

MONTROSE AREA SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS
AND
SINGLE AUDIT REPORT

JUNE 30, 2018

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, 2018, 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, 2018, 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.

Emphasis of Matter

As disclosed in Notes 1 and 14 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions for the year ended June 30, 2018 to conform with accounting principles generally accepted in the United States of America. The District recognized its total other postemployment benefits liability ("OPEB"), restated its beginning net position for this adoption, expanded its note disclosures and included required supplementary information with respect to total OPEB. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the schedule of the District's proportionate share of the net pension liability on page 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 [October 19, 2018](#) 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.

October 19, 2018
Moscow, Pennsylvania



MONTROSE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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, 2018. 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 2018 are as follows:

- In total, net position increased \$84,119, which represents a 0.2 percent increase from 2017.
- General revenues accounted for \$20,213,040 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 \$6,759,540 or 25 percent of total revenues of \$26,972,580.
- Total assets and deferred outflows of resources of governmental activities decreased by \$106,987 as current assets decreased \$130,766, net capital assets increased by \$123,654, and deferred outflows of resources decreased \$99,875.
- The School District had \$26,888,461 in expenses; only \$6,759,540 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state revenues) of \$20,213,040 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, 2018
(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 2018?" 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, 2018
(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 2018 compared to 2017:

TABLE 1
NET POSITION

	<u>2018</u>	<u>2017</u>
<u>ASSETS AND DEFERRED</u>		
<u>OUTFLOWS OF RESOURCES</u>		
Current and Other Assets	\$ 5,892,804	\$ 5,985,101
Capital Assets	12,140,993	12,027,039
Deferred Outflows of Resources	<u>6,797,114</u>	<u>6,913,066</u>
TOTAL ASSETS AND DEFERRED		
OUTFLOWS OF RESOURCES	<u>24,830,911</u>	<u>24,925,206</u>
 <u>LIABILITIES</u>		
Current Liabilities	1,438,299	1,347,673
Other Liabilities	<u>58,615,302</u>	<u>58,783,817</u>
TOTAL LIABILITIES	<u>60,053,601</u>	<u>60,131,490</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	 <u>2,327,076</u>	 <u>557,601</u>
 <u>NET POSITION</u>		
Invested in Capital Assets, Net of Debt	7,912,453	7,317,360
Restricted	767,046	1,561,398
Unrestricted deficit	<u>(46,229,265)</u>	<u>(44,642,643)</u>
<u>TOTAL NET POSITION</u>	<u>\$(37,549,766)</u>	<u>\$(35,763,885)</u>

Total assets and deferred outflows of resources decreased by \$94,295 as cash and cash equivalents increased by \$105,254, receivables, prepaid expenses and inventories decreased by \$197,551, capital assets increased by \$113,954, and deferred outflows of resources decreased \$115,952. Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District decreased by \$1,586,622. This decrease 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 2018 and 2017.

MONTROSE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED-CONTINUED)

TABLE 2
CHANGES IN NET POSITION

	<u>2018</u>	<u>%</u>	<u>2017</u>	<u>%</u>
<u>REVENUES</u>				
<u>Program Revenues:</u>				
Charges for Services	\$ 226,386	0.8%	\$ 245,307	0.9%
Operating Grants & Contributions	6,533,154	24.2%	6,392,779	23.4%
Capital Grants & Contributions	-0-	0.0%	-0-	0.0%
<u>General Revenues:</u>				
Property taxes	10,712,141	39.8%	10,361,865	37.9%
Grants and Entitlements	8,661,787	32.1%	8,622,448	31.6%
Other	<u>839,112</u>	<u>3.1%</u>	<u>1,702,501</u>	<u>6.2%</u>
TOTAL REVENUES	<u>26,972,580</u>	<u>100%</u>	<u>27,324,900</u>	<u>100%</u>
<u>PROGRAM EXPENSES</u>				
<u>INSTRUCTION</u>	16,098,661	59.9%	22,804,965	64.8%
<u>SUPPORT SERVICES:</u>				
Pupils and Instructional Staff	1,981,343	7.4%	1,856,904	5.3%
Board of Education, Administration, Fiscal and Business	2,017,429	7.5%	3,515,415	10.0%
Operation & Maintenance of Plant	2,057,118	7.7%	2,102,907	6.0%
Pupil Transportation	1,999,302	7.4%	1,872,919	5.3%
Other Support Services	1,498,717	5.6%	1,604,910	4.5%
Operation of Non-Instructional Services	1,140,462	4.2%	1,314,639	3.7%
Operating transfers	-0-	0.0%	-0-	0.0%
Interest and Fiscal Charges	<u>95,429</u>	<u>0.3%</u>	<u>133,210</u>	<u>0.4%</u>
TOTAL EXPENSES	<u>26,888,461</u>	<u>100%</u>	<u>35,205,869</u>	<u>100%</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 84,119</u>		<u>\$(7,880,969)</u>	

GOVERNMENTAL ACTIVITIES

Property taxes made up 39.8 and 37.9 percent of revenues for governmental activities for the Montrose Area School District for fiscal year 2018 and 2017, respectively.

Instruction comprises 59.9 and 64.8 percent of District expenses. Support services expenses make up 35.6 and 31.1 percent of the expenses for the years 2018 and 2017, respectively.

MONTROSE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED-CONTINUED)

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

TABLE 3

	<u>TOTAL COST OF SERVICES</u> <u>2018</u>	<u>NET COST OF SERVICES</u> <u>2018</u>	<u>TOTAL COST OF SERVICES</u> <u>2017</u>	<u>NET COST OF SERVICES</u> <u>2017</u>
Instruction	\$16,098,661	\$12,191,151	\$22,804,965	\$19,064,093
<u>Support Services:</u>				
Pupil and Instructional Staff	1,981,343	1,631,773	1,856,904	1,518,335
Board of Education, Administration				
Fiscal and Business	2,017,429	1,810,247	3,515,415	3,328,264
Operation & Maintenance of Plant	2,057,118	1,942,201	2,102,907	1,994,989
Pupil Transportation	1,999,302	635,078	1,872,919	445,323
Other Support Services	1,498,717	1,424,662	1,604,910	1,533,285
Operation of Non-Instructional Services	1,140,462	398,380	1,314,639	550,284
Operating transfers	-0-	-0-	-0-	-0-
Interest and Fiscal Charges	<u>95,429</u>	<u>95,429</u>	<u>133,210</u>	<u>133,210</u>
TOTAL EXPENSES	<u>\$26,888,461</u>	<u>\$20,128,921</u>	<u>\$35,205,869</u>	<u>\$28,567,783</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, 2018
(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 \$26,531,539 and expenditures of \$26,837,646. The net change in fund balance decreased by \$306,107 with the General Fund having an increase of \$488,245 and the Capital Projects Fund having a decrease of \$794,352.

The District had budgeted a decrease of \$574,946 (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, 2018 at its June 2017 meeting and made several budget transfers during fiscal 2017-18. 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 \$26,185,949 in revenue but actually received \$26,420,530 or an increase in revenue of \$234,581.

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	\$ 389,195	Transportation	\$ 159,397
Current real estate taxes	83,222	Social security revenue	55,571
Refund of prior year expenses	118,349	Retirement revenue	140,627

On the expenditure side the District was under budget by \$828,610. Overall the District had an increase in fund balance of \$488,245.

The School District had anticipated having a decrease of \$574,946 to decrease its fund balance, but the actual was an increase of \$488,245. The fund balance at June 30, 2018 was \$3,761,895 and carried over to the June 30, 2019 budget.

CAPITAL ASSETS

At the end of the fiscal year 2018, the School District had \$12,140,993 invested in land, buildings, furniture, equipment and vehicles.

MONTROSE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED-CONTINUED)

Table 4 shows fiscal 2018 balance compared to 2017.

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

	<u>2018</u>	<u>2017</u>
Land	\$ 1,167,737	\$ 1,167,737
Buildings and Improvements	10,065,512	9,995,369
Furniture, Equipment and Vehicles	<u>907,744</u>	<u>863,933</u>
TOTAL	<u>\$12,140,993</u>	<u>\$12,027,039</u>

Depreciation amounted to \$908,485 and \$805,776 and net capital assets increased by \$113,954 in 2018 and increased \$1,994,598 in 2017 with the majority being purchased from the capital funds in both fiscal 2018 and 2017.

DEBT ADMINISTRATION

At June 30, 2018 the District had \$4,220,000 of total debt. During the fiscal year 2018 the District paid \$480,000 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, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 3,995,345	\$ 58,331	\$ 4,053,676
Investments	0	0	0
Taxes receivable, net	514,197	0	514,197
Interfund receivables	71,052	53,088	124,140
Intergovernmental receivables	1,033,912	20,530	1,054,442
Inventories	76,891	4,548	81,439
Other receivables, net	64,910	0	64,910
Prepaid expenses	0	0	0
Total Current Assets	<u>5,756,307</u>	<u>136,497</u>	<u>5,892,804</u>
NON-CURRENT ASSETS			
Land	1,167,737	0	1,167,737
Building and building improvements	22,340,843	0	22,340,843
Fixtures and equipment	4,867,530	539,705	5,407,235
Construction in progress	0	0	0
Accumulated depreciation	(16,271,386)	(503,436)	(16,774,822)
Total Non-Current Assets	<u>12,104,724</u>	<u>36,269</u>	<u>12,140,993</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to OPEB	222,506	0	222,506
Deferred amounts related to pensions	6,452,747	121,861	6,574,608
Total Deferred Outflows of Resources	<u>6,675,253</u>	<u>121,861</u>	<u>6,797,114</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>24,536,284</u>	<u>294,627</u>	<u>24,830,911</u>
LIABILITIES			
CURRENT LIABILITIES			
Interfund payables	53,088	66,551	119,639
Accounts payable	502,580	0	502,580
Accrued salaries & benefits	253,893	0	253,893
Accrued retirement incentive	11,188	0	11,188
Accrued interest	48,284	0	48,284
Payroll deductions & withholdings	0	0	0
Revenues received in advance	28	12,687	12,715
Other current liabilities	0	0	0
Current portion of long-term obligations	490,000	0	490,000
Total Current Liabilities	<u>1,359,061</u>	<u>79,238</u>	<u>1,438,299</u>
NON-CURRENT LIABILITIES			
Bonds payable	3,730,000	0	3,730,000
Accrued retirement incentive	12,606	0	12,606
Other postemployment benefits	10,715,137	0	10,715,137
Net pension liability	41,223,104	806,896	42,030,000
Long-term portion of compensated absences	2,127,559	0	2,127,559
Total Non-Current Liabilities	<u>57,808,406</u>	<u>806,896</u>	<u>58,615,302</u>
TOTAL LIABILITIES	<u>59,167,467</u>	<u>886,134</u>	<u>60,053,601</u>
DEFERRED INFLOWS OF RESOURCES			
Unamortized premium on issuance of bonds	8,540	0	8,540
Deferred amounts related to OPEB	1,225,536	0	1,225,536
Deferred amounts related to pensions	1,072,741	20,259	1,093,000
Total Deferred Inflows of Resources	<u>2,306,817</u>	<u>20,259</u>	<u>2,327,076</u>
NET POSITION			
Invested in capital assets, net of related debt	7,876,184	36,269	7,912,453
Restricted for: Capital Projects	767,046	0	767,046
Debt Service	0	0	0
Unrestricted	(45,581,230)	(648,035)	(46,229,265)
TOTAL NET POSITION	<u>\$ (36,938,000)</u>	<u>\$ (611,766)</u>	<u>\$ (37,549,766)</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, 2018

Total Governmental Fund Balance \$ 4,528,941

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	22,340,843
Furniture and equipment	4,867,530
Accumulated depreciation	(16,271,386)
Total Capital Assets	<u>12,104,724</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. 417,777

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	6,452,747
Deferred outflows of resources related to OPEB	222,506
Deferred inflows of resources related to OPEB	(1,225,536)
Deferred inflows of resources related to pensions	(1,072,741)
Total Deferred Outflows and Inflows of Resources	<u>4,376,976</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	(4,220,000)
Bond premium, net of amortization	(8,540)
Accrued interest	(48,284)
Accrued retirement incentive	(23,794)
Other postemployment benefits	(10,715,137)
Net pension liability	(41,223,104)
Compensated absences	(2,127,559)
Total Liabilities	<u>(58,366,418)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (36,938,000)

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, 2018

			<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>		
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS & CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>GOVERNMENTAL ACTIVITIES</u>							
INSTRUCTION:							
Regular	\$ 12,241,173	\$ -	\$ 2,241,335	\$ -	\$ (9,999,838)	\$ -	\$ (9,999,838)
Special	3,140,188		1,648,808		(1,491,380)		(1,491,380)
Vocational	630,301		10,831		(619,470)		(619,470)
Other Instructional Programs	86,999		6,536		(80,463)		(80,463)
Adult/Continuing	0		0		0		0
TOTAL INSTRUCTIONAL SERVICES	16,098,661	0	3,907,510	0	(12,191,151)	0	(12,191,151)
<u>SUPPORT SERVICES</u>							
Pupil Personnel	735,799		137,981		(597,818)		(597,818)
Instructional Staff	823,280		137,233		(686,047)		(686,047)
Administration	1,628,141		166,012		(1,462,129)		(1,462,129)
Pupil Health	422,264		74,356		(347,908)		(347,908)
Business	389,288		41,170		(348,118)		(348,118)
Operation and Maintenance of Plant Services	2,057,118		114,917		(1,942,201)		(1,942,201)
Student Transportation Services	1,999,302		1,364,224		(635,078)		(635,078)
Central	1,475,112		74,055		(1,401,057)		(1,401,057)
Other Support Services	23,605		0		(23,605)		(23,605)
TOTAL SUPPORT SERVICES	9,553,909	0	2,109,948	0	(7,443,961)	0	(7,443,961)
<u>NON-INSTRUCTIONAL SERVICES</u>							
Student Activities	451,138	11,349	34,052		(405,737)		(405,737)
Community Services	1,341	0	0		(1,341)		(1,341)
TOTAL NON-INSTRUCTIONAL SERVICES	452,479	11,349	34,052	0	(407,078)	0	(407,078)
Interest on Long-Term Debt	95,429	0	0	0	(95,429)		(95,429)
TOTAL GOVERNMENT ACTIVITIES	26,200,478	11,349	6,051,510	0	(20,137,619)	0	(20,137,619)
Business-Type Activities							
Food Service	687,982	215,037	481,644	0		8,699	8,699
Internal Service	1	0	0	0		(1)	(1)
TOTAL PRIMARY GOVERNMENT	\$ 26,888,461	\$ 226,386	\$ 6,533,154	\$ -	\$ (20,137,619)	\$ 8,698	\$ (20,128,921)
<u>GENERAL REVENUES:</u>							
Property taxes, levied for general purposes					10,712,141	0	10,712,141
Public utility realty, per capita and occupational taxes levied for general purposes					106,409	0	106,409
Grants, subsidies and contributions not restricted					8,661,787	0	8,661,787
Investment earnings					84,249	433	84,682
Miscellaneous income					618,021	30,000	648,021
TOTAL GENERAL REVENUES					20,182,607	30,433	20,213,040
Change in Net Position					44,988	39,131	84,119
NET POSITION - BEGINNING OF YEAR, AS RESTATED					(36,982,988)	(650,897)	(37,633,885)
NET POSITION - END OF YEAR					\$ (36,938,000)	\$ (611,766)	\$ (37,549,766)

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

MONTROSE AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$3,231,589	\$ 763,756	\$ -	\$ 3,995,345
Investments	0	0	0	0
Taxes receivable, net	514,197	0	0	514,197
Interfund receivables	71,052	0	0	71,052
Intergovernmental receivables	1,033,912	0	0	1,033,912
Inventories	76,891	0	0	76,891
Other receivables, net	61,620	3,290	0	64,910
Prepaid expenses	0	0	0	0
TOTAL ASSETS	<u>\$4,989,261</u>	<u>\$ 767,046</u>	<u>\$ -</u>	<u>\$ 5,756,307</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Interfund payables	53,088	0	0	53,088
Accounts payable	502,580	0	0	502,580
Accrued salaries & benefits	253,893	0	0	253,893
Accrued interest	0	0	0	0
Payroll deductions & withholding	0	0	0	0
Revenue received in advance	28	0	0	28
Other current liabilities	0	0	0	0
TOTAL LIABILITIES	<u>809,589</u>	<u>0</u>	<u>0</u>	<u>809,589</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	417,777	0	0	417,777
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>417,777</u>	<u>0</u>	<u>0</u>	<u>417,777</u>
<u>FUND BALANCES</u>				
Nonspendable:				
Inventories	76,891	0	0	76,891
Restricted for:				
Capital outlays	0	767,046	0	767,046
Debt service	0	0	0	0
Committed for:				
Future pension costs	328,097	0	0	328,097
Curriculum	1,720,183	0	0	1,720,183
Unassigned:				
Unassigned	1,636,724	0	0	1,636,724
TOTAL FUND BALANCES	<u>3,761,895</u>	<u>767,046</u>	<u>0</u>	<u>4,528,941</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES	<u>\$4,989,261</u>	<u>\$ 767,046</u>	<u>\$ -</u>	<u>\$ 5,756,307</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, 2018

Net change in Fund Balances – Total Government Funds \$ (306,107)

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	1,019,072
Depreciation expense	(895,418)
Excess of capital outlay over depreciation expense	123,654

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	480,000
Bond premium amortization	1,139
	481,139

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

Property taxes	20,811
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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	3,563,314
Cost of pension benefits earned, net of employee contributions	(3,463,732)
	99,582

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.

(260,046)

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	4,800
Net (increase)/decrease in accrued retirement incentive	52,086
Net (increase)/decrease in compensated absences	(170,931)
	(114,045)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 44,988
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The accompanying notes are an integral part of these financial statements.

MONTROSE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2018

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>				
Local sources	\$11,984,764	\$ 16,364	\$ -	\$12,001,128
State sources	13,887,544	0	0	13,887,544
Federal sources	548,222	0	0	548,222
TOTAL REVENUES	26,420,530	16,364	0	26,436,894
<u>EXPENDITURES</u>				
<u>Instructional Services</u>				
Regular	11,716,594	3,488	0	11,720,082
Special	3,052,675	0	0	3,052,675
Vocational	607,610	0	0	607,610
Other instructional programs	84,298	0	0	84,298
Adult/Continuing	0	0	0	0
TOTAL INSTRUCTIONAL SERVICES	15,461,177	3,488	0	15,464,665
<u>Support Services</u>				
Pupil personnel	716,621	0	0	716,621
Instructional staff	798,601	0	0	798,601
Administration	1,508,819	0	0	1,508,819
Pupil health	410,973	0	0	410,973
Business	378,416	19,394	0	397,810
Operation and maintenance of plant services	1,900,945	92,983	0	1,993,928
Student transportation services	2,000,228	38,455	0	2,038,683
Central	1,597,188	202,678	0	1,799,866
Other support services	23,605	0	0	23,605
TOTAL SUPPORT SERVICES	9,335,396	353,510	0	9,688,906
Operation of Non-Instructional Services	438,693	0	0	438,693
Capital outlay	85,651	548,363	0	634,014
<u>Debt Service</u>				
Interest, Refunds and Costs	101,368	0	0	101,368
Principal	480,000	0	0	480,000
TOTAL EXPENDITURES	25,902,285	905,361	0	26,807,646
(EXCESS) DEFICIENCY OF REVENUES OVER EXPENDITURES	518,245	(888,997)	0	(370,752)
<u>OTHER FINANCING SOURCES (USES)</u>				
Bond issue proceeds	0	0	0	0
Sale of fixed assets	0	94,645	0	94,645
Operating transfers in	0	0	0	0
Operating transfers out	(30,000)	0	0	(30,000)
TOTAL OTHER FINANCING SOURCES (USES)	(30,000)	94,645	0	64,645
NET CHANGE IN FUND BALANCES	488,245	(794,352)	0	(306,107)
Fund Balances-Beginning	3,273,650	1,561,398	0	4,835,048
FUND BALANCES-ENDING	\$ 3,761,895	\$ 767,046	\$ -	\$ 4,528,941

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, 2018

	<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	\$11,446,054	\$11,446,054	\$11,984,764	\$ 538,710
State sources	14,211,607	14,211,607	13,887,544	(324,063)
Federal sources	528,288	528,288	548,222	19,934
Total Revenues	<u>26,185,949</u>	<u>26,185,949</u>	<u>26,420,530</u>	<u>234,581</u>
<u>EXPENDITURES</u>				
<u>Instructional Services:</u>				
Regular	12,708,749	12,219,237	11,716,594	502,643
Special	3,012,569	3,137,352	3,052,675	84,677
Vocational	608,542	625,004	607,610	17,394
Other instructional programs	76,635	70,219	84,298	(14,079)
Adult/Continuing	0	0	0	0
Total Instructional Services	<u>16,406,495</u>	<u>16,051,812</u>	<u>15,461,177</u>	<u>590,635</u>
<u>Support Services</u>				
Pupil personnel	727,622	777,001	716,621	60,380
Instructional staff	536,931	655,718	798,601	(142,883)
Administration	1,412,286	1,507,333	1,508,819	(1,486)
Pupil health	413,219	438,851	410,973	27,878
Business	564,668	586,781	378,416	208,365
Operation & maintenance of plant services	1,889,286	1,848,678	1,900,945	(52,267)
Student transportation services	1,861,637	1,891,989	2,000,228	(108,239)
Central	1,513,071	1,565,298	1,597,188	(31,890)
Other support services	36,446	36,446	23,605	12,841
Total Support Services	<u>8,955,166</u>	<u>9,308,095</u>	<u>9,335,396</u>	<u>(27,301)</u>
Operation of Non- Instructional Services	507,866	504,920	438,693	66,227
Capital outlay	95,000	99,700	85,651	14,049
Debt Service; Interest & refunds	101,368	101,368	101,368	0
Principal	480,000	480,000	480,000	0
TOTAL EXPENDITURES	<u>26,545,895</u>	<u>26,545,895</u>	<u>25,902,285</u>	<u>643,610</u>
(EXCESS) DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(359,946)</u>	<u>(359,946)</u>	<u>518,245</u>	<u>878,191</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of fixed assets	0	0	0	0
Operating transfers in	0	0	0	0
Operating transfers out	(65,000)	(65,000)	(30,000)	35,000
Budgetary reserve	(150,000)	(150,000)	0	150,000
Total Other Financing Sources(Uses)	<u>(215,000)</u>	<u>(215,000)</u>	<u>(30,000)</u>	<u>185,000</u>
Net Change in Fund Balances	<u>(574,946)</u>	<u>(574,946)</u>	<u>488,245</u>	<u>1,063,191</u>
Fund Balances-Beginning	<u>1,595,375</u>	<u>1,595,375</u>	<u>3,273,650</u>	<u>1,678,275</u>
FUND BALANCES-ENDING	<u>\$ 1,020,429</u>	<u>\$ 1,020,429</u>	<u>\$ 3,761,895</u>	<u>\$ 2,741,466</u>

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

MONTROSE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	<u>FOOD SERVICE</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 58,331	\$ -	\$ 58,331
Investments	0	0	0
Taxes receivable, net	0	0	0
Interfund receivables	53,088	0	53,088
Intergovernmental receivables	20,530	0	20,530
Inventories	4,548	0	4,548
Prepaid expenses	0	0	0
Total Current Assets	<u>136,497</u>	<u>0</u>	<u>136,497</u>
<u>NON-CURRENT ASSETS</u>			
Fixtures and equipment	539,705	0	539,705
Accumulated depreciation	(503,436)	0	(503,436)
Total Non-Current Assets	<u>36,269</u>	<u>0</u>	<u>36,269</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	121,861	0	121,861
Total Deferred Outflows of Resources	<u>121,861</u>	<u>0</u>	<u>121,861</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 294,627</u>	<u>\$ -</u>	<u>\$ 294,627</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Interfund payables	66,551	0	66,551
Accounts payable	0	0	0
Accrued salaries & benefits	0	0	0
Revenue received in advance	12,687	0	12,687
Other current liabilities	0	0	0
Total Current Liabilities	<u>79,238</u>	<u>0</u>	<u>79,238</u>
<u>NON-CURRENT LIABILITIES</u>			
Net Pension Liability	806,896	0	806,896
Total Non-Current Liabilities	<u>806,896</u>	<u>0</u>	<u>806,896</u>
TOTAL LIABILITIES	<u>886,134</u>	<u>0</u>	<u>886,134</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	20,259	0	20,259
Total Deferred Inflows of Resources	<u>20,259</u>	<u>0</u>	<u>20,259</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	36,269	0	36,269
Unrestricted	(648,035)	0	(648,035)
TOTAL NET POSITION	<u>\$ (611,766)</u>	<u>\$ -</u>	<u>\$ (611,766)</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, 2018

	<u>FOOD SERVICE</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>OPERATING REVENUE</u>			
Food service revenue	\$ 215,037	\$ -	\$ 215,037
<u>OPERATING EXPENSES</u>			
Salaries	212,752	0	212,752
Employee benefits	146,267	1	146,268
Purchased professional & technical services	0	0	0
Purchased property services	12,615	0	12,615
Other purchased services	1,582	0	1,582
Supplies	298,143	0	298,143
Other objects	3,557	0	3,557
Depreciation	13,066	0	13,066
Total Operating Expenses	687,982	1	687,983
Operating Income (Loss)	(472,945)	(1)	(472,946)
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Earnings on investments	433	0	433
State sources	69,651	0	69,651
Federal sources	411,993	0	411,993
Non-operating transfers	30,000	0	30,000
Total Non-Operating Revenues (Expenses)	512,077	0	512,077
Change in Net Position	39,132	(1)	39,131
NET POSITION, BEG. OF YEAR	(650,898)	1	(650,897)
NET POSITION, END OF YEAR	\$ (611,766)	\$ -	\$ (611,766)

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, 2018

	<u>FOOD SERVICE</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 215,037	\$ -	\$ 215,037
Cash payments to suppliers for goods & services	(417,866)	(1)	(417,867)
Cash payments to employees for services	(218,306)	0	(218,306)
Cash payments for other operating expenses	(3,557)	0	(3,557)
Net Cash Provided by (used for) Operating Activities	(424,692)	(1)	(424,693)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING SOURCES</u>			
State sources	70,288	0	70,288
Federal sources	368,064	0	368,064
Net Cash Provided by (used for) Non-capital Financing Activities	438,352	0	438,352
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Fixed asset purchases	(3,367)	0	(3,367)
Net Cash Provided by (used for) Capital and Related Financing Activities	(3,367)	0	(3,367)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interfund transfers in/(out)	30,000		30,000
Earnings on investments	433	0	433
Net Cash Provided by (used for) Investing Activities	30,433	0	30,433
Net Increase (Decrease) in Cash & Cash Equivalents	40,726	(1)	40,725
CASH & CASH EQUIVALENTS, BEG. OF YEAR	17,605	1	17,606
CASH & CASH EQUIVALENTS, END OF YEAR	\$ 58,331	\$ -	\$ 58,331
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>			
Operating Loss	(472,945)	(1)	(472,946)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	13,066	0	13,066
USDA donated commodities	51,056	0	51,056
(Increase) decrease in accounts receivable	0	0	0
(Increase) decrease in inventories	47	0	47
(Increase) decrease in interfund receivable	(5,554)	0	(5,554)
(Increase) decrease in deferred outflows	16,077	0	16,077
Increase (decrease) in interfund payable	(8,530)	0	(8,530)
Increase (decrease) in other current liabilities	0	0	0
Increase (decrease) in revenue received in advance	50	0	50
Increase (decrease) in net pension liability	(27,285)	0	(27,285)
Increase (decrease) in deferred inflows	9,326	0	9,326
TOTAL ADJUSTMENTS	48,253	0	48,253
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (424,692)	\$ (1)	\$ (424,693)

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

MONTROSE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

PRIVATE PURPOSE
TRUST

	<u>SCHOLARSHIP</u>	<u>AGENCY</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 6,701	\$ 1,476,542
Investments	<u>2,250</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 8,951</u>	<u>\$ 1,476,542</u>
<u>LIABILITIES</u>		
Interfund payable	0	4,501
Payroll deductions and withholdings	0	1,381,021
Due to Students	<u>0</u>	<u>91,020</u>
TOTAL LIABILITIES	<u>0</u>	<u>\$ 1,476,542</u>
<u>NET POSITION</u>		
Restricted for scholarship	<u>\$ 8,951</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, 2018

	<u>PRIVATE PURPOSE</u> <u>TRUST</u>	<u>SCHOLARSHIP</u>
<u>ADDITIONS</u>		
Gifts and contributions	\$ 1,200	
Interest income	29	
	<u>1,229</u>	
<u>DEDUCTIONS</u>		
Scholarships and awards		1,028
		<u>1,028</u>
CHANGE IN NET POSITION	201	
NET POSITION - BEGINNING OF YEAR	<u>8,750</u>	
NET POSITION - END OF YEAR	<u>\$ 8,951</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.

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

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.
- The Payroll Fund accounts for salaries and wages earned by School District employees. It handles the disbursing of such amounts to the employees and to other agencies on their behalf, (taxes, retirement contributions, etc.)

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.

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

Fund Financial Statements

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

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

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

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues, net of any uncollectible amounts, are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Net position (total assets less total liabilities) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible with the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Property taxes levied but collected beyond 60 days after year-end, are recorded as deferred revenue to be recognized as revenue when the taxes are collected. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

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

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

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

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

E. BUDGETARY DATA

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

F. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in government funds. Encumbrances at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. As of June 30, 2018, 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, 2018 the outstanding interfund balances was \$124,140.

H. CASH AND CASH EQUIVALENTS

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

I. TAXES RECEIVABLE AND UNEARNED TAX REVENUES

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

J. INVENTORIES AND PREPAID EXPENSES

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

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

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

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

K. CAPITAL ASSETS AND DEPRECIATION

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

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

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

M. LIABILITY FOR FUTURE COMPENSATED ABSENCES

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

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

At June 30, 2018 the District had a compensated absence liability of \$2,127,559.

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, 2018 and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

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

O. UNEARNED REVENUES

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

P. NET POSITION

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

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

Q. INVESTMENTS

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

R. USE OF ESTIMATES

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

S. ALLOCATION OF INDIRECT EXPENSES

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

T. FUND BALANCES

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

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

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

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

U. DEFERRED INFLOWS OF RESOURCES

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

V. DEFERRED OUTFLOWS OF RESOURCES

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

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

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. ADOPTION OF NEW ACCOUNTING STANDARDS

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. The effect of this adoption decreased the District's governmental activities net position at July 1, 2017 by \$1,870,000 and expanded note disclosures and required supplementary information.

The District adopted GASB Statement No. 82, Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73 for the year ended June 30, 2018. Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Statement No. 68, and Statement No. 73. Specifically, Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this standard did not have any impact on the District's financial statements.

The District adopted GASB Statement No. 85, Omnibus 2017 for the year ended June 30, 2018. GASB 85 enhances consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The adoption of this standard did not have a significant impact on the District's financial statements.

The District adopted GASB Statement No. 86, Certain Debt Extinguishment Issues. Statement No. 86 provides additional guidance on the accounting and financial reporting for in-substance defeasance of debt, for prepaid insurance on debt that is extinguished, and notes to financial statements for debt that is defeased in substance. The adoption of this standard did not have any impact on the District's financial statements.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 2 – CASH AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

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

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

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

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

Deposits With Financial Institutions and PLGIT

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The District's investment policy limits investment of funds to instruments backed by the full faith and credit of the federal and state governments or those investments specified in the Public School Code. [At June 30, 2018, the bank balance of the District's deposits with financial institutions, including cash equivalents, was \\$6,275,075 compared to the carrying amount of \\$5,536,919.](#) The difference is caused by items in-transit and outstanding checks. \$5,922,286 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, 2018, the bank balance of the District's deposits with PLGIT was \\$57,636 compared to the carrying amount of \\$57,728.](#)

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

Investments

As of June 30, 2018, the District's investments are carried at fair market value and consist of the following:

	<u>MATURITY</u>	
Certificate of Deposit	4/20/21	<u>\$ 2,250</u>
TOTAL INVESTMENTS		<u>\$ 2,250</u>

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, 2018 are as follows:

	<u>OUTSTANDING BALANCE</u>
Real estate, occupational, transfer tax and per capita taxes	<u>\$514,197</u>

The tax on real estate, as levied by the Board, was 48.8163 mills (\$48.8163 per \$1,000 of assessed valuation) for Susquehanna County for fiscal 2018. 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, 2018 is as follows:

	<u>GOVERNMENTAL</u>	<u>PROPRIETARY</u>	<u>TOTAL</u>
Federal grants	\$ 7,749	\$ 19,206	\$ 26,955
State subsidies	1,026,163	1,324	1,027,487
Other	-0-	-0-	-0-
Total Due from Other Governments	<u>\$1,033,912</u>	<u>\$ 20,530</u>	<u>\$1,054,442</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>2017</u>	<u>NET</u> <u>ADDITIONS</u>	<u>BALANCE</u> <u>2018</u>
Governmental activities:			
Land & improvements (not depreciated)	\$ 1,167,737	\$ -0-	\$ 1,167,737
Buildings & building improvements	21,570,901	769,942	22,340,843
Furniture, equipment & vehicles	<u>4,618,400</u>	<u>249,130</u>	<u>4,867,530</u>
Total Historical Cost	<u>\$27,357,038</u>	<u>\$1,019,072</u>	<u>\$28,376,110</u>
<u>LESS:</u> Accumulated depreciation:			
Buildings & building improvements	\$11,575,532	\$ 699,799	\$12,275,331
Furniture, equipment & vehicles	<u>3,800,436</u>	<u>195,619</u>	<u>3,996,055</u>
Total Accumulated Depreciation	<u>\$15,375,968</u>	<u>\$ 895,418</u>	<u>\$16,271,386</u>
Governmental Activities, net	<u>\$11,981,070</u>	<u>\$ 123,654</u>	<u>\$12,104,724</u>
Business-type activities:			
Furniture and equipment	\$ 536,338	\$ 3,367	\$ 539,705
Accumulated depreciation	<u>490,369</u>	<u>13,067</u>	<u>503,436</u>
Business-type Activities, net	<u>\$ 45,969</u>	<u>\$ (9,700)</u>	<u>\$ 36,269</u>

Depreciation expense of \$895,418 was charged to governmental functions as follows:

Instructional	\$596,474
Pupil Personnel	27,646
Instructional Staff	30,809
Administration	58,208
Pupil Health	15,855
Business	14,599
Operation & Maintenance of	
Plant Services	73,336
Central	61,618
Student Activities	<u>16,873</u>
TOTAL	<u>\$895,418</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 6 – LONG-TERM OBLIGATIONS

The changes in long-term debt obligations payable during fiscal 2018 are as follows:

	<u>BALANCE</u> <u>7/1/17</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCE</u> <u>6/30/18</u>
G.O.B. Series of 2015	<u>\$ 4,700,000</u>	<u>\$ -0-</u>	<u>\$ 480,000</u>	<u>\$ 4,220,000</u>
TOTAL	<u>\$ 4,700,000</u>	<u>\$ -0-</u>	<u>\$ 480,000</u>	<u>\$ 4,220,000</u>

Total interest paid on the general obligation bonds for the year ended June 30, 2018 was \$101,368, 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 2019 is \$490,000.

The following summarizes the District's estimated future debt service requirements on these bonds as of June 30, 2018:

<u>FISCAL YEAR</u> <u>ENDED 6/30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2019	\$ 490,000	\$ 91,668	\$ 581,668
2020	500,000	81,768	581,768
2021	510,000	71,668	581,668
2022	520,000	61,305	581,305
2023	530,000	50,080	580,080
2024-2028	<u>1,670,000</u>	<u>68,670</u>	<u>1,738,670</u>
TOTAL	<u>\$4,220,000</u>	<u>\$ 425,159</u>	<u>\$4,645,159</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 7 – RETIREMENT PLAN

Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan Description

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

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, 2018 was 31.74 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 \$3,630,608 for the year ended June 30, 2018.

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, 2018 the contribution rate was 0.83 percent of covered payroll and the District contributed \$94,940.

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, 2018 was \$1,981,582.

(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, 2018, the District reported a liability of \$42,030,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. 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, 2017, the District's proportion was .0851 percent, which was a decrease of .0017 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,529,144. At June 30, 2018, 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	\$ 974,000	\$ -
Changes in proportion	390,000	839,000
Changes in actual experience and expected experience	438,000	254,000
Changes in assumptions	1,142,000	-
Contributions subsequent to the measurement date	<u>3,630,608</u>	<u>-</u>
	<u>\$ 6,574,608</u>	<u>\$1,093,000</u>

The \$3,630,608 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, 2018. 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:

2019	\$ 475,000
2020	\$ 1,124,000
2021	543,000
2022	<u>(290,000)</u>
	<u>\$ 1,852,000</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 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%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
MLPs/Infrastructure	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	<u>-20.0%</u>	1.1%
	<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, 2017.

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	\$ 51,735,000	\$ 42,030,000	\$ 33,836,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2018, the District had an accrued balance due to PSERS of \$1,327,330. This amount represents the District's contractually obligated contributions for wages earned in April 2018 through June 30, 2018. The balance was paid in September 2018.

(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, 2018 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 2018 is:

Balance at June 30, 2018	\$ 26,436
<u>LESS: Amortized discount</u>	<u>2,642</u>
Present Value of Special Termination Benefits	23,794
<u>LESS: Current Portion</u>	<u>11,188</u>
Long-Term Special Termination Benefits	<u>\$ 12,606</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, 2018, the District has segregated the ending fund balance of the General Fund for the nonspendable portion consisting of the following amount:

Inventories	<u>\$ 76,891</u>
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NOTE 12 – BOARD COMMITTED FUND BALANCE

The Board of Education committed the following amounts of their June 30, 2018 fund balance by resolution as follows:

For future pension costs	\$ 328,097
Curriculum	<u>1,720,183</u>
Total	<u>\$2,048,280</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

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	39
Active employees	<u>205</u>
Total	<u>244</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 \$8,981,137 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	3.0%
Salary growth	3.0%
Discount rate	3.0%
Healthcare cost trend rates	10.0% in 2018-2019. Rates decrease 1% bi-annually to 5.0% in 2028 and later.
Retirees' share of benefit-related costs	Retiree contributions are equal to the PSERS amount which is currently \$100/month for individual coverage. Retiree pays District's group rate for spouse and dependent coverage.

The discount rate was based on 20 year rate for tax-exempt general obligation AA municipal bonds.

The mortality rates used were RP-2014 Mortality Fully Generational using Projection Scale MP-2017.

Changes in the Total OPEB Liability

	Total OPEB <u>Liability</u>
Balance at July 1, 2017	\$ 9,588,121
Changes for the year:	
Service cost	487,905
Interest	273,585
Differences between expected and actual experience	(868,360)
Changes in assumptions or other inputs	(245,176)
Benefit payments	<u>(254,938)</u>
Net changes	<u>(606,984)</u>
Balance at June 30, 2018	<u>\$ 8,981,137</u>

Changes in assumptions or other inputs reflect a change in the discount rate from 2.75% in 2017 to 3.0% in 2018.

(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 (2.0%) or 1-percentage-point higher (4.0%) than the current discount rate:

	1% Decrease <u>(2.0%)</u>	Discount Rate <u>(3.0%)</u>	1% Increase <u>(4.0%)</u>
Total OPEB Liability	\$9,945,169	\$8,981,137	\$8,123,648

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	\$7,909,199	\$8,981,137	\$10,227,457

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$380,986. At June 30, 2018, 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	\$ 125,566	\$ 868,360
Changes of assumptions or other inputs	<u>-</u>	<u>245,176</u>
	<u>\$ 125,566</u>	<u>\$1,113,536</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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 12,203	\$ 146,904
2020	12,203	146,904
2021	12,203	146,904
2022	12,203	146,904
2023	12,203	146,904
Thereafter	64,551	379,016
	<u>\$ 125,566</u>	<u>\$ 1,113,536</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, 2018 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, 2018 was 0.83% 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 \$94,940 for the year ended June 30, 2018.

(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, 2018, the District reported a liability of \$1,734,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. 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, 2018, the District's proportion was .0851%, which was a decrease of .0017% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(26,000). At June 30, 2018, 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	\$ -	\$ 81,000
Net differences between projected and actual investment earnings	2,000	-
Changes in proportion	-	31,000
District contributions subsequent to the measurement date	94,940	-
	<u>\$ 96,940</u>	<u>\$ 112,000</u>

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

2019	\$ (18,000)
2020	(18,000)
2021	(18,000)
2022	(18,000)
2023	(19,000)
Thereafter	<u>(19,000)</u>
	<u>\$ (110,000)</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, 2017, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 3.13% - 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, 2015 determined the employer contribution rate for fiscal year 2017
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date
- Asset valuation method: Market Value
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits).

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	76.4%	0.6%
Fixed Income	<u>23.6%</u>	1.5%
	<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, 2017.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, 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, 2017, 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, 2017, 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	\$ 1,733,000	\$ 1,734,000	\$ 1,734,000

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

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

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

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

	<u>1 % Decrease</u> <u>2.13%</u>	<u>Discount Rate</u> <u>3.13%</u>	<u>1% Increase</u> <u>4.13%</u>
PSERS proportionate share of the net OPEB liability	<u>\$ 1,971,000</u>	<u>\$ 1,734,000</u>	<u>\$ 1,537,000</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- EFFECT OF ADOPTION OF GASB STATEMENT NO. 75

The District adopted GASB Statement No. 75 for its fiscal year ended June 30, 2018 which requires that the effects be applied to the earliest period presented. The changes within the District's June 30, 2018 governmental and business-type activities net deficit are as follows:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Net Deficit previously report, at July 1, 2017	\$ (35,112,988)	\$ (650,897)	\$ (35,763,885)
Effect of adoption of GASB No. 75	<u>(1,870,000)</u>	<u>0</u>	<u>(1,870,000)</u>
Restate net deficit at July 1, 2017	<u>\$ (36,982,988)</u>	<u>\$ (650,897)</u>	<u>\$ (37,633,885)</u>

REQUIRED

SUPPLEMENTARY INFORMATION

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

Last Ten (10) Fiscal Years*

	<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>
District's proportion of the net pension liability	0.0851%	0.0868%	0.0874%	0.0851%	0.0858%
District's proportionate share of the net pension liability	\$ 42,030,000	\$ 43,015,000	\$ 37,857,000	\$ 33,683,000	\$ 35,124,000
District's covered-employee payroll	\$ 11,328,393	\$ 11,245,720	\$ 11,240,150	\$ 10,854,025	\$ 11,005,035
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	371.01%	382.50%	336.80%	310.33%	319.16%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.35%	57.24%	54.49%

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

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

MONTROSE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TO THE PENSION PLAN

Last Ten (10) Fiscal Years*

	<u>June 30, 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	\$ 3,630,608	\$ 3,296,144	\$ 2,800,302	\$ 2,303,322	\$ 1,736,542
Contributions in relation to the contractually required contribution	<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	\$ 11,328,393	\$ 11,245,720	\$ 11,240,150	\$ 10,854,025	\$ 11,005,035
Contributions as a percentage of covered-employee payroll	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>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0851%	0.0868%
District's proportionate share of the net OPEB liability	\$ 1,734,000	\$ 1,870,000
District's covered-employee payroll	11,328,393	11,245,720
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.3%	16.6%
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 94,940	\$ 93,692
Contributions in relation to the contractually required contribution	<u>\$ (94,940)</u>	<u>\$ (93,692)</u>
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 11,328,393	\$ 11,245,720
Contributions as a percentage of covered-employee payroll	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, 2018

Total OPEB Liability

Service Cost	\$ 487,905
Interest	273,585
Differences between expected and actual experience	(868,360)
Changes of assumptions or other inputs	(245,176)
Benefit payments	<u>(254,938)</u>
Net Change in Total OPEB liability	(606,984)
Total OPEB Liability, Beginning	<u>9,588,121</u>
Total OPEB Liability, Ending	<u>8,981,137</u>
Covered-employee Payroll	<u>\$ 9,713,401</u>
Total OPEB Liability as a percentage of covered-employee payroll	<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 2.75% to 3.0%. The mortality assumption has been updated from RP-2014 Mortality Fully Generational using Projection Scale MP-2015 to RP-2014 Mortality Fully Generational using Projection Scale MP-2017.

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, 2018 AND 2017

EXHIBIT A

	<u>SCHEDULE</u>	<u>BUDGET</u>	<u>2018 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2017 ACTUAL</u>
<u>REVENUES</u>					
Local Sources	1	\$11,446,054	\$11,984,764	\$ 538,710	\$12,576,673
State Sources	2	14,211,607	13,887,544	(324,063)	13,689,791
Federal Sources	3	528,288	548,222	19,934	584,001
Extended term financing	-	0	0	0	0
Sale of fixed assets	-	0	0	0	0
Interfund transfers	-	0	0	0	0
		<u>26,185,949</u>	<u>26,420,530</u>	<u>234,581</u>	<u>26,850,465</u>
<u>EXPENDITURES</u>					
1100-INSTRUCTION-					
Regular Programs	4	12,219,237	11,716,594	502,643	11,475,991
1200-INSTRUCTION-					
Special Programs	5	3,137,352	3,052,675	84,677	3,002,418
1300-VOCATIONAL EDUCATION	6	625,004	607,610	17,394	586,131
1400-OTHER INSTRUCTIONAL					
PROGRAMS-E/S	7	70,219	84,298	(14,079)	122,431
2100-SUPPORT SERVICES-					
Pupil Personnel	8	777,001	716,621	60,380	718,041
2200-SUPPORT SERVICES-					
Instructional Staff	9	655,718	798,601	(142,883)	520,709
2300-SUPPORT SERVICES-					
Administration	10	1,507,333	1,508,819	(1,486)	1,445,703
2400-SUPPORT SERVICES-					
Pupil Health	11	438,851	410,973	27,878	399,906
2500-SUPPORT SERVICES-Business	12	586,781	378,416	208,365	386,330
2600-SUPPORT SERVICES-Operation					
& Maintenance of Plant Services	13	1,848,678	1,900,945	(52,267)	1,867,310
2700-SUPPORT SERVICES-Student					
Transportation Services	14	1,891,989	2,000,228	(108,239)	1,958,118
2800-SUPPORT SERVICES-Central	15	1,565,298	1,597,188	(31,890)	1,558,866
2900-SUPPORT SERVICES-Other	16	36,446	23,605	12,841	36,446
3200-OPERATION OF NONIN-					
STRUCTIONAL SERVICES-					
STUDENT ACTIVITIES	17	503,420	437,352	66,068	511,526
3300-COMMUNITY SERVICES	18	1,500	1,341	159	1,430
4000-FACILITIES ACQUISITION,					
CONSTRUCTION & IMPROVE-					
MENT SERVICES	19	99,700	85,651	14,049	43,458
5100- DEBT SERVICE	20	581,368	581,368	0	610,773
5200-FUND TRANSFERS	21	65,000	30,000	35,000	0
5900-BUDGETARY RESERVE		150,000	0	150,000	0
		<u>26,760,895</u>	<u>25,932,285</u>	<u>828,610</u>	<u>25,245,587</u>
<u>EXCESS REVENUE OVER</u>					
<u>EXPENDITURES</u>		(574,946)	488,245	1,063,191	1,604,878
<u>Fund Balance-Beginning</u>		1,595,375	3,273,650	1,678,275	1,668,772
<u>FUND BALANCE, ENDING</u>		<u>\$ 1,020,429</u>	<u>\$ 3,761,895</u>	<u>\$ 2,741,466</u>	<u>\$ 3,273,650</u>

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

SCHEDULE 1

		2018	VARIANCE FAVORABLE (UNFAVORABLE)	2017
	<u>BUDGET</u>	<u>ACTUAL</u>		<u>ACTUAL</u>
<u>REVENUE FROM LOCAL SOURCES</u>				
Current real estate taxes	\$ 9,882,310	\$ 9,965,532	\$ 83,222	\$ 9,543,829
Public utility realty taxes	12,300	10,319	(1,981)	10,882
Payment in lieu of taxes	1,341	6,698	5,357	3,936
Per capita - Section 679	27,900	16,218	(11,682)	17,788
Per capita - Act 511	27,900	16,218	(11,682)	17,788
Occupation privilege taxes	81,401	63,654	(17,747)	70,133
Real estate transfer taxes	150,000	145,351	(4,649)	161,203
Delinquent taxes	616,100	573,749	(42,351)	605,987
Earnings on investments	39,300	74,171	34,871	57,209
District activities	2,450	11,349	8,899	9,690
Revenue from intermediary services	251,952	277,831	25,879	263,233
Rentals and gas lease	0	389,195	389,195	658,550
Contributions & donations from private sources	5,000	9	(4,991)	0
Tuition	0	2,436	2,436	1,521
Community service activities	311,600	276,884	(34,716)	304,451
Refund of prior year expenses	35,000	153,349	118,349	846,102
Miscellaneous	1,500	1,801	301	4,371
	<u>\$11,446,054</u>	<u>\$11,984,764</u>	<u>\$ 538,710</u>	<u>\$12,576,673</u>

SCHEDULE 2

<u>REVENUE FROM STATE SOURCES</u>				
Basic instructional subsidy	\$ 7,522,477	\$ 7,563,115	\$ 40,638	\$ 7,523,705
Charter schools	0	0	0	0
Section 1305 & 1306	0	13,705	13,705	0
Homebound instruction	0	0	0	0
Vocational education	16,500	2,659	(13,841)	6,206
Driver education	1,800	560	(1,240)	1,750
Special education of exceptional pupils	1,149,248	1,148,429	(819)	1,135,893
Transportation	1,513,624	1,354,227	(159,397)	1,417,743
Rentals and sinking fund payments	4,080	0	(4,080)	0
Health services	27,800	25,049	(2,751)	26,284
Property tax reduction allocation	1,098,672	1,098,672	0	1,098,743
Ready to learn block grant	290,716	290,716	0	290,716
Revenue for social security	500,999	445,428	(55,571)	438,219
Revenue for retirement	2,085,611	1,944,984	(140,627)	1,750,532
Miscellaneous	80	0	(80)	0
	<u>\$14,211,607</u>	<u>\$13,887,544</u>	<u>\$ (324,063)</u>	<u>\$13,689,791</u>

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

SCHEDULE 3

	<u>BUDGET</u>	<u>2018 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2017 ACTUAL</u>
<u>REVENUE FROM FEDERAL SOURCES</u>				
NCLB, Title I	\$ 350,049	\$ 372,350	\$ 22,301	\$ 399,569
NCLB, Title II	78,239	59,415	(18,824)	76,575
NCLB, Title IV	0	10,000	10,000	0
ARRA - Education Jobs Fund	0	0	0	0
ACCESS	100,000	106,157	6,157	107,857
Other federal grants	0	300	300	0
	<u>\$ 528,288</u>	<u>\$ 548,222</u>	<u>\$ 19,934</u>	<u>\$ 584,001</u>

SCHEDULE 4

<u>1100-INSTRUCTION-REGULAR PROGRAMS</u>				
Salaries	\$ 6,757,400	\$ 6,686,710	\$ 70,690	\$ 6,476,897
Employee benefits	4,371,547	4,069,730	301,817	4,027,315
Purchased professional and technical services	48,100	54,560	(6,460)	53,804
Purchased property services	48,912	52,985	(4,073)	51,954
Other purchased services	701,353	649,696	51,657	637,488
Supplies	215,584	184,725	30,859	172,707
Property	64,440	14,796	49,644	40,597
Other objects	11,901	3,392	8,509	15,229
	<u>\$12,219,237</u>	<u>\$11,716,594</u>	<u>\$ 502,643</u>	<u>\$11,475,991</u>

SCHEDULE 5

<u>1200-INSTRUCTION-SPECIAL PROGRAMS</u>				
Salaries	\$ 1,594,031	\$ 1,572,365	\$ 21,666	\$ 1,518,464
Employee benefits	1,103,930	970,281	133,649	968,872
Purchased professional and technical services	174,639	307,446	(132,807)	289,466
Purchased property services	0	0	0	0
Other purchased services	228,250	165,116	63,134	193,724
Supplies	33,350	36,046	(2,696)	31,173
Property	1,202	0	1,202	0
Other objects	1,950	1,421	529	719
	<u>\$ 3,137,352</u>	<u>\$ 3,052,675</u>	<u>\$ 84,677</u>	<u>\$ 3,002,418</u>

SCHEDULE 6

<u>1300-VOCATIONAL EDUCATION PROGRAMS</u>				
Salaries	\$ 39,149	\$ 39,148	\$ 1	\$ 38,398
Employee benefits	35,055	21,929	13,126	19,209
Other purchased services	550,800	546,533	4,267	528,524
	<u>\$ 625,004</u>	<u>\$ 607,610</u>	<u>\$ 17,394</u>	<u>\$ 586,131</u>

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

SCHEDULE 7

		2018	VARIANCE FAVORABLE (UNFAVORABLE)	2017
	<u>BUDGET</u>	<u>ACTUAL</u>		<u>ACTUAL</u>
<u>1400-OTHER INSTRUCTIONAL PROGRAMS-E/S</u>				
Salaries	\$ 38,258	\$ 28,384	\$ 9,874	\$ 84,155
Employee benefits	14,561	11,371	3,190	31,943
Purchased professional and technical services	1,000	0	1,000	0
Purchased property services	500	0	500	0
Other purchased services	12,600	43,748	(31,148)	6,000
Supplies	3,300	795	2,505	333
Property	0	0	0	0
Other objects	0	0	0	0
	<u>\$ 70,219</u>	<u>\$ 84,298</u>	<u>\$ (14,079)</u>	<u>\$ 122,431</u>
 <u>TOTAL INSTRUCTIONAL</u>	 <u>\$16,051,812</u>	 <u>\$15,461,177</u>	 <u>\$ 590,635</u>	 <u>\$15,186,971</u>

SCHEDULE 8

<u>2100-SUPPORT SERVICES- PUPIL PERSONNEL</u>				
Salaries	\$ 458,791	\$ 439,890	\$ 18,901	\$ 432,784
Employee benefits	299,642	264,116	35,526	274,180
Purchased professional and technical services	6,700	9,378	(2,678)	6,992
Purchased property services	0	0	0	0
Other purchased services	5,345	1,089	4,256	291
Supplies	5,353	2,103	3,250	3,415
Property	0	0	0	0
Other objects	1,170	45	1,125	379
	<u>\$ 777,001</u>	<u>\$ 716,621</u>	<u>\$ 60,380</u>	<u>\$ 718,041</u>

SCHEDULE 9

<u>2200-SUPPORT SERVICES- INSTRUCTIONAL SERVICES</u>				
Salaries	\$ 334,539	\$ 316,394	\$ 18,145	\$ 238,522
Employee benefits	271,779	259,092	12,687	220,074
Purchased professional and technical services	0	2,500	(2,500)	0

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

SCHEDULE 9 - CONTINUED

			VARIANCE	
		2018	FAVORABLE	2017
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(UNFAVORABLE)</u>	<u>ACTUAL</u>
Purchased property services	13,200	4,325	8,875	4,956
Other purchased services	0	8,009	(8,009)	0
Supplies	35,852	207,917	(172,065)	56,148
Property	0	0	0	744
Other objects	348	364	(16)	265
	<u>\$ 655,718</u>	<u>\$ 798,601</u>	<u>\$ (142,883)</u>	<u>\$ 520,709</u>

SCHEDULE 10

2300-SUPPORT SERVICES-
ADMINISTRATION

Salaries	\$ 833,672	\$ 849,837	\$ (16,165)	\$ 808,152
Employee benefits	475,588	449,167	26,421	402,948
Purchased professional and technical services	115,500	140,839	(25,339)	144,054
Purchased property services	2,483	5,136	(2,653)	4,961
Other purchased services	49,753	40,573	9,180	52,440
Supplies	10,200	5,826	4,374	7,772
Property	0	0	0	4,165
Other objects	20,137	17,441	2,696	21,211
	<u>\$ 1,507,333</u>	<u>\$ 1,508,819</u>	<u>\$ (1,486)</u>	<u>\$ 1,445,703</u>

SCHEDULE 11

2400-SUPPORT SERVICES-
PUPIL HEALTH

Salaries	\$ 239,057	\$ 237,428	\$ 1,629	\$ 224,811
Employee benefits	176,730	158,500	18,230	157,856
Purchased professional and technical services	8,800	6,550	2,250	6,686
Purchased property services	650	375	275	280
Other purchased services	0	0	0	0
Supplies	13,264	8,120	5,144	9,738
Property	350	0	350	535
	<u>\$ 438,851</u>	<u>\$ 410,973</u>	<u>\$ 27,878</u>	<u>\$ 399,906</u>

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

SCHEDULE 12

			VARIANCE	
		2018	FAVORABLE	2017
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(UNFAVORABLE)</u>	<u>ACTUAL</u>
<u>2500-SUPPORT SERVICES-BUSINESS</u>				
Salaries	\$ 192,418	\$ 190,711	\$ 1,707	\$ 187,400
Employee benefits	143,337	135,267	8,070	149,181
Purchased professional and technical services	9,650	4,270	5,380	9,915
Purchased property services	6,920	7,358	(438)	7,244
Other purchased services	16,000	14,230	1,770	13,587
Supplies	217,456	26,120	191,336	17,880
Property	0	0	0	0
Other objects	1,000	460	540	1,123
	<u>\$ 586,781</u>	<u>\$ 378,416</u>	<u>\$ 208,365</u>	<u>\$ 386,330</u>

SCHEDULE 13

<u>2600-SUPPORT SERVICES-OPERATION & MAINTENANCE OF PLANT SERVICES</u>				
Salaries	\$ 546,118	\$ 547,558	\$ (1,440)	\$ 550,694
Employee benefits	409,898	424,088	(14,190)	391,311
Purchased professional and technical services	30,142	30,862	(720)	51,067
Purchased property services	215,582	236,160	(20,578)	260,373
Other purchased services	148,088	135,473	12,615	111,783
Supplies	446,600	476,028	(29,428)	448,058
Property	51,000	49,564	1,436	52,624
Other objects	1,250	1,212	38	1,400
	<u>\$ 1,848,678</u>	<u>\$ 1,900,945</u>	<u>\$ (52,267)</u>	<u>\$ 1,867,310</u>

SCHEDULE 14

<u>2700-SUPPORT SERVICES-STUDENT TRANSPORTATION SERVICES</u>				
Salaries	\$ 52,063	\$ 47,674	\$ 4,389	\$ 50,500
Employee benefits	35,737	35,776	(39)	37,686
Purchased professional and technical services	3,000	3,410	(410)	4,289
Purchased property services	9,600	8,334	1,266	17,427
Other purchased services	1,786,089	1,902,416	(116,327)	1,801,289
Supplies	4,300	966	3,334	1,093
Property	1,000	1,652	(652)	45,717
Other objects	200	0	200	117
	<u>\$ 1,891,989</u>	<u>\$ 2,000,228</u>	<u>\$ (108,239)</u>	<u>\$ 1,958,118</u>

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

SCHEDULE 15

		2018	VARIANCE FAVORABLE (UNFAVORABLE)	2017
	<u>BUDGET</u>	<u>ACTUAL</u>		<u>ACTUAL</u>
<u>2800-SUPPORT SERVICES-CENTRAL</u>				
Salaries	\$ 454,585	\$ 500,072	\$ (45,487)	\$ 457,043
Employee benefits	650,858	600,146	50,712	587,225
Purchased professional and technical services	7,450	5,154	2,296	7,537
Purchased property services	135,445	154,112	(18,667)	166,117
Other purchased services	53,209	86,622	(33,413)	92,075
Supplies	92,395	71,160	21,235	91,482
Property	170,856	179,922	(9,066)	157,387
Other objects	500	0	500	0
	<u>\$ 1,565,298</u>	<u>\$ 1,597,188</u>	<u>\$ (31,890)</u>	<u>\$ 1,558,866</u>

SCHEDULE 16

<u>2900-SUPPORT SERVICES-OTHER</u>				
Other purchased services	<u>\$ 36,446</u>	<u>\$ 23,605</u>	<u>\$ 12,841</u>	<u>\$ 36,446</u>
 <u>TOTAL SUPPORT SERVICES</u>	 <u>\$ 9,308,095</u>	 <u>\$ 9,335,396</u>	 <u>\$ (27,301)</u>	 <u>\$ 8,891,429</u>

SCHEDULE 17

<u>3200-OPERATION OF NONINSTRUCTIONAL SERVICES-STUDENT ACTIVITIES</u>				
Salaries	\$ 201,332	\$ 180,796	\$ 20,536	\$ 213,611
Employee benefits	76,027	66,422	9,605	86,066
Purchased professional and technical services	41,871	63,566	(21,695)	34,899
Purchased property services	16,700	15,914	786	16,894
Other purchased services	91,700	45,499	46,201	80,810
Supplies	54,735	46,012	8,723	54,205
Property	0	0	0	6,492
Other objects	21,055	19,143	1,912	18,549
	<u>\$ 503,420</u>	<u>\$ 437,352</u>	<u>\$ 66,068</u>	<u>\$ 511,526</u>

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

SCHEDULE 18

	<u>BUDGET</u>	<u>2018 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2017 ACTUAL</u>
<u>3300-OPERATION OF NONINSTRUCTIONAL SERVICES-COMMUNITY SERVICES</u>				
Other objects	\$ 1,500	\$ 1,341	\$ 159	\$ 1,430

SCHEDULE 19

<u>4000-FACILITIES ACQUISITION, CONSTRUCTION & IMPROVE- MENT SERVICES</u>	\$ 99,700	\$ 85,651	\$ 14,049	\$ 43,458
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SCHEDULE 20

<u>5100- DEBT SERVICE</u>				
Other objects	\$ 101,368	\$ 101,368	\$ -	\$ 135,773
Other financing uses	480,000	480,000	0	475,000
	\$ 581,368	\$ 581,368	\$ -	\$ 610,773

SCHEDULE 21

<u>5200- FUND TRANSFERS</u>				
Other objects	\$ 65,000	\$ 30,000	\$ 35,000	\$ -

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

October 19, 2018

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, 2018, 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 dark ink, appearing to read "Murphy, Dougherty & Company", written in a cursive, flowing style.

Murphy, Dougherty & Company
Certified Public Accountants

MURPHY, DOUGHERTY & COMPANY

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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, 2018, 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 October 19, 2018. In our report, an emphasis of a matter paragraph was included, as more fully disclosed in Notes 1 and 14 to the financial statements, to address the District's adoption of a new accounting principle. Our opinion was not modified with respect to this matter.

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.

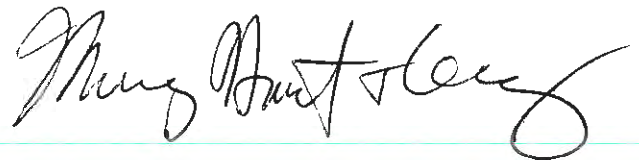
Compliance and Other Matters

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.

October 19, 2018
Moscow, Pennsylvania



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, 2018. Montrose Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the Montrose Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

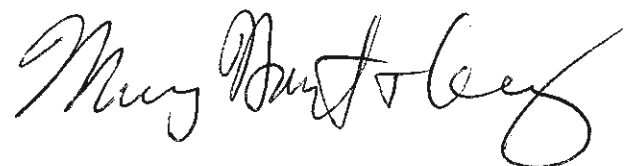
Management of the Montrose Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Montrose Area School District's internal 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.

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.

October 19, 2018
Moscow, Pennsylvania



MONTROSE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

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 ☒ no
Significant deficiency (ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:
Material weakness (es) identified? ☐ yes ☒ no
Significant deficiency (ies) identified? ☐ yes ☒ 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 ☒ 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? ☒ 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, 2018

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 7/1/2017	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 6/30/2018
<u>U.S. DEPARTMENT OF EDUCATION</u>										
<u>Passed through the Pennsylvania</u>										
<u>Department of Education</u>										
NCLB - Title I	I	84.010	013-180265	7/1/17-9/30/18	\$ 341,314	\$ 318,619	\$ -	\$ 321,804	\$ 321,804	\$ 3,185
NCLB - Title I	I	84.010	013-170265	7/1/16-9/30/17	321,399	21,706	(28,840)	50,546	50,546	0
TOTAL CFDA# 84.010						340,325	(28,840)	372,350	372,350	3,185
Title II-Improving Teacher Quality	I	84.367	020-180265	7/1/17-9/30/18	59,415	59,415	0	59,415	59,415	0
Title IV - Student Support & Academic Enrich	I	84.424	144-180265	7/1/17-9/30/18	10,000	10,000	0	10,000	10,000	0
<u>TOTAL PASSED THROUGH PENNSYLVANIA</u>						409,740	(28,840)	441,765	441,765	3,185
<u>DEPARTMENT OF EDUCATION</u>										
<u>Passed through the N.E.I.U. # 19</u>										
Individuals with Disabilities Education Act	I	84.027	N/A	7/1/17-6/30/18	273,372	273,372	0	273,372	273,372	0
Individuals with Disabilities Education Act	I	84.027	N/A	7/1/16-6/30/17	254,295	249,414	249,414	0	0	0
IDEA - Section 619	I	84.173	N/A	7/1/17-6/30/18	3,790	0	0	3,790	3,790	3,790
IDEA - Section 619	I	84.173	N/A	7/1/16-6/30/17	3,522	3,522	3,522	0	0	0
TOTAL IDEA PROGRAM CLUSTER						526,308	252,936	277,162	277,162	3,790
<u>TOTAL N.E.I.U. # 19</u>						526,308	252,936	277,162	277,162	3,790
<u>TOTAL DEPARTMENT OF EDUCATION</u>						936,048	224,096	718,927	718,927	6,975
<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	7/1/17-6/30/18	N/A	51,260 (a)	(1,623) (b)	51,055	51,055 (c)	(1,828) (d)
<u>Passed through the Pennsylvania</u>										
<u>Department of Education</u>										
National School Lunch Program-Cash	I-F	10.555	N/A	7/1/17-6/30/18	N/A	265,749	19,502	260,165	260,165	13,918
TOTAL CFDA# 10.555						317,009	17,879	311,220	311,220	12,090
Summer Food Service Program	I	10.559	N/A	7/1/17-6/30/18	N/A	4,110	0	4,110	4,110	0
School Breakfast Program	I-F	10.553	N/A	7/1/17-6/30/18	N/A	98,206	6,831	96,663	96,663	5,288
TOTAL CHILD NUTRITION CLUSTER						419,325	24,710	411,993	411,993	17,378
<u>TOTAL DEPARTMENT OF AGRICULTURE</u>						419,325	24,710	411,993	411,993	17,378
<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	7/1/17-6/30/18	N/A	1,480	0	1,480	1,480	0
<u>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						1,480	0	1,480	1,480	0
<u>TOTAL FEDERAL AWARDS</u>						\$ 1,356,853	\$ 248,806	\$ 1,132,400	\$ 1,132,400	\$ 24,353

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.
(c) Total amount of commodities used.
(d) Ending inventory at June 30, 2018.

MONTROSE AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2018

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, 2018

* NO PRIOR FINDINGS NOTED.