

MONTROSE AREA SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

AND

SINGLE AUDIT REPORT

JUNE 30, 2019

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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the schedule of the District's proportionate share of the net pension liability on page 50, the schedule of District contributions to the pension plan on page 51, the schedule of the District's proportionate share of the OPEB liability on page 52, the schedule of District contributions - OPEB on page 53 and the schedule of changes in total OPEB liability and related ratios on page 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Other Information*

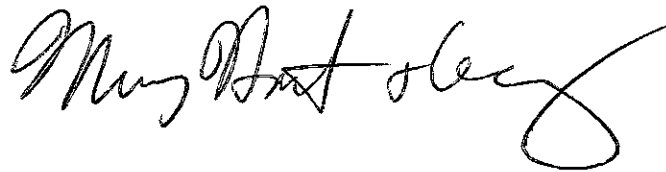
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montrose Area School District's basic financial statements. The supplementary information on pages 55 through 62 as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the financial statements.

The supplementary information on pages 55 through 62 as listed in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 55 through 62 as listed in the table of contents and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with "Government Auditing Standards", we have also issued our report dated November 4, 2019 on our consideration of Montrose Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the Montrose Area School District's internal control over financial reporting and compliance.

November 4, 2019  
Moscow, Pennsylvania



MONTROSE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(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, 2019. 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 2019 are as follows:

- In total, net position increased \$158,143, which represents a 0.4 percent increase from 2018.
- General revenues accounted for \$20,511,696 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 \$6,964,866 or 25 percent of total revenues of \$27,476,562.
- Total assets and deferred outflows of resources of governmental activities decreased by \$608,046 as current assets increased \$1,082,305, net capital assets decreased by \$384,150, and deferred outflows of resources decreased \$1,306,201.
- The School District had \$27,318,419 in expenses; only \$6,964,866 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state revenues) of \$20,511,696 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, 2019  
(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 2019?" 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, 2019  
(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 2019 compared to 2018:

TABLE 1  
NET POSITION

	<u>2019</u>	<u>2018</u>
<u>ASSETS AND DEFERRED</u>		
<u>OUTFLOWS OF RESOURCES</u>		
Current and Other Assets	\$ 6,995,297	\$ 5,892,804
Capital Assets	11,744,004	12,140,993
Deferred Outflows of Resources	<u>5,460,727</u>	<u>6,797,114</u>
TOTAL ASSETS AND DEFERRED		
OUTFLOWS OF RESOURCES	<u>24,200,028</u>	<u>24,830,911</u>
<u>LIABILITIES</u>		
Current Liabilities	1,861,091	1,438,299
Other Liabilities	<u>54,531,419</u>	<u>58,615,302</u>
TOTAL LIABILITIES	<u>56,392,510</u>	<u>60,053,601</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>5,199,141</u>	<u>2,327,076</u>
<u>NET POSITION</u>		
Invested in Capital Assets, Net of Debt	8,006,603	7,912,453
Restricted	781,387	767,046
Unrestricted deficit	<u>(46,179,613)</u>	<u>(46,229,265)</u>
TOTAL NET POSITION	<u>\$(37,391,623)</u>	<u>\$(37,549,766)</u>

Total assets and deferred outflows of resources decreased by \$630,883 as cash and cash equivalents increased by \$965,156, receivables, prepaid expenses and inventories increased by \$137,337, capital assets decreased by \$396,989, and deferred outflows of resources decreased \$1,336,387. Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements, of the School District increased by \$49,652. This negative unrestricted net position was mainly attributable to Government Accounting Standards Board Statements No. 68 and No. 71 which required the District to recognize their portion of the PSERS pension liability and Government Accounting Standards Board Statement No. 75 which required the District to recognize the total OPEB liability related to their employees.

Table 2 shows the changes in net position for fiscal year 2019 and 2018.



MONTROSE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED-CONTINUED)

TABLE 2  
CHANGES IN NET POSITION

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
<u>REVENUES</u>				
<u>Program Revenues:</u>				
Charges for Services	\$ 224,430	0.8%	\$ 226,386	0.8%
Operating Grants & Contributions	6,740,436	24.5%	6,533,154	24.2%
Capital Grants & Contributions	-0-	0.0%	-0-	0.0%
<u>General Revenues:</u>				
Property taxes	10,809,235	39.4%	10,712,141	39.8%
Grants and Entitlements	8,716,931	31.7%	8,661,787	32.1%
Other	985,530	3.6%	839,112	3.1%
TOTAL REVENUES	<u>27,476,562</u>	<u>100%</u>	<u>26,972,580</u>	<u>100%</u>
<u>PROGRAM EXPENSES</u>				
<u>INSTRUCTION</u>	16,611,973	60.8%	16,098,661	59.9%
<u>SUPPORT SERVICES:</u>				
Pupils and Instructional Staff	1,918,423	7.0%	1,981,343	7.4%
Board of Education, Administration,				
Fiscal and Business	1,940,455	7.1%	2,017,429	7.5%
Operation & Maintenance of Plant	2,042,182	7.5%	2,057,118	7.7%
Pupil Transportation	2,091,085	7.7%	1,999,302	7.4%
Other Support Services	1,417,174	5.2%	1,498,717	5.6%
Operation of Non-Instructional Services	1,211,498	4.4%	1,140,462	4.2%
Operating transfers	-0-	0.0%	-0-	0.0%
Interest and Fiscal Charges	85,629	0.3%	95,429	0.3%
TOTAL EXPENSES	<u>27,318,419</u>	<u>100%</u>	<u>26,888,461</u>	<u>100%</u>
INCREASE (DECREASE)				
IN NET POSITION	<u>\$ 158,143</u>		<u>\$ 84,119</u>	

GOVERNMENTAL ACTIVITIES

Property taxes made up 39.4 and 39.8 percent of revenues for governmental activities for the Montrose Area School District for fiscal year 2019 and 2018, respectively.

Instruction comprises 60.8 and 59.9 percent of District expenses. Support services expenses make up 34.5 and 35.6 percent of the expenses for the years 2019 and 2018, respectively.

MONTROSE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(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>2019</u>	<u>NET COST OF SERVICES</u> <u>2019</u>	<u>TOTAL COST OF SERVICES</u> <u>2018</u>	<u>NET COST OF SERVICES</u> <u>2018</u>
Instruction	\$16,611,973	\$12,539,217	\$16,098,661	\$12,191,151
<u>Support Services:</u>				
Pupil and Instructional Staff	1,918,423	1,522,021	1,981,343	1,631,773
Board of Education, Administration				
Fiscal and Business	1,940,455	1,749,520	2,017,429	1,810,247
Operation & Maintenance of Plant	2,042,182	1,928,893	2,057,118	1,942,201
Pupil Transportation	2,091,085	717,698	1,999,302	635,078
Other Support Services	1,417,174	1,322,545	1,498,717	1,424,662
Operation of Non-Instructional Services	1,211,498	488,030	1,140,462	398,380
Operating transfers	-0-	-0-	-0-	-0-
Interest and Fiscal Charges	85,629	85,629	95,429	95,429
<b>TOTAL EXPENSES</b>	<u>\$27,318,419</u>	<u>\$20,353,553</u>	<u>\$26,888,461</u>	<u>\$20,128,921</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, 2019  
(UNAUDITED-CONTINUED)

The dependence upon tax revenue is apparent. Approximately 39 percent of the costs of the District are supported by tax revenue.

THE SCHOOL DISTRICT'S FUNDS

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenue of \$27,474,972 and expenditures of \$26,814,933. The net change in fund balance increased by \$660,039 with the General Fund having an increase of \$645,698 and the Capital Projects Fund having an increase of \$14,341.

The District had budgeted a decrease of \$405,832 (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, 2019 at its June 2018 meeting and made several budget transfers during fiscal 2018-19. 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 \$26,087,899 in revenue but actually received \$27,018,931 or an increase in revenue of \$931,032.

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	\$ 371,680	Transportation	\$ 61,846
Current real estate taxes	110,084	Community service activities	75,439
Refund of prior year expenses	178,521	Retirement revenue	87,345

On the expenditure side the District was under budget by \$120,498. Overall the District had an increase in fund balance of \$645,698.

The School District had anticipated having a decrease of \$405,832 to decrease its fund balance, but the actual was an increase of \$645,698. The fund balance at June 30, 2019 was \$4,407,593 and carried over to the June 30, 2020 budget.

CAPITAL ASSETS

At the end of the fiscal year 2019, the School District had \$11,744,004 invested in land, buildings, furniture, equipment and vehicles.

MONTROSE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED-CONTINUED)

Table 4 shows fiscal 2019 balance compared to 2018.

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

	<u>2019</u>	<u>2018</u>
Land	\$ 1,167,737	\$ 1,167,737
Buildings and Improvements	9,604,933	10,065,512
Furniture, Equipment and Vehicles	<u>971,334</u>	<u>907,744</u>
TOTAL	<u>\$11,744,004</u>	<u>\$12,140,993</u>

Depreciation amounted to \$958,342 and \$908,485 and net capital assets decreased by \$396,989 in 2019 and increased \$113,954 in 2018 with the majority being purchased from the capital funds in both fiscal 2019 and 2018.

DEBT ADMINISTRATION

At June 30, 2019 the District had \$3,730,000 of total debt. During the fiscal year 2019 the District paid \$490,000 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, 2019**

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 4,924,060	\$ 94,772	\$ 5,018,832
Investments	0	0	0
Taxes receivable, net	523,919	0	523,919
Interfund receivables	72,826	57,255	130,081
Intergovernmental receivables	1,219,649	0	1,219,649
Inventories	64,956	4,658	69,614
Other receivables, net	33,202	0	33,202
Prepaid expenses	0	0	0
Total Current Assets	6,838,612	156,685	6,995,297
<b><u>NON-CURRENT ASSETS</u></b>			
Land	1,167,737	0	1,167,737
Building and building improvements	22,614,210	0	22,614,210
Fixtures and equipment	5,155,516	539,705	5,695,221
Construction in progress	0	0	0
Accumulated depreciation	(17,216,889)	(516,275)	(17,733,164)
Total Non-Current Assets	11,720,574	23,430	11,744,004
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred amounts related to OPEB	253,335	0	253,335
Deferred amounts related to pensions	5,115,717	91,675	5,207,392
Total Deferred Outflows of Resources	5,369,052	91,675	5,460,727
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>23,928,238</b>	<b>271,790</b>	<b>24,200,028</b>
<b><u>LIABILITIES</u></b>			
<b><u>CURRENT LIABILITIES</u></b>			
Interfund payables	57,255	72,826	130,081
Accounts payable	253,986	0	253,986
Accrued salaries & benefits	876,339	0	876,339
Accrued retirement incentive	20,048	0	20,048
Accrued interest	43,384	0	43,384
Payroll deductions & withholdings	0	0	0
Revenues received in advance	24,944	12,309	37,253
Other current liabilities	0	0	0
Current portion of long-term obligations	500,000	0	500,000
Total Current Liabilities	1,775,956	85,135	1,861,091
<b><u>NON-CURRENT LIABILITIES</u></b>			
Bonds payable	3,230,000	0	3,230,000
Accrued retirement incentive	30,635	0	30,635
Other postemployment benefits	8,064,810	0	8,064,810
Net pension liability	40,212,407	783,593	40,996,000
Long-term portion of compensated absences	2,209,974	0	2,209,974
Total Non-Current Liabilities	53,747,826	783,593	54,531,419
<b>TOTAL LIABILITIES</b>	<b>55,523,782</b>	<b>868,728</b>	<b>56,392,510</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Unamortized premium on issuance of bonds	7,401	0	7,401
Deferred amounts related to OPEB	3,980,740	0	3,980,740
Deferred amounts related to pensions	1,189,681	21,319	1,211,000
Total Deferred Inflows of Resources	5,177,822	21,319	5,199,141
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	7,983,173	23,430	8,006,603
Restricted for: Capital Projects	781,387	0	781,387
Debt Service	0	0	0
Unrestricted	(45,537,926)	(641,687)	(46,179,613)
<b>TOTAL NET POSITION</b>	<b>\$ (36,773,366)</b>	<b>\$ (618,257)</b>	<b>\$ (37,391,623)</b>

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, 2019

Total Governmental Fund Balance \$ 5,188,980

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	22,614,210
Furniture and equipment	5,155,516
Accumulated depreciation	(17,216,889)
Total Capital Assets	<u>11,720,574</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. 437,108

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

Deferred outflows of resources related to pensions	5,115,717
Deferred outflows of resources related to OPEB	253,335
Deferred inflows of resources related to OPEB	(3,980,740)
Deferred inflows of resources related to pensions	(1,189,681)
Total Deferred Outflows and Inflows of Resources	<u>198,631</u>

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

Bonds payable	(3,730,000)
Bond premium, net of amortization	(7,401)
Accrued interest	(43,384)
Accrued retirement incentive	(50,683)
Other postemployment benefits	(8,064,810)
Net pension liability	(40,212,407)
Compensated absences	(2,209,974)
Total Liabilities	<u>(54,318,659)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (36,773,366)

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, 2019

	EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	TOTAL
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES
<u>GOVERNMENTAL ACTIVITIES</u>						
<u>INSTRUCTION:</u>						
Regular	\$ 12,444,890		\$ 2,291,874		\$ (10,153,016)	\$ (10,153,016)
Special	3,428,053		1,762,953		(1,665,100)	(1,665,100)
Vocational	667,200		8,298		(658,902)	(658,902)
Other Instructional Programs	71,830		9,631		(62,199)	(62,199)
Adult/Continuing	0		0		0	0
<u>TOTAL INSTRUCTIONAL SERVICES</u>	<u>16,611,973</u>	<u>0</u>	<u>4,072,756</u>	<u>0</u>	<u>(12,539,217)</u>	<u>(12,539,217)</u>
<u>SUPPORT SERVICES</u>						
Pupil Personnel	770,367		167,003		(603,364)	(603,364)
Instructional Staff	701,961		152,896		(549,065)	(549,065)
Administration	1,499,035		150,657		(1,348,378)	(1,348,378)
Pupil Health	446,095		76,503		(369,592)	(369,592)
Business	441,420		40,278		(401,142)	(401,142)
Operation and Maintenance of Plant Services	2,042,182		113,289		(1,928,893)	(1,928,893)
Student Transportation Services	2,091,085		1,373,387		(717,698)	(717,698)
Central	1,392,089		94,629		(1,297,460)	(1,297,460)
Other Support Services	25,085		0		(25,085)	(25,085)
<u>TOTAL SUPPORT SERVICES</u>	<u>9,409,319</u>	<u>0</u>	<u>2,168,642</u>	<u>0</u>	<u>(7,240,677)</u>	<u>(7,240,677)</u>
<u>NON-INSTRUCTIONAL SERVICES</u>						
Student Activities	534,884	16,359	39,075	0	(479,450)	(479,450)
Community Services	1,310	0	0	0	(1,310)	(1,310)
<u>TOTAL NON-INSTRUCTIONAL SERVICES</u>	<u>536,194</u>	<u>16,359</u>	<u>39,075</u>	<u>0</u>	<u>(480,760)</u>	<u>(480,760)</u>
Interest on Long-Term Debt	85,629	0	0	0	(85,629)	(85,629)
<u>TOTAL GOVERNMENT ACTIVITIES</u>	<u>26,643,115</u>	<u>16,359</u>	<u>6,280,473</u>	<u>0</u>	<u>(20,346,283)</u>	<u>(20,346,283)</u>
<u>Business-Type Activities</u>						
Food Service	675,304	208,071	459,963	0	(7,270)	(7,270)
Internal Service	0	0	0	0	0	0
<u>TOTAL PRIMARY GOVERNMENT</u>	<u>\$ 27,318,419</u>	<u>\$ 224,430</u>	<u>\$ 6,740,436</u>	<u>\$ -</u>	<u>\$ (20,353,553)</u>	<u>\$ (20,353,553)</u>
<u>GENERAL REVENUES:</u>						
Property taxes, levied for general purposes						
Public utility reality, per capita and occupational taxes levied for general purposes						
Grants, subsidies and contributions not restricted						
Investment earnings						
Miscellaneous income						
<u>TOTAL GENERAL REVENUES</u>						
Change in Net Position						
<u>NET POSITION - BEGINNING OF YEAR</u>						
<u>NET POSITION - END OF YEAR</u>						

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

MONTROSE AREA SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$4,142,673	\$ 781,387	\$ -	\$ 4,924,060
Investments	0	0	0	0
Taxes receivable, net	523,919	0	0	523,919
Interfund receivables	72,826	0	0	72,826
Intergovernmental receivables	1,219,649	0	0	1,219,649
Inventories	64,956	0	0	64,956
Other receivables, net	33,202	0	0	33,202
Prepaid expenses	0	0	0	0
<b>TOTAL ASSETS</b>	<b>\$6,057,225</b>	<b>\$ 781,387</b>	<b>\$ -</b>	<b>\$ 6,838,612</b>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Interfund payables	57,255	0	0	57,255
Accounts payable	253,986	0	0	253,986
Accrued salaries & benefits	876,339	0	0	876,339
Accrued interest	0	0	0	0
Payroll deductions & withholding	0	0	0	0
Revenue received in advance	24,944	0	0	24,944
Other current liabilities	0	0	0	0
<b>TOTAL LIABILITIES</b>	<b>1,212,524</b>	<b>0</b>	<b>0</b>	<b>1,212,524</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	437,108	0	0	437,108
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>437,108</b>	<b>0</b>	<b>0</b>	<b>437,108</b>
<u>FUND BALANCES</u>				
Nonspendable:				
Inventories	64,956	0	0	64,956
Restricted for:				
Capital outlays	0	781,387	0	781,387
Debt service	0	0	0	0
Committed for:				
Future pension costs	118,265	0	0	118,265
Capital 32 Fund	370,410	0	0	370,410
Curriculum	1,537,183	0	0	1,537,183
Bonded Debt	300,060	0	0	300,060
Unassigned:				
Unassigned	2,016,719	0	0	2,016,719
<b>TOTAL FUND BALANCES</b>	<b>4,407,593</b>	<b>781,387</b>	<b>0</b>	<b>5,188,980</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, &amp; FUND BALANCES</b>	<b>\$6,057,225</b>	<b>\$ 781,387</b>	<b>\$ -</b>	<b>\$ 6,838,612</b>

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



MONTROSE AREA SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2019

Net change in Fund Balances – Total Government Funds \$ 660,039

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	561,353
Depreciation expense	(945,503)
Excess of capital outlay over depreciation expense	<u>(384,150)</u>

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

Bond principal payments	490,000
Bond premium amortization	1,139
	<u>491,139</u>

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

Property taxes	19,331
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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	3,548,797
Cost of pension benefits earned, net of employee contributions	(3,992,070)
	<u>(443,273)</u>

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

(74,048)

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	4,900
Net (increase)/decrease in accrued retirement incentive	(26,889)
Net (increase)/decrease in compensated absences	(82,415)
	<u>(104,404)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 164,634</u>
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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, 2019

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>				
Local sources	\$12,310,404	\$ 5,648	\$ -	\$12,316,052
State sources	14,148,584	0	0	14,148,584
Federal sources	559,943	0	0	559,943
<b>TOTAL REVENUES</b>	<b>27,018,931</b>	<b>5,648</b>	<b>0</b>	<b>27,024,579</b>
<u>EXPENDITURES</u>				
<u>Instructional Services</u>				
Regular	11,794,162	239	0	11,794,401
Special	3,235,418	0	0	3,235,418
Vocational	639,737	0	0	639,737
Other instructional programs	67,457	0	0	67,457
Adult/Continuing	0	0	0	0
<b>TOTAL INSTRUCTIONAL SERVICES</b>	<b>15,736,774</b>	<b>239</b>	<b>0</b>	<b>15,737,013</b>
<u>Support Services</u>				
Pupil personnel	723,819	0	0	723,819
Instructional staff	665,262	0	0	665,262
Administration	1,398,559	0	0	1,398,559
Pupil health	419,885	0	0	419,885
Business	417,456	0	0	417,456
Operation and maintenance of plant services	1,911,687	62,701	0	1,974,388
Student transportation services	2,052,592	35,102	0	2,087,694
Central	1,480,324	17,496	0	1,497,820
Other support services	25,085	0	0	25,085
<b>TOTAL SUPPORT SERVICES</b>	<b>9,094,669</b>	<b>115,299</b>	<b>0</b>	<b>9,209,968</b>
Operation of Non-Instructional Services	508,703	0	0	508,703
Capital outlay	1,026	326,162	0	327,188
<u>Debt Service</u>				
Interest, Refunds and Costs	91,668	0	0	91,668
Principal	490,000	0	0	490,000
<b>TOTAL EXPENDITURES</b>	<b>25,922,840</b>	<b>441,700</b>	<b>0</b>	<b>26,364,540</b>
(EXCESS) DEFICIENCY OF REVENUES OVER EXPENDITURES	1,096,091	(436,052)	0	660,039
<u>OTHER FINANCING SOURCES (USES)</u>				
Bond issue proceeds	0	0	0	0
Sale of fixed assets	0	0	0	0
Operating transfers in	0	450,393	0	450,393
Operating transfers out	(450,393)	0	0	(450,393)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(450,393)</b>	<b>450,393</b>	<b>0</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>645,698</b>	<b>14,341</b>	<b>0</b>	<b>660,039</b>
Fund Balances-Beginning	3,761,895	767,046	0	4,528,941
<b>FUND BALANCES-ENDING</b>	<b>\$ 4,407,593</b>	<b>\$ 781,387</b>	<b>\$ -</b>	<b>\$ 5,188,980</b>

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, 2019**

	<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	\$11,430,189	\$11,430,189	\$12,310,404	\$ 880,215
State sources	14,129,422	14,129,422	14,148,584	19,162
Federal sources	528,288	528,288	559,943	31,655
Total Revenues	<u>26,087,899</u>	<u>26,087,899</u>	<u>27,018,931</u>	<u>931,032</u>
<u>EXPENDITURES</u>				
<u>Instructional Services:</u>				
Regular	12,150,273	12,288,469	11,794,162	494,307
Special	3,169,496	3,174,835	3,235,418	(60,583)
Vocational	614,525	615,506	639,737	(24,231)
Other instructional programs	66,618	66,618	67,457	(839)
Adult/Continuing	0	0	0	0
Total Instructional Services	<u>16,000,912</u>	<u>16,145,428</u>	<u>15,736,774</u>	<u>408,654</u>
<u>Support Services</u>				
Pupil personnel	782,529	778,029	723,819	54,210
Instructional staff	605,933	649,908	665,262	(15,354)
Administration	1,517,415	1,494,632	1,398,559	96,073
Pupil health	415,910	416,988	419,885	(2,897)
Business	504,352	495,307	417,456	77,851
Operation & maintenance of plant services	1,801,162	1,787,217	1,911,687	(124,470)
Student transportation services	2,036,835	2,051,835	2,052,592	(757)
Central	1,499,675	1,487,595	1,480,324	7,271
Other support services	23,211	23,211	25,085	(1,874)
Total Support Services	<u>9,187,022</u>	<u>9,184,722</u>	<u>9,094,669</u>	<u>90,053</u>
Operation of Non- Instructional Services	529,129	536,913	508,703	28,210
Capital outlay	0	0	1,026	(1,026)
Debt Service: Interest & refunds	91,668	91,668	91,668	0
Principal	490,000	490,000	490,000	0
TOTAL EXPENDITURES	<u>26,298,731</u>	<u>26,448,731</u>	<u>25,922,840</u>	<u>525,891</u>
(EXCESS) DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(210,832)</u>	<u>(360,832)</u>	<u>1,096,091</u>	<u>1,456,923</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	(45,000)	(45,000)	(450,393)	(405,393)
Budgetary reserve	(150,000)	0	0	0
Total Other Financing Sources(Uses)	<u>(195,000)</u>	<u>(45,000)</u>	<u>(450,393)</u>	<u>(405,393)</u>
Net Change in Fund Balances	<u>(405,832)</u>	<u>(405,832)</u>	<u>645,698</u>	<u>1,051,530</u>
Fund Balances-Beginning	<u>3,054,291</u>	<u>3,054,291</u>	<u>3,761,895</u>	<u>707,604</u>
FUND BALANCES-ENDING	<u>\$ 2,648,459</u>	<u>\$ 2,648,459</u>	<u>\$ 4,407,593</u>	<u>\$ 1,759,134</u>

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

MONTROSE AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019

	<u>FOOD SERVICE</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 94,772	\$ -	\$ 94,772
Investments	0	0	0
Taxes receivable, net	0	0	0
Interfund receivables	57,255	0	57,255
Intergovernmental receivables	0	0	0
Inventories	4,658	0	4,658
Prepaid expenses	0	0	0
Total Current Assets	<u>156,685</u>	<u>0</u>	<u>156,685</u>
<u>NON-CURRENT ASSETS</u>			
Fixtures and equipment	539,705	0	539,705
Accumulated depreciation	(516,275)	0	(516,275)
Total Non-Current Assets	<u>23,430</u>	<u>0</u>	<u>23,430</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	91,675	0	91,675
Total Deferred Outflows of Resources	<u>91,675</u>	<u>0</u>	<u>91,675</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>\$ 271,790</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 271,790</u></b>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Interfund payables	72,826	0	72,826
Accounts payable	0	0	0
Accrued salaries & benefits	0	0	0
Revenue received in advance	12,309	0	12,309
Other current liabilities	0	0	0
Total Current Liabilities	<u>85,135</u>	<u>0</u>	<u>85,135</u>
<u>NON-CURRENT LIABILITIES</u>			
Net Pension Liability	783,593	0	783,593
Total Non-Current Liabilities	<u>783,593</u>	<u>0</u>	<u>783,593</u>
<b>TOTAL LIABILITIES</b>	<b><u>868,728</u></b>	<b><u>0</u></b>	<b><u>868,728</u></b>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	21,319	0	21,319
Total Deferred Inflows of Resources	<u>21,319</u>	<u>0</u>	<u>21,319</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	23,430	0	23,430
Unrestricted	(641,687)	0	(641,687)
<b>TOTAL NET POSITION</b>	<b><u>\$ (618,257)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (618,257)</u></b>

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, 2019

	<u>FOOD SERVICE</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>OPERATING REVENUE</u>			
Food service revenue	\$ 208,071	\$ -	\$ 208,071
<u>OPERATING EXPENSES</u>			
Salaries	201,053	0	201,053
Employee benefits	155,609	0	155,609
Purchased professional & technical services	0	0	0
Purchased property services	17,508	0	17,508
Other purchased services	1,508	0	1,508
Supplies	283,382	0	283,382
Other objects	3,405	0	3,405
Depreciation	12,839	0	12,839
Total Operating Expenses	<u>675,304</u>	<u>0</u>	<u>675,304</u>
Operating Income (Loss)	<u>(467,233)</u>	<u>0</u>	<u>(467,233)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Earnings on investments	779	0	779
State sources	65,511	0	65,511
Federal sources	394,452	0	394,452
Non-operating transfers	0	0	0
Total Non-Operating Revenues (Expenses)	<u>460,742</u>	<u>0</u>	<u>460,742</u>
Change in Net Position	(6,491)	0	(6,491)
NET POSITION, BEG. OF YEAR	<u>(611,766)</u>	<u>0</u>	<u>(611,766)</u>
NET POSITION, END OF YEAR	<u>\$ (618,257)</u>	<u>\$ -</u>	<u>\$ (618,257)</u>

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

MONTROSE AREA SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDING JUNE 30, 2019

	<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	\$ 208,071	\$ -	\$ 208,071
Cash payments to suppliers for goods & services	(397,406)	0	(397,406)
Cash payments to employees for services	(205,220)	0	(205,220)
Cash payments for other operating expenses	(3,405)	0	(3,405)
Net Cash Provided by (used for) Operating Activities	(397,960)	0	(397,960)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING SOURCES</u>			
State sources	66,835	0	66,835
Federal sources	366,787	0	366,787
Net Cash Provided by (used for) Non-capital Financing Activities	433,622	0	433,622
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Fixed asset purchases	0	0	0
Net Cash Provided by (used for) Capital and Related Financing Activities	0	0	0
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interfund transfers in/(out)	0	0	0
Earnings on investments	779	0	779
Net Cash Provided by (used for) Investing Activities	779	0	779
Net Increase (Decrease) in Cash & Cash Equivalents	36,441	0	36,441
CASH & CASH EQUIVALENTS, BEG. OF YEAR	58,331	0	58,331
CASH & CASH EQUIVALENTS, END OF YEAR	\$ 94,772	\$ -	\$ 94,772
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>			
Operating Loss	(467,233)	0	(467,233)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	12,839	0	12,839
USDA donated commodities	46,871	0	46,871
(Increase) decrease in accounts receivable	0	0	0
(Increase) decrease in inventories	(110)	0	(110)
(Increase) decrease in interfund receivable	(4,167)	0	(4,167)
(Increase) decrease in deferred outflows	30,186	0	30,186
Increase (decrease) in interfund payable	6,275	0	6,275
Increase (decrease) in other current liabilities	0	0	0
Increase (decrease) in revenue received in advance	(378)	0	(378)
Increase (decrease) in net pension liability	(23,303)	0	(23,303)
Increase (decrease) in deferred inflows	1,060	0	1,060
TOTAL ADJUSTMENTS	69,273	0	69,273
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (397,960)	\$ -	\$ (397,960)

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

MONTROSE AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019

PRIVATE PURPOSE  
TRUST

	<u>SCHOLARSHIP</u>	<u>AGENCY</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 6,702	\$ 1,330,434
Investments	<u>2,250</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 8,952</u>	<u>\$ 1,330,434</u>
<u>LIABILITIES</u>		
Interfund payable	0	0
Payroll deductions and withholdings	0	1,235,501
Due to Students	<u>0</u>	<u>94,933</u>
TOTAL LIABILITIES	<u>0</u>	<u>\$ 1,330,434</u>
<u>NET POSITION</u>		
Restricted for scholarship	<u>\$ 8,952</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, 2019

	<u>PRIVATE PURPOSE</u> <u>TRUST</u>  <u>SCHOLARSHIP</u>
<u>ADDITIONS</u>	
Gifts and contributions	\$ -
Interest income	29
	<u>29</u>
 <u>DEDUCTIONS</u>	
Scholarships and awards	28
	<u>28</u>
 CHANGE IN NET POSITION	 1
 NET POSITION - BEGINNING OF YEAR	 <u>8,951</u>
 NET POSITION - END OF YEAR	 <u><u>\$ 8,952</u></u>

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



MONTROSE AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of Montrose Area School District conform with generally accepted accounting principles as applicable to governmental units. The District implemented new reporting model standards beginning July 1, 2002. Comparability with reports of all prior years will be affected. The following is a summary of the District's significant accounting policies:

A. REPORTING ENTITY

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

The District is financially accountable for:

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

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

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

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

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

**B. BASIS OF PRESENTATION, FUND ACCOUNTING**

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

**GOVERNMENTAL FUND TYPES**

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

**GENERAL FUND**

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

**CAPITAL PROJECTS FUND**

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

**PROPRIETARY FUND TYPES**

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

**FOOD SERVICE FUND**

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

FIDUCIARY FUND TYPES (TRUST AND AGENCY FUNDS)

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

AGENCY FUND

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

- The Student Activity Fund accounts for programs operated and sponsored by various clubs and organizations.
- 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, 2019, 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, 2019 the outstanding interfund balances was \$130,081.

H. CASH AND CASH EQUIVALENTS

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

I. TAXES RECEIVABLE AND UNEARNED TAX REVENUES

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

J. INVENTORIES AND PREPAID EXPENSES

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

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

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

K. CAPITAL ASSETS AND DEPRECIATION

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

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

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

M. LIABILITY FOR FUTURE COMPENSATED ABSENCES

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

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

At June 30, 2019 the District had a compensated absence liability of \$2,209,974.

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, 2019 and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

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

O. UNEARNED REVENUES

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

P. NET POSITION

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

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

Q. INVESTMENTS

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

R. USE OF ESTIMATES

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

S. ALLOCATION OF INDIRECT EXPENSES

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

T. FUND BALANCES

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

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

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

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

U. DEFERRED INFLOWS OF RESOURCES

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

V. DEFERRED OUTFLOWS OF RESOURCES

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



W. PENSION LIABILITY

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

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

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

X. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

Y. OTHER ACCOUNTING STANDARDS

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.

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, 2019, the bank balance of the District's deposits with financial institutions, including cash equivalents, was \$7,025,346 compared to the carrying amount of \$6,355,968. The difference is caused by items in-transit and outstanding checks. \$6,668,113 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, 2019, the bank balance of the District's deposits with PLGIT was \$58,950 compared to the carrying amount of \$59,068.

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

Investments

As of June 30, 2019, the District's investments are carried at fair market value and consist of the following:

	<u>MATURITY</u>	
Certificate of Deposit	4/20/21	\$ 2,250
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, 2019 are as follows:

	<u>OUTSTANDING BALANCE</u>
Real estate, occupational, transfer tax and per capita taxes	<u>\$523,919</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 2019. 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, 2019 is as follows:

	<u>GOVERNMENTAL</u>	<u>PROPRIETARY</u>	<u>TOTAL</u>
Federal grants	\$ 73,277	\$ -0-	\$ 73,277
State subsidies	1,146,372	-0-	1,146,372
Other	-0-	-0-	-0-
Total Due from Other Governments	<u>\$1,219,649</u>	<u>\$ -0-</u>	<u>\$1,219,649</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>2018</u>	<u>NET</u> <u>ADDITIONS</u>	<u>BALANCE</u> <u>2019</u>
Governmental activities:			
Land & improvements (not depreciated)	\$ 1,167,737	\$ -0-	\$ 1,167,737
Buildings & building improvements	22,340,843	273,367	22,614,210
Furniture, equipment & vehicles	<u>4,867,530</u>	<u>287,986</u>	<u>5,155,516</u>
Total Historical Cost	<u>\$28,376,110</u>	<u>\$ 561,353</u>	<u>\$28,937,463</u>
<u>LESS:</u> Accumulated depreciation:			
Buildings & building improvements	\$12,275,331	\$ 733,946	\$13,009,277
Furniture, equipment & vehicles	<u>3,996,055</u>	<u>211,557</u>	<u>4,207,612</u>
Total Accumulated Depreciation	<u>\$16,271,386</u>	<u>\$ 945,503</u>	<u>\$17,216,889</u>
Governmental Activities, net	<u>\$12,104,724</u>	<u>\$ (384,150)</u>	<u>\$11,720,574</u>
Business-type activities:			
Furniture and equipment	\$ 539,705	\$ -0-	\$ 539,705
Accumulated depreciation	<u>503,436</u>	<u>12,839</u>	<u>516,275</u>
Business-type Activities, net	<u>\$ 36,269</u>	<u>\$ (12,839)</u>	<u>\$ 23,430</u>

Depreciation expense of \$945,503 was charged to governmental functions as follows:

Instructional	\$639,658
Pupil Personnel	29,421
Instructional Staff	27,041
Administration	56,848
Pupil Health	17,067
Business	16,968
Operation & Maintenance of	
Plant Services	77,705
Central	60,171
Student Activities	<u>20,624</u>
TOTAL	<u>\$945,503</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 6 – LONG-TERM OBLIGATIONS

The changes in long-term debt obligations payable during fiscal 2019 are as follows:

	<u>BALANCE</u> <u>7/1/18</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>BALANCE</u> <u>6/30/19</u>
G.O.B. Series of 2015	<u>\$ 4,220,000</u>	<u>\$ -0-</u>	<u>\$ 490,000</u>	<u>\$ 3,730,000</u>
TOTAL	<u>\$ 4,220,000</u>	<u>\$ -0-</u>	<u>\$ 490,000</u>	<u>\$ 3,730,000</u>

Total interest paid on the general obligation bonds for the year ended June 30, 2019 was \$91,668, 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 2020 is \$500,000.

The following summarizes the District's estimated future debt service requirements on these bonds as of June 30, 2019:

<u>FISCAL YEAR</u> <u>ENDED 6/30</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
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	545,000	37,528	582,528
2025-2029	<u>1,125,000</u>	<u>31,142</u>	<u>1,156,142</u>
TOTAL	<u>\$3,730,000</u>	<u>\$ 333,491</u>	<u>\$4,063,491</u>

NOTE 7 – RETIREMENT PLAN

Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age, Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 7 – RETIREMENT PLAN-CONTINUED)

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

Contributions

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

Member Contributions:

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

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

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

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

Employer Contributions:

The District's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60 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 \$3,612,392 for the year ended June 30, 2019.

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, 2019 the contribution rate was 0.83 percent of covered payroll and the District contributed \$91,972.

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, 2019 was \$2,023,663.

(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, 2019, the District reported a liability of \$40,996,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2018, the District's proportion was .0854 percent, which was an increase of .0003 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$4,063,608. At June 30, 2019, 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	\$ 201,000	\$ -
Changes in proportion	300,000	576,000
Changes in actual experience and expected experience	330,000	635,000
Changes in assumptions	764,000	-
Contributions subsequent to the measurement date	3,612,392	-
	<u>\$ 5,207,392</u>	<u>\$1,211,000</u>

The \$3,612,392 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, 2019. 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	\$ 848,000
2020	\$ 265,000
2021	(571,000)
2022	(158,000)
	<u>\$ 384,000</u>



(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of the June 30, 2017 actuarial valuation to June 30, 2018 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%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
MLPs/Infrastructure	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	0.9%
	<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, 2018.

Discount Rate

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	<u>\$ 50,818,000</u>	<u>\$ 40,996,000</u>	<u>\$ 32,692,000</u>

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2019, the District had an accrued balance due to PSERS of \$1,229,531. This amount represents the District's contractually obligated contributions for wages earned in April 2019 through June 30, 2019. The balance was paid in September 2019.

(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, 2019 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 2019 is:

Balance at June 30, 2019	\$ 56,463
LESS: Amortized discount	<u>5,780</u>
Present Value of Special Termination Benefits	50,683
LESS: Current Portion	<u>20,048</u>
Long-Term Special Termination Benefits	<u>\$ 30,635</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, 2019, the District has segregated the ending fund balance of the General Fund for the nonspendable portion consisting of the following amount:

Inventories	<u>\$ 64,956</u>
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NOTE 12 – BOARD COMMITTED FUND BALANCE

The Board of Education committed the following amounts of their June 30, 2019 fund balance by resolution as follows:

Future pension costs	\$ 118,265
Capital 32 Fund	370,410
Curriculum	1,537,183
Bonded Debt	<u>300,060</u>
Total	<u>\$2,325,918</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	35
Active employees	<u>198</u>
Total	<u>233</u>

Funding Policy

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

Total OPEB Liability

The District's total OPEB liability of \$6,283,810 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	3.36%
Salary increases	2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%
Discount rate	3.36%
Healthcare cost trend rates	6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model
Retirees' share of benefit-related costs	Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rate.

The discount rate was based on S&P Municipal Bond 20-year high grade rate index at June 30, 2019.

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

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period May 2018.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2018	\$ 8,981,137
Changes for the year:	
Service cost	443,021
Interest	279,607
Differences between expected and actual experience	( 114,450)
Changes in assumptions or other inputs	(3,097,669)
Benefit payments	<u>( 207,836)</u>
Net changes	<u>(2,697,327)</u>
Balance at June 30, 2019	<u>\$ 6,283,810</u>

Changes in assumptions or other inputs reflect a change in the discount rate from 3.0% in 2018 to 3.36% in 2019.

(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 (2.36%) or 1-percentage-point higher (4.36%) than the current discount rate:

	1% Decrease <u>(2.36%)</u>	Discount Rate <u>(3.36%)</u>	1% Increase <u>(4.36%)</u>
Total OPEB Liability	\$6,778,793	\$6,283,810	\$5,818,951

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	\$5,475,586	\$6,283,810	\$7,239,594

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$88,080. At June 30, 2019, 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	\$ 113,363	\$ 857,846
Changes of assumptions or other inputs	<u>-</u>	<u>3,028,894</u>
	<u>\$ 113,363</u>	<u>\$ 3,886,740</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:

2020	\$	(426,712)
2021		(426,712)
2022		(426,712)
2023		(426,712)
2024		(426,712)
Thereafter		<u>(1,639,817)</u>
	\$	<u>(3,773,377)</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, 2019 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 \$91,972 for the year ended June 30, 2019.

(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, 2019, the District reported a liability of \$1,781,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2019, the District's proportion was .0853%, which was an increase of .0003% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized OPEB expense of \$77,940. At June 30, 2019, 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	\$ 29,000	\$ 68,000
Net differences between projected and actual investment earnings	3,000	-
Changes in proportion	5,000	26,000
Difference between expected and actual experience	11,000	-
District contributions subsequent to the measurement date	91,972	-
	<u>\$ 139,972</u>	<u>\$ 94,000</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	\$ (10,000)
2020	(10,000)
2021	(10,000)
2022	(11,000)
2023	(11,000)
Thereafter	6,000
	<u>\$ (46,000)</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, 2018, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return – 2.98% - 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, 2016 determined the employer contribution rate for fiscal year 2018
- 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	5.9%	0.3%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fixed	<u>1.3%</u>	0.4%
	<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, 2018.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.98%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, 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, 2018, 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, 2018, 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	\$ 1,780,000	\$ 1,781,000	\$ 1,781,000

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

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

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

The following presents the net OPEB liability, calculated using the discount rate of 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage-point higher (3.98%) than the current rate:

	1 % Decrease 1.98%	Discount Rate 2.98%	1% Increase 3.98%
PSERS proportionate share of the net OPEB liability	<u>\$ 2,025,000</u>	<u>\$ 1,781,000</u>	<u>\$ 1,578,000</u>

OPEB Plan Fiduciary Net Position

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

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, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.0854%	0.0851%	0.0868%	0.0874%	0.0851%
District's proportionate share of the net pension liability	\$ 40,996,000	\$ 42,030,000	\$ 43,015,000	\$ 37,857,000	\$ 33,683,000
District's covered-employee payroll	\$ 11,502,272	\$ 11,328,393	\$ 11,245,720	\$ 11,240,150	\$ 10,854,025
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	356.42%	371.01%	382.50%	336.80%	310.33%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	51.84%	50.14%	54.35%	57.24%
					54.49%

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

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

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

Last Ten (10) Fiscal Years\*

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

Amounts are based on actual contributions during the fiscal year.

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

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

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

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

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

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

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

MONTROSE AREA SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS  
OPEB

Last Ten (10) Fiscal Years\*

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 91,972	\$ 94,940	\$ 93,692
Contributions in relation to the contractually required contribution	\$ (91,972)	\$ (94,940)	\$ (93,692)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,502,272	\$ 11,328,393	\$ 11,245,720
Contributions as a percentage of covered-employee payroll	0.80%	0.84%	0.83%

Amounts are based on actual contributions during the fiscal year.

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

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MONTROSE AREA SCHOOL DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

YEAR ENDED JUNE 30, 2019

Total OPEB Liability

Service Cost	\$ 443,021
Interest	279,607
Differences between expected and actual experience	(114,450)
Changes of assumptions or other inputs	(3,097,669)
Benefit payments	<u>(207,836)</u>
Net Change in Total OPEB liability	(2,697,327)
Total OPEB Liability, Beginning	<u>8,981,137</u>
Total OPEB Liability, Ending	<u>6,283,810</u>
Covered-employee Payroll	<u>\$ 10,985,298</u>
Total OPEB Liability as a percentage of covered-employee payroll	<u>57.20%</u>

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

Notes:

Changes of Assumptions

The discount rate changed from 3.0% to 3.36%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal and retirement were changed to use PSERS assumptions. Wives are now assumed to be 2 years younger instead of 3 years.

Changes in Benefit Terms

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

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

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

SUPPLEMENTARY INFORMATION

OTHER FINANCIAL STATEMENTS

MONTROSE AREA SCHOOL DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES AND FUND BALANCE  
YEARS ENDING JUNE 30, 2019 AND 2018

EXHIBIT A

	<u>SCHEDULE</u>	<u>BUDGET</u>	<u>2019 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2018 ACTUAL</u>
<u>REVENUES</u>					
Local Sources	1	\$11,430,189	\$12,310,404	\$ 880,215	\$11,984,764
State Sources	2	14,129,422	14,148,584	19,162	13,887,544
Federal Sources	3	528,288	559,943	31,655	548,222
Extended term financing	-	0	0	0	0
Sale of fixed assets	-	0	0	0	0
Interfund transfers	-	0	0	0	0
		<u>26,087,899</u>	<u>27,018,931</u>	<u>931,032</u>	<u>26,420,530</u>
<u>EXPENDITURES</u>					
1100-INSTRUCTION-					
Regular Programs	4	12,288,469	11,794,162	494,307	11,716,594
1200-INSTRUCTION-					
Special Programs	5	3,174,835	3,235,418	(60,583)	3,052,675
1300-VOCATIONAL EDUCATION	6	615,506	639,737	(24,231)	607,610
1400-OTHER INSTRUCTIONAL					
PROGRAMS-E/S	7	66,618	67,457	(839)	84,298
2100-SUPPORT SERVICES-					
Pupil Personnel	8	778,029	723,819	54,210	716,621
2200-SUPPORT SERVICES-					
Instructional Staff	9	649,908	665,262	(15,354)	798,601
2300-SUPPORT SERVICES-					
Administration	10	1,494,632	1,398,559	96,073	1,508,819
2400-SUPPORT SERVICES-					
Pupil Health	11	416,988	419,885	(2,897)	410,973
2500-SUPPORT SERVICES-Business	12	495,307	417,456	77,851	378,416
2600-SUPPORT SERVICES-Operation					
& Maintenance of Plant Services	13	1,787,217	1,911,687	(124,470)	1,900,945
2700-SUPPORT SERVICES-Student					
Transportation Services	14	2,051,835	2,052,592	(757)	2,000,228
2800-SUPPORT SERVICES-Central	15	1,487,595	1,480,324	7,271	1,597,188
2900-SUPPORT SERVICES-Other	16	23,211	25,085	(1,874)	23,605
3200-OPERATION OF NONIN-					
STRUCTIONAL SERVICES-					
STUDENT ACTIVITIES	17	535,413	507,393	28,020	437,352
3300-COMMUNITY SERVICES	18	1,500	1,310	190	1,341
4000-FACILITIES ACQUISITION,					
CONSTRUCTION & IMPROVE-					
MENT SERVICES	19	0	1,026	(1,026)	85,651
5100- DEBT SERVICE	20	581,668	581,668	0	581,368
5200-FUND TRANSFERS	21	45,000	450,393	(405,393)	30,000
5900-BUDGETARY RESERVE		0	0	0	0
		<u>26,493,731</u>	<u>26,373,233</u>	<u>120,498</u>	<u>25,932,285</u>
<u>EXCESS REVENUE OVER</u>					
<u>EXPENDITURES</u>		(405,832)	645,698	1,051,530	488,245
Fund Balance-Beginning		3,054,291	3,761,895	707,604	3,273,650
<u>FUND BALANCE, ENDING</u>		<u>\$ 2,648,459</u>	<u>\$ 4,407,593</u>	<u>\$ 1,759,134</u>	<u>\$ 3,761,895</u>

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

SCHEDULE 1

	<u>BUDGET</u>	<u>2019 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2018 ACTUAL</u>
<u>REVENUE FROM LOCAL SOURCES</u>				
Current real estate taxes	\$ 9,894,120	\$10,004,204	\$ 110,084	\$ 9,965,532
Public utility realty taxes	12,300	10,649	(1,651)	10,319
Payment in lieu of taxes	1,341	6,698	5,357	6,698
Per capita - Section 679	17,846	15,695	(2,151)	16,218
Per capita - Act 511	17,846	15,695	(2,151)	16,218
Occupation privilege taxes	70,212	64,046	(6,166)	63,654
Real estate transfer taxes	160,000	174,649	14,649	145,351
Delinquent taxes	616,100	604,353	(11,747)	573,749
Earnings on investments	39,300	103,213	63,913	74,171
District activities	1,000	16,359	15,359	11,349
Revenue from intermediary services	252,024	288,877	36,853	277,831
Rentals and gas lease	0	371,680	371,680	389,195
Gas lease renewal	0	180,060	180,060	0
Contributions & donations from private sources	0	0	0	9
Tuition	0	2,204	2,204	2,436
Community service activities	311,600	236,161	(75,439)	276,884
Refund of prior year expenses	36,500	215,021	178,521	153,349
Miscellaneous	0	840	840	1,801
	<u>\$11,430,189</u>	<u>\$12,310,404</u>	<u>\$ 880,215</u>	<u>\$11,984,764</u>

SCHEDULE 2

<u>REVENUE FROM STATE SOURCES</u>				
Basic instructional subsidy	\$ 7,636,992	\$ 7,618,251	\$ (18,741)	\$ 7,563,115
Section 1305 & 1306	0	3,140	3,140	13,705
Homebound instruction	0	0	0	0
Vocational education	6,500	0	(6,500)	2,659
Driver education	1,800	490	(1,310)	560
Special education of exceptional pupils	1,135,948	1,296,200	160,252	1,148,429
Transportation	1,417,743	1,355,897	(61,846)	1,354,227
Rentals and sinking fund payments	0	0	0	0
Health services	26,300	24,992	(1,308)	25,049
Property tax reduction allocation	1,098,680	1,098,680	0	1,098,672
PCCD safety grant	0	24,971	24,971	0
Ready to learn block grant	290,716	290,716	0	290,716
Revenue for social security	438,219	440,144	1,925	445,428
Revenue for retirement	2,076,444	1,989,099	(87,345)	1,944,984
Miscellaneous	80	6,004	5,924	0
	<u>\$14,129,422</u>	<u>\$14,148,584</u>	<u>\$ 19,162</u>	<u>\$13,887,544</u>

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

SCHEDULE 3

	<u>BUDGET</u>	<u>2019 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2018 ACTUAL</u>
<u>REVENUE FROM FEDERAL SOURCES</u>				
NCLB, Title I	\$ 350,049	\$ 413,565	\$ 63,516	\$ 372,350
NCLB, Title II	78,239	62,316	(15,923)	59,415
NCLB, Title IV	0	24,835	24,835	10,000
ARRA - Education Jobs Fund	0	0	0	0
ACCESS	100,000	59,045	(40,955)	106,157
Other federal grants	0	182	182	300
	<u>\$ 528,288</u>	<u>\$ 559,943</u>	<u>\$ 31,655</u>	<u>\$ 548,222</u>

SCHEDULE 4

<u>1100-INSTRUCTION-REGULAR PROGRAMS</u>				
Salaries	\$ 6,842,443	\$ 6,710,329	\$ 132,114	\$ 6,686,710
Employee benefits	4,344,420	4,066,935	277,485	4,069,730
Purchased professional and technical services	55,900	48,535	7,365	54,560
Purchased property services	54,881	56,701	(1,820)	52,985
Other purchased services	707,991	714,604	(6,613)	649,696
Supplies	259,604	186,585	73,019	184,725
Property	2,465	2,464	1	14,796
Other objects	20,765	8,009	12,756	3,392
	<u>\$12,288,469</u>	<u>\$11,794,162</u>	<u>\$ 494,307</u>	<u>\$11,716,594</u>

SCHEDULE 5

<u>1200-INSTRUCTION-SPECIAL PROGRAMS</u>				
Salaries	\$ 1,642,554	\$ 1,631,219	\$ 11,335	\$ 1,572,365
Employee benefits	1,054,530	957,032	97,498	970,281
Purchased professional and technical services	155,000	390,392	(235,392)	307,446
Purchased property services	0	0	0	0
Other purchased services	279,241	222,885	56,356	165,116
Supplies	42,760	32,409	10,351	36,046
Property	0	0	0	0
Other objects	750	1,481	(731)	1,421
	<u>\$ 3,174,835</u>	<u>\$ 3,235,418</u>	<u>\$ (60,583)</u>	<u>\$ 3,052,675</u>

SCHEDULE 6

<u>1300-VOCATIONAL EDUCATION PROGRAMS</u>				
Salaries	\$ 38,898	\$ 38,898	\$ -	\$ 39,148
Employee benefits	24,827	18,351	6,476	21,929
Other purchased services	551,781	582,488	(30,707)	546,533
	<u>\$ 615,506</u>	<u>\$ 639,737</u>	<u>\$ (24,231)</u>	<u>\$ 607,610</u>

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

SCHEDULE 7

	<u>BUDGET</u>	<u>2019 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2018 ACTUAL</u>
<u>1400-OTHER INSTRUCTIONAL PROGRAMS-E/S</u>				
Salaries	\$ 35,418	\$ 43,875	\$ (8,457)	\$ 28,384
Employee benefits	14,550	17,584	(3,034)	11,371
Purchased professional and technical services	0	0	0	0
Purchased property services	0	0	0	0
Other purchased services	15,000	2,990	12,010	43,748
Supplies	1,650	688	962	795
Property	0	0	0	0
Other objects	0	2,320	(2,320)	0
	<u>\$ 66,618</u>	<u>\$ 67,457</u>	<u>\$ (839)</u>	<u>\$ 84,298</u>
<u>TOTAL INSTRUCTIONAL</u>	<u>\$16,145,428</u>	<u>\$15,736,774</u>	<u>\$ 408,654</u>	<u>\$15,461,177</u>

SCHEDULE 82100-SUPPORT SERVICES-  
PUPIL PERSONNEL

Salaries	\$ 458,287	\$ 455,175	\$ 3,112	\$ 439,890
Employee benefits	295,293	264,133	31,160	264,116
Purchased professional and technical services	11,625	950	10,675	9,378
Purchased property services	0	0	0	0
Other purchased services	5,375	329	5,046	1,089
Supplies	6,279	3,022	3,257	2,103
Property	0	0	0	0
Other objects	1,170	210	960	45
	<u>\$ 778,029</u>	<u>\$ 723,819</u>	<u>\$ 54,210</u>	<u>\$ 716,621</u>

SCHEDULE 92200-SUPPORT SERVICES-  
INSTRUCTIONAL SERVICES

Salaries	\$ 234,296	\$ 220,756	\$ 13,540	\$ 316,394
Employee benefits	195,012	214,150	(19,138)	259,092
Purchased professional and technical services	12,600	34,884	(22,284)	2,500

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

SCHEDULE 9 - CONTINUED

	<u>BUDGET</u>	<u>2019 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2018 ACTUAL</u>
Purchased property services	13,200	13,250	(50)	4,325
Other purchased services	6,000	3,632	2,368	8,009
Supplies	188,100	178,590	9,510	207,917
Property	0	0	0	0
Other objects	700	0	700	364
	<u>\$ 649,908</u>	<u>\$ 665,262</u>	<u>\$ (15,354)</u>	<u>\$ 798,601</u>

SCHEDULE 10

2300-SUPPORT SERVICES-  
ADMINISTRATION

Salaries	\$ 803,935	\$ 789,523	\$ 14,412	\$ 849,837
Employee benefits	481,605	449,852	31,753	449,167
Purchased professional and technical services	120,000	93,159	26,841	140,839
Purchased property services	5,775	2,075	3,700	5,136
Other purchased services	49,517	39,120	10,397	40,573
Supplies	13,250	8,058	5,192	5,826
Property	0	0	0	0
Other objects	20,550	16,772	3,778	17,441
	<u>\$ 1,494,632</u>	<u>\$ 1,398,559</u>	<u>\$ 96,073</u>	<u>\$ 1,508,819</u>

SCHEDULE 11

2400-SUPPORT SERVICES-  
PUPIL HEALTH

Salaries	\$ 242,589	\$ 242,509	\$ 80	\$ 237,428
Employee benefits	154,134	162,807	(8,673)	158,500
Purchased professional and technical services	8,840	7,290	1,550	6,550
Purchased property services	1,350	414	936	375
Other purchased services	0	0	0	0
Supplies	10,075	6,865	3,210	8,120
Property	0	0	0	0
	<u>\$ 416,988</u>	<u>\$ 419,885</u>	<u>\$ (2,897)</u>	<u>\$ 410,973</u>

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

SCHEDULE 12

	<u>BUDGET</u>	<u>2019 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2018 ACTUAL</u>
<u>2500-SUPPORT SERVICES-BUSINESS</u>				
Salaries	\$ 205,384	\$ 212,372	\$ (6,988)	\$ 190,711
Employee benefits	144,815	139,202	5,613	135,267
Purchased professional and technical services	99,650	3,733	95,917	4,270
Purchased property services	7,500	7,673	(173)	7,358
Other purchased services	16,000	18,090	(2,090)	14,230
Supplies	20,958	35,761	(14,803)	26,120
Property	0	0	0	0
Other objects	1,000	625	375	460
	<u>\$ 495,307</u>	<u>\$ 417,456</u>	<u>\$ 77,851</u>	<u>\$ 378,416</u>

SCHEDULE 13

<u>2600-SUPPORT SERVICES-OPERATION &amp; MAINTENANCE OF PLANT SERVICES</u>				
Salaries	\$ 562,807	\$ 555,116	\$ 7,691	\$ 547,558
Employee benefits	344,292	433,933	(89,641)	424,088
Purchased professional and technical services	30,142	28,285	1,857	30,862
Purchased property services	236,282	264,305	(28,023)	236,160
Other purchased services	127,394	101,369	26,025	135,473
Supplies	435,050	478,413	(43,363)	476,028
Property	50,000	49,176	824	49,564
Other objects	1,250	1,090	160	1,212
	<u>\$ 1,787,217</u>	<u>\$ 1,911,687</u>	<u>\$ (124,470)</u>	<u>\$ 1,900,945</u>

SCHEDULE 14

<u>2700-SUPPORT SERVICES-STUDENT TRANSPORTATION SERVICES</u>				
Salaries	\$ 45,894	\$ 45,627	\$ 267	\$ 47,674
Employee benefits	29,053	37,982	(8,929)	35,776
Purchased professional and technical services	7,000	15,388	(8,388)	3,410
Purchased property services	13,100	16,628	(3,528)	8,334
Other purchased services	1,952,188	1,936,103	16,085	1,902,416
Supplies	3,600	323	3,277	966
Property	1,000	0	1,000	1,652
Other objects	0	541	(541)	0
	<u>\$ 2,051,835</u>	<u>\$ 2,052,592</u>	<u>\$ (757)</u>	<u>\$ 2,000,228</u>

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



SCHEDULE 15

	<u>BUDGET</u>	<u>2019 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2018 ACTUAL</u>
<u>2800-SUPPORT SERVICES-CENTRAL</u>				
Salaries	\$ 419,540	\$ 457,976	\$ (38,436)	\$ 500,072
Employee benefits	607,000	504,690	102,310	600,146
Purchased professional and technical services	7,450	7,234	216	5,154
Purchased property services	135,445	142,485	(7,040)	154,112
Other purchased services	54,409	89,723	(35,314)	86,622
Supplies	92,395	114,558	(22,163)	71,160
Property	170,856	163,658	7,198	179,922
Other objects	500	0	500	0
	<u>\$ 1,487,595</u>	<u>\$ 1,480,324</u>	<u>\$ 7,271</u>	<u>\$ 1,597,188</u>

SCHEDULE 16

<u>2900-SUPPORT SERVICES-OTHER</u>				
Other purchased services	<u>\$ 23,211</u>	<u>\$ 25,085</u>	<u>\$ (1,874)</u>	<u>\$ 23,605</u>
 <u>TOTAL SUPPORT SERVICES</u>	 <u>\$ 9,184,722</u>	 <u>\$ 9,094,669</u>	 <u>\$ 90,053</u>	 <u>\$ 9,335,396</u>

SCHEDULE 17

<u>3200-OPERATION OF NONINSTRUCTIONAL SERVICES-STUDENT ACTIVITIES</u>				
Salaries	\$ 196,363	\$ 196,367	\$ (4)	\$ 180,796
Employee benefits	90,405	73,454	16,951	66,422
Purchased professional and technical services	43,090	66,099	(23,009)	63,566
Purchased property services	16,300	11,020	5,280	15,914
Other purchased services	93,290	76,488	16,802	45,499
Supplies	74,910	63,265	11,645	46,012
Property	0	0	0	0
Other objects	21,055	20,700	355	19,143
	<u>\$ 535,413</u>	<u>\$ 507,393</u>	<u>\$ 28,020</u>	<u>\$ 437,352</u>

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

SCHEDULE 18

	<u>BUDGET</u>	<u>2019 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2018 ACTUAL</u>
<u>3300-OPERATION OF NONINSTRUCTIONAL SERVICES-COMMUNITY SERVICES</u>				
Other objects	\$ 1,500	\$ 1,310	\$ 190	\$ 1,341

SCHEDULE 19

<u>4000-FACILITIES ACQUISITION, CONSTRUCTION &amp; IMPROVE- MENT SERVICES</u>	\$ -	\$ 1,026	\$ (1,026)	\$ 85,651
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SCHEDULE 20

<u>5100- DEBT SERVICE</u>				
Other objects	\$ 91,668	\$ 91,668	\$ -	\$ 101,368
Other financing uses	490,000	490,000	0	480,000
	<u>\$ 581,668</u>	<u>\$ 581,668</u>	<u>\$ -</u>	<u>\$ 581,368</u>

SCHEDULE 21

<u>5200- FUND TRANSFERS</u>				
Other objects	\$ 45,000	\$ 450,393	\$ (405,393)	\$ 30,000

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

November 4, 2019

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, 2019, and have enclosed the Single Audit reporting package.

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

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

One copy of the Audit Report was distributed to:

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

b) Office of Prothonotary  
Susquehanna County  
Montrose, Pennsylvania  
18801

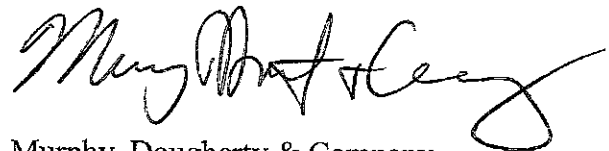
c) N.E.I.U. # 19  
1200 Line Street  
Archbald, Pennsylvania 18403

The Audit Report was distributed electronically to:

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

Your cooperation in this matter is appreciated.

Very truly yours,



Murphy, Dougherty & Company  
Certified Public Accountants

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

Board of Education  
Montrose Area School District  
Montrose, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montrose Area School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Montrose Area School District's basic financial statements and have issued our report thereon dated November 4, 2019.

### Internal Control Over Financial Reporting

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

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

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

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


**Compliance and Other Matters**

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

**Purpose of this Report**

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

November 4, 2019  
Moscow, Pennsylvania

A handwritten signature in black ink, appearing to read "Mary Ann St. George", with a large, stylized loop at the end.

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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, 2019. 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, 2019.

**Report on Internal Control Over Compliance**

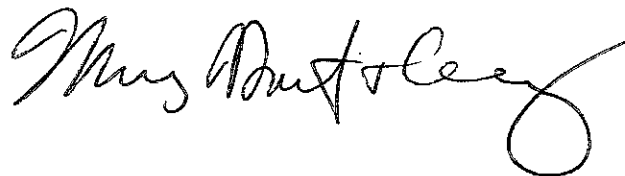
Management of the Montrose Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Montrose Area School District's internal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

November 4, 2019  
Moscow, Pennsylvania





MONTROSE AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019

**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:

CFDA Number

84.010

Name of Federal Program or Cluster

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, 2019**

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 7/1/2018	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 6/30/2019
<b>U.S. DEPARTMENT OF EDUCATION</b>										
Passed through the Pennsylvania Department of Education										
NCLB - Title I	I	84.010	013-190265	7/1/18-9/30/19	\$ 394,055	\$ 394,055	\$ -	\$ 394,055	\$ 394,055	\$ -
NCLB - Title I	I	84.010	013-180265	7/1/17-9/30/18	341,314	22,695	3,185	19,510	19,510	0
TOTAL CFDA# 84.010						416,750	3,185	413,565	413,565	0
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>										
Medical Assistance Program	I	93.778	N/A	7/1/18-6/30/19	N/A	1,595	0	1,595	1,595	0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES						1,595	0	1,595	1,595	0
TOTAL FEDERAL AWARDS						\$ 1,196,448	\$ 24,353	\$ 1,185,821	\$ 1,185,821	\$ 13,726
<b>U.S. DEPARTMENT OF AGRICULTURE</b>										
Summer Food Service Program	I	10.559	N/A	7/1/18-6/30/19	N/A	3,819	0	3,819	3,819	0
School Breakfast Program	I-F	10.553	N/A	7/1/18-6/30/19	N/A	99,047	5,288	93,759	93,759	0
TOTAL CHILD NUTRITION CLUSTER						413,156	17,378	394,451	394,451	(1,327)
TOTAL DEPARTMENT OF AGRICULTURE						413,156	17,378	394,451	394,451	(1,327)
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>										
Medical Assistance Program	I	93.778	N/A	7/1/18-6/30/19	N/A	1,595	0	1,595	1,595	0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES						1,595	0	1,595	1,595	0
TOTAL FEDERAL AWARDS						\$ 1,196,448	\$ 24,353	\$ 1,185,821	\$ 1,185,821	\$ 13,726
<b>U.S. DEPARTMENT OF EDUCATION</b>										
Passed through the Pennsylvania Department of Education										
NCLB - Title I	I	84.027	N/A	7/1/18-6/30/19	285,421	285,421	0	285,421	285,421	0
IDEA - Section 619	I	84.173	N/A	7/1/18-6/30/19	3,456	0	0	3,456	3,456	3,456
IDEA - Section 619	I	84.173	N/A	7/1/17-6/30/18	3,790	3,790	3,790	0	0	0
TOTAL IDEA PROGRAM CLUSTER						289,211	3,790	288,877	288,877	3,456
Title III - English Language Acquisition	I	84.365	N/A	7/1/18-9/30/19	182	182	0	182	182	0
TOTAL N.E.I.U. # 19						182	0	182	182	0
<b>U.S. DEPARTMENT OF EDUCATION</b>										
Passed through the Pennsylvania Department of Education										
National School Lunch Program-Commodities	I	10.555	N/A	7/1/18-6/30/19	N/A	46,370	(1,828)	46,871	46,871	(1,327)
Passed through the Pennsylvania Department of Education										
National School Lunch Program-Cash	I-F	10.555	N/A	7/1/18-6/30/19	N/A	263,920	13,918	250,002	250,002	0
TOTAL CFDA# 10.555						310,290	12,090	296,873	296,873	(1,327)
<b>U.S. DEPARTMENT OF AGRICULTURE</b>										
Summer Food Service Program	I	10.559	N/A	7/1/18-6/30/19	N/A	3,819	0	3,819	3,819	0
School Breakfast Program	I-F	10.553	N/A	7/1/18-6/30/19	N/A	99,047	5,288	93,759	93,759	0
TOTAL CHILD NUTRITION CLUSTER						413,156	17,378	394,451	394,451	(1,327)
TOTAL DEPARTMENT OF AGRICULTURE						413,156	17,378	394,451	394,451	(1,327)
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>										
Medical Assistance Program	I	93.778	N/A	7/1/18-6/30/19	N/A	1,595	0	1,595	1,595	0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES						1,595	0	1,595	1,595	0
TOTAL FEDERAL AWARDS						\$ 1,196,448	\$ 24,353	\$ 1,185,821	\$ 1,185,821	\$ 13,726

**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, 2019.

MONTROSE AREA SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING JUNE 30, 2019

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, 2019

\* NO PRIOR FINDINGS NOTED.