>	<u><u>6,587,686</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES	<u><u>\$ 9,140,061</u></u>	<u><u>\$ 1,014,540</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,154,601</u></u>

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, 2020

Net change in Fund Balances – Total Government Funds \$ 1,398,706

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	436,751
Depreciation expense	(974,499)
Excess of capital outlay over depreciation expense	<u>(537,748)</u>

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:

Bond principal payments	500,000
Bond premium amortization	1,138
	<u>501,138</u>

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	(60,077)
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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	3,747,350
Cost of pension benefits earned, net of employee contributions	(3,479,495)
	<u>267,855</u>

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.

96,547

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	5,000
Net (increase)/decrease in accrued retirement incentive	(99,568)
Net (increase)/decrease in compensated absences	(129,097)
	<u>(223,665)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,442,756

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, 2020

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>				
Local sources	\$12,148,118	\$ 7,260	\$ -	\$12,155,378
State sources	14,322,450	0	0	14,322,450
Federal sources	607,029	0	0	607,029
TOTAL REVENUES	<u>27,077,597</u>	<u>7,260</u>	<u>0</u>	<u>27,084,857</u>
<u>EXPENDITURES</u>				
<u>Instructional Services</u>				
Regular	11,550,799	0	0	11,550,799
Special	3,413,856	0	0	3,413,856
Vocational	666,651	0	0	666,651
Other instructional programs	80,323	0	0	80,323
Adult/Continuing	0	0	0	0
TOTAL INSTRUCTIONAL SERVICES	<u>15,711,629</u>	<u>0</u>	<u>0</u>	<u>15,711,629</u>
<u>Support Services</u>				
Pupil personnel	708,503	0	0	708,503
Instructional staff	647,715	0	0	647,715
Administration	1,448,938	0	0	1,448,938
Pupil health	319,967	0	0	319,967
Business	442,250	0	0	442,250
Operation and maintenance of plant services	1,788,218	0	0	1,788,218
Student transportation services	1,996,217	0	0	1,996,217
Central	1,439,273	4,970	0	1,444,243
Other support services	25,072	0	0	25,072
TOTAL SUPPORT SERVICES	<u>8,816,153</u>	<u>4,970</u>	<u>0</u>	<u>8,821,123</u>
Operation of Non-Instructional Services	429,527	0	0	429,527
Capital outlay	0	139,547	0	139,547
<u>Debt Service</u>				
Interest, Refunds and Costs	84,325	0	0	84,325
Principal	500,000	0	0	500,000
TOTAL EXPENDITURES	<u>25,541,634</u>	<u>144,517</u>	<u>0</u>	<u>25,686,151</u>
(EXCESS) DEFICIENCY OF REVENUES OVER EXPENDITURES	1,535,963	(137,257)	0	1,398,706
<u>OTHER FINANCING SOURCES (USES)</u>				
Bond issue proceeds	0	0	0	0
Sale of fixed assets	0	0	0	0
Operating transfers in	0	370,410	0	370,410
Operating transfers out	(370,410)	0	0	(370,410)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(370,410)</u>	<u>370,410</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	1,165,553	233,153	0	1,398,706
Fund Balances-Beginning	4,407,593	781,387	0	5,188,980
FUND BALANCES-ENDING	<u>\$ 5,573,146</u>	<u>\$ 1,014,540</u>	<u>\$ -</u>	<u>\$ 6,587,686</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, 2020

	<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	\$11,684,160	\$11,406,629	\$12,148,118	\$ 741,489
State sources	14,346,704	14,346,735	14,322,450	(24,285)
Federal sources	582,706	582,706	607,029	24,323
Total Revenues	<u>26,613,570</u>	<u>26,336,070</u>	<u>27,077,597</u>	<u>741,527</u>
<u>EXPENDITURES</u>				
<u>Instructional Services:</u>				
Regular	12,557,288	12,256,473	11,550,799	705,674
Special	3,449,053	3,494,825	3,413,856	80,969
Vocational	659,944	660,201	666,651	(6,450)
Other instructional programs	95,257	72,104	80,323	(8,219)
Adult/Continuing	0	0	0	0
Total Instructional Services	<u>16,761,542</u>	<u>16,483,603</u>	<u>15,711,629</u>	<u>771,974</u>
<u>Support Services</u>				
Pupil personnel	742,442	760,913	708,503	52,410
Instructional staff	560,029	615,471	647,715	(32,244)
Administration	1,476,463	1,505,237	1,448,938	56,299
Pupil health	319,217	318,788	319,967	(1,179)
Business	443,914	447,123	442,250	4,873
Operation & maintenance of plant services	1,854,608	1,861,910	1,788,218	73,692
Student transportation services	2,069,218	2,071,718	1,996,217	75,501
Central	1,322,602	1,280,983	1,439,273	(158,290)
Other support services	25,036	25,036	25,072	(36)
Total Support Services	<u>8,813,529</u>	<u>8,887,179</u>	<u>8,816,153</u>	<u>71,026</u>
Operation of Non- Instructional Services	519,892	446,681	429,527	17,154
Capital outlay	0	0	0	0
Debt Service: Interest & refunds	81,768	81,768	84,325	(2,557)
Principal	500,000	500,000	500,000	0
TOTAL EXPENDITURES	<u>26,676,731</u>	<u>26,399,231</u>	<u>25,541,634</u>	<u>857,597</u>
(EXCESS) DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(63,161)</u>	<u>(63,161)</u>	<u>1,535,963</u>	<u>1,599,124</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of fixed assets	1,000	1,000	0	(1,000)
Operating transfers in	0	0	0	0
Operating transfers out	(115,000)	(115,000)	(370,410)	(255,410)
Budgetary reserve	(150,000)	(150,000)	0	150,000
Total Other Financing Sources(Uses)	<u>(264,000)</u>	<u>(264,000)</u>	<u>(370,410)</u>	<u>(106,410)</u>
Net Change in Fund Balances	(327,161)	(327,161)	1,165,553	1,492,714
Fund Balances-Beginning	<u>3,172,638</u>	<u>3,172,638</u>	<u>4,407,593</u>	<u>1,234,955</u>
FUND BALANCES-ENDING	<u>\$ 2,845,477</u>	<u>\$ 2,845,477</u>	<u>\$ 5,573,146</u>	<u>\$ 2,727,669</u>

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

MONTROSE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	<u>FOOD SERVICE</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 55,437	\$ -	\$ 55,437
Investments	0	0	0
Taxes receivable, net	0	0	0
Interfund receivables	62,053	0	62,053
Intergovernmental receivables	44,746	0	44,746
Inventories	17,066	0	17,066
Prepaid expenses	0	0	0
Total Current Assets	<u>179,302</u>	<u>0</u>	<u>179,302</u>
<u>NON-CURRENT ASSETS</u>			
Fixtures and equipment	542,050	0	542,050
Accumulated depreciation	<u>(525,330)</u>	<u>0</u>	<u>(525,330)</u>
Total Non-Current Assets	<u>16,720</u>	<u>0</u>	<u>16,720</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	72,845	0	72,845
Total Deferred Outflows of Resources	<u>72,845</u>	<u>0</u>	<u>72,845</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 268,867</u>	 <u>\$ -</u>	 <u>\$ 268,867</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Interfund payables	75,182	0	75,182
Accounts payable	0	0	0
Accrued salaries & benefits	1,162	0	1,162
Payroll deductions & withholding	351	0	351
Revenue received in advance	26,095	0	26,095
Other current liabilities	0	0	0
Total Current Liabilities	<u>102,790</u>	<u>0</u>	<u>102,790</u>
<u>NON-CURRENT LIABILITIES</u>			
Net Pension Liability	727,877	0	727,877
Total Non-Current Liabilities	<u>727,877</u>	<u>0</u>	<u>727,877</u>
 TOTAL LIABILITIES	 <u>830,667</u>	 <u>0</u>	 <u>830,667</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	53,749	0	53,749
Total Deferred Inflows of Resources	<u>53,749</u>	<u>0</u>	<u>53,749</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	16,720	0	16,720
Unrestricted	<u>(632,269)</u>	<u>0</u>	<u>(632,269)</u>
 TOTAL NET POSITION	 <u>\$ (615,549)</u>	 <u>\$ -</u>	 <u>\$ (615,549)</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, 2020

	<u>FOOD SERVICE</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>OPERATING REVENUE</u>			
Food service revenue	\$ 146,799	\$ -	\$ 146,799
<u>OPERATING EXPENSES</u>			
Salaries	208,221	0	208,221
Employee benefits	139,902	0	139,902
Purchased professional & technical services	0	0	0
Purchased property services	12,445	0	12,445
Other purchased services	1,284	0	1,284
Supplies	225,475	0	225,475
Other objects	2,841	0	2,841
Depreciation	9,055	0	9,055
Total Operating Expenses	<u>599,223</u>	<u>0</u>	<u>599,223</u>
Operating Income (Loss)	<u>(452,424)</u>	<u>0</u>	<u>(452,424)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Earnings on investments	630	0	630
State sources	55,358	0	55,358
Federal sources	399,144	0	399,144
Non-operating transfers	0	0	0
Total Non-Operating Revenues (Expenses)	<u>455,132</u>	<u>0</u>	<u>455,132</u>
Change in Net Position	2,708	0	2,708
NET POSITION, BEG. OF YEAR	<u>(618,257)</u>	<u>0</u>	<u>(618,257)</u>
NET POSITION, END OF YEAR	<u><u>\$ (615,549)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (615,549)</u></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, 2020

	FOOD SERVICE	OTHER PROPRIETARY FUNDS	TOTAL PROPRIETARY FUNDS
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 146,799	\$ -	\$ 146,799
Cash payments to suppliers for goods & services	(337,357)	0	(337,357)
Cash payments to employees for services	(211,506)	0	(211,506)
Cash payments for other operating expenses	(2,841)	0	(2,841)
Net Cash Provided by (used for) Operating Activities	(404,905)	0	(404,905)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING SOURCES</u>			
State sources	55,358	0	55,358
Federal sources	311,927	0	311,927
Net Cash Provided by (used for) Non-capital Financing Activities	367,285	0	367,285
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Fixed asset purchases	(2,345)	0	(2,345)
Net Cash Provided by (used for) Capital and Related Financing Activities	(2,345)	0	(2,345)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interfund transfers in/(out)	0	0	0
Earnings on investments	630	0	630
Net Cash Provided by (used for) Investing Activities	630	0	630
Net Increase (Decrease) in Cash & Cash Equivalents	(39,335)	0	(39,335)
CASH & CASH EQUIVALENTS, BEG. OF YEAR	94,772	0	94,772
CASH & CASH EQUIVALENTS, END OF YEAR	\$ 55,437	\$ -	\$ 55,437
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>			
Operating Loss	(452,424)	0	(452,424)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	9,055	0	9,055
USDA donated commodities	42,471	0	42,471
(Increase) decrease in accounts receivable	0	0	0
(Increase) decrease in inventories	(12,408)	0	(12,408)
(Increase) decrease in interfund receivable	(4,798)	0	(4,798)
(Increase) decrease in deferred outflows	18,830	0	18,830
Increase (decrease) in interfund payable	2,356	0	2,356
Increase (decrease) in accrued salaries & benefits	1,162	0	1,162
Increase (decrease) in payroll deductions & withholding	351	0	351
Increase (decrease) in revenue received in advance	13,786	0	13,786
Increase (decrease) in net pension liability	(55,716)	0	(55,716)
Increase (decrease) in deferred inflows	32,430	0	32,430
TOTAL ADJUSTMENTS	47,519	0	47,519
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (404,905)	\$ -	\$ (404,905)

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

MONTROSE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

PRIVATE PURPOSE
TRUST

	<u>SCHOLARSHIP</u>	<u>AGENCY</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 6,703	\$ 117,409
Investments	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 6,703</u>	<u>\$ 117,409</u>
<u>LIABILITIES</u>		
Interfund payable	0	0
Due to Students	<u>0</u>	<u>117,409</u>
TOTAL LIABILITIES	<u>0</u>	<u>\$ 117,409</u>
<u>NET POSITION</u>		
Restricted for scholarship	<u>\$ 6,703</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, 2020

	<u>PRIVATE PURPOSE</u> <u>TRUST</u>
	<u>SCHOLARSHIP</u>
<u>ADDITIONS</u>	
Gifts and contributions	\$ -
Interest income	18
	<u>18</u>
<u>DEDUCTIONS</u>	
Scholarships and awards	2,267
	<u>2,267</u>
CHANGE IN NET POSITION	(2,249)
NET POSITION - BEGINNING OF YEAR	<u>8,952</u>
NET POSITION - END OF YEAR	<u><u>\$ 6,703</u></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 generally accepted accounting principles as applicable to governmental units. The District implemented new reporting model standards beginning July 1, 2002. Comparability with reports of all prior years will be affected. The following is a summary of the District's significant accounting policies:

A. REPORTING ENTITY

Consistent with guidance contained in Statement No. 39 of the Governmental Accounting Standards Board (GASB), Determining Whether Organizations are Component Units-an amendment of GASB Statement No. 14, The Financial Reporting Entity, the criteria used by the District to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, etc.) within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given case, the District reviews the applicability of the following criteria:

The District is financially accountable for:

- * Organizations that make up the District's legal entity.
- * Legally separate organizations if District officials appoint a majority of the organization's governing body and the District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the District as defined below.

Impose Its Will – If the District can significantly influence the programs, projects or activities of, or the level of services performed or provided by the organization.

Financial Benefit or Burden – If the District (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to the organization or (3) is obligated in some manner for the debt of the organization.

- * Organizations that are fiscally dependent on the District. Fiscal dependency is established if the organization is unable to adopt its own budget, levy taxes or set rates or charges, or issue bonded debt without the approval of the District.

As defined, there are no other related organizations which should be included in the financial statements. The reporting entity will consist solely of the accounts and funds of the District.

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.

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 AGENCY FUNDS)

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

AGENCY FUND

Agency funds are used to account for assets held by the District as an agent. Agency funds are custodial in nature and do not involve measurement or results of operations. The following are in the District's agency 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 agency 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.

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, 2020, 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, 2020 the outstanding interfund balances was \$137,235.

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.

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, 2020 the District had a compensated absence liability of \$2,339,071.

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, 2020 and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

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.

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.

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, 2020, the bank balance of the District's deposits with financial institutions, including cash equivalents, was \$9,251,759 compared to the carrying amount of \$8,095,329. The difference is caused by items in-transit and outstanding checks. \$8,871,882 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, 2020, the bank balance of the District's deposits with PLGIT was \$60,014 compared to the carrying amount of \$60,040.

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

Investments

As of June 30, 2020, 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, 2020 are as follows:

	<u>OUTSTANDING BALANCE</u>
Real estate, occupational, transfer tax and per capita taxes	<u>\$509,108</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 2020. 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, 2020 is as follows:

	<u>GOVERNMENTAL</u>	<u>PROPRIETARY</u>	<u>TOTAL</u>
Federal grants	\$ 403,446	\$ 44,746	\$ 448,192
State subsidies	922,243	-0-	922,243
Other	-0-	-0-	-0-
Total Due from Other Governments	<u>\$1,325,689</u>	<u>\$ 44,746</u>	<u>\$1,370,435</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>2019</u>	<u>NET</u> <u>ADDITIONS</u>	<u>BALANCE</u> <u>2020</u>
Governmental activities:			
Land & improvements (not depreciated)	\$ 1,167,737	\$ -0-	\$ 1,167,737
Buildings & building improvements	22,614,210	133,323	22,747,533
Furniture, equipment & vehicles	<u>5,155,516</u>	<u>303,428</u>	<u>5,458,944</u>
Total Historical Cost	<u>\$28,937,463</u>	<u>\$ 436,751</u>	<u>\$29,374,214</u>
<u>LESS:</u> Accumulated depreciation:			
Buildings & building improvements	\$13,009,277	\$ 743,856	\$13,753,133
Furniture, equipment & vehicles	<u>4,207,612</u>	<u>230,643</u>	<u>4,438,255</u>
Total Accumulated Depreciation	<u>\$17,216,889</u>	<u>\$ 974,499</u>	<u>\$18,191,388</u>
Governmental Activities, net	<u>\$11,720,574</u>	<u>\$ (537,748)</u>	<u>\$11,182,826</u>
Business-type activities:			
Furniture and equipment	\$ 539,705	\$ 2,345	\$ 542,050
Accumulated depreciation	<u>516,275</u>	<u>9,055</u>	<u>525,330</u>
Business-type Activities, net	<u>\$ 23,430</u>	<u>\$ (6,710)</u>	<u>\$ 16,720</u>

Depreciation expense of \$974,499 was charged to governmental functions as follows:

Instructional	\$667,551
Pupil Personnel	30,103
Instructional Staff	27,520
Administration	61,562
Pupil Health	13,595
Business	18,790
Operation & Maintenance of	
Plant Services	75,977
Central	61,151
Student Activities	<u>18,250</u>
TOTAL	<u>\$974,499</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 6 – LONG-TERM OBLIGATIONS

The changes in long-term debt obligations payable during fiscal 2020 are as follows:

	<u>BALANCE</u> <u>7/1/19</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCE</u> <u>6/30/20</u>
G.O.B. Series of 2015	\$ 3,730,000	\$ -0-	\$ 500,000	\$ 3,230,000
TOTAL	\$ 3,730,000	\$ -0-	\$ 500,000	\$ 3,230,000

Total interest paid on the general obligation bonds for the year ended June 30, 2020 was \$81,768, 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 are due in varying annual installments plus interest at rates ranging from 0.60% to 2.75% with final maturity scheduled for 2025. Principal due in fiscal 2021 is \$510,000.

The following summarizes the District's estimated future debt service requirements on these bonds as of June 30, 2020:

<u>FISCAL YEAR</u> <u>ENDED 6/30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 510,000	\$ 71,668	\$ 581,668
2022	520,000	61,305	581,305
2023	530,000	50,080	580,080
2024	545,000	37,528	582,528
2025	555,000	23,306	578,306
2026-2030	570,000	7,838	577,838
TOTAL	\$3,230,000	\$ 251,725	\$3,481,725

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.

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, 2020 was 33.45 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 \$3,809,703 for the year ended June 30, 2020.

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, 2020 the contribution rate was 0.84 percent of covered payroll and the District contributed \$95,670.

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, 2020 was \$1,994,651.

(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, 2020, the District reported a liability of \$37,894,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was .0810 percent, which was a decrease of .0044 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$3,537,392. At June 30, 2020, 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	\$ -	\$ 109,000
Changes in proportion	70,000	1,919,000
Changes in actual experience and expected experience	209,000	1,256,000
Changes in assumptions	362,000	-
Contributions subsequent to the measurement date	3,809,703	-
	<u>\$ 4,450,703</u>	<u>\$3,284,000</u>

The \$3,809,703 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2020	\$ (510,000)
2021	(1,300,000)
2022	(900,000)
2023	67,000
	<u>\$ (2,643,000)</u>

Actuarial Assumptions

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

- Actuarial cost method-Entry Age Normal-level 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	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
MLPs/Infrastructure	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	<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, 2019.

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>\$ 47,201,000</u>	<u>\$ 37,894,000</u>	<u>\$ 30,013,000</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.

Payables to the Pension Plan

At June 30, 2020, the District had an accrued balance due to PSERS of \$1,201,878. This amount represents the District's contractually obligated contributions for wages earned in April 2020 through June 30, 2020. The balance was paid in September 2020.

(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, 2020 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 2020 is:

Balance at June 30, 2020	\$ 167,397
LESS: Amortized discount	<u>17,146</u>
Present Value of Special Termination Benefits	150,251
LESS: Current Portion	<u>61,615</u>
Long-Term Special Termination Benefits	<u>\$ 88,636</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.

NOTE 11 – NONSPENDABLE FUND BALANCE

At June 30, 2020, the District has segregated the ending fund balance of the General Fund for the nonspendable portion consisting of the following amount:

Inventories	\$ 29,820
Prepaid expenses	<u>52,645</u>
Total Nonspendable	<u>\$ 82,465</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 12 – BOARD COMMITTED FUND BALANCE

The Board of Education committed the following amounts of their June 30, 2020 fund balance by resolution as follows:

Future pension costs	\$ 1,106
Capital 32 Fund	915,298
Curriculum	1,327,183
Budget Shortfall	325,000
Bonded Debt	<u>809,762</u>
Total	<u>\$3,378,349</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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	35
Active employees	<u>198</u>
Total	<u>233</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 \$6,966,691 was measured as of July 1, 2018, 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, 2018 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	2.66%
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	2.66%
Healthcare cost trend rates	6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% 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, 2020.

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, 2018 valuation were based on the results of an actuarial experience study for the period May 2018.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2019	\$ 6,283,810
Changes for the year:	
Service cost	367,752
Interest	218,779
Differences between expected and actual experience	-0-
Changes in assumptions or other inputs	355,320
Benefit payments	<u>(258,970)</u>
Net changes	<u>682,881</u>
Balance at June 30, 2020	<u>\$ 6,966,691</u>

Changes in assumptions or other inputs reflect a change in the discount rate from 3.36% in 2019 to 2.66% in 2020.

(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 (1.66%) or 1-percentage-point higher (3.66%) than the current discount rate:

	1% Decrease <u>(1.66%)</u>	Discount Rate <u>(2.66%)</u>	1% Increase <u>(3.66%)</u>
Total OPEB Liability	\$7,498,796	\$6,966,691	\$6,463,620

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	\$6,007,595	\$6,966,691	\$8,107,089

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$(66,849). At June 30, 2020, 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	\$ 101,160	\$ 732,882
Changes of assumptions or other inputs	<u>323,018</u>	<u>2,714,943</u>
	<u>\$ 424,178</u>	<u>\$ 3,447,825</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:

2021	\$	(394,410)
2022		(394,410)
2023		(394,410)
2024		(394,410)
2025		(394,410)
Thereafter		<u>(1,051,597)</u>
	\$	<u>(3,023,647)</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, 2019 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, 2020 was 0.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were \$95,670 for the year ended June 30, 2020.

(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, 2020, the District reported a liability of \$1,723,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS' total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was .0810%, which was a decrease of .0044% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$65,972. At June 30, 2020, 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	\$ 56,000	\$ 51,000
Net differences between projected and actual investment earnings	3,000	-
Changes in proportion	5,000	101,000
Difference between expected and actual experience	10,000	-
District contributions subsequent to the measurement date	95,670	-
	<u>\$ 169,670</u>	<u>\$ 152,000</u>

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

2020	\$ (17,000)
2021	(18,000)
2022	(18,000)
2023	(18,000)
2024	-
Thereafter	<u>(7,000)</u>
	<u>\$ (78,000)</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, 2019, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The following assumptions were used to determine the contribution rate:

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

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	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	<u>3.7%</u>	0.0%
	<u>100.0%</u>	

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

Discount Rate

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

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

The following presents PSERS net OPEB liability for June 30, 2019, 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	\$ 1,722,000	\$ 1,723,000	\$ 1,723,000

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

	1 % Decrease 1.79%	Discount Rate 2.79%	1% Increase 3.79%
PSERS proportionate share of the net OPEB liability	<u>\$ 1,963,000</u>	<u>\$ 1,723,000</u>	<u>\$ 1,524,000</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.

NOTE 14 – SUBSEQUENT EVENT

During July 2020 the Montrose Area School District issued a General Obligation Note, Series of 2020 in the amount of \$2,479,000 in order to current refund the General Obligation Bonds, Series of 2015.

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. 84, 'Fiduciary Activities'. The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The provisions of this Statement are effective for the School District's June 30, 2021 financial statements.

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.

GASB issued Statement No. 90, 'Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61'. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for the School District's June 30, 2021 financial statements.

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

REQUIRED

SUPPLEMENTARY INFORMATION

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

*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, 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	\$ 3,809,703	\$ 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>\$ (3,809,703)</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	\$ 11,166,064	\$ 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	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0810%	0.0854%	0.0851%	0.0868%
District's proportionate share of the net OPEB liability	\$ 1,723,000	\$ 1,781,000	\$ 1,734,000	\$ 1,870,000
District's covered-employee payroll	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%	15.5%	15.3%	16.6%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%

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*

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 95,670	\$ 91,972	\$ 94,940	\$ 93,692
Contributions in relation to the contractually required contribution	<u>\$ (95,670)</u>	<u>\$ (91,972)</u>	<u>\$ (94,940)</u>	<u>\$ (93,692)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,166,064	\$ 11,502,272	\$ 11,328,393	\$ 11,245,720
Contributions as a percentage of covered-employee payroll	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, 2020

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

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 3.36% to 2.66%. The trend assumption was updated.
Assumptions for salary, mortality, withdrawal and retirement were changed to use PSERS
assumptions. Wives are now assumed to be 2 years younger instead of 3 years.

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, 2020 AND 2019

EXHIBIT A

	<u>SCHEDULE</u>	<u>BUDGET</u>	<u>2020 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2019 ACTUAL</u>
<u>REVENUES</u>					
Local Sources	1	\$11,406,629	\$12,148,118	\$ 741,489	\$12,310,404
State Sources	2	14,346,735	14,322,450	(24,285)	14,148,584
Federal Sources	3	582,706	607,029	24,323	559,943
Extended term financing	-	0	0	0	0
Sale of fixed assets	-	1,000	0	(1,000)	0
Interfund transfers	-	0	0	0	0
		<u>26,337,070</u>	<u>27,077,597</u>	<u>740,527</u>	<u>27,018,931</u>
<u>EXPENDITURES</u>					
1100-INSTRUCTION-					
Regular Programs	4	12,256,473	11,550,799	705,674	11,794,162
1200-INSTRUCTION-					
Special Programs	5	3,494,825	3,413,856	80,969	3,235,418
1300-VOCATIONAL EDUCATION	6	660,201	666,651	(6,450)	639,737
1400-OTHER INSTRUCTIONAL					
PROGRAMS-E/S	7	72,104	80,323	(8,219)	67,457
2100-SUPPORT SERVICES-					
Pupil Personnel	8	760,913	708,503	52,410	723,819
2200-SUPPORT SERVICES-					
Instructional Staff	9	615,471	647,715	(32,244)	665,262
2300-SUPPORT SERVICES-					
Administration	10	1,505,237	1,448,938	56,299	1,398,559
2400-SUPPORT SERVICES-					
Pupil Health	11	318,788	319,967	(1,179)	419,885
2500-SUPPORT SERVICES-Business	12	447,123	442,250	4,873	417,456
2600-SUPPORT SERVICES-Operation					
& Maintenance of Plant Services	13	1,861,910	1,788,218	73,692	1,911,687
2700-SUPPORT SERVICES-Student					
Transportation Services	14	2,071,718	1,996,217	75,501	2,052,592
2800-SUPPORT SERVICES-Central	15	1,280,983	1,439,273	(158,290)	1,480,324
2900-SUPPORT SERVICES-Other	16	25,036	25,072	(36)	25,085
3200-OPERATION OF NONIN-					
STRUCTIONAL SERVICES-					
STUDENT ACTIVITIES	17	445,181	428,290	16,891	507,393
3300-COMMUNITY SERVICES	18	1,500	1,237	263	1,310
4000-FACILITIES ACQUISITION,					
CONSTRUCTION & IMPROVE-					
MENT SERVICES	19	0	0	0	1,026
5100- DEBT SERVICE	20	581,768	584,325	(2,557)	581,668
5200-FUND TRANSFERS	21	115,000	370,410	(255,410)	450,393
5900-BUDGETARY RESERVE		150,000	0	150,000	0
		<u>26,664,231</u>	<u>25,912,044</u>	<u>752,187</u>	<u>26,373,233</u>
<u>EXCESS REVENUE OVER</u>					
<u>EXPENDITURES</u>		(327,161)	1,165,553	1,492,714	645,698
<u>Fund Balance-Beginning</u>		3,172,638	4,407,593	1,234,955	3,761,895
<u>FUND BALANCE, ENDING</u>		<u>\$ 2,845,477</u>	<u>\$ 5,573,146</u>	<u>\$ 2,727,669</u>	<u>\$ 4,407,593</u>

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

SCHEDULE 1

		2020	VARIANCE FAVORABLE (UNFAVORABLE)	2019
	<u>BUDGET</u>	<u>ACTUAL</u>		<u>ACTUAL</u>
<u>REVENUE FROM LOCAL SOURCES</u>				
Current real estate taxes	\$10,238,794	\$10,343,900	\$ 105,106	\$10,004,204
Public utility realty taxes	12,300	9,916	(2,384)	10,649
Payment in lieu of taxes	1,341	6,853	5,512	6,698
Per capita - Section 679	0	0	0	15,695
Per capita - Act 511	0	0	0	15,695
Occupation privilege taxes	0	0	0	64,046
Real estate transfer taxes	150,000	163,113	13,113	174,649
Delinquent taxes	591,374	729,375	138,001	604,353
Earnings on investments	60,700	137,224	76,524	103,213
District activities	12,000	10,909	(1,091)	16,359
Revenue from intermediary services	286,120	281,678	(4,442)	288,877
Rentals and gas lease	0	201,661	201,661	371,680
Gas lease renewal	0	0	0	180,060
Contributions & donations from private sources	0	0	0	0
Tuition	2,500	3,595	1,095	2,204
Community service activities	0	0	0	236,161
Refund of prior year expenses	50,000	259,431	209,431	215,021
Miscellaneous	1,500	463	(1,037)	840
	<u>\$11,406,629</u>	<u>\$12,148,118</u>	<u>\$ 741,489</u>	<u>\$12,310,404</u>

SCHEDULE 2

<u>REVENUE FROM STATE SOURCES</u>				
Basic instructional subsidy	\$ 8,054,621	\$ 7,690,941	\$ (363,680)	\$ 7,618,251
Section 1305 & 1306	13,700	11,530	(2,170)	3,140
Homebound instruction	0	0	0	0
Vocational education	2,600	0	(2,600)	0
Driver education	560	1,085	525	490
Special education of exceptional pupils	1,180,280	1,336,225	155,945	1,296,200
Transportation	1,354,227	1,412,564	58,337	1,355,897
Rentals and sinking fund payments	0	0	0	0
Health services	25,000	24,538	(462)	24,992
Property tax reduction allocation	1,098,672	1,098,641	(31)	1,098,680
PCCD safety grant	0	37,554	37,554	24,971
Ready to learn block grant	0	290,716	290,716	290,716
Revenue for social security	445,428	423,751	(21,677)	440,144
Revenue for retirement	2,171,647	1,961,094	(210,553)	1,989,099
Miscellaneous	0	33,811	33,811	6,004
	<u>\$14,346,735</u>	<u>\$14,322,450</u>	<u>\$ (24,285)</u>	<u>\$14,148,584</u>

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

SCHEDULE 3

	<u>BUDGET</u>	<u>2020 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2019 ACTUAL</u>
<u>REVENUE FROM FEDERAL SOURCES</u>				
NCLB, Title I	\$ 394,055	\$ 387,258	\$ (6,797)	\$ 413,565
NCLB, Title II	62,316	72,175	9,859	62,316
NCLB, Title IV	24,835	19,731	(5,104)	24,835
CARES Act - ESSER	0	88,753	88,753	0
ACCESS	101,500	38,628	(62,872)	59,045
Other federal grants	0	484	484	182
	<u>\$ 582,706</u>	<u>\$ 607,029</u>	<u>\$ 24,323</u>	<u>\$ 559,943</u>

SCHEDULE 4

<u>1100-INSTRUCTION-REGULAR PROGRAMS</u>				
Salaries	\$ 6,762,161	\$ 6,628,302	\$ 133,859	\$ 6,710,329
Employee benefits	4,367,759	3,861,151	506,608	4,066,935
Purchased professional and technical services	118,150	81,061	37,089	48,535
Purchased property services	55,865	58,051	(2,186)	56,701
Other purchased services	659,244	736,407	(77,163)	714,604
Supplies	277,824	172,764	105,060	186,585
Property	7,200	7,106	94	2,464
Other objects	8,270	5,957	2,313	8,009
	<u>\$12,256,473</u>	<u>\$11,550,799</u>	<u>\$ 705,674</u>	<u>\$11,794,162</u>

SCHEDULE 5

<u>1200-INSTRUCTION-SPECIAL PROGRAMS</u>				
Salaries	\$ 1,779,828	\$ 1,755,834	\$ 23,994	\$ 1,631,219
Employee benefits	1,052,777	1,036,515	16,262	957,032
Purchased professional and technical services	348,000	368,731	(20,731)	390,392
Purchased property services	0	0	0	0
Other purchased services	282,000	170,224	111,776	222,885
Supplies	31,200	28,623	2,577	32,409
Property	0	10,118	(10,118)	0
Other objects	1,020	43,811	(42,791)	1,481
	<u>\$ 3,494,825</u>	<u>\$ 3,413,856</u>	<u>\$ 80,969</u>	<u>\$ 3,235,418</u>

SCHEDULE 6

<u>1300-VOCATIONAL EDUCATION PROGRAMS</u>				
Salaries	\$ 38,926	\$ 38,926	\$ -	\$ 38,898
Employee benefits	19,275	19,367	(92)	18,351
Other purchased services	602,000	608,358	(6,358)	582,488
	<u>\$ 660,201</u>	<u>\$ 666,651</u>	<u>\$ (6,450)</u>	<u>\$ 639,737</u>

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

SCHEDULE 7

	<u>BUDGET</u>	<u>2020 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2019 ACTUAL</u>
<u>1400-OTHER INSTRUCTIONAL PROGRAMS-E/S</u>				
Salaries	\$ 55,204	\$ 32,333	\$ 22,871	\$ 43,875
Employee benefits	0	13,520	(13,520)	17,584
Purchased professional and technical services	0	0	0	0
Purchased property services	0	0	0	0
Other purchased services	15,000	29,475	(14,475)	2,990
Supplies	1,400	587	813	688
Property	0	0	0	0
Other objects	500	4,408	(3,908)	2,320
	<u>\$ 72,104</u>	<u>\$ 80,323</u>	<u>\$ (8,219)</u>	<u>\$ 67,457</u>
 <u>TOTAL INSTRUCTIONAL</u>	 <u>\$16,483,603</u>	 <u>\$15,711,629</u>	 <u>\$ 771,974</u>	 <u>\$15,736,774</u>

SCHEDULE 8

<u>2100-SUPPORT SERVICES- PUPIL PERSONNEL</u>				
Salaries	\$ 465,119	\$ 437,380	\$ 27,739	\$ 455,175
Employee benefits	277,719	264,929	12,790	264,133
Purchased professional and technical services	7,975	0	7,975	950
Purchased property services	0	0	0	0
Other purchased services	1,700	0	1,700	329
Supplies	7,396	5,289	2,107	3,022
Property	0	0	0	0
Other objects	1,004	905	99	210
	<u>\$ 760,913</u>	<u>\$ 708,503</u>	<u>\$ 52,410</u>	<u>\$ 723,819</u>

SCHEDULE 9

<u>2200-SUPPORT SERVICES- INSTRUCTIONAL SERVICES</u>				
Salaries	\$ 230,878	\$ 232,243	\$ (1,365)	\$ 220,756
Employee benefits	199,843	206,582	(6,739)	214,150
Purchased professional and technical services	10,000	30,611	(20,611)	34,884

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

SCHEDULE 9 - CONTINUED

	<u>BUDGET</u>	<u>2020 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2019 ACTUAL</u>
Purchased property services	13,200	10,373	2,827	13,250
Other purchased services	3,000	317	2,683	3,632
Supplies	157,900	167,255	(9,355)	178,590
Property	0	0	0	0
Other objects	650	334	316	0
	<u>\$ 615,471</u>	<u>\$ 647,715</u>	<u>\$ (32,244)</u>	<u>\$ 665,262</u>

SCHEDULE 10

2300-SUPPORT SERVICES-
ADMINISTRATION

Salaries	\$ 856,791	\$ 817,012	\$ 39,779	\$ 789,523
Employee benefits	440,124	451,205	(11,081)	449,852
Purchased professional and technical services	124,251	114,771	9,480	93,159
Purchased property services	5,000	1,665	3,335	2,075
Other purchased services	50,521	45,399	5,122	39,120
Supplies	8,000	1,476	6,524	8,058
Property	0	0	0	0
Other objects	20,550	17,410	3,140	16,772
	<u>\$ 1,505,237</u>	<u>\$ 1,448,938</u>	<u>\$ 56,299</u>	<u>\$ 1,398,559</u>

SCHEDULE 11

2400-SUPPORT SERVICES-
PUPIL HEALTH

Salaries	\$ 183,599	\$ 188,812	\$ (5,213)	\$ 242,509
Employee benefits	112,399	115,683	(3,284)	162,807
Purchased professional and technical services	8,840	4,926	3,914	7,290
Purchased property services	600	225	375	414
Other purchased services	0	0	0	0
Supplies	13,350	10,321	3,029	6,865
Property	0	0	0	0
	<u>\$ 318,788</u>	<u>\$ 319,967</u>	<u>\$ (1,179)</u>	<u>\$ 419,885</u>

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

SCHEDULE 12

	<u>BUDGET</u>	<u>2020 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2019 ACTUAL</u>
<u>2500-SUPPORT SERVICES-BUSINESS</u>				
Salaries	\$ 268,642	\$ 219,184	\$ 49,458	\$ 212,372
Employee benefits	129,885	139,953	(10,068)	139,202
Purchased professional and technical services	5,000	11,833	(6,833)	3,733
Purchased property services	7,500	7,768	(268)	7,673
Other purchased services	14,000	15,570	(1,570)	18,090
Supplies	21,096	47,364	(26,268)	35,761
Property	0	0	0	0
Other objects	1,000	578	422	625
	<u>\$ 447,123</u>	<u>\$ 442,250</u>	<u>\$ 4,873</u>	<u>\$ 417,456</u>

SCHEDULE 13

2600-SUPPORT SERVICES-OPERATION &
MAINTENANCE OF PLANT SERVICES

Salaries	\$ 559,975	\$ 548,432	\$ 11,543	\$ 555,116
Employee benefits	350,584	360,056	(9,472)	433,933
Purchased professional and technical services	120,142	55,370	64,772	28,285
Purchased property services	236,282	219,426	16,856	264,305
Other purchased services	86,677	77,874	8,803	101,369
Supplies	457,000	476,738	(19,738)	478,413
Property	50,000	50,626	(626)	49,176
Other objects	1,250	(304)	1,554	1,090
	<u>\$ 1,861,910</u>	<u>\$ 1,788,218</u>	<u>\$ 73,692</u>	<u>\$ 1,911,687</u>

SCHEDULE 14

2700-SUPPORT SERVICES-STUDENT
TRANSPORTATION SERVICES

Salaries	\$ 46,722	\$ 46,722	\$ -	\$ 45,627
Employee benefits	34,503	32,982	1,521	37,982
Purchased professional and technical services	7,000	3,308	3,692	15,388
Purchased property services	17,600	25,679	(8,079)	16,628
Other purchased services	1,962,593	1,886,873	75,720	1,936,103
Supplies	2,100	653	1,447	323
Property	1,000	0	1,000	0
Other objects	200	0	200	541
	<u>\$ 2,071,718</u>	<u>\$ 1,996,217</u>	<u>\$ 75,501</u>	<u>\$ 2,052,592</u>

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

SCHEDULE 15

	<u>BUDGET</u>	<u>2020 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2019 ACTUAL</u>
<u>2800-SUPPORT SERVICES-CENTRAL</u>				
Salaries	\$ 458,655	\$ 481,615	\$ (22,960)	\$ 457,976
Employee benefits	363,672	377,622	(13,950)	504,690
Purchased professional and technical services	7,450	5,449	2,001	7,234
Purchased property services	110,355	133,019	(22,664)	142,485
Other purchased services	99,400	87,897	11,503	89,723
Supplies	90,595	115,698	(25,103)	114,558
Property	150,856	237,833	(86,977)	163,658
Other objects	0	140	(140)	0
	<u>\$ 1,280,983</u>	<u>\$ 1,439,273</u>	<u>\$ (158,290)</u>	<u>\$ 1,480,324</u>

SCHEDULE 16

<u>2900-SUPPORT SERVICES-OTHER</u>				
Other purchased services	<u>\$ 25,036</u>	<u>\$ 25,072</u>	<u>\$ (36)</u>	<u>\$ 25,085</u>
 <u>TOTAL SUPPORT SERVICES</u>	 <u>\$ 8,887,179</u>	 <u>\$ 8,816,153</u>	 <u>\$ 71,026</u>	 <u>\$ 9,094,669</u>

SCHEDULE 17

<u>3200-OPERATION OF NONINSTRUCTIONAL SERVICES-STUDENT ACTIVITIES</u>				
Salaries	\$ 193,240	\$ 188,174	\$ 5,066	\$ 196,367
Employee benefits	963	74,358	(73,395)	73,454
Purchased professional and technical services	35,750	48,693	(12,943)	66,099
Purchased property services	16,500	10,704	5,796	11,020
Other purchased services	101,723	46,921	54,802	76,488
Supplies	75,610	45,382	30,228	63,265
Property	0	0	0	0
Other objects	21,395	14,058	7,337	20,700
	<u>\$ 445,181</u>	<u>\$ 428,290</u>	<u>\$ 16,891</u>	<u>\$ 507,393</u>

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

SCHEDULE 18

	<u>BUDGET</u>	<u>2020 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2019 ACTUAL</u>
<u>3300-OPERATION OF NONINSTRUCTIONAL SERVICES-COMMUNITY SERVICES</u>				
Other objects	<u>\$ 1,500</u>	<u>\$ 1,237</u>	<u>\$ 263</u>	<u>\$ 1,310</u>

SCHEDULE 19

<u>4000-FACILITIES ACQUISITION, CONSTRUCTION & IMPROVE- MENT SERVICES</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,026</u>
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SCHEDULE 20

<u>5100- DEBT SERVICE</u>				
Other objects	\$ 81,768	\$ 84,325	\$ (2,557)	\$ 91,668
Other financing uses	<u>500,000</u>	<u>500,000</u>	<u>0</u>	<u>490,000</u>
	<u>\$ 581,768</u>	<u>\$ 584,325</u>	<u>\$ (2,557)</u>	<u>\$ 581,668</u>

SCHEDULE 21

<u>5200- FUND TRANSFERS</u>				
Other objects	<u>\$ 115,000</u>	<u>\$ 370,410</u>	<u>\$ (255,410)</u>	<u>\$ 450,393</u>

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

MURPHY, DOUGHERTY & COMPANY

Certified Public Accountants

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J. PAUL MURPHY, CPA
MICHAEL DOUGHERTY, CPA

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

November 30, 2020

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, 2020, 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. 10th 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 – 8th 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", with a large, stylized flourish extending from the end.

Murphy, Dougherty & Company
Certified Public Accountants

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, 2020, 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, 2020.

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, 2020
Moscow, Pennsylvania

A handwritten signature in black ink, appearing to read "Mrs. Montoya", with a large, stylized flourish at the end.

MURPHY, DOUGHERTY & COMPANY

Certified Public Accountants

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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, 2020. 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.

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, 2020.

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, 2020
Moscow, Pennsylvania



MONTROSE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

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, 2020

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROJECT TITLE	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATE	PROGRAM OR AWARD AMOUNT	TOTAL RECEIVED FOR THE YEAR	ACCRUED OR (DEFERRED) REVENUE AT 7/1/2019	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 6/30/2020
<u>U.S. DEPARTMENT OF EDUCATION</u> <u>Passed through the Pennsylvania</u> <u>Department of Education</u> NCLB - Title I	I	84.010	013-200265	7/1/19-9/30/20	\$ 387,258	\$ 387,295	\$ -	\$ 387,258	\$ 387,258	\$ (37)
CARES Act - ESSER Fund Local	I	84.425D	200-200265	3/13/20-9/30/21	318,055	0	0	88,753	88,753	88,753
Title IIA-Teachers in the Workplace	I	84.367	220-200265	11/21/19-9/30/20	25,000	4,545	0	0	0	(4,545)
Title II-Improving Teacher Quality	I	84.367	020-200265	7/1/19-9/30/20	72,175	72,041	0	72,175	72,175	134
Title II-Improving Teacher Quality	I	84.367	020-190265	7/1/18-9/30/19	62,316	7	7	0	0	0
TOTAL CFDA# 84.367						76,593	7	72,175	72,175	(4,411)
Title IV - Student Support & Academic Enrich	I	84.424	144-200265	7/1/19-9/30/20	29,492	25,559	0	19,731	19,731	(5,828)
Title IV - Student Support & Academic Enrich	I	84.424	144-190265	7/1/18-9/30/19	24,835	11,590	11,590	0	0	0
TOTAL CFDA# 84.424						37,149	11,590	19,731	19,731	(5,828)
<u>TOTAL PASSED THROUGH PENNSYLVANIA</u> <u>DEPARTMENT OF EDUCATION</u>						501,037	11,597	567,917	567,917	78,477
Passed through the N.E.I.U. # 19	I	84.027	N/A	7/1/19-6/30/20	276,829	0	0	276,829	276,829	276,829
Individuals with Disabilities Education Act	I	84.173	N/A	7/1/19-6/30/20	4,849	4,849	0	4,849	4,849	0
IDEA - Section 619	I	84.173	N/A	7/1/18-6/30/19	3,456	3,456	3,456	0	0	0
IDEA - Section 619	I	84.173	N/A	7/1/18-6/30/19	3,456	8,305	3,456	281,678	281,678	276,829
TOTAL IDEA PROGRAM CLUSTER					484	0	0	484	484	484
Title III - English Language Acquisition	I	84.365	N/A	7/1/19-9/30/20						
TOTAL N.E.I.U. # 19						8,305	3,456	282,162	282,162	277,313
<u>TOTAL DEPARTMENT OF EDUCATION</u>						509,342	15,053	850,079	850,079	355,790
<u>U.S. DEPARTMENT OF AGRICULTURE</u> <u>Passed through the Pennsylvania</u> <u>Department of Agriculture</u> National School Lunch Program-Commodities	I	10.555	N/A	7/1/19-6/30/20	N/A	50,367	(1,327)	42,471	42,471	(9,223) (d)
Passed through the Pennsylvania	I-F	10.555	N/A	7/1/19-6/30/20	N/A	155,196	0	155,196	155,196	0
Department of Education	I-F	10.555	N/A	7/1/19-6/30/20	N/A	205,563	(1,327)	197,667	197,667	(9,223)
National School Lunch Program-Cash	I-F	10.555	N/A	7/1/19-6/30/20	N/A	105,226	0	149,972	149,972	44,746
TOTAL CFDA# 10.555						51,504	0	51,504	51,504	0
Summer Food Service Program	I	10.559	N/A	7/1/19-6/30/20	N/A	362,293	(1,327)	399,143	399,143	35,523
School Breakfast Program	I-F	10.553	N/A	7/1/19-6/30/20	N/A	362,293	(1,327)	399,143	399,143	35,523
TOTAL CHILD NUTRITION CLUSTER						362,293	(1,327)	399,143	399,143	35,523
<u>TOTAL DEPARTMENT OF AGRICULTURE</u>						362,293	(1,327)	399,143	399,143	35,523
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u> <u>Passed through the Pennsylvania</u> <u>Department of Public Welfare:</u> Medical Assistance Program	I	93.778	N/A	7/1/19-6/30/20	N/A	1,667	0	1,667	1,667	0
Medical Assistance Program	I	93.778	N/A	7/1/19-6/30/20	N/A	1,667	0	1,667	1,667	0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES						1,667	0	1,667	1,667	0
TOTAL FEDERAL AWARDS						873,302	13,726	1,250,889	1,250,889	391,313

SOURCE CODES: D - Direct Funding
I - Indirect Funding
F - Federal Share

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, 2020.

MONTROSE AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2020

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 reporting entity has been defined in accordance with the criteria established in Statement No. 39 of the Governmental Accounting Standards Board (GASB), Determining Whether Organizations are Component Units – an amendment of GASB Statement No. 14, The Financial Reporting Entity. The specific criteria used is as follows: a) financial interdependency; b) selection of governing authority; c) designation of management; d) ability to significantly influence operations; e) accountability for fiscal matters; f) scope of public service and g) special financing relationships.

As defined, there are no other related organizations which should be included in the financial statements. The reporting entity will consist solely of the accounts and funds of the District.

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, 2020

* NO PRIOR FINDINGS NOTED.