

**Larson, Kellett & Associates, P.C.***Certified Public Accountants and Consultants*

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Montoursville Area School District (District) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 7, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Single Employer Defined Benefit Other Postemployment Benefit Plan (OPEB) - The total OPEB liability, related deferred inflows and outflows of resources and OPEB expense is based on management's estimate of future benefits. Management consults with a third-party to determine the liability based on projected costs. We reviewed the third-party information, as well as the estimates and assumptions utilized in the calculations. We conclude that management's approach is reasonable.

Multiple Employer Cost-Sharing Defined Benefit OPEB Plan - The net OPEB liability, related deferred inflows and outflows of resources and OPEB expense is based on management's estimate prepared from information received from Public School Employees' Retirement System (PSERS). We reviewed PSERS's OPEB information, as well as the estimates and assumptions utilized in the calculations. We conclude that management's approach is reasonable.

Net Pension Liability - The net pension liability, related deferred inflows and outflows of resources and pension expense are based on management's estimate prepared from information received from PSERS. We reviewed PSERS's pension information, as well as the estimates and assumptions utilized in the calculations. We conclude that management's approach is reasonable.

Fair Value of Investments - Investments are recorded at fair value based on quoted market prices received from a third-party. We reviewed the third-party information including key factors and assumptions used in the estimates and determined they are reasonable in relation to the financial statements as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

General Fund

Adjustment of \$310,455 to reclassify prepaid expenses as capital expenditures.

Adjustment of \$231,012 to restate beginning fund balance and prepaid expenses.

Adjustment of \$238,697 to derecognize accrued salaries and benefits and expenditures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 7, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Emphasis-of-Matter - Correction of Error

As described in Note 2 to the financial statements, net position of governmental activities and fund balance of the General Fund as of July 1, 2021 have been restated to correct an error in previously reported prepaid expenses. The correction resulted in an increase in prepaid expenses and increase in fund balance of \$231,012 as of July 1, 2021.

Other Matters

Required Supplementary Information

We applied certain limited procedures to Management's Discussion and Analysis, Budgetary Comparison Schedule - General Fund, Schedule of Changes in the District's Total Other Postemployment Benefits Liability - District Plan, Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits Liability - Premium Assistance Program, Schedule of the District's Other Postemployment Benefits Plan Contributions - Premium Assistance Program, Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of the District's Pension Plan Contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Supplementary Information

We were engaged to report on the Schedule of Expenditures of Federal Awards, which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of School Directors and management of Montoursville Area School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Larson, Kellitt & Associates, P.C.

Montoursville, Pennsylvania
February 7, 2023

MONTOURSVILLE AREA SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
FOR THE YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
 BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	9
Statement of Revenues, Expenditures and Changes in Fund Balances	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	11
Proprietary Fund:	
Statement of Net Position	12
Statement of Revenues, Expenses and Changes in Net Position	13
Statement of Cash Flows	14
Fiduciary Funds:	
Statement of Fiduciary Net Position	15
Statement of Revenues, Expenses and Changes in Fiduciary Net Position	16
Notes to the Basic Financial Statements	17-45
 REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule - General Fund	46
Schedule of Changes in the District's Total Other Postemployment Benefits Liability - District Plan	47-48
Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits Liability - Premium Assistance Program	49
Schedule of the District's Other Postemployment Benefits Plan Contributions - Premium Assistance Program	50
Schedule of the District's Proportionate Share of the Net Pension Liability	51
Schedule of the District's Pension Plan Contributions	52
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	 53-54
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	 55
 SINGLE AUDIT REPORTS:	
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 <i>Government Auditing Standards</i>	56-57
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	58-60
Schedule of Findings and Questioned Costs	61-68



Larson, Kellett & Associates, P.C.

Certified Public Accountants and Consultants

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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.

Correction of Error

As described in Note 2 to the financial statements, net position and fund balance as of July 1, 2021 has been restated to correct an error in previously reported prepaid expenses. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, 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 46, Schedule of Changes in the District's Total Other Postemployment Benefits Liability - District Plan on page 47, Schedule of the District's Proportionate Share of the Net Other Postemployment Benefits Liability - Premium Assistance Program on page 49, Schedule of the District's Other Postemployment Benefits Plan Contributions - Premium Assistance Program on page 50, Schedule of the District's Proportionate Share of the Net Pension Liability on page 51, and Schedule of the District's Pension Plan Contributions on page 52 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 7, 2023, 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, Kellitt & Associates, P.C.

Montoursville, Pennsylvania
February 7, 2023

**MONTOURSVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022 and 2021. 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 \$5,308,000 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 \$10 million or 28.3% of total revenues, and general revenues (revenues that are not matched to specific program expenses) accounted for approximately \$25.2 million or 71.7% of total revenues.

The general fund reported a fund balance of approximately \$5.6 million or 17.2% of the 2021-2022 \$32.6 million operating budget. This represents an increase of approximately \$390,000 from the prior year fund balance.

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

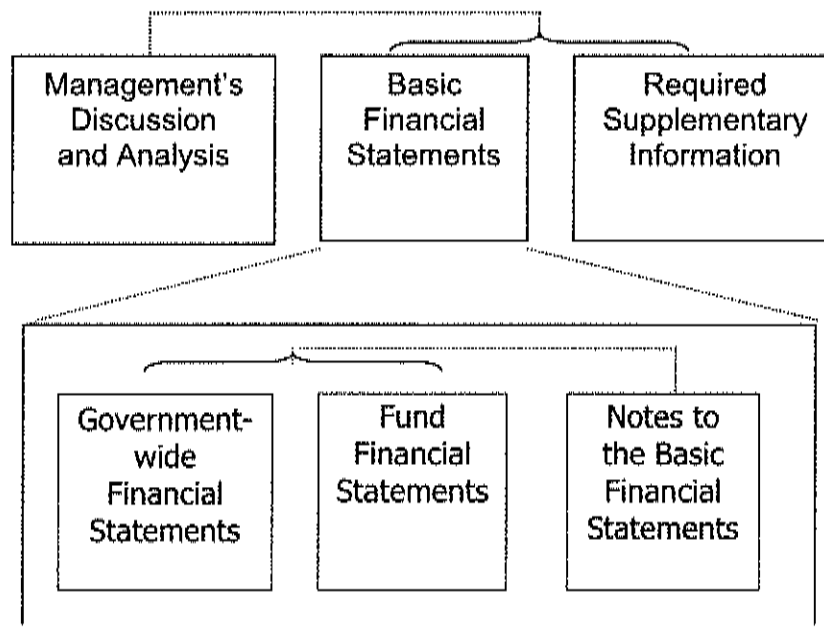


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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 (80.7%) 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 2021 to 2022 follows:

<p style="text-align: center;">Table A-1 Comparative Analysis June 30, 2021 – June 30, 2022 Government Wide Financial Analysis - Net Position</p>						
	Governmental Activities		Business-Type Activities		Totals	
	(Not Restated)					
(Amounts expressed in thousands)	2021	2022	2021	2022	2021	2022
Current Assets	\$ 12,500	\$ 13,906	\$ 359	\$ 793	\$ 12,859	\$ 14,699
Capital Assets	\$ 62,991	\$ 61,413	\$ 180	\$ 184	\$ 63,171	\$ 61,597
Prepaid Bond Insurance	\$ 71	\$ 66			\$ 71	\$ 66
Total Assets	\$ 75,562	\$ 75,385	\$ 539	\$ 977	\$ 76,101	\$ 76,362
Deferred Outflows of Resources	\$ 7,665	\$ 7,285	\$ 81	\$ 77	\$ 7,746	\$ 7,362
Current Liabilities	\$ 4,988	\$ 4,278	\$ 42	\$ 88	\$ 5,030	\$ 4,366
Noncurrent Liabilities	\$ 84,215	\$ 75,261	\$ 452	\$ 376	\$ 84,667	\$ 75,637
Total Liabilities	\$ 89,203	\$ 79,539	\$ 494	\$ 464	\$ 89,697	\$ 80,003
Deferred Inflows of Resources	\$ 3,810	\$ 7,893	\$ 293	\$ 241	\$ 4,103	\$ 8,134
Net Position:						
Invested in Capital						
Assets, Net of Debt	\$ 24,442	\$ 25,423	\$ 180	\$ 186	\$ 24,622	\$ 25,609
Restricted for Capital Projects	\$ 3,258	\$ 3,980	\$ -	\$ -	\$ 3,258	\$ 3,980
Restricted for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 0	\$ 0
Unrestricted	(\$ 37,486)	(\$ 34,165)	(\$ 347)	\$ 163	(\$ 37,833)	(\$ 34,002)
Total Net Position	(\$ 9,786)	(\$ 4,762)	(\$ 167)	\$ 349	(\$ 9,953)	(\$ 4,413)

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, increased by approximately \$986,000 (net), as a result of equipment purchases and facility improvements during the fiscal year.

The District's total net position related to governmental activities increased by approximately \$4,800,000. Additionally, the District's total unrestricted net assets related to governmental and business-type activities reflect a deficit balance of approximately \$34 million.

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

<p style="text-align: center;">Table A-2 Fiscal Year End Comparison June 30, 2021 – June 30, 2022 Changes in Net Position</p>						
	Governmental Activities		Business-Type Activities		Total	
	(Not Restated)					
(Amounts expressed in thousands)	2021	2022	2021	2022	2021	2022
Revenues						
Program Revenues						
Charges for Services	\$ 159	\$ 171	\$ 107	\$ 184	\$ 266	\$ 355
Operating Grants	\$ 7,163	\$ 8,171	\$ 773	\$ 1,426	\$ 7,936	\$ 9,597
Total Program Revenues	\$ 7,322	\$ 8,342	\$ 880	\$ 1,610	\$ 8,202	\$ 9,952
General Revenues						
Property Taxes	\$12,834	\$12,899	\$ -	\$ -	\$12,834	\$12,899
Other Taxes	\$ 4,416	\$ 4,343	\$ -	\$ -	\$ 4,416	\$ 4,343
Grants and Entitlements	\$ 7,689	\$ 7,926	\$ -	\$ -	\$ 7,689	\$ 7,926
Other	\$ 13	\$ 35	\$ 1	\$ 2	\$ 14	\$ 37
Total General Revenues	\$24,952	\$25,203	\$ 1	\$ 2	\$24,953	\$ 25,205
Total Revenues	\$ 32,274	\$ 33,545	\$ 881	\$ 1,612	\$ 33,155	\$ 35,157
Expenses						
Program Expenses						
Instruction	\$19,340	\$18,187	\$ -	\$ -	\$ 19,340	\$ 18,187
Support Services:						
Instructional Student Support	\$ 2,634	\$ 2,485	\$ -	\$ -	\$ 2,634	\$ 2,485
Administration	\$ 2,222	\$ 2,008	\$ -	\$ -	\$ 2,222	\$ 2,008
Maintenance	\$ 3,150	\$ 3,074	\$ -	\$ -	\$ 3,150	\$ 3,074
Pupil Transportation	\$ 1,133	\$ 1,253	\$ -	\$ -	\$ 1,133	\$ 1,253
Community Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Activities	\$ 640	\$ 712	\$ -	\$ -	\$ 640	\$ 712
Interest and Fiscal Charges	\$ 1,098	\$ 1,033	\$ -	\$ -	\$ 1,098	\$ 1,033
Other Support Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Food Service	\$ -	\$ -	\$ 812	\$ 1,096	\$ 812	\$ 1,096
Depreciation, unallocated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$30,217	\$28,752	\$ 812	\$ 1,096	\$ 31,029	\$ 29,848

Table A-2
Fiscal Year End Comparison June 30, 2021 – June 30, 2022
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Excess before transfers	\$ 2,057	\$ 4,793	\$ 69	\$ 516	\$ 2,126	\$ 5,309
Interfund Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss on Disposal of Capital Assets	\$ 0	\$ 0	\$ -	\$ -	\$ 0	\$ 0
Change in Net Position	\$ 2,057	\$ 4,793	\$ 69	\$ 516	\$ 2,126	\$ 5,309

FUND FINANCIAL STATEMENT ANALYSIS

At June 30, 2022, a combined fund balance of \$9,609,366 is reported on the District's governmental funds statement; overall, this is an increase of \$1,112,693 from the prior fiscal year.

Table A-3
Fiscal Year End Comparison June 30, 2021 – June 30, 2022
Changes in Governmental Funds Balances

	Fund Balance (Not Restated) 2021	Fund Balance 2022	Increase (Decrease)
General Fund	\$ 5,008,119	\$ 5,629,596	\$ 621,477
Capital Projects Fund			
Reserved for Future Capital Improvements	\$ 3,257,542	\$ 3,979,770	\$ 722,228
Debt Service Fund	\$ 0	\$ 0	\$ 0
Total Fund Balance	\$ 8,265,661	\$ 9,609,366	\$ 1,343,705

General Fund –

Compared to the prior fiscal year, the District's revenues and expenditures increased. This resulted in an increase of the year end fund balance.

The increase of total revenue primarily resulted from increases in (federal revenue) ESSER funds. Additional transfers were made from general fund to capital projects to increase the capital reserve.

Table A-4
Fiscal Year End Comparison June 30, 2021 – June 30, 2022
General Fund Revenues and Expenditures

	(Not Restated) 2021 Amount	2022 Amount	Dollar Change	Percent Change
<i>Revenues</i>				
Local	\$ 18,264,227	\$ 17,995,333	(\$ 268,894)	(1.47%)
State	\$ 13,443,892	\$ 13,452,872	\$ 8,980	.07%
Federal	\$ 635,819	\$ 2,145,900	\$ 1,510,081	237.50%
Total	\$ 32,343,938	\$ 33,594,105	\$ 1,250,167	3.87%
<i>Expenditures</i>				
Instruction	\$ 18,646,989	\$ 19,097,108	\$ 450,119	2.41%
Support Services	\$ 8,797,502	\$ 9,053,257	\$ 255,755	3.02%
Noninstructional Services	\$ 513,136	\$ 607,825	\$ 94,689	18.45%
Refund of Prior Year Rev.	\$ 0	\$ 1,125	\$ 1,125	100.00%
Net Other Financing Uses	\$ 3,356,909	\$ 4,444,325	\$ 1,087,416	32.39%
Total	\$ 31,314,536	\$ 33,203,640	\$ 1,889,104	6.03%
Excess Revenues (Expenditures)	\$ 1,029,402	\$ 390,465	(\$ 638,937)	(62.07)%

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, and to make debt service payments related to those acquisitions in accordance with Section 1431 of the Commonwealth of Pennsylvania Municipal Code (Code).

The District maintains one capital projects fund as noted below:

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 Code. The fund balance for this sub-category is represented on Table A-3, noted as "Reserved for Future Capital Improvements." During 2022 and 2021, the District early redeemed General Obligation Note, Series of 2015 and General Obligation Bonds, Series of 2014 using reserves from this fund in accordance with Section 1431 of the Code. The purpose of the early redemption is to reduce future interest costs of long-term debt. The Series of 2015 Note was originally used to fund various capital projects of the District. The Series of 2014 bonds were originally used to advance refund the Series of 2009 bonds, which were used to fund various capital projects of the District. The District will budget future transfers from the General Fund to increase the reserve.

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 2015 Note, Series of 2016 General Obligation Bonds, Series of 2019 General Obligation Bonds, and Series of 2020 General Obligation Bonds through the Debt Service Fund.

Proprietary Fund —

At June 30, 2022, the District's sole business-type activity, the proprietary fund, reported total net position of \$348,422. 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 and 2021, regardless of financial need, due to expanded federal programs. The federal meal reimbursement rate and number of meals served increased significantly during 2022. Salaries and employee benefits decreased significantly due to changes in apportionment of noncurrent liabilities between governmental activities and business-type activities. 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, 2021 – June 30, 2022
Proprietary Fund Revenues and Expenditures

	2021 Amount	2022 Amount	Dollar Change	Percent Change
<i>Revenues</i>				
Food Service Revenue	\$ 103,219	\$ 181,169	\$ 77,950	75.52%
Other Operating Revenues	\$ 4,086	\$ 3,229	(\$ 857)	(20.97%)
State Subsidies	\$ 51,402	\$ 63,726	\$ 12,324	23.98%
Federal Subsidies	\$ 721,923	\$ 1,361,841	\$ 639,918	88.64%
Other Nonoperating Revenues	\$ 647	\$ 1,653	\$ 1,006	155.49%
Total	\$ 881,277	\$ 1,611,618	\$ 730,341	82.87%
<i>Expenditures</i>				
Salaries & Employee Benefits	\$ 150,252	\$ 79,588	(\$ 70,664)	(47.03%)
Purchased Property Services	\$ 17,249	\$ 14,424	(\$ 2,825)	(16.38%)
Management Purchased Service	\$ 515,164	\$ 865,520	\$ 350,356	68.01%
Supplies	\$ 81,259	\$ 89,576	\$ 8,317	10.24%
Depreciation	\$ 42,276	\$ 43,000	\$ 724	1.71%
Other Operating Expenses	\$ 5,972	\$ 4,175	(\$ 1,797)	(30.09)%
Total	\$ 812,172	\$ 1,096,283	\$ 284,111	34.98%
Interfund transfers In	\$ 0	\$ 0	\$ 0	0.00%
Change in Net Position	\$ 69,105	\$ 515,335	\$ 446,230	645.73%

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 46.

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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022 District had \$61,597,060 net of depreciation invested in a broad range of capital assets, including land, buildings, furniture, and equipment. Accumulated depreciation for both Governmental and Business-Type activities totaled \$39,574,948 at year end. Significant additions and disposals included computer equipment for classrooms.

Table A-6 Fiscal Year End Comparison June 30, 2021 – June 30, 2022 Capital Assets – Net of Depreciation						
	Governmental Activities		Business-Type Activities		Increase (Decrease) By Activity Type	
(Amounts expressed in Thousands)	2021	2022	2021	2022	Govern.	Business
Land and Improvements	\$ 1,152	\$ 1,096	\$ -	\$ -	(\$ 56)	\$ -
Buildings and Building Improvements	\$ 59,628	\$ 57,995	\$ -	\$ -	(\$ 1,633)	\$ -
Furniture and Equipment	\$ 2,210	\$ 2,321	\$ 180	\$ 184	\$ 111	\$ 4
Construction in Progress	\$ 0	\$ 0	\$ -	\$ -	\$ -	\$ -
Total	\$ 62,990	\$ 61,412	\$ 180	\$ 184	(\$ 1,578)	\$ 4

Debt Administration

During the year, the District made payments against principal of \$2,535,000 resulting in outstanding debt as of June 30, 2022 of \$35,575,000; this is displayed in Table A-7.

Table A-7 Outstanding Debt Comparison June 30, 2021 – June 30, 2022			
	2021	2022	Increase (Decrease)
Note, Series of 2015	\$ 2,520,000	\$ 0	(\$ 2,520,000)
Bonds, Series of 2016	\$ 15,730,000	\$ 15,725,000	(\$ 5,000)
Bonds, Series of 2019	\$ 9,975,000	\$ 9,970,000	(\$ 5,000)
Bonds, Series of 2020	\$ 9,885,000	\$ 9,880,000	(\$ 5,000)
Total Debt Outstanding	\$ 38,110,000	\$ 35,575,000	(\$ 2,535,000)

Other obligations include 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.

**MONTOURSVILLE AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

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 employer contribution rate is projected to increase approximately 4% per year until 2016-2017, then reduce to an annual increase of approximately 0.5% to 2.5% per year until 2021-2022.

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, 2022 the fund balance totaled \$359,550. The District does not plan to use any of the committed fund balance during the 2022-2023 fiscal year to mitigate the increase in the PSERS employer contribution rate. The District contributed at a rate of 34.94% of payroll to PSERS for the 2021-2022 school year and to contribute a rate of 35.26% of payroll for the 2022-2023 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, 570-368-3500.

MONTOURSVILLE AREA SCHOOL DISTRICT
GOVERNMENT-WIDE
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 9,296,731	\$ 565,397	\$ 9,862,128
Investments	1,736,248		1,736,248
Taxes receivable, net	949,524		949,524
Due from other governments	1,880,466	192,229	2,072,695
Internal balances	(26,591)	26,591	
Other receivables	23,371	2,895	26,266
Inventories		5,370	5,370
Prepaid expenses	46,769		46,769
Total current assets	13,906,518	792,482	14,699,000
NONCURRENT ASSETS:			
Capital assets, net	61,412,567	184,493	61,597,060
Prepaid bond insurance	66,101		66,101
Total noncurrent assets	61,478,668	184,493	61,663,161
TOTAL ASSETS	\$ 75,385,186	\$ 976,975	\$ 76,362,161
DEFERRED OUTFLOWS OF RESOURCES:			
Other postemployment benefits - district plan	\$ 342,743	\$ 9,004	\$ 351,747
Other postemployment benefits - premium assistance program	376,918	3,720	380,638
Pensions	6,565,013	64,943	6,629,956
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 7,284,674	\$ 77,667	\$ 7,362,341
LIABILITIES:			
CURRENT LIABILITIES:			
Due to other governments	\$ 293,315		\$ 293,315
Accounts payable	294,709	\$ 33,461	328,170
Accrued salaries and benefits	3,242,503	1,784	3,244,287
Accrued interest payable	81,198		81,198
Current portion of noncurrent liabilities	355,000		355,000
Unearned revenue	3	53,031	53,034
Other current liabilities	11,013	179	11,192
Total current liabilities	4,277,741	86,455	4,366,196
NONCURRENT LIABILITIES:			
Bonds payable, net	35,552,449		35,552,449
Accumulated compensated absences, net	1,467,895		1,467,895
Total other postemployment benefit liability - district plan	1,740,319	7,827	1,748,146
Net other postemployment benefit liability - premium assistance program	1,992,005	20,120	2,012,125
Net pension liability	34,508,430	348,572	34,857,002
Total noncurrent liabilities	75,261,098	376,519	75,637,617
TOTAL LIABILITIES	\$ 79,538,839	\$ 464,974	\$ 80,003,813
DEFERRED INFLOWS OF RESOURCES:			
Other postemployment benefits - district plan	\$ 1,343,814	\$ 31,077	\$ 1,374,891
Other postemployment benefits - premium assistance program	139,972	9,785	149,757
Pensions	6,409,020	200,384	6,609,404
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 7,892,806	\$ 241,246	\$ 8,134,052
NET POSITION:			
Net investment in capital assets	\$ 25,423,920	\$ 184,493	\$ 25,608,413
Restricted for capital projects	3,979,770		3,979,770
Unrestricted (deficit)	(34,165,475)	163,929	(34,001,546)
TOTAL NET POSITION	\$ (4,761,785)	\$ 348,422	\$ (4,413,363)

See Notes to the Basic Financial Statements

MONTOURSVILLE AREA SCHOOL DISTRICT
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 18,186,715	\$ 75,797	\$ 4,778,217		\$ (13,332,701)		\$ (13,332,701)
Instructional student support services	2,484,897		1,753,214		(731,683)		(731,683)
Administrative and financial support services	2,008,463		264,280		(1,744,183)		(1,744,183)
Operation and maintenance of plant services	3,073,803	15,447	260,260		(2,798,096)		(2,798,096)
Pupil transportation	1,253,423		517,081		(736,342)		(736,342)
Student activities	711,768	79,569	38,055		(594,144)		(594,144)
Interest and amortization on long-term debt	1,032,603		560,086		(472,517)		(472,517)
Total governmental activities	28,751,672	170,813	8,171,193		(20,409,666)		(20,409,666)
BUSINESS-TYPE ACTIVITIES,							
Food service	1,096,283	184,398	1,425,567			\$ 513,682	513,682
TOTAL	\$ 29,847,955	\$ 355,211	\$ 9,596,760	\$	(20,409,666)	513,682	(19,895,984)
GENERAL REVENUES:							
Property taxes, levied for general purposes					12,899,345		12,899,345
Local earned income taxes levied					4,074,691		4,074,691
Other taxes levied, net					268,567		268,567
Grants and entitlements not restricted to specific programs					7,925,794		7,925,794
Investment income					15,181	1,653	16,834
Miscellaneous income					19,628		19,628
Total general revenues					25,203,206	1,653	25,204,859
CHANGE IN NET POSITION							
					4,793,540	515,335	5,308,875
NET POSITION, BEGINNING (As restated, See Note 2)							
					(9,555,325)	(166,913)	(9,722,238)
NET POSITION, ENDING							
					\$ (4,761,785)	\$ 348,422	\$ (4,413,363)

See Notes to the Basic Financial Statements

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

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 5,905,216	\$ 3,391,515		\$ 9,296,731
Investments	992,000	744,248		1,736,248
Taxes receivable, net	949,524			949,524
Due from other funds	156,072			156,072
Due from other governments	1,880,466			1,880,466
Other receivables	23,371			23,371
Prepaid expenses	<u>46,769</u>	<u> </u>	<u> </u>	<u>46,769</u>
TOTAL ASSETS	<u>\$ 9,953,418</u>	<u>\$ 4,135,763</u>	<u>\$</u>	<u>\$ 14,089,181</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
LIABILITIES:				
Due to other funds	\$ 26,670	\$ 155,993		\$ 182,663
Due to other governments	293,315			293,315
Accounts payable	294,709			294,709
Accrued salaries and benefits	3,242,503			3,242,503
Unearned revenue	3			3
Other liabilities	<u>11,013</u>	<u> </u>	<u> </u>	<u>11,013</u>
Total liabilities	<u>3,868,213</u>	<u>155,993</u>	<u> </u>	<u>4,024,206</u>
DEFERRED INFLOWS OF RESOURCES,				
Unavailable revenue - delinquent property taxes	<u>455,609</u>	<u> </u>	<u> </u>	<u>455,609</u>
FUND BALANCES:				
Nonspendable, for prepaid expenses	46,769			46,769
Restricted, by law or regulation		3,979,770		3,979,770
Committed, for retirement	359,550			359,550
Unassigned	<u>5,223,277</u>	<u> </u>	<u> </u>	<u>5,223,277</u>
Total fund balances	<u>5,629,596</u>	<u>3,979,770</u>	<u> </u>	<u>9,609,366</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 9,953,418</u>	<u>\$ 4,135,763</u>	<u>\$</u>	<u>\$ 14,089,181</u>

See Notes to the Basic Financial Statements

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

TOTAL GOVERNMENTAL FUND BALANCES \$ 9,609,366

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	2,616,192
Buildings and building improvements	88,942,590
Furniture and equipment	8,429,320
Accumulated depreciation	(38,575,535)

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.

66,101

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	(81,198)
Bonds and notes payable in future years	(35,907,449)
Accumulated compensated absences	(1,467,895)
Net other postemployment benefit liability	(3,732,324)
Net pension liability	(34,508,430)

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	(764,125)
Pensions	155,993

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.

455,609

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (4,761,785)

MONTOURSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local sources	\$ 17,995,333	\$ 4,212		\$ 17,999,545
State sources	13,452,872			13,452,872
Federal sources	2,145,900			2,145,900
Total revenues	33,594,105	4,212		33,598,317
EXPENDITURES:				
Current:				
Instruction	19,097,108			19,097,108
Support services	9,053,257			9,053,257
Noninstructional services	607,825			607,825
Capital outlay		155,993		155,993
Refund of prior year revenues	1,125			1,125
Debt service (principal and interest)		1,380,000	\$ 2,207,366	3,587,366
Total expenditures	28,759,315	1,535,993	2,207,366	32,502,674
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,834,790	(1,531,781)	(2,207,366)	1,095,643
OTHER FINANCING SOURCES (USES):				
Interfund transfers in		2,254,009	2,207,366	4,461,375
Interfund transfers out	(4,461,375)			(4,461,375)
Proceeds from sale of capital assets	1,602			1,602
Proceeds from insurance recoveries	15,448			15,448
Total other financing sources (uses)	(4,444,325)	2,254,009	2,207,366	17,050
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	390,465	722,228		1,112,693
FUND BALANCES, BEGINNING (As restated, See Note 2)	5,239,131	3,257,542		8,496,673
FUND BALANCES, ENDING	\$ 5,629,596	\$ 3,979,770	\$	\$ 9,609,366

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, 2022

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,112,693
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 expense. This is the amount by which depreciation expense, net of deletions, exceeded capital outlays in the current period.	(1,577,834)
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.	(36,374)
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.	2,545,827
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	(90,600)
Other postemployment benefit related costs	96,791
Pension related costs	2,734,102
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.	<u>8,935</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 4,793,540</u>

MONTOURSVILLE AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022

	Food Service Fund
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 565,397
Due from other funds	26,669
Due from other governments	192,229
Other receivables	2,895
Inventories	<u>5,370</u>
Total current assets	<u>792,560</u>
NONCURRENT ASSETS:	
Capital assets, net	<u>184,493</u>
TOTAL ASSETS	<u>\$ 977,053</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Other postemployment benefits - district plan	\$ 9,004
Other postemployment benefits - premium assistance program	3,720
Pensions	<u>64,943</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 77,667</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 33,461
Accrued salaries and benefits	1,784
Due to other funds	78
Unearned revenue	53,031
Other liabilities	<u>179</u>
Total current liabilities	<u>88,533</u>
NONCURRENT LIABILITIES:	
Total other postemployment benefit liability - district plan	7,827
Net other postemployment benefit liability - premium assistance program	20,120
Net pension liability	<u>348,572</u>
Total noncurrent liabilities	<u>376,519</u>
TOTAL LIABILITIES	<u>\$ 465,052</u>
DEFERRED INFLOWS OF RESOURCES:	
Other postemployment benefits - district plan	\$ 31,077
Other postemployment benefits - premium assistance program	9,785
Pensions	<u>200,384</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 241,246</u>
NET POSITION:	
Net investment in capital assets	\$ 184,493
Unrestricted	<u>163,929</u>
TOTAL NET POSITION	<u>\$ 348,422</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, 2022

	Food Service Fund
OPERATING REVENUES:	
Food service revenue	\$ 181,169
Other operating revenues	<u>3,229</u>
Total operating revenues	<u>184,398</u>
OPERATING EXPENSES:	
Salaries and employee benefits	79,588
Purchased property services	14,424
Management fees	865,520
Supplies	89,576
Depreciation	43,000
Dues and fees	<u>4,175</u>
Total operating expenses	<u>1,096,283</u>
OPERATING LOSS	<u>(911,885)</u>
NONOPERATING REVENUES:	
Investment income	1,653
State sources	63,726
Federal sources	<u>1,361,841</u>
Total nonoperating revenues	<u>1,427,220</u>
CHANGE IN NET POSITION	515,335
NET POSITION, BEGINNING	<u>(166,913)</u>
NET POSITION, ENDING	<u>\$ 348,422</u>

See Notes to the Basic Financial Statements

MONTOURSVILLE AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	\$ 175,515
Cash received from other operating revenues	6,176
Payments to suppliers for goods and services	(841,896)
Payments to employees	(204,960)
Net cash used by operating activities	(865,165)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
State sources	59,467
Federal sources	1,157,661
Net cash provided by noncapital financing activities	1,217,128
CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of equipment	(47,324)
CASH PROVIDED BY INVESTING ACTIVITIES:	
Investment income	1,653
NET INCREASE IN CASH AND CASH EQUIVALENTS	306,292
CASH AND CASH EQUIVALENTS, BEGINNING	259,105
CASH AND CASH EQUIVALENTS, ENDING	\$ 565,397
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (911,885)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	43,000
Amortization	(73,766)
Donated commodities used	82,925
Change in:	
Due to/from other funds	78
Other receivables	21,591
Inventories	931
Other postemployment benefits - district plan deferred outflows of resources	(2,424)
Other postemployment benefits - premium assistance deferred outflows of resources	(2,879)
Pension deferred outflows of resources	(65,009)
Accounts payable	30,399
Accrued salaries and benefits	(1,983)
Unearned revenue	(6,670)
Other liabilities	(84)
Total other postemployment benefit liability - district plan	(1,321)
Net other postemployment benefit liability - premium assistance program	1,491
Net pension liability	(75,380)
Other postemployment benefits - premium assistance deferred inflows of resources	274
Pension deferred inflows of resources	95,547
Total adjustments	46,720
NET CASH USED BY OPERATING ACTIVITIES	\$ (865,165)
NONCASH NONCAPITAL FINANCING ACTIVITIES:	
The District received \$81,994 of food commodities.	

See Notes to the Basic Financial Statements

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

	Scholarship Trust Funds	Custodial Funds
ASSETS:		
Cash and cash equivalents	\$ 20,931	\$ 235,021
Prepaid expenses	<u> </u>	<u>8,759</u>
TOTAL ASSETS	<u>\$ 20,931</u>	<u>\$ 243,780</u>
LIABILITIES AND NET POSITION:		
LIABILITIES,		
Accounts payable	<u> </u>	<u>\$ 2,031</u>
NET POSITION:		
Restricted for scholarships	\$ 20,931	
Restricted for student activities	<u> </u>	<u>241,749</u>
Total net position	<u>20,931</u>	<u>241,749</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 20,931</u>	<u>\$ 243,780</u>

See Notes to the Basic Financial Statements

MONTOURSVILLE AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Scholarship Trust Funds	Custodial Funds
ADDITIONS:		
Gifts and contributions	\$ 68,332	
Student activities receipts		\$ 258,740
Refund of prior year expenses	2,000	
Investment income	<u>49</u>	<u>719</u>
Total additions	<u>70,381</u>	<u>259,459</u>
DEDUCTIONS:		
Student activities disbursements		208,854
Scholarships awarded	<u>59,740</u>	<u></u>
Total deductions	<u>59,740</u>	<u>208,854</u>
CHANGE IN NET POSITION	10,641	50,605
NET POSITION, BEGINNING	<u>10,290</u>	<u>191,144</u>
NET POSITION, ENDING	<u>\$ 20,931</u>	<u>\$ 241,749</u>

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022

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, 2022

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, 2022

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, 2022

- 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, 2022, 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 certificates of deposit 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, 2022

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 2022 and are uncollected as of June 30, 2022 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, 2022.

Capital Assets

Capital assets, which include land and improvements, buildings and building improvements, furniture and equipment 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

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 debt security directly to an investor). 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.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 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, 2022.

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, 2022.

Loss on Refinancing and Amortization

The loss recognized on the refinancing of Series of 2010 bonds is being amortized utilizing the straight-line method over the life of the bonds. The loss has been capitalized as a deferred outflow of resources in the accompanying statement of net position. Amortization expense included in the statement of activities amounted to \$8,312 for the year ended June 30, 2022.

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, 2022.
- *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
FOR THE YEAR ENDED JUNE 30, 2022

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, 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
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022.

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. 94, *Public-Private and Public-Public Partnerships and Availability Pay Arrangements*, effective for fiscal years beginning after June 15, 2022.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022.
- 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.
- GASB 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, 2022

2. RESTATEMENT - CORRECTION OF ERROR:

Effective July 1, 2021, net position has been restated to correct an error in prepaid expenses.

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

Governmental Activities:	
Net position, as previously reported	\$(9,786,337)
Prior period adjustment - correction of error, prepaid expenses	<u>231,012</u>
Net position, as restated	<u>\$(9,555,325)</u>
General Fund:	
Fund balance, as previously reported	\$ 5,008,119
Prior period adjustment - correction of error, prepaid expenses	<u>231,012</u>
Fund balance, as restated	<u>\$ 5,239,131</u>

The correction of the error increased the change in net position and fund balance for the year ended June 30, 2021 and decreased the change in net position and fund balance for the year ended June 30, 2022.

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, 2022, \$632,569 of the District's bank balance of \$11,880,619 was exposed to custodial credit risk as follows:

Collateralized with securities held by the pledging financial institution	<u>\$632,569</u>
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Reconciliation to Financial Statements

Collateralized with securities held by financial institution amount above	\$ 632,569
Insured amount	279,509
Plus deposits in transit	112,983
Less outstanding checks	<u>(139,782)</u>
Carrying amount	885,279
Plus petty cash	508
Plus pooled cash equivalents in:	
General fund	6,833,485
Capital projects fund	4,135,056
Less certificates of deposit classified as investments	<u>(1,736,248)</u>
Total cash and cash equivalents per financial statements	<u>\$10,118,080</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
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, 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	\$ 4,931,703		\$ 4,931,703	
PSDLAF - Full Flex Pool	N/A	4,335,011		4,335,011	
Certificates of deposit	34-42 days	<u>1,736,248</u>		<u>1,736,248</u>	
Total		<u>\$11,002,962</u>	<u>\$</u>	<u>\$11,002,962</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, 2022. 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, 2022, 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
FOR THE YEAR ENDED JUNE 30, 2022

Reconciliation to Financial Statements

Total investments per above	\$11,002,962
Less deposits in investment pool considered cash equivalents	<u>(9,266,714)</u>
Total investments per financial statements	<u>\$ 1,736,248</u>

5. REAL ESTATE TAXES:

The tax on real estate, as levied by the School Board, was 16.23 mills (\$16.23 per \$1,000 of assessed valuation) for fiscal year 2022. The original assessed value at July 1, 2021, upon which the 2022 levy was based was \$825,870,420. 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, 2022 were 96.7 % of the tax levy. Estimated collectible delinquent real estate taxes at June 30, 2022 amounted to \$573,591.

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, 2022, the following amounts are due from other governments:

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Federal	\$ 571,338	\$186,343	\$ 757,681
State	1,188,002	5,886	1,193,888
Local	<u>121,126</u>	<u> </u>	<u>121,126</u>
Total	<u>\$1,880,466</u>	<u>\$192,229</u>	<u>\$2,072,695</u>

7. INTERFUND BALANCES AND ACTIVITY:

As of June 30, 2022, 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	\$156,072	\$ 26,670
Capital projects		155,993
Food service fund	<u>26,669</u>	<u>78</u>
Total	<u>\$182,741</u>	<u>\$182,741</u>

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

8. CAPITAL ASSETS:

A summary of changes in capital assets is as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated:				
Land	\$ 184,579			\$ 184,579
Capital assets, being depreciated:				
Land improvements	2,388,904	\$ 42,709		2,431,613
Buildings and building improvements	88,768,699	173,891		88,942,590
Furniture and equipment	7,815,011	623,474	9,165	8,429,320
Total capital assets, being depreciated	98,972,614	840,074	9,165	99,803,523
Less accumulated depreciation:				
Land improvements	1,421,159	98,760		1,519,919
Buildings and building improvements	29,140,279	1,806,912		30,947,191
Furniture and equipment	5,605,354	512,236	9,165	6,108,425
Total accumulated depreciation	36,166,792	2,417,908	9,165	38,575,535
Total capital assets, being depreciated, net	62,805,822	(1,577,834)		61,227,988
Governmental activities capital assets, net	\$62,990,401	\$(1,577,834)	\$	\$61,412,567
BUSINESS-TYPE ACTIVITIES:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 1,136,582	\$ 47,324		\$ 1,183,906
Less accumulated depreciation	956,413	43,000		999,413
Total capital assets, being depreciated, net	180,169	4,324		184,493
Business-type activities capital assets, net	\$ 180,169	\$ 4,324	\$	\$ 184,493

Depreciation expense was charged to governmental activities as follows:

Instruction	\$1,155,312
Instructional student support services	308,462
Administrative and financial support services	30,024
Operation and maintenance of plant services	779,591
Pupil transportation	4,136
Student activities	140,383
Total	\$2,417,908

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

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

service with the District receive a non-elective employer contribution to their 403(b) or 457 Retirement plan, in the amount of \$800 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, 2022, the estimated liability for accumulated retirement severance benefit due upon retirement or termination of certain administrators, professional, and non-professional employees was \$1,467,895. This liability has been recorded in accumulated compensated absences in the government-wide statement of net position. For the year ended June 30, 2022, the District made payments amounting to approximately \$97,000.

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.

Employees Covered by the Benefit Terms

At July 1, 2020, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Active participants	146
Retired participants	<u>15</u>
Total	<u>161</u>

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 \$37,000 for the fiscal year ended June 30, 2022. The retiree contributions made by plan members were approximately \$136,000 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a total OPEB liability of \$1,748,146. The total OPEB liability was measured as of July 1, 2021, and determined by an actuarial valuation as of July 1, 2020.

The District's change in its total OPEB liability for the year ended June 30, 2022 was as follows:

	<u>Total OPEB Liability</u>
Balance as of July 1, 2021 (based on measurement date of July 1, 2020)	<u>\$1,720,340</u>
Changes for the year:	
Service cost	104,479
Interest	33,316
Changes of assumptions	(47,725)
Benefit payments	<u>(62,264)</u>
Net change	<u>27,806</u>
Balance as of June 30, 2022 (based on measurement date of July 1, 2021)	<u>\$1,748,146</u>

For the year ended June 30, 2022, the District recognized OPEB expense in the government-wide financial statements as follows:

Governmental activities	\$(12,140)
Business-type activities	<u>(1,518)</u>
Total	<u>\$(13,658)</u>

At June 30, 2022, 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		\$ 610,404
Changes in assumptions	\$266,366	764,487

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Benefit payments subsequent to the measurement date	<u>\$ 85,381</u>	<u> </u>
Total	<u>\$351,747</u>	<u>\$1,374,891</u>

\$85,381 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, 2022. 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:

2023	\$(151,449)
2024	(151,453)
2025	(151,452)
2026	(151,453)
2027	(151,450)
Thereafter	(351,268)

Actuarial Assumptions

The total OPEB liability at July 1, 2021 was determined by rolling forward the plan's total OPEB liability at July 1, 2020 to July 1, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate - 2.28% - S&P municipal bond 20-year high grade rate index at July 1, 2021. The discount rate changed from 1.86% to 2.28%.
- Salary growth - 2.5% cost of living adjustment, plus 1% 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, 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 - 5.5% in 2020 through 2023, gradually decreasing from 5.4% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Mortality rates were assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table were rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability for June 30, 2022, 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:

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability (in thousands)	\$1,560	\$1,748	\$1,969

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 2.28%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.28%) or 1-percentage point higher (3.28%) than the current rate:

	<u>1% Decrease 1.28%</u>	<u>Current Discount Rate 2.28%</u>	<u>1% Increase 3.28%</u>
Total OPEB liability (in thousands)	\$1,863	\$1,748	\$1,638

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, 2021, 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, and
- Participate in the HOP or employer-sponsored health insurance program.

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

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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. As of June 30, 2021, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2022 was 0.80% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$98,712 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$2,012,125 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was 0.0849%, which was a decrease of 0.0013% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized OPEB expense in the government-wide statement of activities as follows:

Governmental activities	\$95,995
Business-type activities	<u>(2,257)</u>
Total	<u>\$93,738</u>

The amounts above include \$3,194 of amortization of changes in proportion between governmental activities and business-type activities for the year ended June 30, 2022.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 18,722	

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$214,308	\$ 26,830
Net difference between projected and actual investment earnings	3,969	
Changes in proportion	36,285	114,142
Changes in proportion between governmental activities and business-type activities	8,372	8,372
Difference between employer contributions and proportionate share of total contributions	270	413
Contributions subsequent to the measurement date	<u>98,712</u>	<u> </u>
Total	<u>\$380,638</u>	<u>\$149,757</u>

\$98,712 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, 2023. 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:

2023	\$ 6,584
2024	6,179
2025	19,126
2026	41,914
2027	35,629
Thereafter	22,737

Actuarial Assumptions

The total OPEB liability as of June 30, 2021, was determined by rolling forward the System's total OPEB liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay.
- Investment return - 2.18% - S&P 20 year municipal bond rate; previously 2.66%.
- 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 5.00%, 2.75%, and 2.25%, 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; previously based on RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%
 - Eligible retirees will elect to participate post age 65 at 70%

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2021.
- Cost Method: amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

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

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.18%. Under the plan's funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 2.18% which represents the S&P 20 year municipal bond rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2021, retirees' premium assistance benefits are not subject to future healthcare cost increases. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 611 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, 2021, 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)	\$2,012	\$2,012	\$2,012

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

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

	<u>1% Decrease 1.18%</u>	<u>Current Discount Rate 2.18%</u>	<u>1% Increase 3.18%</u>
District's proportionate share of the net OPEB liability (in thousands)	\$2,309	\$2,012	\$1,767

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.

Payables to the OPEB Plan

At June 30, 2022, the District had an accrued balance due to PSERS, including contributions related to OPEB of \$28,683. This amount represents the District's contractually obligated contributions for wages earned in April 2022 through June 2022. The balance was paid in September 2022.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amortization</u>	<u>Balance June 30, 2022</u>	<u>Amounts Due in One Year</u>
Governmental Activities:						
General obligation bonds	\$35,590,000		\$ 15,000		\$35,575,000	\$355,000
Notes from direct borrowings and direct placements	2,520,000		2,520,000			
Plus deferred net bond premium	<u>356,337</u>	<u> </u>	<u> </u>	<u>\$(23,888)</u>	<u>332,449</u>	<u> </u>
Total debt, net	38,466,337		2,535,000	(23,888)	35,907,449	355,000
Compensated Absences	1,377,295	\$187,835	97,235		1,467,895	
Total OPEB liability	1,711,192	29,127			1,740,319	
Net OPEB liability	1,844,371	147,634			1,992,005	
Net pension liability	<u>41,971,050</u>	<u> </u>	<u>7,462,620</u>	<u> </u>	<u>34,508,430</u>	<u> </u>
Total	<u>\$85,370,245</u>	<u>\$364,596</u>	<u>\$10,094,855</u>	<u>\$(23,888)</u>	<u>\$75,616,098</u>	<u>\$355,000</u>
Business-Type Activities:						
Total OPEB liability	\$ 9,148		\$ 1,321		\$ 7,827	
Net OPEB liability	18,629	\$ 1,491			20,120	
Net pension liability	<u>423,952</u>	<u> </u>	<u>75,380</u>	<u> </u>	<u>348,572</u>	<u> </u>
Total	<u>\$ 451,729</u>	<u>\$ 1,491</u>	<u>\$ 76,701</u>	<u>\$ </u>	<u>\$ 376,519</u>	<u>\$ </u>

General obligation bonds payable at June 30, 2022 are comprised of the following:

Series of 2016, due in varying installments through June 2036, with interest rates ranging from 2.0% to 4.0% per annum.	\$15,725,000
Series of 2019, due in varying installments through June 2036, with interest rates ranging from 1.55% to 3.0% per annum.	9,970,000
Series of 2020, due in varying installments through June 2036, with interest rates ranging from 2.0% to 4.0% per annum.	<u>9,880,000</u>
Total	35,575,000

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

Less amounts due in one year	\$ 355,000
Plus deferred bond premium	<u>332,449</u>
Noncurrent portion of general obligation bonds	<u>\$35,552,449</u>

The annual requirements to amortize general obligation bonds payable at June 30, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 355,000	\$1,024,779
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 - 2032	13,865,000	2,844,267
2033 - 2036	<u>12,140,000</u>	<u>888,238</u>
Total	<u>\$35,575,000</u>	<u>\$8,375,988</u>

The total interest expense related to the general obligation bonds and notes from direct borrowings and direct placements payable for the year ended June 30, 2022 amounted to \$1,032,603. No interest expense was capitalized during the year ended June 30, 2022.

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. Benefits are generally equal to

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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. 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	7.50%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	Not applicable	10.30%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	8.25%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	7.50%
DC	On or after July 1, 2019	Not applicable	7.50%	7.50%

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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%

Employer Contributions

The school districts' contractually required contribution rate for fiscal year ended June 30, 2022 was 33.99% 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 \$4,212,535 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$34,857,002 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, 2021, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2020 to June 30, 2021. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the District's proportion was 0.0849%, which was a decrease of 0.0012% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the District recognized pension expense in the government-wide statement of activities as follows:

Governmental activities	\$1,436,308
Business-type activities	<u>(74,120)</u>
Total	<u>\$1,362,188</u>

The amounts above include \$87,742 of amortization of changes in proportion between governmental activities and business-type activities for the year ended June 30, 2022.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 25,676	\$ 457,951
Changes in assumptions	1,690,686	
Net difference between projected and actual investment earnings		5,548,503

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 549,500	\$ 457,000
Changes in proportion between governmental activities and business-type activities	135,648	135,647
Difference between employer contributions and proportionate share of total contributions	15,911	10,303
Contributions subsequent to the measurement date	<u>4,212,535</u>	<u> </u>
Total	<u>\$6,629,956</u>	<u>\$6,609,404</u>

\$4,212,535 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, 2023. 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:	
2023	\$(1,028,007)
2024	(548,763)
2025	(822,613)
2026	(1,792,600)

Actuarial Assumptions

The total pension liability at June 30, 2021 was determined by rolling forward the System's total pension liability at June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation date - June 30, 2020
- Actuarial cost method - entry age normal - level % of pay
- Investment return - 7.00%, includes inflation at 2.50%; previously 7.25% and 2.75%, 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 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.
- Discount rate - 7.00%; previously 7.25%

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 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

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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.

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Asset Class:		
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real Estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	<u>(13.0)%</u>	0.1%
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, 2021.

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)	\$45,751	\$34,857	\$25,667

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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.

Payables to the Pension Plan

At June 30, 2022, the District had an accrued balance due to PSERS, including contributions related to pension of \$1,228,722. This amount represents the District's contractually obligated contributions for wages earned in April 2022 through June 2022. The balance was paid in September 2022.

13. RISKS, UNCERTAINTIES AND CONCENTRATION OF CREDIT RISK:

Risks and Uncertainties

As a result of the COVID-19 pandemic, economic uncertainties have arisen which could negatively impact revenues and changes in net position.

Management has assessed the impacts of the pandemic on the estimates and assumptions that affect the reported amounts and related disclosures. If economic conditions caused by the pandemic do not improve, the District's financial condition, cash flows and changes in net position may be impacted.

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, 2022.

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.

MONTOURSVILLE AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 June 30, 2022, the District made payments for healthcare benefit claims of approximately \$2,801,000 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, 2022, the District paid approximately \$260,000 to the Center. Audited financial statements of the Center are available.

16. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 7, 2023 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, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>
			<u>Basis</u>
REVENUES:			
Local sources	\$ 17,542,542	\$ 17,542,542	\$ 17,995,333
State sources	12,685,194	12,685,194	13,452,872
Federal sources	<u>1,890,616</u>	<u>1,890,616</u>	<u>2,145,900</u>
Total revenues	<u>32,118,352</u>	<u>32,118,352</u>	<u>33,594,105</u>
EXPENDITURES:			
Current:			
Instruction	18,560,955	18,560,955	19,097,108
Support services	8,750,390	8,750,390	9,053,257
Noninstructional services	673,244	673,244	607,825
Refund of prior year revenues			<u>1,125</u>
Total expenditures	<u>27,984,589</u>	<u>27,984,589</u>	<u>28,759,315</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>4,133,763</u>	<u>4,133,763</u>	<u>4,834,790</u>
OTHER FINANCING SOURCES (USES):			
Interfund transfers out	(3,623,018)	(3,623,018)	(4,461,375)
Proceeds from sale of capital assets			1,602
Proceeds from insurance recoveries			15,448
Budgetary reserve	<u>(1,000,000)</u>	<u>(1,000,000)</u>	
Total other financing uses	<u>(4,623,018)</u>	<u>(4,623,018)</u>	<u>(4,444,325)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(489,255)	(489,255)	390,465
FUND BALANCE, BEGINNING	<u>3,978,717</u>	<u>3,978,717</u>	<u>5,239,131</u>
FUND BALANCE, ENDING	<u>\$ 3,489,462</u>	<u>\$ 3,489,462</u>	<u>\$ 5,629,596</u>

See Notes to the Basic Financial Statements

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

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
(Dollar amounts in thousands)					
TOTAL OPEB LIABILITY:					
Service cost	\$ 104	\$ 87	\$ 88	\$ 194	\$ 192
Interest	33	61	54	104	79
Changes of benefit terms		(1)		(100)	
Differences between expected and actual experience		(411)		(431)	
Changes of assumptions	(47)	276	(46)	(1,080)	74
Benefit payments	(62)	(83)	(81)	(145)	(199)
NET CHANGE IN TOTAL OPEB LIABILITY	28	(71)	15	(1,458)	146
TOTAL OPEB LIABILITY, BEGINNING	1,720	1,791	1,776	3,234	3,088
TOTAL OPEB LIABILITY, ENDING	\$ 1,748	\$ 1,720	\$ 1,791	\$ 1,776	\$ 3,234
COVERED-EMPLOYEE PAYROLL	\$ 9,365	\$ 9,365	\$ 9,063	\$ 9,063	\$ 10,822
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	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	2.28%	1.86%	3.36%	2.98%	3.13%
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MONTGOMERY 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, 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.

MONTGOMERY 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, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
District's proportion of the net OPEB liability (asset)		0.0849%	0.0862%	0.0838%	0.0840%	0.0937%
District's proportionate share of the net OPEB liability (asset)		\$ 2,012	\$ 1,863	\$ 1,782	\$ 1,751	\$ 1,909
District's covered-employee payroll		\$ 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		16.72%	15.40%	15.42%	15.48%	15.31%
Plan fiduciary net position as a percentage of the total OPEB liability		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	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.

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

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

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 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 THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 YEARS*

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
	(Dollar amounts in thousands)							
District's proportion of the net pension liability (asset)	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)	\$34,857	\$42,395	\$39,204	\$40,324	\$46,277	\$46,385	\$40,976	\$37,127
District's covered-employee payroll	\$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	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	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%	7.25%	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*

	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
	(Dollar amounts in thousands)								
Contractually required contribution	\$ 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>4,213</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)	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
District's covered-employee payroll	\$ 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	34.14%	33.67%	33.45%	32.75%	31.77%	29.25%	24.99%	19.95%	16.00%

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

MONTOURVILLE AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Grant/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, 2021	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue June 30, 2022	Passed Through To Subrecipients
U.S. DEPARTMENT OF EDUCATION											
Passed through the Pennsylvania Department of Education:											
Title I Grants to Local Educational Agencies	F	84.010	13-21-2024	08/15/20-09/30/21	\$ 288,637	\$ 184,185	\$ 184,185	\$ 334,979	\$ 314,979	\$ 48,818	
Title I Grants to Local Educational Agencies	F	84.010	13-22-2024	08/02/21-08/30/22	314,879	289,181	184,185	314,979	314,979	45,818	
Total Title I						453,346					
Title II Supporting Effective Instruction State Grants	I	84.487	20-21-2024	08/15/20-09/30/21	52,874	33,450	33,450	55,468	55,468	413	
Title II Supporting Effective Instruction State Grants	I	84.487	20-22-2024	08/02/21-09/30/22	55,468	50,553	33,450	55,468	55,468	413	
Total Title II						88,503					
Title IV Student Support and Academic Enrichment	I	84.424	144-21-2024	08/15/20-09/30/21	21,990	14,138	14,126	21,556	21,556	14	
Title IV Student Support and Academic Enrichment	I	84.424	144-22-2024	08/02/21-09/30/22	21,556	21,542	14,126	21,556	21,556	14	
Total Title IV						35,878					
Special Education Grants to States	I	84.027	252-20-2024	07/1/20-09/30/22	12,065	8,943	8,943				
Passed through BIAST Intermediate Unit #17:											
IDEA Part B (611) ARP	I	84.027	W627X210093	07/01/21-09/30/22	76,309	75,575		76,309	76,309	734	
IDEA	I	84.027	W627X2000693	07/01/20-09/30/21	331,692	30,508	30,508				
IDEA Extended School Year	I	84.027	W627X210093	07/01/21-09/30/22	N/A	591		591			
IDEA Part B (611)	I	84.027	W627X210093	07/01/21-09/30/22	N/A	270,892		339,476	339,476	69,476	
Total IDEA						384,117		436,376	436,376	70,210	
Special Education Preschool Grants	I	84.173	FA 131-20-2017	07/01/20-08/30/21	696	696	696	1,624	1,624	1,624	
Special Education Preschool Grants	I	84.173	FA 131-21-2017	07/01/21-06/30/22	N/A	696	696	1,624	1,624	1,624	
Total Special Education Preschool Grants						1,392	1,392	3,248	3,248	3,248	
Total Special Education Cluster (IDEA)						385,413	1,392	438,000	438,000	71,858	
Passed through the Pennsylvania Department of Education:											
COVID-19 Education Stabilization Fund (CARES Act ESSER Fund)	F	84.425D	205-20-2024	03/13/20-09/30/22	228,154	168,013	168,013				13
COVID-19 Education Stabilization Fund (CARES Act ESSER II Fund)	F	84.425D	205-21-2024	03/13/20-09/30/21	78,920	78,920		78,920	78,920		
COVID-19 Education Stabilization Fund (CARES Act ESSER II Fund)	F	84.425D	205-21-2024	03/13/20-09/30/21	231,164	231,164		231,164	231,164		
COVID-19 Education Stabilization Fund (CARES Act ESSER II Fund)	F	84.425D	205-21-2024	03/13/20-09/30/21	748,378	748,378		748,378	748,378		
Total CARES Act						1,086,462		1,086,462	1,086,462		
Total ESSER						1,246,478	168,013				13
COVID-19 Education Stabilization Fund (ARP Act ESSER III Fund)	F	84.425U	223-21-2024	03/13/20-09/30/21	2,140,962	116,750		542,954	542,954	498,274	
COVID-19 Education Stabilization Fund (ARP Act ESSER III Fund)	F	84.425U	223-21-2024	03/13/20-09/30/21	116,858	25,611		82,842	82,842	61,231	
COVID-19 Education Stabilization Fund (ARP Act ESSER III Fund)	F	84.425U	223-21-2024	03/13/20-09/30/21	23,772	4,322		23,772	23,772	19,490	
COVID-19 Education Stabilization Fund (ARP Act ESSER III Fund)	F	84.425U	223-21-2024	03/13/20-09/30/21	23,772	4,322		10,986	10,986	5,763	
Total ARP Act ESSER III						141,025		668,752	668,752	321,718	
Total COVID-19 Education Stabilization Fund						1,387,513	168,013	1,727,215	1,727,215	521,715	
TOTAL U.S. DEPARTMENT OF EDUCATION						2,358,453	458,031	2,537,216	2,537,216	638,784	
FEDERAL EMERGENCY MANAGEMENT AGENCY											
Passed through the Pennsylvania Emergency Management Agency:											
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	I	97.036	100656422	07/01/20-06/30/21	33,754	11,834	1,076	11,834	11,834	1,076	
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	I	97.036	100656422	07/01/21-06/30/22	33,754	7,700		30,600	10,000	2,300	
Total COVID-19 Disaster Grants-Public Assistance						19,534	1,076	21,834	21,834	3,376	
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY						19,534	1,076	21,834	21,834	3,376	

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

Grant/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, 2021	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue June 30, 2022	Passed Through To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES											
Passed through the Pennsylvania Department of Human Services:											
Medical Assistance Program	F	93.778	163736	07/01/20-06/30/21	N/A	\$ 794		\$ 794	\$ 794		
Medical Assistance Program	F	93.778	000115366	07/01/21-06/30/22	N/A	4,056		4,056	4,056		
Total Medical Chaper						4,850		4,850	4,850		
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						4,850		4,850	4,850		
U.S. DEPARTMENT OF AGRICULTURE											
Passed through the Pennsylvania Department of Education:											
COVID-19 H-E-R-T Administrative Costs Grants	I	10.649	N/A	07/01/21-06/30/22	\$ 614	614		614	614		
COVID-19 National School Lunch Program (Supply Chain Assistance)	I	10.555	N/A	07/01/21-06/30/22	38,015	38,015		34,465	14,465	\$ (24,550)	
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	33,534	\$ 33,534				
National School Lunch Program	I	10.555	N/A	07/01/21-06/30/22	N/A	853,585		1,067,176	5,007,176	154,591	
COVID-19 National School Lunch Program (Supp Emergency Op. Costs)	I	10.555	N/A	07/01/21-06/30/22	N/A	57,647		57,647	57,647		
Passed through the Pennsylvania Department of Agriculture:											
National School Lunch Program	F	10.555	N/A	07/01/21-06/30/22	N/A	81,994	(b) (6,380)	82,925	82,925	(6,380)	
Total National School Lunch Program						1,064,775	27,234	1,162,213	1,162,213	124,672	
Passed through the Pennsylvania Department of Education:											
School Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	N/A	7,004	7,004	199,015	199,015	31,753	
School Breakfast Program	I	10.553	N/A	07/01/21-06/30/22	N/A	167,262		199,015	199,015	31,753	
Total School Breakfast Program						174,266	7,004	398,030	398,030	63,506	
Total Child Nutrition Cluster						1,236,041	34,238	1,365,228	1,365,228	196,425	
TOTAL U.S. DEPARTMENT OF AGRICULTURE						1,236,041	34,238	1,365,228	1,365,228	196,425	
TOTAL FEDERAL AWARDS						\$ 3,620,492	\$ 494,345	\$ 3,925,742	\$ 3,925,742	\$ 796,595	

FOOTNOTES:
(a) Total amount of commodities received.
(b) Beginning inventory at July 1, 2021.
(c) Total amount of commodities used.
(d) Ending inventory at June 30, 2022.

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

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

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, 2022. 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, 2022, 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 7, 2023.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002 and 2022-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-004 and 2022-005 to be significant deficiencies.

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 Findings

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the findings 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, Kelleff & Associates, P.C.

Montoursville, Pennsylvania
February 7, 2023



Larson, Kellett & Associates, P.C.

Certified Public Accountants and Consultants

**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 described 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, 2022. 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, 2022.

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 qualified 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.

Other Matters

The results of our audit procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-007. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the noncompliance finding 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.

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 have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-006 and 2022-009 to be material weaknesses.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-008 to be a significant deficiency.

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 require 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 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, Kelleth & Associates, P.C.

Montoursville, Pennsylvania
February 7, 2023

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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

84.425D

COVID-19 Education Stabilization Fund

84.425U

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, 2022**

**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**

2022-001. CAPITAL EXPENDITURES - GOVERNMENTAL FUNDS

Criteria: In accordance with GASB Codification Section 1400, *Reporting Capital Assets*, expenditure of governmental fund financial resources for capital assets should be reported as expenditures in the governmental funds financial statements.

Condition: Equipment totaling \$310,455 received prior to year end was misclassified as prepaid expenses in the governmental funds financial statements.

Cause: The District's procedures are not adequately designed to ensure that capital expenditures are reported as expenditures in the governmental funds financial statements.

Effect: Governmental funds prepaid expenses were overstated and expenditures were understated.

Questioned Costs: Not applicable.

Perspective Information: Not applicable.

Identification of Repeat Findings: Not applicable.

Recommendation: The District should evaluate invoices, purchase orders and related receiving reports at year end for goods received that should be recorded as capital expenditures.

Views of Responsible Officials: Management agrees with the finding.

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

**2022-002. CONTRIBUTIONS FOR HEALTHCARE BENEFITS - GOVERNMENTAL
FUNDS**

Criteria: In accordance with GASB Codification Section 1600, *Basis of Accounting*, expenditures for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures in the period of acquisition. The District has made an accounting policy election to allocate to future periods inter-period expenditures for payments made by the District in the current period to provide services occurring in the subsequent fiscal year. Such services include utilities and contributions for healthcare benefits.

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Condition: Contributions for healthcare benefits were not allocated to the appropriate accounting period. Healthcare benefits for July 2021 totaling \$231,012 were allocated to the year ended June 30, 2021 and healthcare benefits for July 2022 totaling \$238,697 were allocated to the year ended June 30, 2022.

Cause: The District's procedures are not adequately designed to ensure that the accounting policy election to allocate inter-period expenditures is consistently applied in the governmental funds financial statements.

Effect: Governmental funds beginning fund balance and prepaid expenses were understated and ending accrued salaries and benefits were overstated for the year ended June 30, 2022.

Questioned Costs: Not applicable.

Perspective Information: Not applicable.

Identification of Repeat Findings: Not applicable.

Recommendation: The District should evaluate inter-period expenditures at year end and allocate those expenditures to the appropriate accounting period in accordance with its accounting policy election.

Views of Responsible Officials: Management agrees with the finding.

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

2022-003. ACCOUNTS PAYABLE - GOVERNMENTAL FUNDS

Criteria: In accordance with GASB Codification Section 1500, *Reporting Liabilities*, the District should accrue a governmental fund liability and expenditure in the period in which the District incurs a liability for acquisition of goods or services and whose regular and ordinary liquidation is expected to occur within one year.

Condition: A governmental fund liability for services received totaling \$66,733, was not identified.

Cause: The District's procedures are not adequately designed to ensure that liabilities for goods and services expected to be paid within one year are included in the governmental funds financial statements.

Effect: Governmental funds accounts payable were understated.

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, 2022

Recommendation: The District should evaluate invoices and related receiving reports and service contracts at year end as well as payments made up to the date of the financial statements for liabilities that should be recorded.

Views of Responsible Officials: Management agrees with the finding.

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

2022-004. FIDUCIARY FUNDS REPORTING

Criteria: In accordance with GASB Statement No. 84, *Fiduciary Activities*, activities that meet applicable criteria should be reported as fiduciary funds in the basic financial statements and include a statement of fiduciary net position and a statement of revenues, expenses and changes in fiduciary net position. The general ledger chart of accounts should be maintained with appropriate asset, liability, net position, revenue and expense accounts to facilitate generating the information needed to present these basic financial statements.

Condition: The fund custodians for the scholarship trust funds and student activities custodial funds maintain a general ledger chart of accounts that includes asset and liability accounts; however, net position, revenue and expense accounts are not maintained. Management performs manual reconciliations at the close of each year to report net position, revenues and expenses for the trust and custodial funds.

Cause: Although the District's general ledger accounting system is capable of tracking revenues and expenses separate from assets and liabilities, the fund custodians post cash receipts and cash disbursements for the various activities directly to student activities liability accounts.

Effect: Without proper use of net position, revenue and expense accounts, intentional or unintentional errors could occur and not be detected and corrected. The general ledger chart of accounts does not facilitate generating the information needed to present basic financial statements without additional manual reconciliations outside of the accounting system.

Questioned Costs: Not applicable.

Perspective Information: Not applicable.

Identification of Repeat Findings: See prior year finding 2021-004.

Recommendation: The fund custodians should utilize the general ledger accounting system to track revenues and expenses separately for each scholarship and student activity.

Views of Responsible Officials: Management agrees with the finding.

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

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

2022-005. FIDUCIARY FUNDS CASH RECEIPTS

Criteria: Adequate internal controls to safeguard cash receipts include preparation of a list of receipts provided to the fund custodian, timely deposits, and comparison of the list of cash receipts to the deposit ticket.

Condition: The activity advisor and student treasurer complete a deposit cash settlement sheet and provide to the fund custodian who records cash receipts in the general ledger and takes the deposit to the bank. The activity advisor and fund custodian do not document their review of the deposit cash settlement sheet and comparison of the deposit per cash settlement sheet to the deposit ticket. Cash receipts are not deposited timely. Scholarship cash receipts are not accompanied by a list of donors and amounts received to support sources of contributions received.

Cause: The District's procedures are not adequately designed to ensure that cash received by fund custodians is adequately safeguarded.

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

Questioned Costs: Not applicable.

Perspective Information: Not applicable.

Identification of Repeat Findings: Not applicable.

Recommendation: All cash receipts should be accompanied by a deposit cash settlement sheet and deposit ticket. These should be reviewed by the activity advisor and fund custodian for completeness and accuracy. The review should be documented. All cash receipts should be deposited in a timely manner. Scholarship cash receipts should be accompanied by a list of donors and amounts received to support sources of contributions received.

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

2022-006. COVID-19 Education Stabilization Fund - Assistance Listing 84.425D and 84.425U passed through the Pennsylvania Department of Education; Grant Period - Year Ended June 30, 2022.

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.

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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.

Cause: The Superintendent enters information into the Pennsylvania Department of Education website, but no one independent of the report preparation and input process reviews the 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 2021-005.

Recommendation: A knowledgeable individual, independent of the report preparation and input process, should review the 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.

2022-007. COVID-19 Education Stabilization Fund - Assistance Listing 84.425U passed through the Pennsylvania Department of Education; Grant Period - Year Ended June 30, 2022.

Criteria: In accordance with Title 2 CFR Section 200.405(c) of the Uniform Guidance, any cost allocable to a particular federal award may not be charged to other federal awards except when shifting costs that are allowable under two or more federal awards in accordance with existing federal statutes, regulations, or the terms and conditions of federal awards.

Condition: The District allocated duplicate costs to both the CRRSA Act ESSER II Fund and ARP Act ESSER III Fund programs.

Cause: The District allocated costs to the programs by posting year end adjusting journal entries instead of charging costs directly to the programs as costs were incurred. As a result, costs were duplicated.

Effect: Expenditure of federal awards was overstated.

Questioned Costs: Known questioned costs totaled \$21,229.

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, 2022

Recommendation: The District should record costs that are directly allocable to federal programs when costs are incurred to reduce the risk of duplicating costs allocated to federal awards.

Views of Responsible Officials: Management agrees with the finding.

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

- 2022-008. COVID-19 Education Stabilization Fund - Assistance Listing 84.425U passed through the Pennsylvania Department of Education; Grant Period - Year Ended June 30, 2022.

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 duplicated costs identified in finding 2022-007 were charged to a federal program.

Cause: The District's internal controls over compliance failed to detect duplicated costs.

Effect: Federal program expenditures were overstated.

Questioned Costs: None.

Perspective Information: Not applicable.

Identification of Repeat Findings: Not applicable.

Recommendation: Management should carefully review journal entries to ensure costs are not duplicated.

Views of Responsible Officials: Management agrees with the finding.

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

- 2022-009. COVID-19 Education Stabilization Fund - Assistance Listing 84.425D and 84.425U passed through the Pennsylvania Department of Education; Grant Period - Year Ended June 30, 2022.

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 technology department did not maintain records of personnel responsible for initially logging or verifying annually equipment purchased with federal funds which were input into the District's inventory tracking applications.

MONTOURSVILLE AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Also there was no review of this process by an individual independent of the input.

Cause: Librarians or technology personnel initially log equipment received and verify equipment returned at the end of each school year, but no one independent of these processes reviews 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: Not applicable.

Recommendation: A knowledgeable individual, independent of the logging and annual verification processes, should review the input and verification for completeness and accuracy and the reviews should be documented.

Views of Responsible Officials: Management agrees with the finding.

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

ADMINISTRATIVE REPORTS

MONTOURSVILLE AREA SCHOOL DISTRICT

50 North Arch Street,
Montoursville, Pennsylvania 17754-1900

Christina Bason
District Superintendent
(570) 368-2491 ext. 6100

Mrs. Brandy N. Smith
Business Manager/Board Secretary
(570) 368-2491 ext. 6200

Special Education School Board Report February 2023

- **Education Celebration** – The Williamsport/Lycoming Chamber of Commerce is recognizing Kim Sauers as the 2023 Outstanding Professional Educator representing our school district. She will be honored at an upcoming banquet on March 2 at the Williamsport Country Club. Kim has been working for our school district as a Learning Support Teacher for 27 years. She continually goes out of her way to not only meet the academic needs of her students, but she also ensures their social and emotional needs are met as well. She loves working with her students and it shows. Congratulations!!
- **Extended School Year (ESY) Programming** – We have started planning for our students that will be qualifying for ESY services for this summer. Students must be deemed eligible based on their IEP goals progress monitoring data when looking at their regression and recoupment of skills during long weekends and extended holiday breaks. There will be two different sites for ESY depending on the students' needs this summer, Schick Elementary School in Loyalsock Township School District and the South Academy on Reach Road in Williamsport. Both programs will be operated by BLaST Intermediate Unit 17. The programs will start on Monday, June 26, 2023 – Friday, July 21, 2023 for 3 hours per day. Teachers are currently consulting with families to determine which students are eligible and registering students online. In a few weeks, parents will be sent information packets to confirm participation.
- **Transition Conference on March 8** – Penn College & BLaST Intermediate Unit 17 will be hosting the upcoming annual Transition Conference. This event is open to Special Education High School students in grades 11-12 as well as parents, guardians, and other interested parties residing in Bradford, Lycoming, Sullivan and Tioga counties. There will be speakers and breakout sessions on the following pathways: Postsecondary Education and Training, Employment, and Community Engagement. This year we have sixteen students that will be attending.

Respectfully submitted,

Timothy Hanner
Supervisor of Special Education

TO: Montoursville Area School District Board of Directors
FROM: Darrin Feerrar
RE: February 2023- School Board Monthly Report for Lyter Elementary

- **Congratulations to the 2023 Lyter Geo Bee School Champion.** Lyter's champion is 4th grader, Austin Jackson. National Geographic decided to permanently end its National Geography Bee Competition last year, but we have decided to continue to conduct our own annual local school championship. Congratulations Austin!
- **The 100th Day of School** was celebrated on February 7th. Classroom teachers incorporated various activities throughout the day with the theme of "100". Students will be exchanging **Valentines** with one another on February 14th.
- Lyter PTO sponsored a **Family Movie Night** on January 13th for Lyter families in the High School Auditorium. It was a fun night and the auditorium atmosphere made it feel like we were in an actual movie theater.
- **Kindergarten Registration** (Online via the MASD website) has been activated for the 2023-2024 school year on the MASD website. Parents will be directed to register online via a link to the CSIU. **REMINDER-** Children must be 5 years old before September 1, 2023 to qualify for enrollment in Kindergarten. Parents will be required to submit copies of the required documentation to the school offices.
- Safety Reminders for Parent and Students for Arrival and Dismissal continue to be sent home periodically to all Lyter Parents. Lyter staff as well as Officer Storms and Mr. Whipple are closely monitoring and assessing the arrival/dismissal procedures. We ask that everyone continue to drop off on the school side of the street, use crosswalks, and be mindful of their speed when traveling in the a school safety zone.
- **Read Across America Week...**Students and staff will honor our favorite authors and books throughout the week of February 27-March 3. Our students will be celebrating our love of reading all week long with special themed dress-up days, guest readers, and an author visit!
- **PSSAs...**Plans are in the works to prepare for the annual PSSA exams. 3rd and 4th grade students are still scheduled at this point in time to take the ELA (Reading and Writing) exams April 24-28. 3rd and 4th graders will take the Mathematics assessments May 2 & 3. Finally, 4th grade will also take the Science assessment May 4 & 5. The students continue to work hard and are excited to demonstrate everything they have learned.

Upcoming Events:	Feb. 20-	School in Session (Snow Make Up Day)
	March 10 & 13-	No School (OR Snow Make-Ups Days, if needed)
	April 6 –	NO SCHOOL-Act 80 (gr K-12)/ Elementary (k-4) Parent-Teacher Conf.
	April 7 & 10-	NO SCHOOL- Spring Break
	April 24-28-	PSSA English Language Arts (ELA) Assessments (gr. 3 & 4)
	May 2-3-	PSSA Mathematics Assessments (gr. 3 & 4)
	May 4-5-	PSSA Science Assessments (gr. 4 only)
	May 29 & 30-	NO SCHOOL (K-12)/Teacher In Service on May 30

MONTOURSVILLE AREA SCHOOL DISTRICT

Loyalsock Valley Elementary School

3790 Route 87 Highway, Montoursville, Pennsylvania 17754-1900
570-435-0446 570-435-3214 (FAX)

TO: Montoursville Area School District School Board
FROM: Tyler Blaise, Principal
DATE: February 2023

Here is a look at what The Valley has going on during the month of February.

- The Valley PTO will be hosted a **BINGO Night at the Eldred Township Fire Department on Friday, January 27th, 2023 from 6pm-7:30pm**. Event was for Valley students and their families and prizes were given out. There is no cost to anyone. Overall, we had about **170-180 students and parents** attend.
- Starting **February 1st and running through February 14th**, The Valley is showing their **Valentine's Day** spirit with different **themed days**. We have Spread the Love Day, Groundhog Day, Peace and Love Day, 100th Day of School, Twin Day, Favorite Teach/Staff Day, just to name a few. Students and teachers volunteered to **dress up matching the theme of the day**. We had a lot of participation, and everyone thoroughly enjoyed it.
- **Random Act of Kindness Week** kicks off on **February 14th and Friday the 17th is Random Act of Kindness Day**. As the name implies, these occasions honor and encourage spontaneous acts designed to spread kindness and positivity. The Valley Peace Patrol will be partaking in Random Acts of Kindness each day. In addition, The Valley and Lyter want to **THANK** each one of you for your dedication of serving the students, staff, and families of MASD. It is not the easiest voluntary job. Please enjoy some **complimentary Hersey Kisses** for all your service.
- **On Friday, February 17th**, The Valley will be welcoming a guest author, **Judy Nordstrom, retired teacher from Williamsport, PA**. The author will be reading "Uncle Axie's Ugly Tie" (The story is about being kind and will be a great way to wrap up our Random Acts of Kindness Week). to individual grade levels and promoting kindness through the art of storytelling. Ms. Norrdstrom will hold group discussions after reading the story as well.
- You are invited to share the joy of reading and join the staff and students at **Loyalsock Valley Elementary School in celebrating Read Across America on Thursday, March 2, at 9:00 AM**. As a **guest reader**, you may share your favorite books and stories to assigned classrooms throughout the school. Please check your calendar and email Faith Toohey at fdunkleberger@montoursville.k12.pa.us or call the school at (570) 435-0446 to let us know if you would be willing to take part in this significant event.

To: Montoursville Area School District Board of Directors

From: Curtis J. Myers – Principal

Ronda Albert – Assistant Principal

Re: February 2023 – School Board Monthly Report for C.E. McCall Middle School

Geography Bee:

Congratulations to the following students for making the championship round of the Geography Bee on Friday, February 10. These students are: Colton Beadle, Aiden Jackson, and Gavin Phillips.

Science Fair:

The Science Fair will be held February 16 in the McCall gym with a snow date of February 23. Currently, we have 33 projects entered. We are pleased to once again have judges from Lock Haven University. We are also inviting MAHS Science Honor Society students to help judge. Special thanks to Mr. Jury for organizing this annual event for our students.

MathCounts Competition:

MathCounts is a national middle school mathematics competition that builds problem solving skills and fosters achievement through four levels of fun, in-person "bee" style contests. We are pleased to host the event at McCall on Saturday, February 11. Thank you to Mrs. Confer for facilitating the competitions with our students. Stay tuned for updated details and student results in the March report.

Spring Musical – Moana Jr.

We are excited about many of our students participating in the spring musical, Moana Jr. Ms. Burleigh and her students are practicing hard each evening. Please plan on attending the event on Friday, February 24, 2023 and Saturday, February 24, 2023 at 7:00pm.

PBIS Reward Day:

Eligible students participated in the PBIS Reward Day on January 20th. Students were able to choose fun activities in each of the two sessions. Shout out to the staff for their efforts in organizing these activities to celebrate our students' achievements.

8th Graders Prepare for High School:

On January 19th, Erick Edler, 9th & 10th grade High School Counselor and Matt Johnson, High School Principal met with all 8th grade students to introduce them to the expectations of high school, course selection and graduation requirements. An informational session was also held at the High School for the parents of 8th grade students the evening of January 30th.

Lycoming College Student Observers:

We are pleased to have scheduled observations here at McCall on the following dates: 2/8, 2/15, 2/22, 3/1, and 3/8 for 21 students from Lycoming College. These students are from Dr. Amy Rogers' class. She teaches Literacy in the Content Area class for middle and secondary teacher certs (Math, English, Bio, Chem, Social Studies 7 – 12; Music/Art/Language Pk-12). This is a great opportunity for the students to have an opportunity to observe our teachers and then have a discussion concerning best teaching practices afterwards.

Upcoming Events:

February 11 - MathCounts competition - McCall Commons
February 13 - School in session - Snow make-up day (Day 6)
February 14 - 2nd Marking Period Incompletes Due
February 16 - Science Fair
February 16/18 - 7th grade boys basketball tournament at McCall.
February 20 - School in session - Snow make-up day (Day 3)
February 23 - Science Fair makeup
February 24/25 - Musical - Moana Jr. - 7:00pm - Commons
March 3 - Student Council - Masquerade Ball - 7th/8th grade students only
March 10 - No School (snow makeup day)
March 13 - No School (snow makeup day)
March 24 - Student Council - 3V3 Basketball Tournament

MONTOURSVILLE AREA HIGH SCHOOL

BOARD REPORT: February 2023

To: Montoursville Area School District Board of Directors
From: Matthew Johnson, High School Principal
Re: February 9, 2023 - School Board Monthly Report for MAHS

Celebrations & Thanks

- Amazing performances from FBLA, Academic Decathlon, and Mock Trial. It is very exciting to see the effort, progression, performance, and school pride that these groups bring to their competitions and experiences.
- All of the amazing work in preparation for our Spring Musical, Mama Mia! It will be a stellar showcase of the music/drama offerings at MAHS.

Shout Outs/Upcoming Items

- PMEA is being held here at MAHS this year, and it's amazing to hear the preparations and sounds echoing through our entry from the auditorium.
- Mrs. Solomon and I are taking her med career students to Lock Haven to visit their programs and the cadaver lab at the end of the month.

Curriculum, Instruction, & Assessment

- Requesting addition of two new courses to the current 2023-2024 catalog due to the addition of Mr. Barron, our new business teacher: Web Page Design & Sports/Entertainment Marketing
- We are in the throws of scheduling for 2023-2024 and are so proud of the work of our counselors.
- Discussions are underway with departments as we continue to evaluate curriculum, instruction, and assessment/grading moving into next year and beyond. We are building clear learning paths for students.
- Continued planning for professional development to best meet the needs of our teachers who provide robust academic experiences for our students.
- Meetings with the IU regarding the best way to document and track our college-and-career ready portfolios.
- Working on securing information regarding additional college-level dual enrollment opportunities for our students.

Considerations & Needs

- Continued support from the board as we strive to make the right decisions for our students, our educators, and our community.
- Future considerations for investment in programming that provides some unique and relevant opportunities for students.

Follow MAHS on the Following:

Twitter: @mahs_warriors

Instagram: @mahs_warriors

Facebook: MAHSWarriors



Montoursville Area High School

700 Mulberry Drive

Montoursville, PA 17754

570.368.2611

Montoursville Area High School

700 Mulberry Street | Montoursville, Pennsylvania 17754-1900
570-368-2611 | 570-368-2768 (fax)



Board Report February 8, 2023

Chris King, Assistant Principal

- ∞ Students are in the late stages of scheduling for next year.
- ∞ **Tutoring** is being offered for any student struggling with a subject.
- ∞ Saturday School is scheduled for **February 11th and 25th**.
- ∞ **14 FBLA members** will be competing in state competition in Hersey from the **April 16th – 19th**.
Winners move on to the national competition.
- ∞ The **wrestlers** will begin their **quest for the state tournament on Feb 18th** at sectionals and ending on **March 11th** for the individual state championships.
- ∞ The **Girl's basketball** team will make the district playoffs this year. Playoffs begin the **week February 20th**.
- ∞ **Spring sports** sign-ups were on **February 9th**.

MONTOURSVILLE AREA SCHOOL DISTRICT

MINUTES FOR SPECIAL MEETING

High School

Pledge to the Flag

Call to Order - Board President

Roll Call - Board Secretary

Tuesday, January 10, 2023

7:01 PM

MEMBER

x Daniel L. Albert (7:08)
x Todd A. Badger
x Susan Beery
x Joseph B. LeCrone
x Dottie M. Mathers, Vice President
_____ David Shimmel, President

MEMBER

x Ronald E. Snell
x Dale Ulmer
x David J. Young
_____ *Richard Galtman, Solicitor
_____ *Christina Bason, Superintendent
x *Brandy N. Smith, Business Mgr./Bd. Secretary
_____ *(Non-Voting Member)

OTHERS

x Albert, Ronda - Assistant Middle School Principal
x Blaise, Tyler - Elementary School Principal
x Feerrar, Darrin - Elementary School Principal
_____ Gnofo, Joseph - Supervisor of Buildings and Grounds
x Hanner, Timothy - Supervisor of Special Education
_____ Johnson, Matthew – High School Principal
_____ King, Christopher - Assistant High School Principal
x Myers, Curtis - Middle School Principal
x Peipher, Sebastian – Technical Director
x Taormina, Daniel – Assistant Superintendent
x Residents _____ Media x Students

Presentations

Dr. Mathers recognized the Decathlon Team for earning six gold, ten silver, and two bronze medals at a recent competition.

Mr. Taormina added the Mock Trial competed at the Pittsburgh Cathedral Classic. Lucy Catino was awarded Outstanding Witness for the tournament. She earned a perfect score in both trials.

Zach Smith added Katelyn Hunsberger also earned recognition in the event she competed in.

Approval of minutes for the following meetings:

- Board Meeting, Tuesday, December 6, 2022
- Organizational Meeting Tuesday, December 6, 2022

Motion: Snell Second: Young
Yes: Badger, Beery, LeCrone, Mathers, Snell, Ulmer, Young
No: None
Absent: Albert, Shimmel
Result: Motion Carried

Public comment

Jack Callahan would like the mascot displayed in the hallway and identified as the mascot. Mr. Callahan would also like Montoursville to have a volleyball team and would like the track open to the public. Mr. Callahan concluded his time by wishing the Cheerleaders good luck while they compete in Dallas, TX on January 19th.

Business Manager's Report

A. General Fund and Cafeteria Fund Treasurer's Report

Motion: Ulmer Second: Badger
Yes: Albert, Badger, Beery, LeCrone, Mathers, Snell, Ulmer, Young
No: None
Absent: Shimmel
Result: **Motion Carried**

B. Budgetary Transfers – None.

C. Presentation of Bills (Roll Call)

Motion: Ulmer Second: Badger
Yes: Albert, Badger, Beery, LeCrone, Mathers, Snell, Ulmer, Young
No: None
Absent: Shimmel
Result: **Motion Carried**

D. Business

The Audit and Tyler training continues. Budget numbers are coming in slowly. The cafeteria department is doing well and will be getting a new Food Service Director.

Mr. Ulmer commented the EIT seemed to be getting close to budgets questioning if that was a good sign. He also was curious to know what area or areas the Auditors are focused on.

Mrs. Smith explained EIT patterns. She also gave more detail on the ESSERS fund portion of the audit.

Superintendent's Report

Lyter students came back from break ready and eager to continue learning. The 4th grade Geography Bee has begun.

Mr. Feerrar, Federal Programs Director conducted a mid-year stakeholder meeting for Federal Programs. The district's Title IV-A plan was reviewed, updates were provided, and feedback from stakeholders was received. Mr. Myers agreed with Mr. Feerrar McCall students came back from break ready for the rest of the 2023 school year. He went on to congratulate the cheerleading, wrestling, and basketball teams on their continued success. Mr. Myers concluded by praising Mrs. Patty Confer, for participating in the stock market challenge. Elijah Eck placed first place in the Lycoming County fall semester stock market challenge.

Mr. Blaise thanked the community members students and teachers for getting Christmas baskets out to the families in need. 22 food baskets were handed out and 28 different families received presents for Christmas. A donation was also made to the Expectations Women's Center in Williamsport. He also thanked the Eldred Township Fire Department for bringing Santa in on December 22 during a snowstorm. Mr. Blaise went on to thank Mr. Feerrar and both PTOs for hosting a holiday event at Lyter Elementary.

Mrs. Albert reflected on her first choral and band concerts. Mrs. Albert was also impressed with the McCall students, staff, and faculty for their generous giving over the holiday season.

Mr. Hanner has early intervention transition meetings scheduled for February 14 & 15. The main purpose of the meeting is to ensure students are ready to transition into school-aged services to ensure proper supports are in place. The Pennsylvania alternate system of assessment registration is complete, and the staff has been trained. 14 students in the district will be taking that assessment. Mr. Hanner concluded his report with the sign language after-school program happening at Lyter Elementary run by Mrs. Susan Wood the district educational sign language interpreter. Mrs. Wood ran a Lunch Bunch group last year and this year she is working in the after-school program. During the fall she worked with 30 students from kindergarten through 2nd grade. Mr. Hanner went on to explain what the students learned, and the processes Mrs. Wood put into place for the students to continue learning. She hopes to expand to the 3rd and 4th grades in the Spring of 2023.

Agenda Items

- **General**

G-1 Approval of an agreement between Montoursville Area School District and BLaST IU17 for IDEA 619 Early Intervention agreement. (Attachment)

G-2 Approval of adding two Act 80 days into the 2022-2023 school year, to be used as teacher in-service days. April 6 and May 30, 2023. (Attachment)

G-3 Approval of a Use of Facilities request from Christopher Morgan, High School Band Director, Montoursville Area High School facilities, November 29, 30, 2023. (Attachment)

G-4 Approval of an agreement between Montoursville Area School and Western Governors University for Student Teachers. (Attachment)

G-5 Approval of the following agreement between Montoursville Area School District and CXTEC for new network switches at Loyalsock Valley Elementary School. This is the last building that needs to be upgraded, and after CXTEC discount we will only be responsible for 57.5% of the total cost (\$39,518.60). (Attachment)

G-6 Approval of a Use of Facilities request from Denise Clark, Montoursville Annual Craft Show, Montoursville Area High School facilities, December 1, 2023, 6:30 PM, and December 2, 2023. 6:30 AM to 6:30 PM. (Attachment)

G-7 Approval of a Use of Facilities request from Duane Gordner, D & K Studio of Dance, Montoursville Area High School Auditorium, Sunday, May 21, 2023, 12:00 PM to 5:00 PM. (Attachment)

G-8 Approval of a Use of Facilities request from Phil Buehrer, Montoursville Rotary Club, C. E. McCall Middle School Commons, Saturday, June 10, 2023, and Saturday, June 17, 2023, 5:00 AM to 11:00 PM. (Attachment)

G-9 Approval of the Montoursville Area High School Course Catalog for the 2023-2024 school year. (Available online)

Motion: Young Second: Badger

Yes: Albert, Badger, Beery, LeCrone, Mathers, Snell, Ulmer, Young

No: None

Absent: Shimmel

Result: **Motion Carried**

- **Personnel**

P-1 Approval of the following addition to a Long-Term Professional position:

Employee	Position	Dates	Replacement for:
Alexus DegBrina	Elementary	January 10, 2023, to March 10, 2023	100000

P-2 Approval of the following unpaid leave of absence from a member of the staff:

Employee	Effective Dates
101460	January 3, 4, 5, 6, 2023

P-3 Approval of the following FMLA leaves from members of the staff:

Employee	Effective Date
100491	November 30, 2022
100805	December 23, 2022, to January 3, 2023
100805	January 20, 2023, to January 30, 2023

P-4 Approval of the following additions to the Substitute Teacher list, effective 2022-2023 school year:

Employee	Certification
Rebekah Lundy	English
Richelle Sanford	Elementary and Special Education

P-5 Approval of the following addition to the Substitute Support Staff list:

Substitute	Position
Tina McCloy	Substitute Nurse

P-6 Approval of the following addition to the Guest Teacher Substitute List, effective 2022-2023 school year:

Guest Teacher
Craig Shoff

P-7 Approval of the following additions/changes to the Coaching Staff, effective 2022-2023 school year:

Coach	Sport	Position	Stipend	Replacement for:
Kyle Rude	Boys Basketball	7 th Grade Coach	\$2,600	Steve Lehman
Luke Warnecke	Boys Basketball	9 th Grade Coach	\$2,600	Dylan Casale
Peyton Mussina	Boys Basketball	Volunteer Coach	NA	NA

P-8 Approval of the following resignation from a member of the support staff:

Employee	Position	Effective
John Rupert	Building Security	December 7, 2022

Mr. Young asked if the district is looking to replace the position.

Mr. Taormina stated the position is being advertised.

P-9 Approval of the following additions to the Extracurricular Activity and Extra Duty positions for the 2022-2023 school year:

Employee	Position	Stipend	Replacement for:
Theodore Barbour	New Teacher Mentor for Megan Daily	\$221.00	NA
Sandra Trick	New Teacher Mentor for Kaylie Schans	\$221.00	NA
Sandra Trick	New Teacher Teacher Mentor for Rebecca Hall	\$221.00	NA
Susan Ravert	New Teacher Mentor for Lauren Caputo	\$221.00	NA
Susan Holmes	New Teacher Mentor for Erica Hepburn	\$221.00	NA
Morgan Solomon	High School Science Department Head	\$579.00	Steve Tressler
Kaylie Schans	Freshman Class Advisor	\$221.00	NA
Kaylie Schans	Freshman Class Advisor	\$221.00	NA

Motion: LeCrone Second: Berry
Yes: Albert, Badger, Beery, LeCrone, Mathers, Snell, Ulmer, Young
No: None
Absent: Shimmel
Result: **Motion Carried**

Mr. Snell inquired why the Freshman class adviser was listed twice.

Mr. Taormina explained there are two positions open, and Ms. Schans will be filling both positions.

P-10 Approval of the following retirement of a member of the Professional Staff:

Employee	Position	Years of Service	Effective
Tammy Morgan	Spanish Teacher	34	June 30, 2023
Susan Shoemaker	Mathematics Teacher	36	June 30, 2023
Crystal Miller	Elementary Teacher	35	June 30, 2023

Motion: Badger Second: LeCrone
Yes: Albert, Badger, Beery, LeCrone, Mathers, Snell, Ulmer, Young
No: None
Absent: Shimmel
Result: **Motion Carried**

Dr. Mathers thank the teachers for their years of service.

- **Transportation**

T-1 Approval of Promiseland Busing Rate in the amounts of \$2,863.01 and \$2,843.67 for December 2022.
(Attachment)

Motion: LeCrone Second: Beery
Yes: Albert, Badger, Beery, LeCrone, Mathers, Snell, Ulmer, Young
No: None
Absent: Shimmel
Result: **Motion Carried**

- **Policies**

PY-1 Approval of retirements for the following Policies:

Policy 248 – Unlawful Harassment – Pupils
Policy 348 – Unlawful Harassment – Administrative Employees
Policy 448 – Unlawful Harassment – Professional Employees
Policy 548 – Unlawful Harassment – Classified Employees

Motion: LeCrone Second: Young
Yes: Albert, Badger, Beery, LeCrone, Mathers, Snell, Ulmer, Young
No: None
Absent: Shimmel
Result: **Motion Carried**

Dr. Mathers inquired about policies 103 and 104 that replaced the retired policies and where to find them. She requested that the policies be renamed for easier access.

Dr. LeCrone said the committee would consider it.

Other Reports

A. Committee Reports

- PSBA – None
- Policy Committee – None
- IU Rep.- None
- LCTC Rep.- None
- Memorial Gardens – Donations are continuing to be collected and work has been suspended until the Spring.
- Budget – Mrs. Smith gave an update earlier in the meeting
- Buildings and Ground – None
- Montoursville Foundation –The 2023 goal is to enhance the process of getting information and funds from the foundation to the faculty. There are funds available, and the request form is simple. Mr. Taormina gave an update on the Blackbox theatre that was updated using the EITC funds. He anticipates a need in the Tech/Ed department.
- Extra-Curricular Activities – Mr. Badger let Mr. Callahan know that he reached out to Mr. Taormina, Melissa Balliet, Athletic Director, and Mr. Johnson to set up a meeting to discuss volleyball.
- Mr. Snell acknowledged Mr. Callahan's concern about the placement of the district's mascot, Routnom. Mr. Snell would like to provide an answer for Jack.
- Dr. Berry followed up on the request to open the track and stadium to the public asking Mr. Taormina if it was a security issue.
- Mr. Taormina explained it was part of the Health, Safety, and Security plan. The track and stadium are open in the summer when the maintenance staff is on-site.

Public Comment

Jack Callahan would like to know where the football golden helmet award that lists linemen and back fielders, and a 1948 basketball trophy are kept. He would also like the track achievements displayed. He also commented on intramural sports.

ADJOURNMENT OF THE REGULAR MEETING TO EXECUTIVE SESSION 7:49 PM

Motion: Badger Second: LeCrone
Voice Vote: All

David Shimmel, President

Brandy N. Smith, Board Secretary

MONTOURSVILLE AREA SCHOOL DISTRICT

MINUTES FOR WORK SESSION
Plunketts Creek Fire Hall

Tuesday, January 24, 2023
7:02 PM

Pledge to the Flag and Moment of Silence
Call to Order - Board President
Roll Call – Assistant Superintendent

MEMBER

 Daniel L. Albert
 x Todd A. Badger
 Susan Beery
 x Joseph B. LeCrone
 x Dottie M. Mathers, Vice President
 x David Shimmel, President

MEMBER

 x Ronald E. Snell
 x Dale Ulmer
 x David J. Young
 *Richard Galtman, Solicitor
 *Christina Bason, Superintendent
 *Brandy N. Smith, Business Mgr./Bd.Secretary
 *(Non-Voting Member)

OTHERS

 Blaise, Tyler - Elementary School Principal
 Feerrar, Darrin - Elementary School Principal
 Gnoffo, Joseph - Supervisor of Buildings and Grounds
 Hanner, Timothy - Supervisor of Special Education
 Johnson, Matthew – High School Principal
 King, Christopher - Assistant Middle/High School Principal
 Myers, Curtis - Middle School Principal
 Peipher, Sebastian –
 Taormina, Daniel – Assistant Superintendent
 x Residents x Media x Students

Motion made to add an agenda item.

Motion: Mathers Second: Snell

Yes: Badger, LeCrone, Mathers, Shimmel, Ulmer, Young, Snell

No: None

Absent: Albert, Beery

Result: Motion Carried

Presentations

Ms. Earl gave a Mock Trial presentation.

Public Comment

None

Action Items

- **General**

- G-1 Approval of a Use of Facilities request from Vince Reeder, Reeder Brothers Fuel Service, Loyalsock Valley Elementary School Parking Lot, Group #2, Saturday, January 28, 2023, 7:00 AM to 10:00 PM. (Attachment)

Motion: Young Second: Badger
Yes: Badger, LeCrone, Mathers, Shimmel, Ulmer, Young, Snell
No: None
Absent: Albert, Beery
Result: **Motion Carried**
Mr. Snell provided more detail on the benefit.

- **Personnel**

- P-1 Approval of the following addition to a Long-Term Professional position: (Attachment)

Employee	Position	Dates	Replacement for:
Kacee Reitz	Art	January 24, 2023, until the end of the 2022-2023 school year	101393

Motion: LeCrone Second: Mathers
Yes: Badger, LeCrone, Mathers, Shimmel, Ulmer, Young, Snell
No: None
Absent: Albert, Beery
Result: **Motion Carried**

Public Comment

None

ADJOURNMENT OF THE REGULAR MEETING 7:48 PM

Motion: Ulmer Second: Badger
Result: **Motion Carried**

David Shimmel, President

Brandy N. Smith, Board Secretary