

MONTROSE AREA SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS

AND

SINGLE AUDIT REPORT

JUNE 30, 2022

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montrose Area School District, Montrose, Pennsylvania, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 14 to the financial statements, Montrose Area School District adopted new accounting guidance, GASB Statement No. 87, "Leases". Our opinions are not modified with respect to that matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement,

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

whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Montrose Area School District, Montrose, Pennsylvania's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Montrose Area School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montrose Area School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control related matters that we identified during the audit.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the schedule of the District's proportionate share of the net pension liability on page 51, the schedule of District contributions to the pension plan on page 52, the schedule of the District's proportionate share of the OPEB liability on page 53, the schedule of District OPEB contributions on page 54 and the schedule of changes in total OPEB liability and related ratios on page 55 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

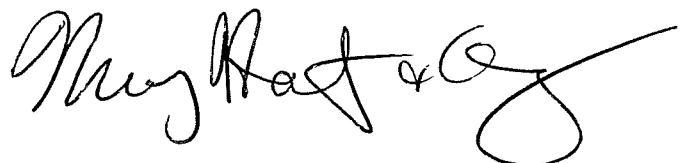
Supplementary Information

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 accompanying schedule of expenditures of federal awards, 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 the supplementary information on pages 56 through 63 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The 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 schedule of expenditures of federal awards and the supplementary information on pages 56 through 63 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 22, 2022 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 solely 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 effectiveness of Montrose Area School District's 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 22, 2022
Moscow, Pennsylvania



MONTROSE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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, 2022. 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 2022 are as follows:

- In total, net position increased \$5,777,302, which represents a 16.2 percent increase from 2021.
- General revenues accounted for \$22,202,810 in revenue or 67 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 \$10,829,629 or 33 percent of total revenues of \$33,032,439.
- Total assets and deferred outflows of resources of governmental activities increased by \$1,219,797 as current assets increased \$15,325, net capital assets increased by \$1,161,237, and deferred outflows of resources increased \$43,235.
- The School District had \$27,255,137 in expenses; only \$10,829,629 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and state revenues) of \$22,202,810 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, 2022
(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 2022?" 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 the 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, 2022
(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 2021 compared to 2020:

TABLE 1
NET POSITION

	<u>2022</u>	<u>2021</u>
<u>ASSETS AND DEFERRED</u>		
<u>OUTFLOWS OF RESOURCES</u>		
Current and Other Assets	\$10,339,306	\$10,416,975
Capital Assets	11,750,738	10,548,682
Deferred Outflows of Resources	<u>6,607,555</u>	<u>6,566,798</u>
TOTAL ASSETS AND DEFERRED		
OUTFLOWS OF RESOURCES	<u>28,697,599</u>	<u>27,532,455</u>
<u>LIABILITIES</u>		
Current Liabilities	3,669,251	3,736,313
Other Liabilities	<u>44,578,489</u>	<u>53,566,666</u>
TOTAL LIABILITIES	<u>48,247,740</u>	<u>57,302,979</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>10,399,704</u>	<u>5,942,243</u>
<u>NET POSITION</u>		
Invested in Capital Assets, Net of Debt	11,690,247	8,064,558
Restricted	1,192,363	1,799,671
Unrestricted deficit	<u>(42,832,455)</u>	<u>(45,576,996)</u>
<u>TOTAL NET POSITION</u>	<u>\$(29,949,845)</u>	<u>\$(35,712,767)</u>

Total assets and deferred outflows of resources increased by \$1,165,144 as cash and cash equivalents decreased by \$1,127,984, receivables, prepaid expenses and inventories increased by \$1,050,315, capital assets increased by \$1,202,056, and deferred outflows of resources increased \$40,757. 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 \$2,744,541. 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 2022 and 2021.

MONTROSE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED-CONTINUED)

TABLE 2
CHANGES IN NET POSITION

	<u>2022</u>	<u>%</u>	<u>2021</u>	<u>%</u>
<u>REVENUES</u>				
<u>Program Revenues:</u>				
Charges for Services	\$ 49,408	0.1%	\$ 24,674	0.1%
Operating Grants & Contributions	10,780,221	32.6%	7,833,580	27.7%
Capital Grants & Contributions	-0-	0.0%	-0-	0.0%
<u>General Revenues:</u>				
Property taxes	11,190,018	33.9%	11,222,299	39.6%
Grants and Entitlements	8,912,866	27.0%	8,789,702	31.0%
Other	<u>2,099,926</u>	<u>6.4%</u>	<u>451,246</u>	<u>1.6%</u>
TOTAL REVENUES	<u>33,032,439</u>	<u>100%</u>	<u>28,321,501</u>	<u>100%</u>
<u>PROGRAM EXPENSES</u>				
<u>INSTRUCTION</u>	16,312,713	59.9%	17,757,628	63.2%
<u>SUPPORT SERVICES:</u>				
Pupils and Instructional Staff	1,695,391	6.2%	1,719,667	6.1%
Board of Education, Administration, Fiscal and Business	1,765,205	6.5%	1,920,137	6.8%
Operation & Maintenance of Plant	2,325,003	8.5%	2,067,801	7.4%
Pupil Transportation	2,194,990	8.0%	2,021,662	7.2%
Other Support Services	1,799,538	6.6%	1,598,075	5.7%
Operation of Non-Instructional Services	1,143,733	4.2%	974,978	3.5%
Operating transfers	-0-	0.0%	-0-	0.0%
Interest and Fiscal Charges	<u>18,564</u>	<u>0.1%</u>	<u>28,161</u>	<u>0.1%</u>
TOTAL EXPENSES	<u>27,255,137</u>	<u>100%</u>	<u>28,088,109</u>	<u>100%</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 5,777,302</u>		<u>\$ 233,392</u>	

GOVERNMENTAL ACTIVITIES

Property taxes made up 33.9 and 39.6 percent of revenues for governmental activities for the Montrose Area School District for fiscal year 2022 and 2021, respectively.

Instruction comprises 59.9 and 63.2 percent of District expenses. Support services expenses make up 35.8 and 33.2 percent of the expenses for the years 2022 and 2021, respectively.

MONTROSE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(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>2022</u>	<u>NET COST OF SERVICES</u> <u>2022</u>	<u>TOTAL COST OF SERVICES</u> <u>2021</u>	<u>NET COST OF SERVICES</u> <u>2021</u>
Instruction	\$16,312,713	\$10,751,234	\$17,757,628	\$13,577,280
<u>Support Services:</u>				
Pupil and Instructional Staff	1,695,391	1,265,596	1,719,667	1,301,156
Board of Education, Administration				
Fiscal and Business	1,765,205	1,557,378	1,920,137	1,706,127
Operation & Maintenance of Plant	2,325,003	477,578	2,067,801	1,788,730
Pupil Transportation	2,194,990	776,512	2,021,662	621,851
Other Support Services	1,799,538	1,382,161	1,598,075	967,812
Operation of Non-Instructional Services	1,143,733	196,485	974,978	238,738
Operating transfers	-0-	-0-	-0-	-0-
Interest and Fiscal Charges	18,564	18,564	28,161	28,161
TOTAL EXPENSES	<u>\$27,255,137</u>	<u>\$16,425,508</u>	<u>\$28,088,109</u>	<u>\$20,229,855</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, 2022
(UNAUDITED-CONTINUED)

The dependence upon tax revenue is apparent. Approximately 34 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 \$32,047,290 and expenditures of \$32,718,304. The net change in fund balance decreased by \$671,014 with the General Fund having a decrease of \$63,706 and the Capital Projects Fund having a decrease of \$607,308.

The District had budgeted a decrease of \$484,899 (of which \$-0- was a budgetary reserve).

GENERAL FUND BUDGETING HIGHLIGHTS

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

The School District adopted the budget for the fiscal year June 30, 2022 at its June 2021 meeting and made several budget transfers during fiscal 2021-22. 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 \$26,904,339 in revenue but actually received \$32,041,459 or an increase in revenue of \$5,137,120.

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	\$1,895,759	Refund of prior year expenses	\$ 111,140
Current real estate taxes	202,586	Delinquent taxes	311,756
CARES Act Funding	3,262,779	Retirement revenue	196,463

On the expenditure side the District was over budget by \$4,716,306. Overall the District had a decrease in general fund balance of \$63,706.

The School District had anticipated having a decrease of \$484,899 to decrease its fund balance, but the actual was a decrease of \$63,706. The fund balance at June 30, 2022 was \$4,957,300 and carried over to the June 30, 2023 budget.

CAPITAL ASSETS

At the end of the fiscal year 2022, the School District had \$11,750,738 invested in land, buildings, furniture, equipment and vehicles.

MONTROSE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(UNAUDITED-CONTINUED)

Table 4 shows fiscal 2022 balance compared to 2021.

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

	<u>2022</u>	<u>2021</u>
Land	\$ 1,167,737	\$ 1,167,737
Buildings and Improvements	9,630,177	8,361,105
Capital leases	49,620	-0-
Furniture, Equipment and Vehicles	<u>903,204</u>	<u>1,019,840</u>
TOTAL	<u>\$11,750,738</u>	<u>\$10,548,682</u>

Depreciation amounted to \$1,043,183 and \$998,880 and net capital assets increased by \$1,202,056 in 2022 and decreased \$650,864 in 2021 with the majority being purchased from the general fund during both 2022 and 2021.

DEBT ADMINISTRATION

At June 30, 2022 the District had \$-0- of total debt. During the fiscal year 2022 the District paid off the remaining principal for this debt in the amount of \$2,479,000.

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, 2022

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and cash equivalents	\$ 6,609,030	\$ 230,599	\$ 6,839,629
Investments	0	0	0
Taxes receivable, net	426,050	0	426,050
Interfund receivables	88,998	84,062	173,060
Intergovernmental receivables	2,467,327	116,073	2,583,400
Inventories	48,002	11,060	59,062
Other receivables, net	258,105	0	258,105
Prepaid expenses	0	0	0
Total Current Assets	<u>9,897,512</u>	<u>441,794</u>	<u>10,339,306</u>
<u>NON-CURRENT ASSETS</u>			
Land	1,167,737	0	1,167,737
Building and building improvements	24,912,115	0	24,912,115
Fixtures and equipment	5,746,602	633,445	6,380,047
Capital leases	212,658	0	212,658
Construction in progress	0	0	0
Accumulated depreciation	<u>(20,379,792)</u>	<u>(542,027)</u>	<u>(20,921,819)</u>
Total Non-Current Assets	<u>11,659,320</u>	<u>91,418</u>	<u>11,750,738</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to OPEB	897,764	0	897,764
Deferred amounts related to pensions	5,650,808	58,983	5,709,791
Total Deferred Outflows of Resources	<u>6,548,572</u>	<u>58,983</u>	<u>6,607,555</u>
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>28,105,404</u>	<u>592,195</u>	<u>28,697,599</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Interfund payables	84,062	88,998	173,060
Accounts payable	863,030	21,559	884,589
Accrued salaries & benefits	1,168,670	128	1,168,798
Accrued retirement incentive	73,693	0	73,693
Accrued interest	0	0	0
Payroll deductions & withholdings	1,288,521	0	1,288,521
Revenues received in advance	16,226	12,995	29,221
Other current liabilities	0	0	0
Current portion of capital leases	51,369	0	51,369
Current portion of long-term obligations	0	0	0
Total Current Liabilities	<u>3,545,571</u>	<u>123,680</u>	<u>3,669,251</u>
<u>NON-CURRENT LIABILITIES</u>			
Bonds and Notes payable	0	0	0
Capital leases	9,122	0	9,122
Accrued retirement incentive	54,811	0	54,811
Other postemployment benefits	8,250,051	0	8,250,051
Net pension liability	32,542,665	672,335	33,215,000
Long-term portion of compensated absences	3,049,505	0	3,049,505
Total Non-Current Liabilities	<u>43,906,154</u>	<u>672,335</u>	<u>44,578,489</u>
<u>TOTAL LIABILITIES</u>	<u>47,451,725</u>	<u>796,015</u>	<u>48,247,740</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unamortized premium on issuance of bonds	0	0	0
Deferred amounts related to OPEB	4,120,704	0	4,120,704
Deferred amounts related to pensions	6,214,138	64,862	6,279,000
Total Deferred Inflows of Resources	<u>10,334,842</u>	<u>64,862</u>	<u>10,399,704</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	11,598,829	91,418	11,690,247
Restricted for: Capital Projects	1,192,363	0	1,192,363
Debt Service	0	0	0
Unrestricted	<u>(42,472,355)</u>	<u>(360,100)</u>	<u>(42,832,455)</u>
<u>TOTAL NET POSITION</u>	<u>\$ (29,681,163)</u>	<u>\$ (268,682)</u>	<u>\$ (29,949,845)</u>

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

MONTROSE AREA SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2022

Total Governmental Fund Balance \$ 6,149,663

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	24,912,115
Furniture and equipment	5,746,602
Capital leases	212,658
Accumulated depreciation	(20,379,792)
Total Capital Assets	<u>11,659,320</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. 327,340

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	5,650,808
Deferred outflows of resources related to OPEB	897,764
Deferred inflows of resources related to OPEB	(4,120,704)
Deferred inflows of resources related to pensions	(6,214,138)
Total Deferred Outflows and Inflows of Resources	<u>(3,786,270)</u>

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

Bonds and notes payable	0
Bond premium, net of amortization	0
Accrued interest	0
Capital leases	(60,491)
Accrued retirement incentive	(128,504)
Other postemployment benefits	(8,250,051)
Net pension liability	(32,542,665)
Compensated absences	(3,049,505)
Total Liabilities	<u>(44,031,216)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (29,681,163)

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, 2022

	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	\$ 12,396,344	\$ -	\$ 3,597,367	\$ -	\$ (8,798,977)	\$ (8,798,977)
Special	3,337,035		1,934,751		(1,402,284)	(1,402,284)
Vocational	499,036		8,300		(490,736)	(490,736)
Other Instructional Programs	80,298		21,061		(59,237)	(59,237)
Non Public Programs	0		0		0	0
<u>TOTAL INSTRUCTIONAL SERVICES</u>	<u>16,312,713</u>	<u>0</u>	<u>5,561,479</u>	<u>0</u>	<u>(10,751,234)</u>	<u>(10,751,234)</u>
<u>SUPPORT SERVICES</u>						
Pupil Personnel	733,277		199,508		(533,769)	(533,769)
Instructional Staff	655,774		166,690		(489,084)	(489,084)
Administration	1,382,683		164,866		(1,217,817)	(1,217,817)
Pupil Health	306,340		63,597		(242,743)	(242,743)
Business	382,522		42,961		(339,561)	(339,561)
Operation and Maintenance of Plant Services	2,325,003		1,847,425		(477,578)	(477,578)
Student Transportation Services	2,194,990		1,418,478		(776,512)	(776,512)
Central	1,775,840		417,377		(1,358,463)	(1,358,463)
Other Support Services	23,698		0		(23,698)	(23,698)
<u>TOTAL SUPPORT SERVICES</u>	<u>9,780,127</u>	<u>0</u>	<u>4,320,902</u>	<u>0</u>	<u>(5,459,225)</u>	<u>(5,459,225)</u>
<u>NON-INSTRUCTIONAL SERVICES</u>						
Student Activities	445,746		38,122	0	(407,624)	(407,624)
Community Services	1,194		0	0	(1,194)	(1,194)
Scholarships and Awards	500		0	0	(500)	(500)
<u>TOTAL NON-INSTRUCTIONAL SERVICES</u>	<u>447,440</u>	<u>0</u>	<u>38,122</u>	<u>0</u>	<u>(409,318)</u>	<u>(409,318)</u>
Interest on Long-Term Debt	18,564		0	0	(18,564)	(18,564)
<u>TOTAL GOVERNMENT ACTIVITIES</u>	<u>26,558,844</u>	<u>0</u>	<u>9,920,503</u>	<u>0</u>	<u>(16,638,341)</u>	<u>(16,638,341)</u>
<u>Business-Type Activities</u>						
Food Service	696,293	49,408	859,718	0	212,833	212,833
Internal Service	0	0	0	0	0	0
<u>TOTAL PRIMARY GOVERNMENT</u>	<u>27,255,137</u>	<u>49,408</u>	<u>10,780,221</u>	<u>-</u>	<u>212,833</u>	<u>212,833</u>
<u>GENERAL REVENUES:</u>						
Property taxes, levied for general purposes					11,190,018	11,190,018
Public utility realty, per capita and occupational taxes levied for general purposes					11,212	11,212
Grants, subsidies and contributions not restricted					8,912,866	8,912,866
Investment earnings					35,949	37,020
Miscellaneous income					2,051,694	2,051,694
<u>TOTAL GENERAL REVENUES</u>					<u>22,201,739</u>	<u>22,202,810</u>
Change in Net Position					213,904	5,777,302
<u>NET POSITION - BEGINNING OF YEAR, AS RESTATED</u>					<u>(482,586)</u>	<u>(35,727,147)</u>
<u>NET POSITION - END OF YEAR</u>					<u>(268,682)</u>	<u>(29,949,845)</u>

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

MONTROSE AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$5,416,667	\$1,192,363	\$ -	\$ 6,609,030
Investments	0	0	0	0
Taxes receivable, net	426,050	0	0	426,050
Interfund receivables	88,998	0	0	88,998
Intergovernmental receivables	2,467,327	0	0	2,467,327
Inventories	48,002	0	0	48,002
Other receivables, net	258,105	0	0	258,105
Prepaid expenses	0	0	0	0
TOTAL ASSETS	<u><u>\$8,705,149</u></u>	<u><u>\$1,192,363</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,897,512</u></u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Interfund payables	84,062	0	0	84,062
Accounts payable	863,030	0	0	863,030
Accrued salaries & benefits	1,168,670	0	0	1,168,670
Accrued interest	0	0	0	0
Payroll deductions & withholding	1,288,521	0	0	1,288,521
Revenue received in advance	16,226	0	0	16,226
Other current liabilities	0	0	0	0
TOTAL LIABILITIES	<u><u>3,420,509</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>3,420,509</u></u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue - property taxes	327,340	0	0	327,340
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>327,340</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>327,340</u></u>
<u>FUND BALANCES</u>				
Nonspendable:				
Inventories & Prepaid	48,002	0	0	48,002
Restricted for:				
Capital outlays	0	1,192,363	0	1,192,363
Debt service	0	0	0	0
Committed for:				
Social Enhancement	13,588	0	0	13,588
Capital 32 Fund	929,867	0	0	929,867
Curriculum	875,183	0	0	875,183
Budget Shortfall	37,211	0	0	37,211
Cyber School	1,084,868	0	0	1,084,868
Unassigned:				
Unassigned	1,968,581	0	0	1,968,581
TOTAL FUND BALANCES	<u><u>4,957,300</u></u>	<u><u>1,192,363</u></u>	<u><u>0</u></u>	<u><u>6,149,663</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & FUND BALANCES	<u><u>\$8,705,149</u></u>	<u><u>\$1,192,363</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,897,512</u></u>

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

MONTROSE AREA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2022

Net change in Fund Balances – Total Government Funds \$ (671,014)

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	2,143,673
Depreciation expense	<u>(1,074,588)</u>
Excess of capital outlay over depreciation expense	<u>1,069,085</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:

Note proceeds from extended term financing	0
Capital lease principal payments	46,041
Bond principal payments	2,479,000
Bond premium amortization	<u>5,124</u>
	<u>2,530,165</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	74,952
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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	4,032,698
Cost of pension benefits earned, net of employee contributions	<u>(1,545,107)</u>
	<u>2,487,591</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.

150,944

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	13,139
Net (increase)/decrease in accrued retirement incentive	(3,443)
Net (increase)/decrease in compensated absences	<u>(88,021)</u>
	<u>(78,325)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 5,563,398

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, 2022

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>REVENUES</u>				
Local sources	\$13,469,310	\$ 5,452	\$ -	\$13,474,762
State sources	14,510,420	0	0	14,510,420
Federal sources	4,061,729	0	0	4,061,729
TOTAL REVENUES	<u>32,041,459</u>	<u>5,452</u>	<u>0</u>	<u>32,046,911</u>
<u>EXPENDITURES</u>				
<u>Instructional Services</u>				
Regular	13,419,608	0	0	13,419,608
Special	3,583,648	0	0	3,583,648
Vocational	487,626	0	0	487,626
Other instructional programs	83,649	0	0	83,649
Non public programs	0	0	0	0
TOTAL INSTRUCTIONAL SERVICES	<u>17,574,531</u>	<u>0</u>	<u>0</u>	<u>17,574,531</u>
<u>Support Services</u>				
Pupil personnel	804,157	0	0	804,157
Instructional staff	719,392	0	0	719,392
Administration	1,437,072	0	0	1,437,072
Pupil health	333,232	0	0	333,232
Business	410,602	0	0	410,602
Operation and maintenance of plant services	2,113,984	34,335	0	2,148,319
Student transportation services	2,205,189	0	0	2,205,189
Central	1,795,808	0	0	1,795,808
Other support services	23,698	0	0	23,698
TOTAL SUPPORT SERVICES	<u>9,843,134</u>	<u>34,335</u>	<u>0</u>	<u>9,877,469</u>
Operation of Non-Instructional Services	466,071	0	0	466,071
Capital outlay	1,715,425	578,425	0	2,293,850
<u>Debt Service</u>				
Interest, Refunds and Costs	27,383	0	0	27,383
Principal	2,479,000	0	0	2,479,000
TOTAL EXPENDITURES	<u>32,105,544</u>	<u>612,760</u>	<u>0</u>	<u>32,718,304</u>
(EXCESS) DEFICIENCY OF REVENUES OVER EXPENDITURES	(64,085)	(607,308)	0	(671,393)
<u>OTHER FINANCING SOURCES (USES)</u>				
Bond/Note issue proceeds	0	0	0	0
Sale of fixed assets	379	0	0	379
Operating transfers in	0	0	0	0
Operating transfers out	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>379</u>	<u>0</u>	<u>0</u>	<u>379</u>
NET CHANGE IN FUND BALANCES	(63,706)	(607,308)	0	(671,014)
Fund Balances-Beginning	5,021,006	1,799,671	0	6,820,677
FUND BALANCES-ENDING	<u>\$ 4,957,300</u>	<u>\$ 1,192,363</u>	<u>\$ -</u>	<u>\$ 6,149,663</u>

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

MONTROSE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET(NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDING JUNE 30, 2022

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>REVENUES</u>				
Local sources	\$11,666,893	\$11,666,893	\$13,469,310	\$ 1,802,417
State sources	14,678,740	14,678,740	14,510,420	(168,320)
Federal sources	558,706	558,706	4,061,729	3,503,023
Total Revenues	<u>26,904,339</u>	<u>26,904,339</u>	<u>32,041,459</u>	<u>5,137,120</u>
<u>EXPENDITURES</u>				
<u>Instructional Services:</u>				
Regular	12,392,722	12,417,948	13,419,608	(1,001,660)
Special	3,851,142	3,597,567	3,583,648	13,919
Vocational	675,493	488,093	487,626	467
Other instructional programs	72,004	83,932	83,649	283
Non public programs	0	0	0	0
Total Instructional Services	<u>16,991,361</u>	<u>16,587,540</u>	<u>17,574,531</u>	<u>(986,991)</u>
<u>Support Services</u>				
Pupil personnel	788,185	809,832	804,157	5,675
Instructional staff	730,232	727,767	719,392	8,375
Administration	1,555,217	1,442,470	1,437,072	5,398
Pupil health	336,147	336,283	333,232	3,051
Business	395,451	411,477	410,602	875
Operation & maintenance				
of plant services	1,919,530	2,151,530	2,113,984	37,546
Student transportation services	2,030,608	2,206,608	2,205,189	1,419
Central	1,488,957	1,610,431	1,795,808	(185,377)
Other support services	23,920	23,920	23,698	222
Total Support Services	<u>9,268,247</u>	<u>9,720,318</u>	<u>9,843,134</u>	<u>(122,816)</u>
Operation of Non-				
Instructional Services	514,928	466,678	466,071	607
Capital outlay	0	0	1,715,425	(1,715,425)
<u>Debt Service: Interest & refunds</u>	<u>23,702</u>	<u>23,702</u>	<u>27,383</u>	<u>(3,681)</u>
Principal	486,000	486,000	2,479,000	(1,993,000)
TOTAL EXPENDITURES	<u>27,284,238</u>	<u>27,284,238</u>	<u>32,105,544</u>	<u>(4,821,306)</u>
(EXCESS) DEFICIENCY OF				
REVENUES OVER EXPENDITURES	<u>(379,899)</u>	<u>(379,899)</u>	<u>(64,085)</u>	<u>315,814</u>
<u>OTHER FINANCING</u>				
<u>SOURCES (USES)</u>				
Sale of fixed assets	0	0	379	379
Operating transfers in	0	0	0	0
Operating transfers out	(105,000)	(105,000)	0	105,000
Budgetary reserve	0	0	0	0
Total Other Financing Sources(Uses)	<u>(105,000)</u>	<u>(105,000)</u>	<u>379</u>	<u>105,379</u>
Net Change in Fund Balances	(484,899)	(484,899)	(63,706)	421,193
Fund Balances-Beginning	5,490,681	5,490,681	5,021,006	(469,675)
FUND BALANCES-ENDING	<u>\$ 5,005,782</u>	<u>\$ 5,005,782</u>	<u>\$ 4,957,300</u>	<u>\$ (48,482)</u>

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

MONTROSE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022

	<u>FOOD SERVICE</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 230,599	\$ -	\$ 230,599
Investments	0	0	0
Taxes receivable, net	0	0	0
Interfund receivables	84,062	0	84,062
Intergovernmental receivables	116,073	0	116,073
Inventories	11,060	0	11,060
Prepaid expenses	0	0	0
Total Current Assets	<u>441,794</u>	<u>0</u>	<u>441,794</u>
<u>NON-CURRENT ASSETS</u>			
Fixtures and equipment	633,445	0	633,445
Accumulated depreciation	<u>(542,027)</u>	<u>0</u>	<u>(542,027)</u>
Total Non-Current Assets	<u>91,418</u>	<u>0</u>	<u>91,418</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	58,983	0	58,983
Total Deferred Outflows of Resources	<u>58,983</u>	<u>0</u>	<u>58,983</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 592,195</u>	<u>\$ -</u>	<u>\$ 592,195</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Interfund payables	88,998	0	88,998
Accounts payable	21,559	0	21,559
Accrued salaries & benefits	128	0	128
Payroll deductions & withholding	0	0	0
Revenue received in advance	12,995	0	12,995
Other current liabilities	0	0	0
Total Current Liabilities	<u>123,680</u>	<u>0</u>	<u>123,680</u>
<u>NON-CURRENT LIABILITIES</u>			
Net Pension Liability	672,335	0	672,335
Total Non-Current Liabilities	<u>672,335</u>	<u>0</u>	<u>672,335</u>
TOTAL LIABILITIES	<u>796,015</u>	<u>0</u>	<u>796,015</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred amounts related to pensions	64,862	0	64,862
Total Deferred Inflows of Resources	<u>64,862</u>	<u>0</u>	<u>64,862</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	91,418	0	91,418
Unrestricted	<u>(360,100)</u>	<u>0</u>	<u>(360,100)</u>
TOTAL NET POSITION	<u>\$ (268,682)</u>	<u>\$ -</u>	<u>\$ (268,682)</u>

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

MONTROSE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION-PROPRIETARY FUNDS
FOR THE YEAR ENDING JUNE 30, 2022

	<u>FOOD SERVICE</u>	<u>OTHER PROPRIETARY FUNDS</u>	<u>TOTAL PROPRIETARY FUNDS</u>
<u>OPERATING REVENUE</u>			
Food service revenue	\$ 49,408	\$ -	\$ 49,408
<u>OPERATING EXPENSES</u>			
Salaries	126,037	0	126,037
Employee benefits	66,596	0	66,596
Purchased professional & technical services	0	0	0
Purchased property services	20,049	0	20,049
Other purchased services	432,185	0	432,185
Supplies	39,180	0	39,180
Other objects	1,119	0	1,119
Depreciation	11,127	0	11,127
Total Operating Expenses	<u>696,293</u>	<u>0</u>	<u>696,293</u>
Operating Income (Loss)	<u>(646,885)</u>	<u>0</u>	<u>(646,885)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Earnings on investments	1,071	0	1,071
State sources	49,649	0	49,649
Federal sources	810,069	0	810,069
Non-operating transfers	0	0	0
Total Non-Operating Revenues (Expenses)	<u>860,789</u>	<u>0</u>	<u>860,789</u>
Change in Net Position	213,904	0	213,904
NET POSITION, BEG. OF YEAR	<u>(482,586)</u>	<u>0</u>	<u>(482,586)</u>
NET POSITION, END OF YEAR	<u>\$ (268,682)</u>	<u>\$ -</u>	<u>\$ (268,682)</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, 2022

	<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	\$ 44,197	\$ -	\$ 44,197
Cash payments to suppliers for goods & services	(765,118)	0	(765,118)
Cash payments to employees for services	(127,807)	0	(127,807)
Cash payments for other operating expenses	(1,119)	0	(1,119)
Net Cash Provided by (used for) Operating Activities	(849,847)	0	(849,847)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING SOURCES</u>			
State sources	45,990	0	45,990
Federal sources	689,137	0	689,137
Net Cash Provided by (used for) Non-capital Financing Activities	735,127	0	735,127
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Fixed asset purchases	(87,214)	0	(87,214)
Net Cash Provided by (used for) Capital and Related Financing Activities	(87,214)	0	(87,214)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interfund transfers in/(out)	0	0	0
Earnings on investments	1,071	0	1,071
Net Cash Provided by (used for) Investing Activities	1,071	0	1,071
Net Increase (Decrease) in Cash & Cash Equivalents	(200,863)	0	(200,863)
CASH & CASH EQUIVALENTS, BEG. OF YEAR	431,462	0	431,462
CASH & CASH EQUIVALENTS, END OF YEAR	\$ 230,599	\$ -	\$ 230,599
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>			
Operating Loss	(646,885)	0	(646,885)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	11,127	0	11,127
USDA donated commodities	47,766	0	47,766
(Increase) decrease in accounts receivable	0	0	0
(Increase) decrease in inventories	7,046	0	7,046
(Increase) decrease in interfund receivable	(38,089)	0	(38,089)
(Increase) decrease in deferred outflows	2,478	0	2,478
Increase (decrease) in interfund payable	(192,059)	0	(192,059)
Increase (decrease) in accounts payable	(3,975)	0	(3,975)
Increase (decrease) in accrued salaries & benefits	128	0	128
Increase (decrease) in payroll deductions & withholding	(1,898)	0	(1,898)
Increase (decrease) in revenue received in advance	(7,043)	0	(7,043)
Increase (decrease) in net pension liability	(70,269)	0	(70,269)
Increase (decrease) in deferred inflows	41,826	0	41,826
TOTAL ADJUSTMENTS	(202,962)	0	(202,962)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (849,847)	\$ -	\$ (849,847)

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

MONTROSE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	<u>PRIVATE PURPOSE</u> <u>TRUST</u>	<u>CUSTODIAL</u> <u>FUNDS</u>
	<u>SCHOLARSHIP</u>	<u>STUDENT</u> <u>ACTIVITIES</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ -	\$ 123,157
Investments	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u><u>0</u></u>	<u><u>123,157</u></u>
<u>LIABILITIES</u>		
Due to Students	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>
<u>NET POSITION</u>		
Restricted for Student Activities	0	123,157
Held in Trust for Scholarships	0	0
TOTAL NET POSITION	<u><u>\$ -</u></u>	<u><u>\$ 123,157</u></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, 2022

	<u>PRIVATE PURPOSE</u> <u>TRUST</u>	<u>CUSTODIAL</u> <u>FUNDS</u>
	<u>SCHOLARSHIP</u>	<u>STUDENT</u> <u>ACTIVITIES</u>
<u>ADDITIONS</u>		
Gifts and contributions	\$ -	\$ -
Student activity receipts	0	139,382
Interest income	1	0
	<u>1</u>	<u>139,382</u>
 <u>DEDUCTIONS</u>		
Student activity expenditures	0	121,591
Scholarships and awards	5,704	0
	<u>5,704</u>	<u>121,591</u>
 CHANGE IN NET POSITION	(5,703)	17,791
 NET POSITION - BEGINNING OF YEAR	<u>5,703</u>	<u>105,366</u>
 NET POSITION - END OF YEAR	<u>\$ -</u>	<u>\$ 123,157</u>

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

MONTROSE AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

B. BASIS OF PRESENTATION, FUND ACCOUNTING

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

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

GOVERNMENTAL FUND TYPES

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

GENERAL FUND

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

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUND

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

PROPRIETARY FUND TYPES

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

FOOD SERVICE FUND

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

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

FIDUCIARY FUND TYPES (TRUST AND CUSTODIAL FUNDS)

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

CUSTODIAL FUND

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

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

TRUST FUND

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

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

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

E. BUDGETARY DATA

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

F. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in government funds. Encumbrances at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. As of June 30, 2022, 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, 2022 the outstanding interfund balances was \$173,060.

H. CASH AND CASH EQUIVALENTS

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

I. TAXES RECEIVABLE AND UNEARNED TAX REVENUES

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

J. INVENTORIES AND PREPAID EXPENSES

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

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

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

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

K. CAPITAL ASSETS AND DEPRECIATION

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

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

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

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

M. LIABILITY FOR FUTURE COMPENSATED ABSENCES

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

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

At June 30, 2022 the District had a compensated absence liability of \$3,049,505.

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, 2022 and has recognized them as expenditures and expenses in the governmental and proprietary funds, respectively.

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

O. UNEARNED REVENUES

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

P. NET POSITION

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

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

Q. INVESTMENTS

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

R. USE OF ESTIMATES

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

S. ALLOCATION OF INDIRECT EXPENSES

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

T. FUND BALANCES

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

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

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

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

U. DEFERRED INFLOWS OF RESOURCES

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

V. DEFERRED OUTFLOWS OF RESOURCES

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

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

W. PENSION LIABILITY

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

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

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

X. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 2 – CASH AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

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

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

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

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

Deposits With Financial Institutions and PLGIT

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The District's investment policy limits investment of funds to instruments backed by the full faith and credit of the federal and state governments or those investments specified in the Public School Code. At June 30, 2022, the bank balance of the District's deposits with financial institutions, including cash equivalents, was \$7,584,127 compared to the carrying amount of \$6,962,786. The difference is caused by items in-transit and outstanding checks. \$7,334,127 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, 2022, the bank balance of the District's deposits with PLGIT was \$-0- compared to the carrying amount of \$-0-.

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

Investments

As of June 30, 2022, the District did not have any investments.

NOTE 3 – TAXES RECEIVABLE

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

Estimated collectible delinquent taxes at June 30, 2022 are as follows:

	<u>OUTSTANDING BALANCE</u>
Real estate, occupational, transfer tax and per capita taxes	<u>\$426,050</u>

The tax on real estate, as levied by the Board, was 50.2319 mills (\$50.2319 per \$1,000 of assessed valuation) for Susquehanna County for fiscal 2022. 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, 2022 is as follows:

	<u>GOVERNMENTAL</u>	<u>PROPRIETARY</u>	<u>TOTAL</u>
Federal grants	\$1,560,419	\$ 112,414	\$1,672,833
State subsidies	906,908	3,659	910,567
Other	-0-	-0-	-0-
Total Due from Other Governments	<u>\$2,467,327</u>	<u>\$ 116,073</u>	<u>\$2,583,400</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>2021</u>	<u>NET</u> <u>ADDITIONS</u>	<u>BALANCE</u> <u>2022</u>
Governmental activities:			
Land & improvements (not depreciated)	\$ 1,167,737	\$ -0-	\$ 1,167,737
Buildings & building improvements	22,857,370	2,054,745	24,912,115
Furniture, equipment & vehicles	5,657,674	88,928	5,746,602
Capital leases	<u>212,658</u>	<u>-0-</u>	<u>212,658</u>
Total Historical Cost	<u>\$29,895,439</u>	<u>\$2,143,673</u>	<u>\$32,039,112</u>
LESS: Accumulated depreciation:			
Buildings & building improvements	\$14,496,265	\$ 785,673	\$15,281,938
Furniture, equipment & vehicles	4,688,433	246,383	4,934,816
Capital leases	<u>120,506</u>	<u>42,532</u>	<u>163,038</u>
Total Accumulated Depreciation	<u>\$19,305,204</u>	<u>\$1,074,588</u>	<u>\$20,379,792</u>
Governmental Activities, net	<u>\$10,590,235</u>	<u>\$1,069,085</u>	<u>\$11,659,320</u>
Business-type activities:			
Furniture and equipment	\$ 581,499	\$ 51,946	\$ 633,445
Accumulated depreciation	<u>530,900</u>	<u>11,127</u>	<u>542,027</u>
Business-type Activities, net	<u>\$ 50,599</u>	<u>\$ 40,819</u>	<u>\$ 91,418</u>

Depreciation expense of \$1,032,056 was charged to governmental functions as follows:

Instructional	\$ 707,045
Pupil Personnel	32,352
Instructional Staff	28,942
Administration	57,815
Pupil Health	13,406
Business	16,519
Operation & Maintenance of	
Plant Services	85,048
Central	72,247
Student Activities	<u>18,682</u>
TOTAL	<u>\$1,032,056</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 6 – LONG-TERM OBLIGATIONS

The changes in long-term debt obligations payable during fiscal 2022 are as follows:

	BALANCE <u>7/1/21</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	BALANCE <u>6/30/22</u>
Notes Series of 2020	<u>\$ 2,479,000</u>	<u>\$ -0-</u>	<u>\$2,479,000</u>	<u>\$ -0-</u>

Total interest paid on the general obligation bonds and notes for the year ended June 30, 2022 was \$27,383, which was funded through appropriations from the general fund.

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

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

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 7 – RETIREMENT PLAN

Summary of Significant Accounting Policies

Pensions

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

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 7 – RETIREMENT PLAN-CONTINUED)

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

Contributions

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

Member Contributions:

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

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

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

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

Employer Contributions:

The District's contractually required contribution rate for fiscal year ended June 30, 2022 was 34.14 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 \$4,074,791 for the year ended June 30, 2022.

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, 2022 the contribution rate was 0.80 percent of covered payroll and the District contributed \$95,484.

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, 2022 was \$2,114,666.

(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, 2022, the District reported a liability of \$33,215,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2021, the District's proportion was .0809 percent, which was a decrease of .0001 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$1,587,200. At June 30, 2022, 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	\$ -	\$5,287,000
Changes in proportion	-	556,000
Changes in actual experience and expected experience	24,000	436,000
Changes in assumptions	1,611,000	-
Contributions subsequent to the measurement date	<u>4,074,791</u>	<u>-</u>
	<u>\$ 5,709,791</u>	<u>\$6,279,000</u>

The \$4,074,791 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, 2022. 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:

2023	\$ (1,624,000)
2024	(657,000)
2025	(655,000)
2026	<u>(1,708,000)</u>
	<u>\$ (4,644,000)</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the System's total pension liability as of the June 30, 2020 actuarial valuation to June 30, 2021 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-7.00 percent, includes inflation at 2.50 percent
- Salary increases-Effective average of 4.50 percent, which reflects an allowance for inflation of 2.50 percent, real wage growth and merit or seniority increases of 2.00 percent
- Mortality rates were based on a blend of 50% Pub-T-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS experience and projected using a modified version of the MP-2020 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	27.0%	5.2%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
MLPs/Infrastructure	8.0%	5.1%
Real estate	10.0%	4.7%
Private equity	12.0%	7.3%
Cash	3.0%	0.1%
Financing (LIBOR)	-13.0%	0.1%
	<u>100.0%</u>	

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

(NOTE 7 – RETIREMENT PLAN-CONTINUED)

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2021.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 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 7.00 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 (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 43,596,000	\$ 33,215,000	\$ 24,458,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2022, the District had an accrued balance due to PSERS of \$1,279,633. This amount represents the District's contractually obligated contributions for wages earned in April 2022 through June 30, 2022. The balance was paid in September 2022.

(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, 2022 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 2022 is:

Balance at June 30, 2022	\$ 141,056
LESS: Amortized discount	<u>12,552</u>
Present Value of Special Termination Benefits	128,504
LESS: Current Portion	<u>73,693</u>
Long-Term Special Termination Benefits	<u>\$ 54,811</u>

NOTE 10 – RISK MANAGEMENT

Other Risks

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

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

NOTE 11 – NONSPENDABLE FUND BALANCE

At June 30, 2022, the District has segregated the ending fund balance of the General Fund for the nonspendable portion consisting of the following amount:

Inventories	\$ 48,002
Prepaid expenses	<u>-0-</u>
Total Nonspendable	<u>\$ 48,002</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 12 – BOARD COMMITTED FUND BALANCE

The Board of Education committed the following amounts of their June 30, 2022 fund balance by resolution as follows:

Cyber School	\$1,084,868
Capital 32 Fund	929,867
Curriculum	875,183
Budget Shortfall	37,211
Social Enhancement	<u>13,588</u>
Total	<u>\$2,940,717</u>

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

MONTROSE AREA SCHOOL DISTRICT POSTEMPLOYMENT BENEFITS PLAN

Plan Description and Benefits Provided

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

Employees Covered by Benefit Terms

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

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

Funding Policy

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

Total OPEB Liability

The District's total OPEB liability of \$6,335,051 was measured as of July 1, 2020, and was determined by an actuarial valuation as of that date.

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

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

Actuarial Assumptions and Other Inputs

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

Interest rate	4.09%
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	4.09%
Healthcare cost trend rates	5.5% in 2021, 6.5% in 2022, 6.0% in 2023, and 5.5% in 2024 and 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% 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, 2022.

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

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2021	\$ 6,908,379
Changes for the year:	
Service cost	431,406
Interest	157,277
Differences between expected and actual experience	-0-
Changes in assumptions or other inputs	(930,814)
Benefit payments	<u>(231,197)</u>
Net changes	<u>(573,328)</u>
Balance at June 30, 2022	<u>\$ 6,335,051</u>

Changes in assumptions or other inputs reflect a change in the discount rate from 2.18% in 2021 to 4.09% in 2022.

(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 (3.09%) or 1-percentage-point higher (5.09%) than the current discount rate:

	1% Decrease <u>(3.09%)</u>	Discount Rate <u>(4.09%)</u>	1% Increase <u>(5.09%)</u>
Total OPEB Liability	\$6,809,437	\$6,335,051	\$5,890,611

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	\$5,577,429	\$6,335,051	\$7,229,609

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$(151,027). At June 30, 2022, 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	\$ 76,754	\$ 1,080,417
Changes of assumptions or other inputs	<u>490,526</u>	<u>2,940,287</u>
	<u>\$ 567,280</u>	<u>\$ 4,020,704</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:

2023	\$	(508,513)
2024		(508,513)
2025		(361,609)
2026		(361,609)
2027		(361,609)
Thereafter		<u>(1,351,571)</u>
	\$	<u>(3,453,424)</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, 2021 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, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to PSERS from the District were \$95,484 for the year ended June 30, 2022.

(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, 2022, the District reported a liability of \$1,915,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2022, the District's proportion was .0808%, which was a decrease of .0006% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense of \$95,567. At June 30, 2022, 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	\$ 204,000	\$ 26,000
Net differences between projected and actual investment earnings	4,000	-
Changes in proportion	9,000	74,000
Difference between expected and actual experience	18,000	-
District contributions subsequent to the measurement date	95,484	-
	<u>\$ 330,484</u>	<u>\$ 100,000</u>

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

2023	\$ 13,000
2023	13,000
2024	31,000
2025	23,000
2026	30,000
Thereafter	25,000
	<u>\$ 135,000</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, 2021, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return – 2.18% - S&P 20 Year Municipal Bond Rate
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% 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 a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 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, 2020 determined the employer contribution rate for fiscal year 2021
- 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 Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

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

<u>OPEB-Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return</u>
Cash	79.8%	0.1%
US Core Fixed Income	17.5%	0.7%
Non-US Developed Fixed	<u>2.7%</u>	-0.3%
	<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, 2021.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.18%. 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 2.18% which represents the S&P 20 year Municipal Bond Rate at June 30, 2021, 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, 2021, 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, 2021, 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	\$ 1,915,000	\$ 1,915,000	\$ 1,916,000

(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 2.18%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.18%) or 1-percentage-point higher (3.18%) than the current rate:

	<u>1 % Decrease</u> <u>1.18%</u>	<u>Discount Rate</u> <u>2.18%</u>	<u>1% Increase</u> <u>3.18%</u>
PSERS proportionate share of the net OPEB liability	<u>\$ 2,198,000</u>	<u>\$ 1,915,000</u>	<u>\$ 1,683,000</u>

OPEB Plan Fiduciary Net Position

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

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

The District implemented the effects of GASB Statement No. 87, *Leases*, for the period ended June 30, 2022. The adoption of this statement requires assets previously contracted under operating leases to be treated as leased assets for governmental activities. As a result a prior period adjustment was made to increase capital assets, net by \$92,152 and to increase bonds and notes payable by \$106,532 that resulted in a net decrease to net position by \$14,380.

NOTE 15-CAPITAL LEASES

The District has entered into long term lease agreements for copier equipment. The terms for the leases are for periods of five years with interest rates at 11.0%. The total lease payments annually are \$55,484 which includes principal and interest. The future minimum lease payments under these leases are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 51,369	\$ 4,115	\$ 55,484
2024	9,122	126	9,248
2025	-0-	-0-	-0-
Total	<u>\$ 60,491</u>	<u>\$ 4,241</u>	<u>\$ 64,732</u>

(NOTES TO FINANCIAL STATEMENTS – CONTINUED)

NOTE 16- PENDING CHANGES IN ACCOUNTING PRINCIPLES

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

GASB Statement No. 91, “Conduit Debt Obligations” will be effective for the District for the year ended June 30, 2023. GASB Statement No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB Statement No. 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

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

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

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

REQUIRED

SUPPLEMENTARY INFORMATION

MONTROSE AREA SCHOOL DISTRICT

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

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
	Last Ten (10) Fiscal Years*								
District's proportion of the net pension liability	0.0809%	0.0810%	0.0810%	0.0854%	0.0851%	0.0868%	0.0874%	0.0851%	0.0858%
District's proportionate share of the net pension liability	\$ 33,215,000	\$ 39,884,000	\$ 37,894,000	\$ 40,996,000	\$ 42,030,000	\$ 43,015,000	\$ 37,857,000	\$ 33,683,000	\$ 35,124,000
District's covered-employee payroll	\$ 11,456,732	\$ 11,421,806	\$ 11,166,064	\$ 11,502,272	\$ 11,328,393	\$ 11,245,720	\$ 11,240,150	\$ 10,854,025	\$ 11,005,035
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	289.92%	349.19%	339.37%	356.42%	371.01%	382.50%	336.80%	310.33%	319.16%
Plan fiduciary net position as a percentage of the total pension liability	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.35%	57.24%	54.49%

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

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

MONTROSE AREA SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
TO THE PENSION PLAN**

	Last Ten (10) Fiscal Years*									
	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>	
Contractually required contribution	\$ 4,074,791	\$ 3,844,235	\$ 3,809,703	\$ 3,612,392	\$ 3,630,608	\$ 3,296,144	\$ 2,800,302	\$ 2,303,322	\$ 1,736,542	
Contributions in relation to the contractually required contribution	<u>\$ (4,074,791)</u>	<u>\$ (3,844,235)</u>	<u>\$ (3,809,703)</u>	<u>\$ (3,612,392)</u>	<u>\$ (3,630,608)</u>	<u>\$ (3,296,144)</u>	<u>\$ (2,800,302)</u>	<u>\$ (2,303,322)</u>	<u>\$ (1,736,542)</u>	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
School's covered-employee payroll	\$ 11,456,732	\$ 11,421,806	\$ 11,166,064	\$ 11,502,272	\$ 11,328,393	\$ 11,245,720	\$ 11,240,150	\$ 10,854,025	\$ 11,005,035	
Contributions as a percentage of covered-employee payroll	35.6%	33.7%	34.1%	31.4%	32.0%	29.3%	24.9%	21.2%	15.8%	

Amounts are based on actual contributions during the fiscal year.

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

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0808%	0.0814%	0.0810%	0.0854%	0.0851%	0.0868%
District's proportionate share of the net OPEB liability	\$ 1,915,000	\$ 1,759,000	\$ 1,723,000	\$ 1,781,000	\$ 1,734,000	\$ 1,870,000
District's covered-employee payroll	11,456,732	11,421,806	11,166,064	11,502,272	11,328,393	11,245,720
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.7%	15.4%	15.4%	15.5%	15.3%	16.6%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

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

MONTROSE AREA SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
OPEB

Last Ten (10) Fiscal Years*

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Contractually required contribution	\$ 95,484	\$ 93,567	\$ 95,670	\$ 91,972	\$ 94,940	\$ 93,692
Contributions in relation to the contractually required contribution	\$ (95,484)	\$ (93,567)	\$ (95,670)	\$ (91,972)	\$ (94,940)	\$ (93,692)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 11,456,732	\$ 11,421,806	\$ 11,166,064	\$ 11,502,272	\$ 11,328,393	\$ 11,245,720
Contributions as a percentage of covered-employee payroll	0.83%	0.82%	0.86%	0.80%	0.84%	0.83%

Amounts are based on actual contributions during the fiscal year.

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

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

MONTROSE AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service Cost	\$ 431,406	\$ 414,841	\$ 367,752	\$ 443,021	\$ 487,905
Interest	157,277	193,066	218,779	279,607	273,585
Differences between expected and actual experience	0	(716,955)	0	(114,450)	(868,360)
Changes of assumptions or other inputs	(930,814)	278,534	355,320	(3,097,669)	(245,176)
Benefit payments	<u>(231,197)</u>	<u>(227,798)</u>	<u>(258,970)</u>	<u>(207,836)</u>	<u>(254,938)</u>
Net Change in Total OPEB liability	(573,328)	(58,312)	682,881	(2,697,327)	(606,984)
Total OPEB Liability, Beginning	<u>6,908,379</u>	<u>6,966,691</u>	<u>6,283,810</u>	<u>8,981,137</u>	<u>9,588,121</u>
Total OPEB Liability, Ending	<u>6,335,051</u>	<u>6,908,379</u>	<u>6,966,691</u>	<u>6,283,810</u>	<u>8,981,137</u>
Covered-employee Payroll	<u>\$ 10,955,138</u>	<u>\$ 10,955,138</u>	<u>\$ 10,985,298</u>	<u>\$ 10,985,298</u>	<u>\$ 9,713,401</u>
Total OPEB Liability as a percentage of covered-employee payroll	<u>57.83%</u>	<u>63.06%</u>	<u>63.42%</u>	<u>57.20%</u>	<u>92.46%</u>

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

Notes:

Changes of Assumptions

The discount rate changed from 2.18% to 4.09%. The trend assumption was updated.
Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Changes in Benefit Terms

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

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

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

SUPPLEMENTARY INFORMATION

OTHER FINANCIAL STATEMENTS

MONTROSE AREA SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND FUND BALANCE
YEARS ENDING JUNE 30, 2022 AND 2021

EXHIBIT A

	<u>SCHEDULE</u>	<u>BUDGET</u>	<u>2022 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2021 ACTUAL</u>
<u>REVENUES</u>					
Local Sources	1	\$11,666,893	\$13,469,310	\$ 1,802,417	\$12,054,066
State Sources	2	14,678,740	14,510,420	(168,320)	14,353,425
Federal Sources	3	558,706	4,061,729	3,503,023	1,321,913
Extended term financing	-	0	0	0	0
Sale of fixed assets	-	0	379	379	2,399
Interfund transfers	-	0	0	0	0
		<u>26,904,339</u>	<u>32,041,838</u>	<u>5,137,499</u>	<u>27,731,803</u>
<u>EXPENDITURES</u>					
1100-INSTRUCTION-					
Regular Programs	4	12,417,948	13,419,608	(1,001,660)	12,684,023
1200-INSTRUCTION-					
Special Programs	5	3,597,567	3,583,648	13,919	3,560,981
1300-VOCATIONAL EDUCATION	6	488,093	487,626	467	553,884
1400-OTHER INSTRUCTIONAL					
PROGRAMS-E/S	7	83,932	83,649	283	22,631
1500-NON PUBLIC PROGRAMS	8	0	0	0	9,799
2100-SUPPORT SERVICES-					
Pupil Personnel	9	809,832	804,157	5,675	696,638
2200-SUPPORT SERVICES-					
Instructional Staff	10	727,767	719,392	8,375	682,861
2300-SUPPORT SERVICES-					
Administration	11	1,442,470	1,437,072	5,398	1,416,185
2400-SUPPORT SERVICES-					
Pupil Health	12	336,283	333,232	3,051	304,853
2500-SUPPORT SERVICES-Business	13	411,477	410,602	875	423,749
2600-SUPPORT SERVICES-Operation					
& Maintenance of Plant Services	14	2,151,530	2,113,984	37,546	1,987,144
2700-SUPPORT SERVICES-Student					
Transportation Services	15	2,206,608	2,205,189	1,419	2,023,400
2800-SUPPORT SERVICES-Central	16	1,610,431	1,795,808	(185,377)	1,702,831
2900-SUPPORT SERVICES-Other	17	23,920	23,698	222	24,485
3200-OPERATION OF NONIN-					
STRUCTIONAL SERVICES-					
STUDENT ACTIVITIES	18	464,378	464,377	1	394,456
3300-COMMUNITY SERVICES	19	1,300	1,194	106	1,207
3400-SCHOLARSHIPS AND AWARDS	20	1,000	500	500	0
4000-FACILITIES ACQUISITION,					
CONSTRUCTION & IMPROVE-					
MENT SERVICES	21	0	1,715,425	(1,715,425)	20,473
5100- DEBT SERVICE	22	509,702	2,506,383	(1,996,681)	859,045
5200-FUND TRANSFERS	23	105,000	0	105,000	915,298
5900-BUDGETARY RESERVE		0	0	0	0
		<u>27,389,238</u>	<u>32,105,544</u>	<u>(4,716,306)</u>	<u>28,283,943</u>
<u>EXCESS REVENUE OVER</u>					
<u>EXPENDITURES</u>		(484,899)	(63,706)	421,193	(552,140)
<u>Fund Balance-Beginning</u>		5,490,681	5,021,006	(469,675)	5,573,146
<u>FUND BALANCE, ENDING</u>		<u>\$ 5,005,782</u>	<u>\$ 4,957,300</u>	<u>\$ (48,482)</u>	<u>\$ 5,021,006</u>

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

SCHEDULE 1

			VARIANCE	
		2022	FAVORABLE	2021
	<u>BUDGET</u>	<u>ACTUAL</u>	(UNFAVORABLE)	<u>ACTUAL</u>
<u>REVENUE FROM LOCAL SOURCES</u>				
Current real estate taxes	\$ 10,300,446	\$ 10,503,032	\$ 202,586	\$ 10,416,609
Public utility realty taxes	9,916	11,212	1,296	10,656
Payment in lieu of taxes	6,853	6,853	0	6,853
Per capita - Section 679	0	0	0	0
Per capita - Act 511	0	0	0	0
Occupation privilege taxes	0	0	0	0
Real estate transfer taxes	160,000	266,937	106,937	246,135
Delinquent taxes	650,000	338,244	(311,756)	677,345
Earnings on investments	101,300	30,497	(70,803)	93,849
District activities	1,000	0	(1,000)	662
Revenue from intermediary services	282,378	377,469	95,091	271,630
Rentals and gas lease	0	1,895,759	1,895,759	118,976
Gas lease renewal	0	0	0	0
Contributions & donations from				
private sources	0	0	0	0
Tuition	2,500	0	(2,500)	0
Community service activities	0	0	0	0
Refund of prior year expenses	150,000	38,860	(111,140)	209,417
Miscellaneous	2,500	447	(2,053)	1,934
	<u>\$ 11,666,893</u>	<u>\$ 13,469,310</u>	<u>\$ 1,802,417</u>	<u>\$ 12,054,066</u>

SCHEDULE 2

<u>REVENUE FROM STATE SOURCES</u>				
Basic instructional subsidy	\$ 8,088,397	\$ 7,814,159	\$ (274,238)	\$ 7,690,930
Section 1305 & 1306	11,500	35,896	24,396	36,830
Homebound instruction	0	0	0	0
Vocational education	0	0	0	0
Driver education	1,085	0	(1,085)	525
Special education of exceptional pupils	1,292,612	1,345,205	52,593	1,336,196
Transportation	1,412,564	1,383,960	(28,604)	1,388,147
Rentals and sinking fund payments	0	0	0	0
Health services	24,500	22,948	(1,552)	23,771
Property tax reduction allocation	1,098,707	1,098,707	0	1,098,772
PCCD safety grant	35,000	0	(35,000)	57,060
Ready to learn block grant	0	290,716	290,716	290,716
Revenue for social security	425,000	425,917	917	412,013
Revenue for retirement	2,289,375	2,092,912	(196,463)	2,018,465
Miscellaneous	0	0	0	0
	<u>\$ 14,678,740</u>	<u>\$ 14,510,420</u>	<u>\$ (168,320)</u>	<u>\$ 14,353,425</u>

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

SCHEDULE 3

	<u>BUDGET</u>	<u>2022 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2021 ACTUAL</u>
<u>REVENUE FROM FEDERAL SOURCES</u>				
NCLB, Title I	\$ 394,055	\$ 458,095	\$ 64,040	\$ 462,918
NCLB, Title II	62,316	65,571	3,255	81,736
NCLB, Title IV	24,835	58,285	33,450	15,655
FEMA	0	116,248	116,248	0
CARES Act - ESSER I	0	0	0	264,216
CARES Act - ESSER II	0	1,592,582	1,592,582	116,751
CARES Act - ARP ESSER III	0	1,511,812	1,511,812	97,795
Other CARES Act/ ARP Act Funding	0	158,385	158,385	174,063
ACCESS	77,500	95,225	17,725	47,395
Other federal grants	0	5,526	5,526	61,384
	<u>\$ 558,706</u>	<u>\$ 4,061,729</u>	<u>\$ 3,503,023</u>	<u>\$ 1,321,913</u>

SCHEDULE 4

<u>1100-INSTRUCTION-REGULAR PROGRAMS</u>				
Salaries	\$ 7,019,740	\$ 7,071,261	\$ (51,521)	\$ 6,684,202
Employee benefits	4,198,837	4,262,681	(63,844)	4,010,135
Purchased professional and technical services	163,950	109,381	54,569	292,520
Purchased property services	64,850	56,351	8,499	55,413
Other purchased services	734,424	1,727,209	(992,785)	1,484,507
Supplies	225,267	184,609	40,658	149,407
Property	250	0	250	3,442
Other objects	10,630	8,116	2,514	4,397
	<u>\$12,417,948</u>	<u>\$13,419,608</u>	<u>\$ (1,001,660)</u>	<u>\$12,684,023</u>

SCHEDULE 5

<u>1200-INSTRUCTION-SPECIAL PROGRAMS</u>				
Salaries	\$ 1,647,284	\$ 1,881,589	\$ (234,305)	\$ 1,868,041
Employee benefits	1,160,933	1,125,516	35,417	1,057,274
Purchased professional and technical services	474,000	521,949	(47,949)	449,124
Purchased property services	0	0	0	0
Other purchased services	281,500	33,326	248,174	155,917
Supplies	32,850	20,762	12,088	30,372
Property	0	0	0	0
Other objects	1,000	506	494	253
	<u>\$ 3,597,567</u>	<u>\$ 3,583,648</u>	<u>\$ 13,919</u>	<u>\$ 3,560,981</u>

SCHEDULE 6

<u>1300-VOCATIONAL EDUCATION PROGRAMS</u>				
Salaries	\$ 39,476	\$ 39,476	\$ -	\$ 39,226
Employee benefits	21,017	20,122	895	19,430
Other purchased services	427,600	428,028	(428)	495,228
	<u>\$ 488,093</u>	<u>\$ 487,626</u>	<u>\$ 467</u>	<u>\$ 553,884</u>

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

			VARIANCE	
		2022	FAVORABLE	2021
	BUDGET	ACTUAL	(UNFAVORABLE)	ACTUAL
<u>SCHEDULE 7</u>				
<u>1400-OTHER INSTRUCTIONAL PROGRAMS-E/S</u>				
Salaries	\$ 67,132	\$ 41,647	\$ 25,485	\$ 11,662
Employee benefits	0	14,641	(14,641)	5,077
Purchased professional and technical services	0	0	0	0
Purchased property services	0	0	0	0
Other purchased services	15,000	26,928	(11,928)	5,583
Supplies	800	433	367	309
Property	0	0	0	0
Other objects	1,000	0	1,000	0
	<u>\$ 83,932</u>	<u>\$ 83,649</u>	<u>\$ 283</u>	<u>\$ 22,631</u>

				<u>SCHEDULE 8</u>
<u>1500-NON PUBLIC PROGRAMS</u>				
Purchased professional and technical services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,799</u>
<u>TOTAL INSTRUCTIONAL</u>	<u>\$16,587,540</u>	<u>\$17,574,531</u>	<u>\$ (986,991)</u>	<u>\$16,831,318</u>

				<u>SCHEDULE 9</u>
<u>2100-SUPPORT SERVICES-PUPIL PERSONNEL</u>				
Salaries	\$ 487,622	\$ 487,369	\$ 253	\$ 414,184
Employee benefits	298,946	303,361	(4,415)	252,631
Purchased professional and technical services	5,000	3,920	1,080	25,596
Purchased property services	0	0	0	0
Other purchased services	1,505	1,642	(137)	225
Supplies	15,630	7,016	8,614	3,018
Property	0	0	0	0
Other objects	1,129	849	280	984
	<u>\$ 809,832</u>	<u>\$ 804,157</u>	<u>\$ 5,675</u>	<u>\$ 696,638</u>

				<u>SCHEDULE 10</u>
<u>2200-SUPPORT SERVICES-INSTRUCTIONAL SERVICES</u>				
Salaries	\$ 259,623	\$ 266,032	\$ (6,409)	\$ 257,558
Employee benefits	205,594	203,655	1,939	188,166
Purchased professional and technical services	32,090	1,618	30,472	22,450

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

SCHEDULE 10 - CONTINUED

	<u>BUDGET</u>	<u>2022 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2021 ACTUAL</u>
Purchased property services	13,200	13,154	46	11,578
Other purchased services	2,790	2,400	390	0
Supplies	175,835	194,127	(18,292)	203,065
Property	37,400	37,336	64	0
Other objects	1,235	1,070	165	44
	<u>\$ 727,767</u>	<u>\$ 719,392</u>	<u>\$ 8,375</u>	<u>\$ 682,861</u>

SCHEDULE 11

2300-SUPPORT SERVICES-
ADMINISTRATION

Salaries	\$ 833,778	\$ 819,869	\$ 13,909	\$ 804,721
Employee benefits	396,117	463,571	(67,454)	466,207
Purchased professional and technical services	119,251	79,275	39,976	95,376
Purchased property services	5,000	2,682	2,318	1,665
Other purchased services	54,421	44,754	9,667	28,897
Supplies	11,553	7,010	4,543	2,079
Property	0	0	0	0
Other objects	22,350	19,911	2,439	17,240
	<u>\$ 1,442,470</u>	<u>\$ 1,437,072</u>	<u>\$ 5,398</u>	<u>\$ 1,416,185</u>

SCHEDULE 12

2400-SUPPORT SERVICES-
PUPIL HEALTH

Salaries	\$ 191,707	\$ 193,905	\$ (2,198)	\$ 176,590
Employee benefits	115,544	117,006	(1,462)	107,042
Purchased professional and technical services	8,886	7,033	1,853	6,105
Purchased property services	820	590	230	430
Other purchased services	0	0	0	0
Supplies	19,326	14,698	4,628	11,069
Property	0	0	0	3,617
	<u>\$ 336,283</u>	<u>\$ 333,232</u>	<u>\$ 3,051</u>	<u>\$ 304,853</u>

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

SCHEDULE 13

	<u>BUDGET</u>	<u>2022 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2021 ACTUAL</u>
<u>2500-SUPPORT SERVICES-BUSINESS</u>				
Salaries	\$ 206,761	\$ 206,092	\$ 669	\$ 202,596
Employee benefits	136,690	151,048	(14,358)	153,363
Purchased professional and technical services	9,000	1,784	7,216	5,562
Purchased property services	7,500	6,751	749	7,768
Other purchased services	10,000	9,494	506	13,896
Supplies	40,526	35,283	5,243	39,528
Property	0	0	0	0
Other objects	1,000	150	850	1,036
	<u>\$ 411,477</u>	<u>\$ 410,602</u>	<u>\$ 875</u>	<u>\$ 423,749</u>

SCHEDULE 14

<u>2600-SUPPORT SERVICES-OPERATION & MAINTENANCE OF PLANT SERVICES</u>				
Salaries	\$ 544,762	\$ 537,547	\$ 7,215	\$ 535,410
Employee benefits	408,195	378,547	29,648	393,501
Purchased professional and technical services	120,142	233,280	(113,138)	194,053
Purchased property services	316,782	294,064	22,718	277,566
Other purchased services	88,299	79,064	9,235	62,049
Supplies	441,000	468,557	(27,557)	497,583
Property	232,000	122,750	109,250	26,732
Other objects	350	175	175	250
	<u>\$ 2,151,530</u>	<u>\$ 2,113,984</u>	<u>\$ 37,546</u>	<u>\$ 1,987,144</u>

SCHEDULE 15

<u>2700-SUPPORT SERVICES-STUDENT TRANSPORTATION SERVICES</u>				
Salaries	\$ 48,625	\$ 48,625	\$ -	\$ 43,993
Employee benefits	36,137	35,827	310	32,348
Purchased professional and technical services	7,000	6,222	778	3,735
Purchased property services	16,146	13,746	2,400	18,956
Other purchased services	2,094,160	2,096,223	(2,063)	1,922,969
Supplies	4,340	4,546	(206)	1,266
Property	0	0	0	0
Other objects	200	0	200	133
	<u>\$ 2,206,608</u>	<u>\$ 2,205,189</u>	<u>\$ 1,419</u>	<u>\$ 2,023,400</u>

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

SCHEDULE 16

	<u>BUDGET</u>	<u>2022 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2021 ACTUAL</u>
<u>2800-SUPPORT SERVICES-CENTRAL</u>				
Salaries	\$ 553,684	\$ 545,119	\$ 8,565	\$ 526,095
Employee benefits	598,091	397,549	200,542	360,631
Purchased professional and technical services	7,450	8,989	(1,539)	15,588
Purchased property services	110,355	133,286	(22,931)	132,463
Other purchased services	99,400	167,161	(67,761)	134,169
Supplies	90,595	378,111	(287,516)	311,150
Property	150,856	165,593	(14,737)	222,735
Other objects	0	0	0	0
	<u>\$ 1,610,431</u>	<u>\$ 1,795,808</u>	<u>\$ (185,377)</u>	<u>\$ 1,702,831</u>

SCHEDULE 17

<u>2900-SUPPORT SERVICES-OTHER</u>				
Other purchased services	<u>\$ 23,920</u>	<u>\$ 23,698</u>	<u>\$ 222</u>	<u>\$ 24,485</u>
 <u>TOTAL SUPPORT SERVICES</u>	 <u>\$ 9,720,318</u>	 <u>\$ 9,843,134</u>	 <u>\$ (122,816)</u>	 <u>\$ 9,262,146</u>

SCHEDULE 18

<u>3200-OPERATION OF NONINSTRUCTIONAL SERVICES-STUDENT ACTIVITIES</u>				
Salaries	\$ 204,101	\$ 188,836	\$ 15,265	\$ 171,083
Employee benefits	21,377	77,957	(56,580)	70,665
Purchased professional and technical services	38,800	51,841	(13,041)	41,752
Purchased property services	14,900	11,638	3,262	12,722
Other purchased services	83,773	44,404	39,369	25,801
Supplies	79,227	68,081	11,146	57,028
Property	0	0	0	0
Other objects	22,200	21,620	580	15,405
	<u>\$ 464,378</u>	<u>\$ 464,377</u>	<u>\$ 1</u>	<u>\$ 394,456</u>

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

SCHEDULE 19

	<u>BUDGET</u>	<u>2022 ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2021 ACTUAL</u>
<u>3300-OPERATION OF NONINSTRUCTIONAL SERVICES-COMMUNITY SERVICES</u>				
Other objects	\$ 1,300	\$ 1,194	\$ 106	\$ 1,207

SCHEDULE 20

<u>3400-SCHOLARSHIPS AND AWARDS</u>				
Other objects	\$ 1,000	\$ 500	\$ 500	\$ -

SCHEDULE 21

<u>4000-FACILITIES ACQUISITION, CONSTRUCTION & IMPROVE- MENT SERVICES</u>				
	\$ -	\$ 1,715,425	\$ (1,715,425)	\$ 20,473

SCHEDULE 22

<u>5100- DEBT SERVICE</u>				
Other objects	\$ 23,702	\$ 27,383	\$ (3,681)	\$ 49,552
Other financing uses	486,000	2,479,000	(1,993,000)	809,493
	\$ 509,702	\$ 2,506,383	\$ (1,996,681)	\$ 859,045

SCHEDULE 23

<u>5200- FUND TRANSFERS</u>				
Other objects	\$ 105,000	\$ -	\$ 105,000	\$ 915,298

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

MURPHY, DOUGHERTY & COMPANY

Certified Public Accountants

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

Ph: (570) 848 2866 • Fax: (570) 848 2833

J. PAUL MURPHY, CPA
MICHAEL DOUGHERTY, CPA

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

November 22, 2022

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, 2022, and have enclosed the Single Audit reporting package.

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

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

One copy of the Audit Report was distributed to:

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

b) Office of Prothonotary
Susquehanna County
Montrose, Pennsylvania
18801

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

The Audit Report was distributed electronically to:

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

Your cooperation in this matter is appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "Murphy, Dougherty & Company", with a large, stylized flourish at the end.

Murphy, Dougherty & Company
Certified Public Accountants

MURPHY, DOUGHERTY & COMPANY

Certified Public Accountants

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

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, 2022, 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 22, 2022.

Report on 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) as a basis for designing 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.

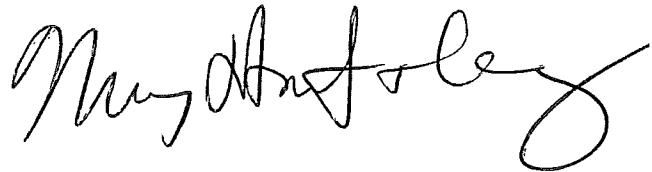
Report on Compliance and Other Matters

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 22, 2022
Moscow, Pennsylvania

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

MURPHY, DOUGHERTY & COMPANY

Certified Public Accountants

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

Board of Education
Montrose Area School District
Montrose, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on 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, 2022. 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.

In our opinion, 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Montrose Area School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Montrose Area School District's compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Montrose Area School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Montrose Area School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Montrose Area School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Montrose Area School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Montrose Area School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Montrose Area School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

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

November 22, 2022
Moscow, Pennsylvania

A handwritten signature in black ink, appearing to read "Myra Antolez", is written over the signature line.

MONTROSE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified
Internal control over financial reporting:
Material weakness (es) identified? ____ yes X no
Significant deficiency (ies) identified? ____ yes X none reported

Noncompliance material to financial statements noted? ____ yes X no

Federal Awards

Internal control over major programs:
Material weakness (es) identified? ____ yes X no
Significant deficiency (ies) identified? ____ yes X none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ____ yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund
10.553, 10.555, & 10.559	Child Nutrition Cluster

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

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

MONTGOMERY AREA SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDING JUNE 30, 2022

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE	SOURCE CODE	FEDERAL NUMBER	PASS-THROUGH PROGRAM NUMBER	GRANT PERIOD BEGINNING ENDING DATE	PROGRAM OR AWARD AMOUNT	TOTAL REVENUE FOR THE YEAR	ACCRUED OR DEFERRED REVENUE AT 7/1/2021	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR DEFERRED REVENUE AT 6/30/2022
U.S. DEPARTMENT OF EDUCATION Passed through the Pennsylvania Department of Education										
NCLB - Title I	1	84.010	013-200265	7/1/21-9/30/22	\$ 458,095	\$ 427,565	\$ -	\$ 458,095	\$ 458,095	\$ 30,530
NCLB - Title I	1	84.010	013-210265	7/1/20-9/30/21	462,918	19,669	19,669	458,095	458,095	30,530
TOTAL CFDA# 84.010						447,234	19,669	458,095	458,095	30,530
Title IIA-Teachers in the Workplace	1	84.367	220-200265	11/21/19-9/30/21	25,000	0	(6,278)	8,278	8,278	0
Title I-Improving Teacher Quality	1	84.367	020-220265	7/1/21-9/30/22	57,778	57,778	0	57,293	57,293	(485)
Title I-Improving Teacher Quality	1	84.367	020-210265	7/1/20-9/30/21	65,014	(1,463)	(1,463)	0	0	(485)
TOTAL CFDA# 84.367						56,315	(3,141)	65,571	65,571	(485)
Title IV - Student Support & Academic Enrich	1	84.424	144-220265	7/1/21-9/30/22	34,811	34,790	0	34,811	34,811	21
Title IV - Student Support & Academic Enrich	1	84.424	144-210265	7/1/20-9/30/21	29,368	12,586	(10,887)	23,723	23,723	0
TOTAL CFDA# 84.424						47,376	(10,887)	58,284	58,284	21
COVID-19 ESSER I Fund Local	1	84.425D	200-200265	3/1/20-9/30/22	318,055	16,740	16,740	0	0	0
COVID-19 ESSER II Fund Local	1	84.425D	200-210265	3/1/20-9/30/23	1,709,333	1,709,333	1,167,751	1,592,582	1,592,582	0
COVID-19 ARP-ESSER	1	84.425U	223-210265	3/1/20-9/30/24	3,457,486	188,590	97,795	1,511,812	1,511,812	1,421,017
ARP-ESSER 7% Learning Loss	1	84.425U	225-210265	3/1/20-9/30/24	191,547	108,188	0	110,683	110,683	2,495
ARP-ESSER 7% Summer School	1	84.425U	225-210265	3/1/20-9/30/24	38,389	21,637	0	8,865	8,865	(12,772)
ARP-ESSER 7% After School	1	84.425U	225-210265	3/1/20-9/30/24	38,389	21,638	0	38,837	38,837	17,199
TOTAL CFDA# 84.425 (passed through PA Dept of Education)						2,066,126	231,236	3,262,779	3,262,779	1,427,939
COVID-19 SECIM	1	84.027	(1)	7/1/20-9/30/22	15,110	10,073	4,890	5,183	5,183	0
TOTAL PASSED THROUGH PENNSYLVANIA DEPARTMENT OF EDUCATION						2,627,124	235,217	3,849,912	3,849,912	1,458,005
Passed through PA Commission on Crime and Delinquency										
2020-2021 ESSER School Health and Safety Funding	1	84.425D	2020-ES-01-35098	3/1/20-9/30/22	34,914	34,914	34,914	0	0	0
TOTAL PASSED THROUGH PENNSYLVANIA COMMISSION ON CRIME AND DELINQUENCY						34,914	34,914	0	0	0
Passed through the N.E.L.U. # 12										
Individuals with Disabilities Education Act	1	84.027	(1)	7/1/21-6/30/22	309,401	309,401	0	309,401	309,401	0
Individuals with Disabilities Education Act	1	84.027	(1)	7/1/21-6/30/22	263,212	263,212	263,212	0	0	0
IDEA - Section 619	1	84.173	(1)	7/1/21-6/30/21	3,402	3,402	0	3,402	3,402	0
IDEA - Section 619	1	84.173	(1)	7/1/21-6/30/21	2,387	2,387	2,387	0	0	0
ARP-ESSER 7% Individuals with Disabilities Education Act	1	84.027X	(1)	7/1/21-9/30/23	64,666	64,666	0	64,666	64,666	0
TOTAL IDEA PROGRAM CLUSTER						643,068	265,599	377,469	377,469	0
Title III - English Language Acquisition	1	84.365	N/A	7/1/21-9/30/22	342	342	0	342	342	0
Title III - English Language Acquisition	1	84.365	N/A	7/1/19-9/30/20	484	484	484	0	0	0
TOTAL CFDA# 84.365						826	484	342	342	0
TOTAL N.E.L.U. # 19						643,894	266,083	377,811	377,811	0
TOTAL DEPARTMENT OF EDUCATION						3,305,932	536,214	4,227,723	4,227,723	1,458,005
U.S. DEPARTMENT OF HOMELAND SECURITY - FEMA										
Passed through the Pennsylvania Emergency Management Agency Disaster Grants-Public Assistance	1	97.036	PW711-DK4-506	3/1/20-6/30/22	129,164	116,248	0	116,248	116,248	0
TOTAL DEPARTMENT OF HOMELAND SECURITY - FEMA						116,248	0	116,248	116,248	0
U.S. DEPARTMENT OF AGRICULTURE										
Passed through the Pennsylvania Department of Agriculture National School Lunch Program-Commodities	1	10.555	N/A	7/1/21-6/30/22	N/A	45,934	(3,335)	47,766	47,766	(1,503)
Passed through the Pennsylvania Department of Education National School Lunch Program-Cash	1-F	10.555	N/A	7/1/21-6/30/22	N/A	458,211	0	540,336	540,336	82,125
SNAP Emergency Outreach Costs	1	10.555	N/A	7/1/21-6/30/22	N/A	27,333	0	27,333	27,333	0
TOTAL CFDA# 10.555						534,450	(3,335)	618,407	618,407	80,622
Summer Food Service Program	1	10.559	N/A	7/1/21-6/30/22	N/A	47,386	39,247	8,119	8,119	0
School Breakfast Program	1-F	10.553	N/A	7/1/21-6/30/22	N/A	150,193	0	180,481	180,481	30,288
TOTAL CHILD NUTRITION CLUSTER						232,009	35,912	807,007	807,007	110,910
P-EPT Local Admin Funds	1	10.649	N/A	7/1/21-6/30/22	N/A	3,063	0	3,063	3,063	0
TOTAL DEPARTMENT OF AGRICULTURE						735,072	35,912	810,070	810,070	110,910
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES										
Passed through the Pennsylvania Department of Public Welfare Medical Assistance Program	1	93.778	N/A	7/1/21-6/30/22	N/A	6,843	0	6,843	6,843	0
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES						6,843	0	6,843	6,843	0
TOTAL FEDERAL AWARDS						\$ 4,164,095	\$ 572,126	\$ 5,160,884	\$ 5,160,884	\$ 1,588,915

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

FOOTNOTES:(a) Total commodities received from Department of Agriculture.
 (b) Beginning inventory at July 1.
 (c) Total amount of commodities used.
 (d) Ending inventory at June 30, 2022.

MONTROSE AREA SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. BASIS OF ACCOUNTING

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

C. INVENTORY OF MATERIALS, SUPPLIES AND EQUIPMENT

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

PROGRAM DISCLOSURES

A. NCLB - TITLE I

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

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

B. TITLE II – IMPROVING TEACHER QUALITY

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

C. NATIONAL SCHOOL LUNCH PROGRAMS AND FOOD DISTRIBUTION

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

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

D. INDIVIDUALS WITH DISABILITIES ACT

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

MONTROSE AREA SCHOOL DISTRICT
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

* NO PRIOR FINDINGS NOTED.