

MONTOURSVILLE AREA SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITORS' REPORT

Board of School Directors
Montoursville Area School District
Montoursville, Pennsylvania:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Montoursville Area School District (District) as of and for the year ended June 30, 2023, 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 and each major fund of the District as of June 30, 2023, 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 Accounting Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District 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 2 to the financial statements, in 2023, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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, 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 the District'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.

Auditors' 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 auditors' 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 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 the 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 the 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 5, Budgetary Comparison Schedule - General Fund on page 47, Schedule of Changes in the District's Total Other Postemployment Benefits Liability - District Plan on pages 48 and 49, Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits Liability - Premium Assistance Program on page 50, Schedule of the District's Other Postemployment Benefits Plan Contributions - Premium Assistance Program on page 51, Schedule of the District's Proportionate Share of the Net Pension Liability on page 52, and Schedule of the District's Pension Plan Contributions on page 53 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 GASB,

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 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2024, on our consideration of the 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 the 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 District's internal control over financial reporting and compliance.

Larson, Kelleff & Associates, P.C.

Montoursville, Pennsylvania
February 16, 2024

MONTOURSVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

The discussion and analysis of Montoursville Area School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal years ended June 30, 2023 and 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

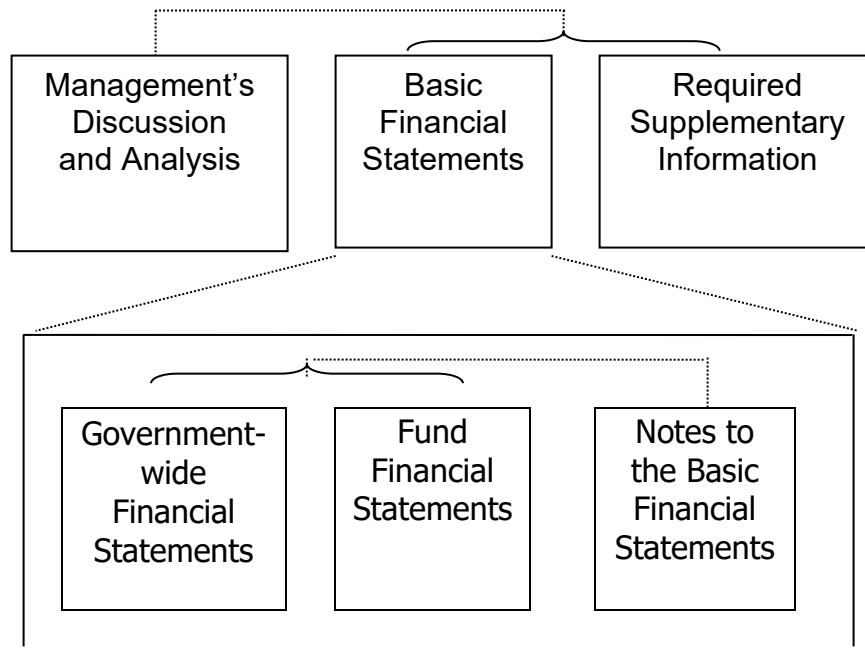
FINANCIAL HIGHLIGHTS

At year end, the District's total net position increased by approximately \$3,450,000 from the previous year end. The Program revenues (revenues derived directly from a program itself or from parties outside the District's taxpayers or citizenry, which as a whole reduce the net costs to be financed from the District's general revenues) accounted for approximately \$9.3 million or 25.7% of total revenues, and general revenues (revenues that are not matched to specific program expenses) accounted for approximately \$27 million or 74.3% of total revenues.

The general fund reported a fund balance of approximately \$3.9 million or 11.9% of the 2022-2023 \$32.8 million operating budget. This represents a decrease of approximately \$1,700,000 from the prior year fund balance due to a \$1,700,000 transfer to Capital Reserve during 2022 and 2023 for future capital projects.

There are several parts to the District's financial statements. Below, Figure A-1 visually represents how the required parts of the Financial Section are arranged and relate to one another.

Figure A-1
Required components of
Montoursville Area School District's
Financial Report



MONTOURSVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of Montoursville Area School District's
Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – ex. Food Services	Instances in which the District is the trustee or agent to someone else's resources – ex. Scholarship Funds
Required financial statements	Statement of net position	Balance Sheet	Statement of net position	Statement of net position
	Statement of activities	Statement of revenues, expenditures, and changes in fund balance	Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of revenues, expenses and changes in net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of assets and deferred outflows of resources and liabilities and deferred inflows of resources information	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, one needs to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

Governmental activities – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes, state and federal subsidies, and grants finance most of these activities.

Business-type activities – The District operates a food service operation and charges fees to students, staff, and visitors to help cover the costs of the food service operation.

Fund Financial Statements

The District's fund financial statements, which begin on page 8, provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the District's activities are reported in governmental funds. These funds focus on the determination of financial position and change in financial position, not on income determination. The 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 District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's 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.

Proprietary funds – These funds are used to account for the District's activities that are similar to business operations in the private sector, or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's sole proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds – The District is the trustee, or fiduciary, for some scholarship funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 15. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

MONTOURSVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

The total net position of the governmental and business-type activities is summarized in Table A-1. Over time net position may serve as a useful indicator of a government's financial position.

The largest portion of the District's total assets (78.8%) reflects its investment in capital assets. The District uses capital assets to provide services; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A comparative analysis of fiscal year 2022 to 2023 follows:

Table A-1 Comparative Analysis June 30, 2022 - June 30, 2023 Government Wide Financial Analysis - Net Position						
	Governmental Activities		Business-Type Activities		Totals	
(Amounts expressed in thousands)	2022 (As Restated)	2023	2022	2023	2022 (As Restated)	2023
Current Assets	\$ 13,906	\$ 16,273	\$ 793	\$ 940	\$ 14,699	\$ 17,213
Capital Assets	\$ 61,649	\$ 59,889	\$ 184	\$ 155	\$ 61,833	\$ 60,044
Prepaid Bond Insurance	\$ 66	\$ 61	\$ -	\$ -	\$ 66	\$ 61
Total Assets	\$ 75,621	\$ 76,223	\$ 977	\$ 1,095	\$ 76,598	\$ 77,318
Deferred Outflows of Resources	\$ 7,285	\$ 6,743	\$ 77	\$ 54	\$ 7,362	\$ 6,797
Current Liabilities	\$ 4,278	\$ 5,821	\$ 88	\$ 34	\$ 4,366	\$ 5,855
Noncurrent Liabilities	\$ 75,457	\$ 75,218	\$ 376	\$ 278	\$ 75,833	\$ 75,496
Total Liabilities	\$ 79,735	\$ 81,039	\$ 464	\$ 312	\$ 80,199	\$ 81,351
Deferred Inflows of Resources	\$ 7,893	\$ 3,508	\$ 241	\$ 178	\$ 8,134	\$ 3,686
Net Position:						
Invested in Capital						
Assets, Net of Debt	\$ 25,464	\$ 24,139	\$ 186	\$ 155	\$ 25,650	\$ 24,294
Restricted for Capital Projects	\$ 3,980	\$ 8,070	\$ -	\$ -	\$ 3,980	\$ 8,070
Restricted for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0
Unrestricted	(\$ 34,166)	(\$ 33,790)	\$ 163	\$ 504	(\$ 34,003)	(\$ 33,286)
Total Net Position	(\$ 4,722)	(\$ 1,581)	\$ 349	\$ 659	(\$ 4,373)	(\$ 922)

The District reports an increase in its restricted net position and an increase in unrestricted net position. The District's investment in capital assets, net of debt, decreased by approximately \$1,356,000 (net), as a result of depreciation and sale of unused assets.

MONTOURSVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

The District's total net position related to governmental activities increased by approximately \$3,141,000. Additionally, the District's total unrestricted net assets related to governmental and business-type activities reflect a deficit balance of approximately \$33 million.

Table A-2 displays the government-wide changes in net position for both the Governmental and Business-Type Activities.

Table A-2						
Fiscal Year End Comparison June 30, 2022 – June 30, 2023						
Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
(Amounts expressed in thousands)	2022 (Not Restated)	2023	2022	2023	2022 (Not Restated)	2023
Revenues						
Program Revenues						
Charges for Services	\$ 171	\$ 183	\$ 184	\$ 521	\$ 355	\$ 704
Operating Grants	\$ 8,171	\$ 7,818	\$ 1,426	\$ 824	\$ 9,597	\$ 8,642
Total Program Revenues	\$ 8,342	\$ 8,001	\$ 1,610	\$ 1,345	\$ 9,952	\$ 9,346
General Revenues						
Property Taxes	\$ 12,899	\$13,035	\$ -	\$ -	\$ 12,899	\$13,035
Other Taxes	\$ 4,343	\$ 4,709	\$ -	\$ -	\$ 4,343	\$ 4,709
Grants and Entitlements	\$ 7,926	\$ 8,583	\$ -	\$ -	\$ 7,926	\$ 8,583
Other	\$ 35	\$ 650	\$ 2	\$ 18	\$ 37	\$ 668
Total General Revenues	\$ 25,203	\$26,977	\$ 2	\$ 18	\$ 25,205	\$ 26,995
Total Revenues	\$ 33,545	\$34,978	\$ 1,612	\$ 1,363	\$ 35,157	\$ 36,341
Expenses						
Program Expenses						
Instruction	\$ 18,187	\$19,506	\$ -	\$ -	\$ 18,187	\$ 19,506
Support Services:						
Instructional Student Support	\$ 2,485	\$ 3,087	\$ -	\$ -	\$ 2,485	\$ 3,087
Administration	\$ 2,008	\$ 2,457	\$ -	\$ -	\$ 2,008	\$ 2,457
Maintenance	\$ 3,074	\$ 3,349	\$ -	\$ -	\$ 3,074	\$ 3,349
Pupil Transportation	\$ 1,253	\$ 1,622	\$ -	\$ -	\$ 1,253	\$ 1,622
Community Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Activities	\$ 712	\$ 806	\$ -	\$ -	\$ 712	\$ 806
Interest and Fiscal Charges	\$ 1,033	\$ 1,011	\$ -	\$ -	\$ 1,033	\$ 1,011
Other Support Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Food Service	\$ -	\$ -	\$ 1,096	\$ 1,052	\$ 1,096	\$ 1,052
Depreciation, unallocated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 28,752	\$ 31,838	\$ 1,096	\$ 1,052	\$ 29,848	\$ 32,890

MONTOURSVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Table A-2
Fiscal Year End Comparison June 30, 2022 – June 30, 2023
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022 (Not Restated)	2023	2022	2023	2022 (Not Restated)	2023
Excess before transfers	\$ 4,793	\$ 3,140	\$ 516	\$ 311	\$ 5,309	\$ 3,451
Interfund Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss on Disposal of Capital Assets	\$ 0	\$ 0	\$ -	\$ -	\$ 0	\$ 0
Change in Net Position	\$ 4,793	\$ 3,140	\$ 516	\$ 311	\$ 5,309	\$ 3,451

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96 during fiscal year 2023. GASB Statement No. 96 required the District to record right-to-use subscription assets and corresponding subscription liability for its subscription-based information technology arrangements in the government-wide statements. Therefore, the District's governmental net position, capital assets, and noncurrent liabilities as of July 1, 2022 have been restated in Table A-1 above. Fiscal year 2022 amounts for governmental activities changes in net position reported in Table A-2 above have not been restated to reflect these changes.

FUND FINANCIAL STATEMENT ANALYSIS

At June 30, 2023, a combined fund balance of \$11,967,915 is reported on the District's governmental funds statement; overall, this is an increase of \$2,358,549 from the prior fiscal year.

Table A-3
Fiscal Year End Comparison June 30, 2022 – June 30, 2023
Changes in Governmental Funds Balances

	Fund Balance 2022	Fund Balance 2023	Increase (Decrease)
General Fund	\$ 5,629,596	\$ 3,898,045	(\$ 1,731,551)
Capital Projects Fund			
Reserved for Future Capital Improvements	\$ 3,979,770	\$ 8,069,870	\$ 4,090,100
Debt Service Fund	\$ 0	\$ 0	\$ 0
Total Fund Balance	\$ 9,609,366	\$ 11,967,915	\$ 2,358,549

General Fund –

Compared to the prior fiscal year, the District's revenue and expenditures increased. This resulted in a decrease of the year end general fund balance. Overall, the Total Fund Balance increased due to transfers to the Capital Projects Fund.

The increase of total revenue primarily resulted from increases in earned income tax and interest income, (state revenue) reimbursements, and grants; offset by a decrease in (federal revenue) ESSER funds. Expenses for instruction and support services also increased. Capital outlay and debt service payments in the General Fund relate to current activity for subscription-based information technology arrangements under GASB Statement No. 96.

MONTOURSVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Table A-4
Fiscal Year End Comparison June 30, 2022 – June 30, 2023
General Fund Revenues and Expenditures

	2022 Amount	2023 Amount	Dollar Change	Percent Change
<i>Revenues</i>				
Local	\$ 17,995,333	\$ 19,043,208	\$ 1,047,875	5.82 %
State	\$ 13,452,872	\$ 14,167,907	\$ 715,035	5.32 %
Federal	\$ 2,145,900	\$ 1,810,240	(\$ 335,660)	(15.64 %)
Total	\$ 33,594,105	\$ 35,021,355	\$ 1,427,250	4.25 %
<i>Expenditures</i>				
Instruction	\$ 19,097,108	\$ 20,056,434	\$ 959,326	5.02 %
Support Services	\$ 9,053,257	\$ 10,506,563	\$ 1,453,306	16.05 %
Noninstructional Services	\$ 607,825	\$ 691,154	\$ 83,329	13.71 %
Debt service		\$ 62,661	\$ 62,661	100.00 %
Refund of Prior Year Rev.	\$ 1,125	\$ 62,924	\$ 61,799	5493.24 %
Capital outlay		\$ 14,405	\$ 14,405	100.00 %
Net Other Financing Uses	\$ 4,444,325	\$ 5,358,765	\$ 914,440	20.58 %
Total	\$ 33,203,640	\$ 36,752,906	\$ 3,549,266	10.69 %
Excess Revenues (Expenditures)	\$ 390,465	(\$ 1,731,551)	(\$ 2,122,016)	(543.46%)

Capital Projects Fund –

Capital projects funds account for resources that are limited to expenditures for capital outlays, such as the acquisition of capital facilities and capital assets.

The District is actively preparing for unexpected as well as proposed capital projects each year. The Capital Reserve Fund was created pursuant to Section 1432 of the Commonwealth of Pennsylvania Municipal Code. The fund balance for this sub-category is represented on Table A-3, noted as “Reserved for Future Capital Improvements.”

Debt Service Fund –

The Debt Service Fund accounts for resources accumulated to provide for the payment of general long-term debt principal and interest. Budgeted transfers from the General Fund are used to pay the Series of 2016 General Obligation Bonds, Series of 2019 General Obligation Bonds, and Series of 2020 General Obligation Bonds through the Debt Service Fund.

MONTOURSVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Proprietary Fund –

At June 30, 2023, the District's sole business-type activity, the proprietary fund, reported total net position of \$658,690. The proprietary fund records the activities of the food service program, which operates on a break-even basis and receives limited support from tax revenues. Food service receives both federal and state subsidies for milk and meals. Food service also receives some government commodities on a routine basis. All students received free meals during 2022, regardless of financial need, due to expanded federal programs. The expanded federal funding ended in 2022, resulting in a decrease in federal subsidies and an increase in food service revenue during 2023. The majority of revenues come from federal subsidies and other users of services as displayed in Table A-5.

Table A-5 Fiscal Year End Comparison June 30, 2022 – June 30, 2023 Proprietary Fund Revenues and Expenditures				
	2022 Amount	2023 Amount	Dollar Change	Percent Change
Revenues				
Food Service Revenue	\$ 181,169	\$ 512,122	\$ 330,953	182.68 %
Other Operating Revenues	\$ 3,229	\$ 9,227	\$ 5,998	185.75 %
State Subsidies	\$ 63,726	\$ 108,636	\$ 44,910	70.47 %
Federal Subsidies	\$ 1,361,841	\$ 714,942	(\$ 646,899)	(47.50 %)
Other Nonoperating Revenues	\$ 1,653	\$ 17,917	\$ 16,264	983.91 %
Total	\$ 1,611,618	\$ 1,362,844	(\$ 248,774)	(15.44 %)
Expenditures				
Salaries & Employee Benefits	\$ 79,588	\$ 51,378	(\$ 28,210)	(35.45 %)
Purchased Property Services	\$ 14,424	\$ 15,891	\$ 1,467	10.17 %
Management Purchased Service	\$ 865,520	\$ 826,442	(\$ 39,078)	(4.51 %)
Supplies	\$ 89,576	\$ 104,615	\$ 15,039	16.79 %
Depreciation	\$ 43,000	\$ 50,065	\$ 7,065	16.43 %
Other Operating Expenses	\$ 4,175	\$ 4,185	\$ 10	.24 %
Total	\$ 1,096,283	\$ 1,052,576	(\$ 43,707)	(3.99 %)
Interfund transfers In	\$ 0	\$ 0	\$ 0	0.00 %
Change in Net Position	\$ 515,335	\$ 310,268	(\$ 205,067)	(39.79 %)

General Fund Budget

A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on page 47.

The District applies for federal, state, and local grants which cannot always be anticipated in the budgeting process. In addition, the District budgets revenues conservatively to prevent a shortfall of funds during the fiscal year. Other unanticipated revenues also account for increases in budgeted revenues; examples include revenues from the rental of district facilities and student tuition.

Budgeted expenditures and other financing uses generally increase to offset or compensate for any additional federal, state, or local grants. Transfers between specific categories of expenditures/financing uses occur near the end of the year.

Budgetary Reserve is set aside to transfer for unpredictable changes in the costs of goods and services as well as occurrences of events that are vaguely predictable during budget preparations, which nevertheless may be required by the District during the fiscal year.

MONTOURSVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the District had \$60,043,077 net of depreciation invested in a broad range of capital assets, including land, buildings, furniture, equipment, and subscription-based information technology arrangements. Accumulated depreciation and amortization for both Governmental and Business-Type activities totaled \$42,256,040 at year end. In 2023, the District adopted new accounting guidance, GASB Statement No. 96, Subscription-Based Information Technology Arrangements.

Table A-6 Fiscal Year End Comparison June 30, 2022 – June 30, 2023 Capital Assets – Net of Depreciation						
	Governmental Activities		Business-Type Activities		Increase (Decrease) By Activity Type	
(Amounts expressed in Thousands)	2022 (As Restated)	2023	2022	2023	Govern.	Business
Land and Improvements	\$ 1,096	\$ 1,053	\$ -	\$ -	(\$ 43)	\$ -
Buildings and Building Improvements	\$ 57,995	\$ 56,268	\$ -	\$ -	(\$ 1,727)	\$ -
Furniture and Equipment	\$ 2,321	\$ 2,373	\$ 184	\$ 155	\$ 52	(\$ 29)
Subscription Based Information Technology Arrangement Assets	\$ 237	\$ 194	\$ -	\$ -	(\$ 43)	\$ -
Total	\$ 61,649	\$ 59,888	\$ 184	\$ 155	(\$ 1,761)	(\$ 29)

Debt Administration

During the year, the District made payments against principal of \$355,000 resulting in outstanding debt as of June 30, 2023 of \$35,220,000; this is displayed in Table A-7.

Table A-7 Outstanding Debt Comparison June 30, 2022 – June 30, 2023			
	2022	2023	Increase (Decrease)
Bonds, Series of 2016	\$ 15,725,000	\$ 15,690,000	(\$ 35,000)
Bonds, Series of 2019	\$ 9,970,000	\$ 9,965,000	(\$ 5,000)
Bonds, Series of 2020	\$ 9,880,000	\$ 9,565,000	(\$ 315,000)
Total Debt Outstanding	\$ 35,575,000	\$ 35,220,000	(\$ 355,000)

Other obligations include subscription liability, net OPEB liability, net pension liability and compensated absences for specific employees of the District. More detailed information about long-term liabilities is included in the Notes to the Basic Financial Statements.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

Public School Employees Retirement System

The Public School Employees Retirement System (PSERS) incurred substantial losses during the fiscal year ending June 30, 2009. PSERS reported the actual rate of return for that period was a negative 26.54%. This was exemplified by the fact that on June 30, 2008 net PSERS plan assets were \$67.5 billion and on June 30, 2009 the plan assets had dropped to \$43.2 billion. The decrease of PSERS assets was a major contributing factor causing significant increases to the employer contribution rates for future years starting in the 2012-2013 school year. On November 23, 2010, Act 120 of 2010 was enacted, which included a series of actuarial and funding changes to PSERS as well as benefit reductions for individuals who became new members of PSERS on or after July 1, 2011. According to PSERS, "the legislation was designed to suppress the employer contribution rate by using rate collars in future years to keep the rate from rising too high, too fast." The passage of Act 5 of 2017 included oversight of two new benefit options consisting of defined benefit and defined contribution (DC) components and a stand-alone DC plan. As of June 30, 2023, PSERS had total net assets of \$72.8 billion and a membership of about 251,000 active, 250,000 retired school employees and 27,000 vested inactive members.

According to PSERS: "Pension reform enacted under Act 120 of 2010 is well underway. As of December 31, 2013 approximately 13% or 35,000 of PSERS active membership is under the new reduced benefit structure of Act 120. The annual benefit cost for new members joining the System is less than 3%. As the Act 1 membership grows, the annual savings from the lower Act 120 benefit cost structure will allow an increasing amount of employer contributions to pay down the existing unfunded liability.

In 2009, the District established a fund balance to mitigate the anticipated increases in the PSERS employer contribution rate. During the fiscal year the District did not use any funds to mitigate the increasing employer pension costs and at June 30, 2023 the fund balance totaled \$359,550. The District does not plan to use any of the committed fund balance during the 2023-2024 fiscal year to mitigate the increase in the PSERS employer contribution rate. The District contributed at a rate of 35.26% of payroll to PSERS for the 2022-2023 school year and to contribute a rate of 34.00% of payroll for the 2023-2024 school year.

Additional information regarding this matter can be obtained from the PSERS web site (www.psers.state.pa.us) under "Pension Funding and Act 120 Resources."

Other than those issues listed in this Management's Discussion and Analysis (MD&A) or in the notes to the basic financial statements, there are no facts currently known to management that would materially impact the financial statements either favorably or unfavorably at this time.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

The Montoursville Area School District financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If there are questions about this report or additional financial information is needed, please contact Mrs. Brandy N. Smith, Business Manager at Montoursville Area School District, 50 North Arch Street, Montoursville, PA 17754, 570-368-350.

MONTOURSVILLE AREA SCHOOL DISTRICT
GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 12,897,091	\$ 876,346	\$ 13,773,437
Taxes receivable, net	975,802		975,802
Due from other governments	2,141,364	95,047	2,236,411
Internal balances	38,432	(38,432)	
Other receivables	95,758	5,196	100,954
Inventories		1,407	1,407
Prepaid expenses	124,651		124,651
Total current assets	16,273,098	939,564	17,212,662
NONCURRENT ASSETS:			
Capital assets, net	59,888,533	154,544	60,043,077
Prepaid bond insurance	61,351		61,351
Total noncurrent assets	59,949,884	154,544	60,104,428
TOTAL ASSETS	\$ 76,222,982	\$ 1,094,108	\$ 77,317,090
DEFERRED OUTFLOWS OF RESOURCES:			
Other postemployment benefits - district plan	\$ 325,477	\$ 10,130	\$ 335,607
Other postemployment benefits - premium assistance program	326,430	2,233	328,663
Pensions	6,091,513	42,053	6,133,566
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 6,743,420	\$ 54,416	\$ 6,797,836
LIABILITIES:			
CURRENT LIABILITIES:			
Due to other governments	\$ 317,052		\$ 317,052
Accounts payable	210,258	\$ 538	210,796
Accrued salaries and benefits	3,120,508		3,120,508
Accrued interest payable	80,638		80,638
Current portion of noncurrent liabilities	1,841,202		1,841,202
Unearned revenue	233,030	32,558	265,588
Other current liabilities	18,272	599	18,871
Total current liabilities	5,820,960	33,695	5,854,655
NONCURRENT LIABILITIES:			
Bonds payable, net	33,748,561		33,748,561
Subscription liability, net	78,462		78,462
Accumulated compensated absences, net	1,399,325		1,399,325
Total other postemployment benefit liability - district plan	1,418,748	6,561	1,425,309
Net other postemployment benefit liability - premium assistance program	1,533,194	10,807	1,544,001
Net pension liability	37,039,893	261,109	37,301,002
Total noncurrent liabilities	75,218,183	278,477	75,496,660
TOTAL LIABILITIES	\$ 81,039,143	\$ 312,172	\$ 81,351,315
DEFERRED INFLOWS OF RESOURCES:			
Other postemployment benefits - district plan	\$ 1,454,840	\$ 27,267	\$ 1,482,107
Other postemployment benefits - premium assistance program	467,683	12,928	480,611
Pensions	1,585,873	137,467	1,723,340
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 3,508,396	\$ 177,662	\$ 3,686,058
NET POSITION:			
Net investment in capital assets	\$ 24,139,671	\$ 154,544	\$ 24,294,215
Restricted for capital projects	8,069,870		8,069,870
Unrestricted (deficit)	(33,790,678)	504,146	(33,286,532)
TOTAL NET POSITION	\$ (1,581,137)	\$ 658,690	\$ (922,447)

See Notes to the Basic Financial Statements

MONTOURSVILLE AREA SCHOOL DISTRICT
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 19,505,957	\$ 79,438	\$ 5,303,227		\$ (14,123,292)		\$ (14,123,292)
Instructional student support services	3,086,396		946,800		(2,139,596)		(2,139,596)
Administrative and financial support services	2,457,279		462,680		(1,994,599)		(1,994,599)
Operation and maintenance of plant services	3,348,664	20,000	391,313		(2,937,351)		(2,937,351)
Pupil transportation	1,622,269		569,718		(1,052,551)		(1,052,551)
Student activities	806,070	83,641	28,664		(693,765)		(693,765)
Interest and amortization on long-term debt	<u>1,010,972</u>	<u></u>	<u>116,088</u>	<u></u>	<u>(894,884)</u>	<u></u>	<u>(894,884)</u>
Total governmental activities	31,837,607	183,079	7,818,490		(23,836,038)		(23,836,038)
BUSINESS-TYPE ACTIVITIES,							
Food service	<u>1,052,576</u>	<u>521,349</u>	<u>823,578</u>	<u></u>	<u></u>	<u>\$ 292,351</u>	<u>292,351</u>
TOTAL	<u>\$ 32,890,183</u>	<u>\$ 704,428</u>	<u>\$ 8,642,068</u>	<u>\$</u>	<u>(23,836,038)</u>	<u>292,351</u>	<u>(23,543,687)</u>
GENERAL REVENUES:							
Property taxes, levied for general purposes					13,034,360		13,034,360
Local earned income taxes levied					4,413,253		4,413,253
Other taxes levied, net					295,773		295,773
Grants and entitlements not restricted to specific programs					8,583,137		8,583,137
Investment income					618,763	17,917	636,680
Miscellaneous income					<u>31,385</u>	<u></u>	<u>31,385</u>
Total general revenues					<u>26,976,671</u>	<u>17,917</u>	<u>26,994,588</u>
CHANGE IN NET POSITION					3,140,633	310,268	3,450,901
NET POSITION, BEGINNING (As restated, See Note 2)					<u>(4,721,770)</u>	<u>348,422</u>	<u>(4,373,348)</u>
NET POSITION, ENDING					<u>\$ (1,581,137)</u>	<u>\$ 658,690</u>	<u>\$ (922,447)</u>

See Notes to the Basic Financial Statements

MONTOURSVILLE AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 4,725,046	\$ 8,172,045		\$ 12,897,091
Taxes receivable, net	975,802			975,802
Due from other funds	163,751			163,751
Due from other governments	2,141,364			2,141,364
Other receivables	95,758			95,758
Prepaid expenses	<u>124,651</u>	<u> </u>	<u> </u>	<u>124,651</u>
TOTAL ASSETS	<u>\$ 8,226,372</u>	<u>\$ 8,172,045</u>	<u>\$</u>	<u>\$ 16,398,417</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
LIABILITIES:				
Due to other funds	\$ 23,144	\$ 102,175		\$ 125,319
Due to other governments	317,052			317,052
Accounts payable	210,258			210,258
Accrued salaries and benefits	3,120,508			3,120,508
Unearned revenue	233,030			233,030
Other liabilities	<u>18,272</u>	<u> </u>	<u> </u>	<u>18,272</u>
Total liabilities	<u>3,922,264</u>	<u>102,175</u>	<u> </u>	<u>4,024,439</u>
DEFERRED INFLOWS OF RESOURCES,				
Unavailable revenue - delinquent property taxes	<u>406,063</u>	<u> </u>	<u> </u>	<u>406,063</u>
FUND BALANCES:				
Nonspendable, for prepaid expenses	124,651			124,651
Restricted, by law or regulation		8,069,870		8,069,870
Committed, for retirement	359,550			359,550
Unassigned	<u>3,413,844</u>	<u> </u>	<u> </u>	<u>3,413,844</u>
Total fund balances	<u>3,898,045</u>	<u>8,069,870</u>	<u> </u>	<u>11,967,915</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 8,226,372</u>	<u>\$ 8,172,045</u>	<u>\$</u>	<u>\$ 16,398,417</u>

MONTOURSVILLE AREA SCHOOL DISTRICT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

TOTAL GOVERNMENTAL FUND BALANCES \$ 11,967,915

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.

These assets consist of:

Land and improvements	2,676,612
Buildings and building improvements	89,030,971
Furniture and equipment	9,010,864
Subscription-based information technology arrangements	250,853
Accumulated depreciation	(41,023,785)
Accumulated amortization	(56,982)

Bond insurance costs are reported as an expenditure in governmental funds when debt is first issued. Bond insurance costs are reported as prepaid expenses in the statement of net position and expensed in a rational systematic manner over the life of the related debt.

61,351

Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

These liabilities consist of:

Accrued interest payable	(80,638)
Bonds and notes payable in future years	(35,528,561)
Subscriptions payable in future years	(139,664)
Accumulated compensated absences	(1,399,325)
Net other postemployment benefit liability	(2,951,942)
Net pension liability	(37,039,893)

Deferred inflows and outflows of resources related to other postemployment benefits and pensions are not current financial resources, and therefore are not reported in the governmental funds balance sheet.

These deferrals consist of:

Other postemployment benefits	(1,270,616)
Pensions	4,505,640

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the governmental funds balance sheet.

406,063

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,581,137)

MONTOURSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local sources	\$ 19,043,208	\$ 178,739		\$ 19,221,947
State sources	14,167,907			14,167,907
Federal sources	<u>1,810,240</u>	<u> </u>	<u> </u>	<u>1,810,240</u>
 Total revenues	 <u>35,021,355</u>	 <u>178,739</u>	 <u> </u>	 <u>35,200,094</u>
EXPENDITURES:				
Current:				
Instruction	20,056,434			20,056,434
Support services	10,506,563			10,506,563
Noninstructional services	691,154			691,154
Capital outlay	14,405	102,175		116,580
Refund of prior year revenues	62,924			62,924
Debt service (principal and interest)	<u>62,661</u>	<u> </u>	<u>\$ 1,379,779</u>	<u>1,442,440</u>
 Total expenditures	 <u>31,394,141</u>	 <u>102,175</u>	 <u>1,379,779</u>	 <u>32,876,095</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	 <u>3,627,214</u>	 <u>76,564</u>	 <u>(1,379,779)</u>	 <u>2,323,999</u>
 OTHER FINANCING SOURCES (USES):				
Interfund transfers in		4,013,536	1,379,779	5,393,315
Interfund transfers out	(5,393,315)			(5,393,315)
Proceeds from sale of capital assets	14,550			14,550
Proceeds from insurance recoveries	<u>20,000</u>	<u> </u>	<u> </u>	<u>20,000</u>
 Total other financing sources (uses)	 <u>(5,358,765)</u>	 <u>4,013,536</u>	 <u>1,379,779</u>	 <u>34,550</u>
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	 <u>(1,731,551)</u>	 <u>4,090,100</u>		 <u>2,358,549</u>
 FUND BALANCES, BEGINNING	 <u>5,629,596</u>	 <u>3,979,770</u>	 <u> </u>	 <u>9,609,366</u>
 FUND BALANCES, ENDING	 <u>\$ 3,898,045</u>	 <u>\$ 8,069,870</u>	 <u>\$</u>	 <u>\$ 11,967,915</u>

MONTOURSVILLE AREA SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,358,549

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount by which depreciation and amortization expense, net of deletions, exceeded capital outlays in the current period. (1,760,482)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds. (49,546)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 430,907

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of the financial resources used (essentially, the amounts actually paid).

These items consist of:

Compensated absences and special termination benefits	68,570
Other postemployment benefit related costs	273,891
Pension related costs	1,818,184

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 560

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,140,633

MONTOURSVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2023

ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 876,346
Due from other funds	23,144
Due from other governments	95,047
Other receivables	5,196
Inventories	<u>1,407</u>
Total current assets	<u>1,001,140</u>
NONCURRENT ASSETS,	
Capital assets, net	<u>154,544</u>
TOTAL ASSETS	<u>\$ 1,155,684</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Other postemployment benefits - district plan	\$ 10,130
Other postemployment benefits - premium assistance program	2,233
Pensions	<u>42,053</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 54,416</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 538
Due to other funds	61,576
Unearned revenue	32,558
Other liabilities	<u>599</u>
Total current liabilities	<u>95,271</u>
NONCURRENT LIABILITIES:	
Total other postemployment benefit liability - district plan	6,561
Net other postemployment benefit liability - premium assistance program	10,807
Net pension liability	<u>261,109</u>
Total noncurrent liabilities	<u>278,477</u>
TOTAL LIABILITIES	<u>\$ 373,748</u>
DEFERRED INFLOWS OF RESOURCES:	
Other postemployment benefits - district plan	\$ 27,267
Other postemployment benefits - premium assistance program	12,928
Pensions	<u>137,467</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 177,662</u>
NET POSITION:	
Net investment in capital assets	\$ 154,544
Unrestricted	<u>504,146</u>
TOTAL NET POSITION	<u>\$ 658,690</u>

See Notes to the Basic Financial Statements

MONTOURSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Food Service Fund
OPERATING REVENUES:	
Food service revenue	\$ 512,122
Other operating revenues	<u>9,227</u>
Total operating revenues	<u>521,349</u>
OPERATING EXPENSES:	
Salaries and employee benefits	51,378
Professional services	7,454
Purchased property services	15,891
Management fees	818,988
Supplies	104,615
Depreciation	50,065
Dues and fees	<u>4,185</u>
Total operating expenses	<u>1,052,576</u>
OPERATING LOSS	<u>(531,227)</u>
NONOPERATING REVENUES:	
Investment income	17,917
State sources	108,636
Federal sources	<u>714,942</u>
Total nonoperating revenues	<u>841,495</u>
CHANGE IN NET POSITION	310,268
NET POSITION, BEGINNING	<u>348,422</u>
NET POSITION, ENDING	<u>\$ 658,690</u>

See Notes to the Basic Financial Statements

MONTOURSVILLE AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	\$ 513,892
Cash received from other operating revenues	9,227
Payments to suppliers for goods and services	(896,222)
Payments to employees	<u>(130,039)</u>
Net cash used by operating activities	<u>(503,142)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State sources	103,831
Federal sources	<u>712,459</u>
Net cash provided by noncapital financing activities	<u>816,290</u>
CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES,	
Purchase of equipment	<u>(20,116)</u>
CASH PROVIDED BY INVESTING ACTIVITIES,	
Investment income	<u>17,917</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	310,949
CASH AND CASH EQUIVALENTS, BEGINNING	<u>565,397</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 876,346</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY	
OPERATING ACTIVITIES:	
Operating loss	<u>\$ (531,227)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	50,065
Amortization	(92,459)
Donated commodities used	85,718
Change in:	
Due to/from other funds	61,498
Other receivables	(2,301)
Inventories	3,963
Other postemployment benefits - district plan deferred outflows of resources	(4,277)
Other postemployment benefits - premium assistance deferred outflows of resources	(716)
Pension deferred outflows of resources	(63,178)
Accounts payable	(32,923)
Accrued salaries and benefits	(1,784)
Unearned revenue	1,804
Other liabilities	420
Total other postemployment benefit liability - district plan	(1,266)
Net other postemployment benefit liability - premium assistance program	(9,313)
Net pension liability	(87,463)
Other postemployment benefits - district plan deferred outflows of resources	1,702
Other postemployment benefits - premium assistance deferred inflows of resources	8,513
Pension deferred inflows of resources	<u>110,082</u>
Total adjustments	<u>28,085</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (503,142)</u>
NONCASH NONCAPITAL FINANCING ACTIVITIES,	
The District received \$81,756 of food commodities.	

MONTOURSVILLE AREA SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Scholarship Trust Funds	Custodial Funds
ASSETS:		
Cash and cash equivalents	\$ 25,611	\$ 229,610
Prepaid expenses and other assets	<u> </u>	<u>9,920</u>
TOTAL ASSETS	<u>\$ 25,611</u>	<u>\$ 239,530</u>
LIABILITIES AND NET POSITION:		
LIABILITIES,		
Accounts payable and other liabilities	<u> </u>	<u>\$ 6,396</u>
NET POSITION:		
Restricted for scholarships	\$ 25,611	
Restricted for student activities	<u> </u>	<u>233,134</u>
Total net position	<u>25,611</u>	<u>233,134</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 25,611</u>	<u>\$ 239,530</u>

MONTOURSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Scholarship Trust Funds	Custodial Funds
ADDITIONS:		
Gifts and contributions	\$ 58,830	
Student activities receipts		\$ 285,918
Investment income	<u>645</u>	<u>5,008</u>
Total additions	<u>59,475</u>	<u>290,926</u>
DEDUCTIONS:		
Student activities disbursements		299,541
Scholarships awarded	<u>54,795</u>	<u></u>
Total deductions	<u>54,795</u>	<u>299,541</u>
CHANGE IN NET POSITION	4,680	(8,615)
NET POSITION, BEGINNING	<u>20,931</u>	<u>241,749</u>
NET POSITION, ENDING	<u>\$ 25,611</u>	<u>\$ 233,134</u>

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Montoursville Area School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the District's accounting policies are described below.

Reporting Entity

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criterion for including a potential component unit within the reporting entity is the significance of their operational or financial relationship with the District. Based upon the application of this criterion, the reporting entity will consist solely of the accounts and funds of the District.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund

This fund is used to account for and report all financial resources not accounted for and reported in another fund. The fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Capital Projects Fund

This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Fund

This fund is used to account for resources that are restricted, committed, or assigned to expenditure for principal and interest.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

PROPRIETARY FUND

Enterprise Fund

This fund (food service fund) is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

FIDUCIARY FUNDS

Trust and Custodial Funds

These funds are used to account for assets held by the District in a trustee capacity or as a custodian for individuals. The assets associated with custodial funds are held for the benefit of student groups where the District does not have administrative or direct financial involvement with the assets and the assets are not derived from the District providing goods or services to the students.

Basis of Presentation and Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the propriety fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

business segment or government function is self-financing or draws from the general revenues of the District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds, if applicable, are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers delinquent real estate taxes and derived tax revenues to be available if they are collected within 60 days and 30 days of the end of the fiscal period, respectively. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service, prepaid expenses, and other long-term obligations, which are recognized when paid. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The proprietary fund is accounted for using the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses which generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contracted services, supplies, utilities and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary funds are reported using the economic resources measurement focus and accrual basis of accounting.

Budgetary Procedures and Budgetary Accounting

An operating budget is adopted in each year for the general fund on the modified accrual basis of accounting.

At the fund level, actual expenses cannot exceed budgeted appropriations; however, with proper approval of the Board, budgetary transfers can be made. The budgetary comparison schedule presented in this report reflects the final budget authorization, including all amendments and budgetary transfers.

The Pennsylvania School Code dictates specific procedures relative to adoption of the District's budget and reporting of its financial statements, specifically:

- The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The District is required to publish notice by advertisement, at least once, in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District.
- The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
- Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board, which authorized the District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year-end are reported as reservations of fund balances.
- Included in the general fund budget are program budgets as prescribed by the state and federal agencies funding the program. These budgets are approved on a program by program basis by the state or federal funding agency.
- Capital budgets are not established for capital improvements and capital projects in the capital projects fund. Additionally, all transactions of the capital projects fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

- The District does not adopt a formal budget for the proprietary fund and debt service fund.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. As of June 30, 2023, the District had no outstanding encumbrances. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the fund financial statements. A reserve for encumbrances is not reported on the government-wide financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and liquid asset funds (Pennsylvania School District Liquid Asset Fund), carried at cost.

The District pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

Investments

Investments held in the general fund and capital projects fund consist of liquid asset funds stated at cost which approximates fair value. For purposes of determining realized gain or loss on sale, the cost of securities sold is determined by using the specific identification method. The fair value of investments is estimated based on bid quotations received from securities dealers.

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs (See Note 4).

Interfund Receivables and Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Prepaid Expenses

Prepaid expenses represent payments made by the District in the current year to provide services occurring in the subsequent fiscal year.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Inventories

Proprietary fund food inventories consist of food commodities donated by the federal government, which are valued at fair value.

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

Taxes Receivable

Taxes receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion expected to be uncollectible. Taxes which become payable during fiscal year 2023 and are uncollected as of June 30, 2023 are recorded as taxes receivable in the government-wide financial statements, net of amounts estimated to be uncollectible. Management estimates the adequacy of the allowance for uncollectible taxes receivable based upon the historical experience in collecting these taxes. The allowance for uncollectible taxes receivable was \$1,837 as of June 30, 2023.

Capital Assets

Capital assets, which include land and improvements, buildings and building improvements, furniture and equipment, subscription-based information technology arrangements and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. The District defines capital assets as assets which have an original cost of \$4,000 or more and an estimated useful life in excess of one year. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	20 years
Buildings and building improvements	20-50 years
Furniture and equipment	5-20 years

Subscription-based information technology arrangements assets are amortized over the life of the associated contract.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities' and business-type activities' statement of net position. Long-term obligations consist of bonds payable, direct borrowings (for example, a government entering into a loan agreement with a lender) and direct placements (for example, a government issuing a

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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debt security directly to an investor), and subscription liabilities. Bonds payable are reported net of applicable bond premium or discount. Prepaid bond insurance is expensed over the life of the related debt. Other bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued, including subscription liabilities payable in future years, is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Prepaid Bond Insurance and Amortization

The cost of prepaid bond insurance of the Series of 2016, 2019 and 2020 bonds is being amortized, utilizing the straight-line method, over the life of the bonds. Amortization expense included in the statement of activities amounted to \$4,750 for the year ended June 30, 2023.

Bond Premium and Amortization

The premium recognized upon the issuance of the Series of 2016, 2019 and 2020 bonds is being amortized utilizing the straight-line method, over the life of the bonds. The net premium has been capitalized and included in bonds payable in the accompanying statement of net position. The net premium included in amortization expense in the statement of activities amounted to \$23,888 for the year ended June 30, 2023.

Fund Equity

In the governmental fund financial statements, the fund balance amounts are classified, based on the level of constraint placed upon funds, as follows:

- *Nonspendable* - fund balance that cannot be spent because it is not in spendable form such as inventories, prepaids and long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned).
- *Restricted* - fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - fund balance includes amounts that can be used only for the specific purposes determined by formal action of the Board of School Directors.
- *Assigned* - fund balance includes amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Business Manager has the authority to assign a fund balance. There were no amounts classified as assigned at June 30, 2023.
- *Unassigned* - fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Unrestricted net position for proprietary funds represent the net assets available for future distribution.

The District has not adopted a minimum fund balance policy.

Fund Balance Flow Assumptions

The District's policy is to first apply restricted fund balance, then committed, assigned, and unassigned, respectively when an expenditure is incurred for purposes for which amounts in any of these classifications could be used.

Net Position

In the government-wide financial statements, net position represents assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings or deferred inflows of resources used for the acquisition, construction or improvement of those assets and increased by any related deferred outflows of resources.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because it was not used.

Pensions

For purposes of measuring the net pension 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.

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, as appropriate. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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future periods and so will *not* be recognized as an outflow of resources (i.e. expense) until that time.

In addition to liabilities, the statement of net position and governmental funds balance sheet report a separate section for deferred inflows of resources, as appropriate. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of resources that applies to future periods and so will *not* be recognized as an inflow of resources (i.e. revenue) until that time.

Net Position Flow Assumptions

Sometimes the District will fund outlays for a particular purpose with both restricted and unrestricted resources. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The District's financial instruments consist of cash and cash equivalents, investments, taxes and other receivables, accounts payable and noncurrent liabilities. The carrying value of these financial instruments approximates their fair values at June 30, 2023.

Cash Flows

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Recent Accounting Standards to be Adopted

GASB issued the following pronouncements:

- Statement No. 99, *Omnibus 2022*, effective in different parts for fiscal years beginning after June 15, 2022 and June 15, 2023.
- Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*, effective for fiscal years beginning after June 15, 2023.
- Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023.

The District has not determined the effect on the financial statements due to adoption of these statements.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. RESTATEMENT - ADOPTION OF GASB STATEMENT NO. 96:

Effective July 1, 2022, the District implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of GASB Statement No. 96 is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements. This statement requires government end users to record a right-to-use subscription asset and corresponding subscription liability for these arrangements. This statement also requires additional disclosures in the financial statements.

The implementation of GASB Statement No. 96 resulted in the restatement of the beginning net position of the governmental activities in the government-wide financial statements.

The cumulative effect of the restatement on beginning net position is summarized below:

Governmental Activities:	
Net position, as previously reported	\$(4,761,785)
GASB Statement No. 96:	
Capital assets	236,447
Subscription liability	<u>(196,432)</u>
Net position, as restated	<u><u>\$(4,721,770)</u></u>

3. CASH AND CASH EQUIVALENTS:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2023, \$943,652 of the District's bank balance of \$14,338,681 was exposed to custodial credit risk as follows:

Collateralized with securities held by the pledging financial institution	<u>\$ 943,652</u>
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Reconciliation to Financial Statements

Collateralized with securities held by financial institution amount above	\$ 943,652
Insured amount	278,260
Less outstanding checks	<u>(310,531)</u>
Carrying amount	911,381
Plus petty cash	508
Plus pooled cash equivalents in:	
General fund	4,944,724
Capital projects fund	<u>8,172,045</u>
Total cash and cash equivalents per financial statements	<u><u>\$14,028,658</u></u>

4. INVESTMENTS:

State statutes authorize the District to invest in obligations of the U. S. treasury, agencies and instrumentalities of the U. S. government, deposits in savings accounts, certificates

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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of deposit, the Pennsylvania School District Liquid Asset Fund (PSDLAF), commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

As of June 30, 2023, investments consisted of the following:

<u>Description</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
PSDLAF - Max Series	N/A	\$ 6,416,611		\$ 6,416,611	
PSDLAF - Full Flex Pool	N/A	<u>6,451,713</u>	<u>\$</u>	<u>6,451,713</u>	
Total		<u>\$12,868,324</u>	<u>\$</u>	<u>\$12,868,324</u>	<u>\$</u>

PSDLAF is a common law trust organized to provide Pennsylvania school districts with a convenient method of pooling their cash for temporary investment. PSDLAF functions similar to a money market fund, seeking to maintain a net asset value of \$1 per share. Shares may be withdrawn at any time. Portfolio securities are valued at amortized cost, which approximates fair value as of June 30, 2023. PSDLAF may invest in any securities authorized by Section 440.1 of the Pennsylvania School Code. All investments in an external investment pool that is not SEC - registered are subject to oversight by the Commonwealth of Pennsylvania.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District does not have a formal investment policy that would limit its investment choices to certain credit ratings. The Full Flex Pool is unrated. As of June 30, 2023, the investments were rated as follows:

<u>Description</u>	<u>Standard & Poor's</u>
PSDLAF - Max Series	AAAm

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. The District has no investments subject to concentration of credit risk.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investments subject to custodial credit risk.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Reconciliation to Financial Statements

Total investments per above	\$ 12,868,324
Less deposits in investment pool considered cash equivalents	<u>(12,868,324)</u>
Total investments per financial statements	<u>\$</u>

5. REAL ESTATE TAXES:

The tax on real estate, as levied by the School Board, was 16.53 mills (\$16.53 per \$1,000 of assessed valuation) for fiscal year 2023. The original assessed value at July 1, 2022, upon which the 2023 levy was based was \$828,278,900. Assessed valuations of property are determined by Lycoming 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	Lien Date

Current tax collections for the year ended June 30, 2023 were 96.9% of the tax levy. Estimated collectible delinquent real estate taxes at June 30, 2023 amounted to \$561,083.

6. DUE FROM OTHER GOVERNMENTS:

Amounts due from other governments represent receivables for revenues earned by the District or collections made by another governmental unit on behalf of the District. At June 30, 2023, the following amounts are due from other governments:

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Federal	\$ 309,983	\$80,831	\$ 390,814
State	1,429,667	14,216	1,443,883
Local	<u>401,714</u>	<u> </u>	<u>401,714</u>
Total	<u>\$2,141,364</u>	<u>\$95,047</u>	<u>\$2,236,411</u>

7. INTERFUND BALANCES AND ACTIVITY:

As of June 30, 2023, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$163,751	\$ 23,144
Capital projects		102,175
Food service fund	<u>23,144</u>	<u>61,576</u>
Total	<u>\$186,895</u>	<u>\$186,895</u>

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

8. CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

	Balance July 1, 2022 (As Restated)	Additions	Deletions	Balance June 30, 2023
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated,				
Land	\$ 184,579			\$ 184,579
Capital assets, being depreciated:				
Land improvements	2,431,613	\$ 60,420		2,492,033
Buildings and building improvements	88,942,590	88,381		89,030,971
Furniture and equipment	8,429,320	653,179	\$71,635	9,010,864
Total capital assets, being depreciated	99,803,523	801,980	71,635	100,533,868
Less accumulated depreciation:				
Land improvements	1,519,919	103,266		1,623,185
Buildings and building improvements	30,947,191	1,815,620		32,762,811
Furniture and equipment	6,108,425	590,756	61,392	6,637,789
Total accumulated depreciation	38,575,535	2,509,642	61,392	41,023,785
Total capital assets, being depreciated, net	61,227,988	(1,707,662)	10,243	59,510,083
Subscription-based information technology arrangement assets:				
Intangible right-to-use software arrangements	236,447	14,406		250,853
Less accumulated amortization		56,982		56,982
Subscription-based information technology arrangement assets, net	236,447	(42,576)		193,871
Governmental activities capital assets, net	\$61,649,014	\$(1,750,238)	\$10,243	\$ 59,888,533
BUSINESS-TYPE ACTIVITIES:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 1,183,906	\$ 20,116	\$11,094	\$ 1,192,928
Less accumulated depreciation	999,413	50,065	11,094	1,038,384
Total capital assets, being depreciated, net	184,493	(29,949)		154,544
Business-type activities capital assets, net	\$ 184,493	\$(29,949)	\$	\$ 154,544

Depreciation expense was charged to governmental activities as follows:

Instruction	\$1,154,495
Instructional student support services	368,439
Administrative and financial support services	31,175
Operation and maintenance of plant services	811,433
Pupil transportation	2,068
Student activities	142,032
Total	<u>\$2,509,642</u>

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Amortization expense was charged to governmental activities as follows:

Instructional student support services	<u>\$56,982</u>
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9. COMPENSATED ABSENCES:

Retirement Severance Benefit

Certain administrators, upon permanent retirement from the field of public education, are paid \$100 to \$150 for each unused sick day accumulated by the employee, subject to certain limitations. Professional employees upon retirement with 15 years of service with the District receive a non-elective employer contribution to their 403(b) or 457 Retirement plan, in the amount of \$830 for each year of service, not to exceed a total of 35 years. Non-professional employees upon retirement are paid \$50 for each year of service, not to exceed a total of 25 years and those with 10 years of service with the District, will be provided \$30 for each unused sick day subject to certain limitations. At June 30, 2023, the estimated liability for accumulated retirement severance benefit due upon retirement or termination of certain administrators, professional, and non-professional employees was \$1,399,325. This liability has been recorded in accumulated compensated absences in the government-wide statement of net position. For the year ended June 30, 2023, the District made payments amounting to approximately \$202,000.

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Single Employer Defined Benefit OPEB Plan

Plan Description

The District's OPEB benefits include a single employer defined benefit plan that provides postretirement healthcare benefits. The School Board has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Teacher and administrative retirees who retire with at least 30 years of public school service in Pennsylvania or upon superannuation retirement are eligible to receive benefits up to Medicare age. Teachers and administrative employees may also qualify by retiring with 25 years of public school service in Pennsylvania once they have attained the age of 55. The employee also shall have completed 15 years of service with the District. Retired professional employees who are ineligible under the above requirements and choose to participate in the medical plan must pay the appropriate insurance premium of a tiered rate structure.

Benefits Provided

The plan provides post-retirement medical, prescription drug, and dental benefits. The cost of such medical and dental coverage for retirees and spouses is determined by the contract provisions at the time of retirement.

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Employees Covered by the Benefit Terms

At July 1, 2022, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Active participants	185
Retired participants	<u>19</u>
Total	<u>204</u>

Funding Policy

The contribution requirements of plan members and the 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 healthcare benefits provided to current retirees. Retiree contribution rates and amounts vary depending on classification and years of service with the District. The District paid premiums of approximately \$30,000 for the fiscal year ended June 30, 2023. The retiree contributions made by plan members were approximately \$128,000 for the year ended June 30, 2023.

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the District reported a total OPEB liability of \$1,425,309. The total OPEB liability was measured as of July 1, 2022, and determined by an actuarial valuation as of July 1, 2022.

The District's change in its total OPEB liability for the year ended June 30, 2023 was as follows:

	Total OPEB Liability
Balance as of July 1, 2022 (based on measurement date of July 1, 2021)	<u>\$1,748,146</u>
Changes for the year:	
Service cost	103,114
Interest	41,154
Changes of benefit terms	(64,811)
Differences between expected and actual experience	(36,454)
Changes of assumptions	(280,459)
Benefit payments	<u>(85,381)</u>
Net change	<u>(322,837)</u>
Balance as of June 30, 2023 (based on measurement date of July 1, 2022)	<u>\$1,425,309</u>

For the year ended June 30, 2023, the District recognized OPEB expense in the government-wide financial statements as follows:

Governmental activities	\$(96,891)
Business-type activities	<u>(1,511)</u>
Total	<u>\$(98,402)</u>

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At June 30, 2023, 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
Difference between expected and actual experience		\$ 567,284
Changes in assumptions	\$234,528	914,823
Benefit payments subsequent to the measurement date	<u>101,079</u>	<u> </u>
 Total	 <u>\$335,607</u>	 <u>\$1,482,107</u>

\$101,079 reported as deferred outflows of resources related to OPEB resulting from District benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	\$(177,862)
2025	(177,861)
2026	(177,862)
2027	(177,860)
2028	(177,859)
Thereafter	(358,275)

Actuarial Assumptions

The total OPEB liability at July 1, 2022 was determined by rolling forward the plan's total OPEB liability at July 1, 2021 to July 1, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate - 4.06% - S&P municipal bond 20-year high grade rate index at July 1, 2022. The discount rate changed from 2.28% to 4.06%.
- Salary growth - 2.5% cost of living adjustment, plus 1.5% (previously 1.0%) real wage growth; and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Percent of eligible retirees electing coverage - 100% of administrators eligible for a subsidy, 80% (previously 75%) of administrators and teachers not eligible for a subsidy, and 50% of support staff.
- Percent married at retirement - 10% of employees.
- Healthcare cost trends - 6.5% in 2022, 6.0% in 2023, 5.5% in 2024 through 2025, gradually decreasing from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Mortality rates - PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

MONTOURSVILLE AREA SCHOOL DISTRICT
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Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability for June 30, 2023, calculated using current healthcare cost trends as well as what the total OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability (in thousands)	\$1,291	\$1,425	\$1,582

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, calculated using the discount rate of 4.06%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.06%) or 1-percentage point higher (5.06%) than the current rate:

	<u>1% Decrease 3.06%</u>	<u>Current Discount Rate 4.06%</u>	<u>1% Increase 5.06%</u>
Total OPEB liability (in thousands)	\$1,526	\$1,425	\$1,329

Multiple Employer Cost-Sharing Defined Benefit OPEB Plan

Health Insurance Premium Assistance Program

PSERS (System) 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, 2022, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age

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For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions.

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. 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.pa.gov.

Benefits Provided

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.

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% 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 the OPEB plan from the District were \$99,480 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$1,544,001 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. 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, 2023, the District's proportion was 0.0839%, which was a decrease of 0.0010% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense in the government-wide statement of activities as follows:

Governmental activities	\$18,172
Business-type activities	<u>(3,986)</u>
Total	<u>\$14,186</u>

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The amounts above include \$4,085 of amortization of changes in proportion between governmental activities and business-type activities for the year ended June 30, 2023.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 14,221	\$ 8,274
Changes in assumptions	171,475	364,751
Net difference between projected and actual investment earnings	4,200	
Changes in proportion	28,857	97,643
Changes in proportion between governmental activities and business-type activities	9,631	9,631
Difference between employer contributions and proportionate share of total contributions	799	312
Contributions subsequent to the measurement date	<u>99,480</u>	<u> </u>
Total	<u>\$328,663</u>	<u>\$480,611</u>

\$99,480 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2024	\$(69,106)
2025	(56,314)
2026	(33,446)
2027	(39,652)
2028	(52,910)

Actuarial Assumptions

The total OPEB liability as of June 30, 2022, was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay.
- Investment return - 4.09% - S&P 20 year municipal bond rate; previously 2.18%.
- 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; previously 4.50%, 2.50%, and 2.00%, respectively.
- 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.

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- 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 actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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 2022.
- 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: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- 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.

Asset Class,	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	<u>100.0%</u>	0.5%

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 4.09%. 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 4.09% which represents the S&P 20 year municipal bond rate at

MONTOURSVILLE AREA SCHOOL DISTRICT
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June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System 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, 2022, 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. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 members were receiving less than the maximum amount allowed of \$1,200 per year. 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 the System net OPEB liability for June 30, 2022, calculated using current healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability (in thousands)	\$1,544	\$1,544	\$1,545

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 4.09%, as well as what the net 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 rate:

	<u>1% Decrease 3.09%</u>	<u>Current Discount Rate 4.09%</u>	<u>1% Increase 5.09%</u>
District's proportionate share of the net OPEB liability (in thousands)	\$1,747	\$1,544	\$1,375

OPEB Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS annual comprehensive financial report which can be found on the System's website at www.psers.pa.gov.

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Payables to the OPEB Plan

At June 30, 2023, the District had an accrued balance due to PSERS, including contributions related to OPEB of \$25,621. This amount represents the District's contractually obligated contributions for wages earned in April 2023 through June 2023. The balance was paid in September 2023.

11. NONCURRENT LIABILITIES:

The following is a summary of changes in the governmental and business-type activities noncurrent liabilities for the year ended June 30, 2023:

	Balance July 1, 2022 (As Restated)	Additions	Retirements	Amortization	Balance June 30, 2023	Amounts Due in One Year
Governmental Activities:						
General obligation bonds	\$35,575,000		\$ 355,000		\$35,220,000	\$1,780,000
Plus deferred net bond premium	<u>332,449</u>	<u> </u>	<u> </u>	<u>\$(23,888)</u>	<u>308,561</u>	<u> </u>
Total debt, net	35,907,449		355,000	(23,888)	35,528,561	1,780,000
Subscription liability	196,432		56,768		139,664	61,202
Compensated absences	1,467,895	\$ 139,070	207,640		1,399,325	
Total OPEB liability	1,740,319		321,571		1,418,748	
Net OPEB liability	1,992,005		458,811		1,533,194	
Net pension liability	<u>34,508,430</u>	<u>2,531,463</u>	<u> </u>	<u> </u>	<u>37,039,893</u>	<u> </u>
Total	<u>\$75,812,530</u>	<u>\$2,670,533</u>	<u>\$1,399,790</u>	<u>\$(23,888)</u>	<u>\$77,059,385</u>	<u>\$1,841,202</u>
Business-Type Activities:						
Total OPEB liability	\$ 7,827		\$ 1,266		\$ 6,561	
Net OPEB liability	20,120		9,313		10,807	
Net pension liability	<u>348,572</u>	<u> </u>	<u>87,463</u>	<u> </u>	<u>261,109</u>	<u> </u>
Total	<u>\$ 376,519</u>	<u>\$ </u>	<u>\$ 98,042</u>	<u>\$ </u>	<u>\$ 278,477</u>	<u>\$ </u>

General Obligation Bonds

General obligation bonds payable at June 30, 2023 are comprised of the following:

Series of 2016, due in varying installments through June 2036,
with interest rates ranging from 3.0% to 4.0% per annum. \$15,690,000

Series of 2019, due in varying installments through June 2036,
with interest rates ranging from 2.0% to 3.0% per annum. 9,965,000

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Series of 2020, due in varying installments through June 2036,
with interest rates ranging from 2.0% to 4.0% per annum. \$ 9,565,000

Total 35,220,000

Less amounts due in one year 1,780,000

Plus deferred bond premium 308,561

Noncurrent portion of general obligation
bonds \$33,748,561

The annual requirements to amortize general obligation bonds payable at June 30, 2023
are as follows:

	<u>Principal</u>	<u>Interest</u>
2024	\$ 1,780,000	\$1,017,701
2025	2,400,000	949,101
2026	2,475,000	866,701
2027	2,560,000	785,201
2028	2,625,000	711,901
2029 - 2033	14,230,000	2,395,657
2034 - 2036	<u>9,150,000</u>	<u>624,947</u>
Total	<u>\$35,220,000</u>	<u>\$7,351,209</u>

The total interest expense related to the general obligation bonds for the year ended
June 30, 2023 amounted to \$1,005,079. No interest expense was capitalized during the
year ended June 30, 2023.

Subscription-Based Information Technology Arrangements

Subscription liabilities at June 30, 2023 are comprised of the following:

Office software arrangement, due in varying installments through July
2024, with an interest rate at 3.0% per annum. \$ 25,939

Accounting software arrangement, due in varying installments through
March 2026, with an interest rate at 3.0% per annum. 113,725

Total 139,664

Less amounts due in one year 61,202

Noncurrent portion of subscription liability \$ 78,462

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The annual requirements to amortize subscription liabilities at June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>
2024	\$ 61,202	\$4,190
2025	37,883	2,354
2026	<u>40,579</u>	<u>1,217</u>
Total	<u>\$139,664</u>	<u>\$7,761</u>

The total interest expense related to the subscription liabilities for the year ended June 30, 2023 amounted to \$5,893. The District imputed an interest rate of 3% for these arrangements based on its long-term incremental borrowing rate. The arrangements do not include any significant variable payments or termination penalties.

12. PENSION BENEFITS:

Plan Description

PSERS (System) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. 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.pa.gov.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 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 (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

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Benefits are generally equal to 1% to 2.5%, 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% or 2.5%, 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.

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.

Member Contributions

The contribution rates based on qualified compensation for virtually all members are presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit Contribution Rate	Defined Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	Not applicable	5.25%
T-C	On or after July 22, 1983	6.25%	Not applicable	6.25%
T-D	Prior to July 22, 1983	6.50%	Not applicable	6.50%
T-D	On or after July 22, 1983	7.50%	Not applicable	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	Not applicable	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	Not applicable	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	Not applicable	7.50%	7.50%

Shared Risk Program Summary				
Membership Class	Defined Benefit Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/- 0.50%	8.30%	12.30%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

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Employer Contributions

The school districts' contractually required contribution rate for fiscal year ended June 30, 2023 was 35.26% 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 the pension plan from the District were \$4,577,400 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$37,301,002 for its proportionate share of the net pension liability in the government-wide statement of net position. The net pension liability was measured as of June 30, 2022, 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, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the District's proportion was 0.0839%, which was a decrease of 0.0010% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized pension expense in the government-wide statement of activities as follows:

Governmental activities	\$2,727,174
Business-type activities	<u>(95,447)</u>
Total	<u>\$2,631,727</u>

The amounts above include \$113,869 of amortization of changes in proportion between governmental activities and business-type activities for the year ended June 30, 2023.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 16,916	\$ 322,621
Changes in assumptions	1,113,849	
Net difference between projected and actual investment earnings		632,812
Changes in proportion	274,750	634,750
Changes in proportion between governmental activities and business-type activities	126,289	126,288
Difference between employer contributions and proportionate share of total contributions	24,362	6,869
Contributions subsequent to the measurement date	<u>4,577,400</u>	<u> </u>
Total	<u>\$6,133,566</u>	<u>\$1,723,340</u>

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

\$4,577,400 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 151,329
2025	(122,546)
2026	(1,079,365)
2027	883,408

Changes in Actuarial Assumptions

The total pension liability at June 30, 2022 was determined by rolling forward the System's total pension liability at June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date - June 30, 2021
- Actuarial cost method - entry age normal - level % of pay
- Investment return - 7.00%, includes inflation at 2.75%; previously 7.00% and 2.50%, respectively.
- Salary growth - an effective average of 4.50%, comprised of inflation at 2.50% and 2.00% for real wage growth and for merit or seniority increases; previously 5.00%, 2.75%, and 2.25%, respectively.
- 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; previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the RP-2015 Mortality Improvement Scale.
- Discount rate - 7.00% as of June 30, 2021 and as of June 30, 2022

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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 PSERS 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.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Asset Class:		
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real Estate	11.0%	4.6%
Absolute return	6.0%	3.5%
Cash	3.0%	0.5%
Leverage	<u>(11.0)%</u>	0.5%
Total	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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%, 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:

	<u>1% Decrease 6.00%</u>	<u>Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District's proportionate share of the net pension liability (in thousands)	\$48,246	\$37,301	\$28,073

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS annual comprehensive financial report which can be found on the System's website at www.psers.pa.gov.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

Payables to the Pension Plan

At June 30, 2023, the District had an accrued balance due to PSERS, including contributions related to pension of \$1,178,911. This amount represents the District's contractually obligated contributions for wages earned in April 2023 through June 2023. The balance was paid in September 2023.

13. CONCENTRATION OF CREDIT RISK:

The District provides education and related services to the residents of Montoursville, Pennsylvania and surrounding boroughs and townships. Its service area is located within the geographic boundaries of the District. The District assesses taxpayers, within its service area, based upon taxing powers at its disposal. The ability of each of the District's taxpayers to honor their assessed obligations to the District is dependent upon economic and other factors affecting the taxpayers.

14. CONTINGENCIES:

Grants

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. It is the opinion of management that requests for reimbursements, if any, by either state or federal governments based on subsequent audits will not be material in relation to the District's financial statements as of June 30, 2023.

Litigation

The District is subject to claims arising out of its normal operations. In the opinion of management, after review and consultation with counsel, any proceedings that may be assessed will not have a material adverse effect on the financial position of the District or results of its operations.

Risk Management

The District is exposed to various risks of losses related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. It is the policy of the District to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance.

15. JOINT VENTURES:

The District and other surrounding educational institutions created a joint venture, the Lycoming County Insurance Consortium Pooled Trust (Trust). The District self-insures through the Trust for certain healthcare benefits provided to current and former employees. The Trust has purchased an excess policy which covers employee health benefit claims in excess of \$375,000. Claims are recognized as an expense when paid (cash basis) which is not materially different from the accrual basis. For the year ended

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

June 30, 2023, the District made payments for healthcare benefit claims of approximately \$3,156,000 to the Trust. Audited financial statements of the Trust are available.

The District and other surrounding educational institutions created a jointly governed organization, the Lycoming Career and Technology Center (Center), to provide vocational and technical education for students of the participating school districts. The governing board of the Center is comprised of a director from each participating school district. For the year ended June 30, 2023, the District paid approximately \$197,000 to the Center. Audited financial statements of the Center are available.

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 16, 2024 which is the date the financial statements were available to be issued.

MONTOURSVILLE AREA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		Actual
	Original	Final	Budgetary Basis
REVENUES:			
Local sources	\$ 17,713,062	\$ 17,713,062	\$ 19,043,208
State sources	12,815,567	12,815,567	14,167,907
Federal sources	<u>1,892,001</u>	<u>1,892,001</u>	<u>1,810,240</u>
Total revenues	<u>32,420,630</u>	<u>32,420,630</u>	<u>35,021,355</u>
EXPENDITURES:			
Current:			
Instruction	18,796,343	18,796,343	20,056,434
Support services	9,020,111	9,020,111	10,506,563
Noninstructional services	687,905	687,905	691,154
Capital outlay			14,405
Refund of prior year revenues			62,924
Debt service (principal and interest)	<u> </u>	<u> </u>	<u>62,661</u>
Total expenditures	<u>28,504,359</u>	<u>28,504,359</u>	<u>31,394,141</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,916,271</u>	<u>3,916,271</u>	<u>3,627,214</u>
OTHER FINANCING SOURCES (USES):			
Interfund transfers out	(3,449,050)	(3,449,050)	(5,393,315)
Proceeds from sale of capital assets			14,550
Proceeds from insurance recoveries			20,000
Budgetary reserve	<u>(800,000)</u>	<u>(800,000)</u>	<u> </u>
Total other financing sources (uses)	<u>(4,249,050)</u>	<u>(4,249,050)</u>	<u>(5,358,765)</u>
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES	(332,779)	(332,779)	(1,731,551)
FUND BALANCE, BEGINNING	<u>3,988,119</u>	<u>3,988,119</u>	<u>5,629,596</u>
FUND BALANCE, ENDING	<u>\$ 3,655,340</u>	<u>\$ 3,655,340</u>	<u>\$ 3,898,045</u>

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY
DISTRICT PLAN
LAST 10 YEARS*

(Dollar amounts in thousands)

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
TOTAL OPEB LIABILITY:						
Service cost	\$ 103	\$ 104	\$ 87	\$ 88	\$ 194	\$ 192
Interest	41	33	61	54	104	79
Changes of benefit terms	(65)		(1)		(100)	
Differences between expected and actual experience	(36)		(411)		(431)	
Changes of assumptions	(281)	(47)	276	(46)	(1,080)	74
Benefit payments	<u>(85)</u>	<u>(62)</u>	<u>(83)</u>	<u>(81)</u>	<u>(145)</u>	<u>(199)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(323)	28	(71)	15	(1,458)	146
TOTAL OPEB LIABILITY, BEGINNING	<u>1,748</u>	<u>1,720</u>	<u>1,791</u>	<u>1,776</u>	<u>3,234</u>	<u>3,088</u>
TOTAL OPEB LIABILITY, ENDING	<u>1,425</u>	<u>\$ 1,748</u>	<u>\$ 1,720</u>	<u>\$ 1,791</u>	<u>\$ 1,776</u>	<u>\$ 3,234</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 12,201</u>	<u>\$ 9,365</u>	<u>\$ 9,365</u>	<u>\$ 9,063</u>	<u>\$ 9,063</u>	<u>\$ 10,822</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	11.68%	18.67%	18.37%	19.76%	19.60%	29.88%

Notes to Schedule:

* This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for those years only for which information is available.

The amounts presented for each fiscal year were determined as of the measurement date of the total OPEB liability, which is July 1 of the current fiscal year.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Discount rate used in the measurement of the total OPEB liability	4.06%	2.28%	1.86%	3.36%	2.98%	3.13%
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MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY
DISTRICT PLAN
LAST 10 YEARS*
(continued)

Changes of assumptions used in the measurement of the total OPEB liability beginning July 1, 2022:

The trend assumption was updated.

Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS experience study.

The administrators and teachers ineligible for subsidized coverage election was increased from 75% to 80%.

Changes of benefit terms used in the measurement of the total OPEB liability beginning July 1, 2022:

Administrators now only receive Act 110/43 coverage.

The assistant superintendent still receives the subsidized benefit.

Changes of assumptions used in the measurement of the total OPEB liability beginning July 1, 2020:

The marriage assumption at retirement decreased from 20% to 10%.

The percent of eligible teachers and administrators without subsidy electing coverage increased from 65% to 75%.

Changes of benefit terms used in the measurement of the total OPEB liability beginning July 1, 2020:

Superintendent benefit decreased eligibility to 7 years of service with district and includes a premium share if member retires with 7 or 8 years of district service.

Business manager must have 25 years of district service and will receive 7 years of paid single coverage not to exceed \$10,000 per year. Business manager will contribute the same percentage share of the premium cost as in the year preceding retirement.

Changes of benefit terms used in the measurement of the total OPEB liability beginning July 1, 2018:

Administrators are now eligible to receive 7 years of paid single rate coverage health insurance at the time of retirement, but not to exceed \$10,000 per year instead of the previous two options.

The Superintendent is now eligible for retirement through PSERS.

Change of assumptions used in measurement of the total OPEB liability beginning July 1, 2018:

The trend, election, and marriage assumptions were updated.

Changes of assumptions used in the measurement of the total OPEB liability beginning July 1, 2017:

The trend assumption was updated.

Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY
PREMIUM ASSISTANCE PROGRAM
LAST 10 YEARS*

(Dollar amounts in thousands)

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
District's proportion of the net OPEB liability (asset)	0.0839%	0.0849%	0.0862%	0.0838%	0.0840%	0.0937%
District's proportionate share of the net OPEB liability (asset)	\$ 1,544	\$ 2,012	\$ 1,863	\$ 1,782	\$ 1,751	\$ 1,909
District's covered-employee payroll	\$ 12,339	\$ 12,035	\$12,099	\$11,555	\$11,311	\$12,473
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	12.51%	16.72%	15.40%	15.42%	15.48%	15.31%
Plan fiduciary net position as a percentage of the total OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

Notes to Schedule:

* This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for those years only for which information is available.

The amounts presented for each fiscal year were determined as of the measurement date of the net OPEB liability, which is June 30 of the immediately preceding fiscal year.

Discount rate used in the measurement of the total OPEB liability	4.09%	2.18%	2.66%	2.79%	2.98%	3.13%
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Changes in assumptions used in the measurement of the total OPEB liability beginning June 30, 2021:

The inflation assumption decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.

Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.

Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OTHER POSTEMPLOYMENT BENEFITS PLAN CONTRIBUTIONS
PREMIUM ASSISTANCE PROGRAM
LAST 10 YEARS*

(Dollar amounts in thousands)

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Contractually required contribution	\$ 99	\$ 99	\$ 99	\$ 101	\$ 96	\$ 94	\$ 104
Contributions in relation to the contractually required contribution	<u>99</u>	<u>99</u>	<u>99</u>	<u>101</u>	<u>96</u>	<u>94</u>	<u>104</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$13,264	\$12,339	\$12,035	\$12,099	\$11,555	\$11,311	\$12,473
Contributions as a percentage of covered-employee payroll	0.75%	0.80%	0.82%	0.84%	0.83%	0.83%	0.83%

Note to Schedule:

* This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for those years only for which information is available.

The contractually required contribution rate is calculated as of the June 30 preceding the fiscal year in which contributions are made.

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 YEARS*
(Dollar amounts in thousands)

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability (asset)	0.0839%	0.0849%	0.0861%	0.0838%	0.0840%	0.0937%	0.0936%	0.0946%	0.0938%
District's proportionate share of the net pension liability (asset)	\$37,301	\$34,857	\$42,395	\$39,204	\$40,324	\$46,277	\$46,385	\$40,976	\$37,127
District's covered-employee payroll	\$12,339	\$12,035	\$12,099	\$11,555	\$11,311	\$12,473	\$12,127	\$12,172	\$11,974
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	302.30%	289.63%	350.40%	339.28%	356.50%	371.02%	382.49%	336.64%	310.06%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

Notes to Schedule:

* This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the District is presenting information for those years only for which information is available.

The amounts presented for each fiscal year were determined as of the measurement date of the net pension liability, which is June 30 of the immediately preceding fiscal year.

Pension plan employer proportion and employer proportionate share:

Pension plan proportionate share is calculated utilizing the District's one-year reported contributions as it relates to the total one-year reported contributions for all employers. Prior to the year ended June 30, 2020, the pension plan proportionate share was calculated utilizing the District's one-year reported covered payroll as it related to the total one-year reported covered payroll for all employers.

Discount rate used in the measurement of the total pension liability	7.00%	7.00%	7.25%	7.25%	7.25%	7.25%	7.25%	7.25%	7.50%
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Changes in benefit terms:

With the passage of Act 5 on June 12, 2017, class T-E and T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes in assumptions used in the measurement of the total pension liability beginning June 30, 2021:

The inflation assumption decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%. Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases. Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020. For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version MP-2020.

Changes in assumptions used in the measurement of the total pension liability beginning June 30, 2016:

The inflation assumption decreased from 3.00% to 2.75%. Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases. Mortality rates were modified from the PR-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the PR-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS
LAST 10 YEARS

(Dollar amounts in thousands)

	June 30, 2023	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
Contractually required contribution	\$ 4,577	\$ 4,213	\$ 4,053	\$ 4,022	\$ 3,784	\$ 3,594	\$ 3,648	\$ 3,031	\$ 2,428	\$ 1,916
Contributions in relation to the contractually required contribution	<u>4,577</u>	<u>4,213</u>	<u>4,053</u>	<u>4,022</u>	<u>3,784</u>	<u>3,594</u>	<u>3,648</u>	<u>3,031</u>	<u>2,428</u>	<u>1,916</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 13,264	\$ 12,339	\$ 12,035	\$ 12,099	\$ 11,555	\$ 11,311	\$ 12,473	\$ 12,127	\$ 12,172	\$ 11,974
Contributions as a percentage of covered-employee payroll	34.51%	34.14%	33.67%	33.45%	32.75%	31.77%	29.25%	24.99%	19.95%	16.00%

Note to Schedule:

The contractually required contribution rate is calculated as of the June 30 preceding the fiscal year in which contributions are made.

MONTGOMERY AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Grantor/Program Title	Source Code	Assistance Listing Number	Pass-through Grant Number	Grant Period Beginning/ Ending Date	Grant Amount	Total Received for the Year	Accrued (Unearned) Revenue July 1, 2022	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue June 30, 2023	Passed Through To Subrecipients
U.S. DEPARTMENT OF EDUCATION											
Passed through the Pennsylvania Department of Education:											
Title I Grants to Local Educational Agencies	I	84.010	13-220264	08/9/21-09/30/22	\$ 314,979	\$ 45,818	\$ 45,818				
Title I Grants to Local Educational Agencies	I	84.010	13-230264	08/02/22-09/30/23	314,671	66,855		\$ 314,671	\$ 314,671	\$ 247,816	
Total Title I						112,673	45,818	314,671	314,671	247,816	
Title II Supporting Effective Instruction State Grants	I	84.367	20-220264	08/9/21-09/30/22	55,466	413	413				
Title II Supporting Effective Instruction State Grants	I	84.367	20-230264	08/2/22-09/30/23	54,174	11,678		54,174	54,174	42,496	
Total Title II						12,091	413	54,174	54,174	42,496	
Title IV Student Support and Academic Enrichment	I	84.424	144-220264	08/9/21-09/30/22	21,556	14	14				
Title IV Student Support and Academic Enrichment	I	84.424	144-230264	08/2/22-09/30/23	24,715	5,045		24,715	24,715	19,670	
Total Title IV						5,059	14	24,715	24,715	19,670	
Passed through BLAST Intermediate Unit #17:											
IDEA Part B (611) ARP	I	84.027	H027X210093	07/01/21-09/30/23	76,309	734	734				
IDEA	I	84.027	H027X210093	07/01/21-09/30/22	339,476	69,476	69,476				
IDEA Extended School Year	I	84.027	H027X220093	07/01/22-09/30/23	653	653		653	653		
IDEA Part B (611)	I	84.027	H027X220093	07/01/22-09/30/23	351,308			351,308	351,308	351,308	
Total IDEA						70,863	70,210	351,961	351,961	351,308	
Special Education Preschool Grants	I	84.173	FA 131-210017	07/01/21-06/30/22	1,624	1,624	1,624				
Special Education Preschool Grants	I	84.173	FA 131-220017	07/01/22-06/30/23	4,598			4,598	4,598	4,598	
Total Special Education Preschool Grants						1,624	1,624	4,598	4,598	4,598	
Total Special Education Cluster (IDEA)						72,487	71,834	356,559	356,559	355,906	
Passed through the Pennsylvania Department of Education:											
COVID-19 Education Stabilization Fund (CARES Act ESSER Fund)	I	84.425D	200-200264	03/13/20-09/30/22	238,154		(3)			(3)	
COVID-19 Education Stabilization Fund (ARP Act ESSER III Fund)	I	84.425U	223-210264	03/13/20-09/30/24	2,140,962	2,024,182	435,274	1,365,745	1,365,745	(223,163)	
COVID-19 Education Stabilization Fund (ARP Act ARP 7% Fund)	I	84.425U	225-210264	03/13/20-09/30/24	118,858	97,247	61,231	26,152	26,152	(9,864)	
COVID-19 Education Stabilization Fund (ARP Act ARP 7% Fund)	I	84.425U	225-210264	03/13/20-09/30/24	23,772	19,450	19,450				
COVID-19 Education Stabilization Fund (ARP Act ARP 7% Fund)	I	84.425U	225-210264	03/13/20-09/30/24	23,772	19,450	5,763	13,687	13,687		
Total ARP Act, ESSER ARP						2,160,329	521,718	1,405,584	1,405,584	(233,027)	
COVID-19 Education Stabilization Fund (ARP Act Homeless Children and Youth)	I	84.425W	181-212570	7/1/21-9/30/24	6,490	6,490		6,490	6,490		
Total COVID-19 Education Stabilization Fund						2,166,819	521,715	1,412,074	1,412,074	(233,030)	
TOTAL U.S. DEPARTMENT OF EDUCATION						2,369,129	639,794	2,162,193	2,162,193	432,858	
FEDERAL EMERGENCY MANAGEMENT AGENCY											
Passed through the Pennsylvania Emergency Management Agency:											
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	I	97.036	100069822	07/01/20-06/30/21	33,754	1,076	1,076				
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	I	97.036	100069822	07/01/21-06/30/22	33,754	2,300	2,300				
Total COVID-19 Disaster Grants-Public Assistance						3,376	3,376				
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY						3,376	3,376				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES											
Passed through the Pennsylvania Department of Human Services:											
Medical Assistance Program	I	93.778	000119366	07/01/22-06/30/23	N/A	4,605		4,605	4,605		
Total Medicaid Cluster						4,605		4,605	4,605		
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						4,605		4,605	4,605		
U.S. DEPARTMENT OF AGRICULTURE											
Passed through the Pennsylvania Department of Education:											
COVID-19 P-EBT Administrative Costs Grants	I	10.649	N/A	07/01/22-06/30/23	628	628		628	628		
COVID-19 National School Lunch Program (Supply Chain Assistance)	I	10.555	N/A	07/01/21-06/30/22	39,015		(24,550)	24,550	24,550		
COVID-19 National School Lunch Program (Supply Chain Assistance)	I	10.555	N/A	07/01/22-06/30/23	54,739	54,739		52,466	52,466	(2,273)	
National School Lunch Program	I	10.555	N/A	07/01/21-06/30/22	154,591	154,591	154,591				
COVID-19 National School Lunch Program (SNP Emergency Op Costs)	I	10.555	N/A	07/01/22-06/30/23	456,655	391,090		456,655	456,655	65,565	
Passed through the Pennsylvania Department of Agriculture:											
National School Lunch Program	I	10.555	N/A	07/01/22-06/30/23	N/A (a)	81,756 (b)	(5,369)	85,718 (c)	85,718 (d)	(1,407)	
Total National School Lunch Program						682,176	124,672	619,389	619,389	61,885	

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Grantor/Program Title	Source Code	Assistance Listing Number	Pass-through Grant Number	Grant Period Beginning/ Ending Date	Grant Amount	Total Received for the Year	Accrued (Unearned) Revenue July 1, 2022	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue June 30, 2023	Passed Through To Subrecipients
Passed through the Pennsylvania Department of Education:											
School Breakfast Program	I	10.553	N/A	07/01/21-06/30/22	31,753	\$ 31,753	\$ 31,753				
School Breakfast Program	I	10.553	N/A	07/01/22-06/30/23	94,923	<u>79,657</u>		\$ 94,923	\$ 94,923	\$ 15,266	
Total School Breakfast Program						<u>111,410</u>	<u>31,753</u>	<u>94,923</u>	<u>94,923</u>	<u>15,266</u>	
Total Child Nutrition Cluster						<u>793,586</u>	<u>156,425</u>	<u>714,312</u>	<u>714,312</u>	<u>77,151</u>	
TOTAL U.S. DEPARTMENT OF AGRICULTURE						<u>794,214</u>	<u>156,425</u>	<u>714,940</u>	<u>714,940</u>	<u>77,151</u>	
TOTAL FEDERAL AWARDS						<u>\$ 3,171,324</u>	<u>\$ 799,595</u>	<u>\$ 2,881,738</u>	<u>\$ 2,881,738</u>	<u>\$ 510,009</u>	<u>\$</u>

SOURCE CODES:
N/A - Not applicable
D - Direct Funding
I - Indirect Funding

FOOTNOTES:
(a) Total amount of commodities received.
(b) Beginning inventory at July 1, 2022.
(c) Total amount of commodities used.
(d) Ending inventory at June 30, 2023.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

1. BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Montoursville Area School District (District) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the District. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST ALLOCATION:

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



Larson, Kellett & Associates, P.C.

Certified Public Accountants and Consultants

**INDEPENDENT AUDITORS' 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 School Directors
Montoursville Area School District
Montoursville, 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, and each major fund, of Montoursville Area School District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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.

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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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*.

District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Larson, Kellitt & Associates, P.C.

Montoursville, Pennsylvania
February 16, 2024



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

Board of School Directors
Montoursville Area School District
Montoursville, Pennsylvania:

Report on Compliance for Each Major Federal Program

Opinion on Major Federal Program

We have audited Montoursville Area School District's (District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' 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 the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore it 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 judgement made by a reasonable user of the report on compliance about the 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 the 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 the 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 the 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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003 to be material weaknesses.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Larson, Kellitt & Associates, P.C.

Montoursville, Pennsylvania
February 16, 2024

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether
the financial statements audited were prepared
in accordance with GAAP:

Unmodified opinion.

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified
that are not considered to be material
weaknesses? ☒ yes ☐ none reported

Noncompliance material to financial statements
noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified
that are not considered to be material
weakness(es)? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: Unmodified opinion.

Any audit findings disclosed that are
required to be reported under 2 CFR
section 200.516 (a)?

☒ yes ☐ no

Identification of major programs:

Assistance Listing Number

Name of Federal Program

84.425U
84.425W

COVID-19 Education Stabilization Fund
COVID-19 Education Stabilization Fund

Dollar threshold used to distinguish
between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED AUDITING STANDARDS AND GOVERNMENT AUDITING STANDARDS

2023-001. FIDUCIARY FUNDS CASH RECEIPTS

Criteria: In accordance with School Board Policy No. 618, all funds collected by student organizations shall be deposited in a student activities fund in a bank account designated by the Board. No school sponsored student organization is permitted to establish an account separate from the student activities fund.

Condition: During 2023, a school sponsored student organization bank account was opened without the authorization of the School Board.

Cause: The District does not monitor student organization activities to identify unusual changes which may indicate funds are not being properly administered in accordance with Board policy.

Effect: Unauthorized accounts may be opened and not be detected by management.

Questioned Costs: Not applicable.

Perspective Information: Not applicable.

Identification of Repeat Findings: Not applicable.

Recommendation: The District should implement procedures to monitor student organization activities for compliance with Board policy.

Views of Responsible Officials: Management agrees with the finding.

Planned Corrective Action: See District's corrective action plan.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

U.S. DEPARTMENT OF EDUCATION

2023-002. COVID-19 Education Stabilization Fund - Assistance Listing 84.425U and 84.425W passed through the Pennsylvania Department of Education; Grant Period - Year Ended June 30, 2023.

Criteria: The OMB compliance supplement 2 CFR Part 200, Appendix XI, Part Six: *Internal Control*, requires that as a condition of receiving federal awards nonfederal entities agree to maintain internal control to provide reasonable assurance of compliance with the requirements.

Condition: Expenditure reports submitted to the Pennsylvania Department of Education website did not have documentation of review and approval by a knowledgeable individual independent of the preparation and input of the reports.

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Cause: The previous Superintendent entered expenditure information into the Pennsylvania Department of Education website, but no one independent of the report preparation and input process reviewed the expenditure report or input for completeness and accuracy.

Effect: Intentional or unintentional errors could occur and not be detected or corrected.

Questioned Costs: None.

Perspective Information: Not applicable.

Identification of Repeat Findings: See prior year finding 2022-006.

Recommendation: A knowledgeable individual, independent of the report preparation and input process, should review the expenditure report and input for completeness and accuracy and the review should be documented.

Views of Responsible Officials: Management agrees with the finding.

Planned Corrective Action: See District's corrective action plan.

2023-003. COVID-19 Education Stabilization Fund - Assistance Listing 84.425U and 84.425W passed through the Pennsylvania Department of Education; Grant Period - Year Ended June 30, 2023.

Criteria: The OMB compliance supplement 2 CFR Part 200, Appendix XI, Part Six: *Internal Control*, requires that as a condition of receiving federal awards nonfederal entities agree to maintain internal control to provide reasonable assurance of compliance with the requirements.

Condition: The annual LEA ESSER funding status report submitted by the previous Superintendent to the Pennsylvania Department of Education website included inaccurate information and certain expenditure and funding status reports were not submitted timely.

Cause: The review of the annual LEA ESSER funding status report did not identify and correct the inaccurate information prior to submission. The previous Superintendent did not file reports timely.

Effect: Intentional or unintentional errors could occur and not be detected or corrected. Failure to submit reports timely may result in suspension of award payments.

Questioned Costs: Not applicable.

Perspective Information: Not applicable.

Identification of Repeat Findings: Not applicable.

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Recommendation: Management's review of the annual LEA ESSER funding status report should include reconciliation of the information reported to the District's Schedule of Expenditures of Federal Awards to ensure accuracy. Reports should be submitted timely.

Views of Responsible Officials: Management agrees with the finding.

Planned Corrective Action: See District's corrective action plan.