

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS  
FOR THE YEAR ENDED JUNE 30, 2021

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the District as of June 30, 2021, 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.

## Change in Accounting Principle

As described in Note 2 to the financial statements, in 2021, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 5, Budgetary Comparison Schedule - General Fund on page 47, Schedule of Changes in the District's Total Other Postemployment Benefits Liability - District Plan on page 48, 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, 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.

### Other 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 Schedule of Expenditures of Federal Awards is presented for additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 March 4, 2022, 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  
March 4, 2022

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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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, 2021 and 2020. 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.

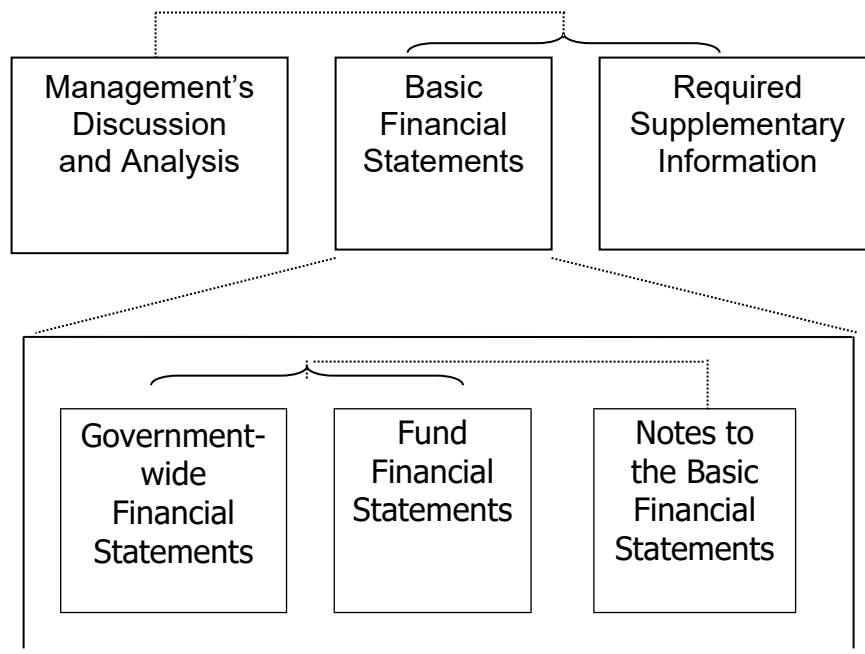
**FINANCIAL HIGHLIGHTS**

At year end, the District's total net position increased by approximately \$2,130,000 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 \$8.2 million or 24.7% of total revenues, and general revenues (revenues that are not matched to specific program expenses) accounted for approximately \$25 million or 75.3% of total revenues.

The general fund reported a fund balance of approximately \$5 million or 16.5% of the 2020-2021 \$30.3 million operating budget. This represents an increase of approximately \$1,029,000 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



**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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 fiduciary 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 fiduciary 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 and student activities funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 15. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.



**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**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 (83.4%) 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 2020 to 2021 follows:

<p style="text-align: center;">Table A-1  Comparative Analysis June 30, 2020 – June 30, 2021  Government Wide Financial Analysis - Net Position</p>						
	Governmental Activities		Business-Type Activities		Totals	
(Amounts expressed in thousands)	2020	2021	2020	2021	2020	2021
Current Assets	\$ 13,269	\$ 12,500	\$ 364	\$ 359	\$ 13,633	\$ 12,859
Capital Assets	\$ 64,775	\$ 62,991	\$ 223	\$ 180	\$ 64,998	\$ 63,171
Prepaid Bond Insurance	\$ 78	\$ 71			\$ 78	\$ 71
Total Assets	\$ 78,122	\$ 75,562	\$ 587	\$ 539	\$ 78,709	\$ 76,101
Deferred Outflows of Resources	\$ 5,147	\$ 7,665	\$ 114	\$ 81	\$ 5,261	\$ 7,746
Current Liabilities	\$ 6,157	\$ 4,988	\$ 60	\$ 42	\$ 6,217	\$ 5,030
Noncurrent Liabilities	\$ 83,711	\$ 84,215	\$ 651	\$ 452	\$ 84,362	\$ 84,667
Total Liabilities	\$ 89,868	\$ 89,203	\$ 711	\$ 494	\$ 90,579	\$ 89,697
Deferred Inflows of Resources	\$ 5,245	\$ 3,810	\$ 226	\$ 293	\$ 5,471	\$ 4,103
Net Position:						
Invested in Capital						
Assets, Net of Debt	\$ 22,238	\$ 24,442	\$ 223	\$ 180	\$ 22,461	\$ 24,622
Restricted for Capital Projects	\$ 4,949	\$ 3,258	\$ -	\$ -	\$ 4,949	\$ 3,258
Restricted for Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0
Unrestricted	(\$ 39,031)	(\$ 37,486)	(\$ 459)	(\$ 347)	(\$ 39,490)	(\$ 37,833)
Total Net Position	(\$ 11,844)	(\$ 9,786)	(\$ 236)	(\$ 167)	(\$ 12,080)	(\$ 9,953)

The District reports a decrease 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 \$2,161,000 (net), as a result of equipment purchases and facility improvements during the fiscal year.

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

The District's total net position related to governmental activities increased by approximately \$2,057,000. Additionally, the District's total unrestricted net assets related to governmental and business-type activities reflect a deficit balance of approximately \$37.8 million.

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

<p align="center"><b>Table A-2</b>  <b>Fiscal Year End Comparison June 30, 2020 – June 30, 2021</b>  <b>Changes in Net Position</b></p>						
	Governmental Activities		Business-Type Activities		Total	
(Amounts expressed in thousands)	2020	2021	2020	2021	2020	2021
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 198	\$ 159	\$ 387	\$ 107	\$ 585	\$ 266
Operating Grants	\$ 6,312	\$ 7,163	\$ 386	\$ 773	\$ 6,698	\$ 7,936
Total Program Revenues	\$ 6,510	\$ 7,322	\$ 773	\$ 880	\$ 7,283	\$ 8,202
General Revenues						
Property Taxes	\$12,445	\$12,834	\$ -	\$ -	\$ 12,445	\$ 12,834
Other Taxes	\$ 3,728	\$ 4,416	\$ -	\$ -	\$ 3,728	\$ 4,416
Grants and Entitlements	\$ 7,785	\$ 7,689	\$ -	\$ -	\$ 7,785	\$ 7,689
Other	\$ 231	\$ 13	\$ 1	\$ 1	\$ 232	\$ 14
Total General Revenues	\$24,189	\$24,952	\$ 1	\$ 1	\$ 24,190	\$24,953
<b>Total Revenues</b>	<b>\$ 30,699</b>	<b>\$ 32,274</b>	<b>\$ 774</b>	<b>\$ 881</b>	<b>\$ 31,473</b>	<b>\$ 33,155</b>
<b>Expenses</b>						
Program Expenses						
Instruction	\$18,517	\$19,340	\$ -	\$ -	\$ 18,517	\$ 19,340
Support Services:						
Instructional Student Support	\$ 2,452	\$ 2,634	\$ -	\$ -	\$ 2,452	\$ 2,634
Administration	\$ 2,406	\$ 2,222	\$ -	\$ -	\$ 2,406	\$ 2,222
Maintenance	\$ 2,872	\$ 3,150	\$ -	\$ -	\$ 2,872	\$ 3,150
Pupil Transportation	\$ 1,094	\$ 1,133	\$ -	\$ -	\$ 1,094	\$ 1,133
Community Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Student Activities	\$ 616	\$ 640	\$ -	\$ -	\$ 616	\$ 640
Interest and Fiscal Charges	\$ 1,228	\$ 1,098	\$ -	\$ -	\$ 1,228	\$ 1,098
Other Support Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Food Service	\$ -	\$ -	\$ 748	\$ 812	\$ 748	\$ 812
Depreciation, unallocated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Expenses</b>	<b>\$ 29,185</b>	<b>\$30,217</b>	<b>\$ 748</b>	<b>\$ 812</b>	<b>\$ 29,933</b>	<b>\$ 31,029</b>

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Table A-2  
Fiscal Year End Comparison June 30, 2020 – June 30, 2021  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2021	2020	2021	2020	2021
Excess before transfers	\$ 1,514	\$ 2,057	\$ 26	\$ 69	\$ 1,540	\$ 2,126
Interfund Transfers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Position	\$ 1,514	\$ 2,057	\$ 26	\$ 69	\$ 1,540	\$ 2,126

**FUND FINANCIAL STATEMENT ANALYSIS**

At June 30, 2021, a combined fund balance of \$8,265,661 is reported on the District's governmental funds statement; overall, this is a decrease of \$662,326 from the prior fiscal year.

Table A-3  
Fiscal Year End Comparison June 30, 2020 – June 30, 2021  
Changes in Governmental Funds Balances

	Fund Balance 2020	Fund Balance 2021	Increase (Decrease)
General Fund	\$ 3,978,717	\$ 5,008,119	\$ 1,029,402
Capital Projects Fund			
Reserved for Future Capital Improvements	\$ 4,949,270	\$ 3,257,542	(\$ 1,691,728)
Debt Service Fund	\$ -	\$ -	\$ -
Total Fund Balance	\$ 8,927,987	\$ 8,265,661	(\$ 662,326)

**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 (local revenue) earned income tax, and real estate tax; (state revenue) rent subsidies, and grants; as well as receiving (federal revenue) CARES Act funds.

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Table A-4  
Fiscal Year End Comparison June 30, 2020 – June 30, 2021  
General Fund Revenues and Expenditures

	2020 Amount	2021 Amount	Dollar Change	Percent Change
<i>Revenues</i>				
Local	\$ 16,926,405	\$ 18,264,227	\$ 1,337,822	7.90 %
State	\$ 13,044,433	\$ 13,443,892	\$ 399,459	3.06 %
Federal	\$ 611,526	\$ 635,819	\$ 24,293	3.97 %
Total	\$ 30,582,364	\$ 32,343,938	\$ 1,761,574	5.76 %
<i>Expenditures</i>				
Instruction	\$ 18,111,974	\$ 18,646,989	\$ 535,015	2.95 %
Support Services	\$ 8,276,387	\$ 8,797,502	\$ 511,115	6.30 %
Noninstructional Services	\$ 501,705	\$ 513,136	\$ 11,431	2.28 %
Debt Service	\$ -	\$ -	\$ -	0.00 %
Refund of Prior Year Rev.	\$ 211	\$ -	(\$ 211)	(100.00 %)
Capital Outlay	\$ -	\$ -	\$ -	0.00%
Other Financing Uses (net)	\$ 3,456,110	\$ 3,356,909	(\$ 99,201)	(2.87%)
Total	\$ 30,346,387	\$ 31,314,536	\$ 968,149	3.19 %
Excess Revenues (Expenditures)	\$ 235,977	\$ 1,029,402	\$ 793,425	336.23 %

**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 2021, the District early redeemed 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 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 2014 General Obligation Bonds, 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.

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Proprietary Fund -

At June 30, 2021, the District's sole business-type activity, the proprietary fund, reported total net position of (\$166,913). 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. The food service program was shut down from mid March 2020 through the end of the previous school year due to school closures from the COVID-19 pandemic. The food service program operated for the entire year during 2021, including a summer meal program. All students received free meals during 2021, regardless of financial need, due to expanded federal programs in response to the pandemic. 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, 2020 – June 30, 2021 Proprietary Fund Revenues and Expenditures				
	2020 Amount	2021 Amount	Dollar Change	Percent Change
<i>Revenues</i>				
Food Service Revenue	\$ 377,394	\$ 103,219	(\$ 274,175)	(72.65 %)
Other Operating Revenues	\$ 9,953	\$ 4,086	(\$ 5,867)	(58.95 %)
State Subsidies	\$ 48,527	\$ 51,402	\$ 2,875	5.92 %
Federal Subsidies	\$ 337,125	\$ 721,923	\$ 384,798	114.14 %
Other Nonoperating Revenues	\$ 1,030	\$ 647	(\$ 383)	(37.18 %)
Total	\$ 774,029	\$ 881,277	\$ 107,248	13.86 %
<i>Expenditures</i>				
Salaries	\$ 146,415	\$ 130,358	(\$ 16,057)	(10.97 %)
Employee Benefits	\$ 66,997	\$ 19,894	(\$ 47,103)	(70.31 %)
Technical Services	\$ 450	\$ -	(\$ 450)	(100.00 %)
Purchased Property Services	\$ 18,006	\$ 17,249	(\$ 757)	(4.20 %)
Management Purchased Service	\$ 407,409	\$ 515,164	\$ 107,755	26.45 %
Supplies	\$ 69,476	\$ 81,259	\$ 11,783	16.96 %
Depreciation	\$ 39,026	\$ 42,276	\$ 3,250	8.33 %
Other Operating Expenses	\$ -	\$ 5,972	\$ 5,972	100.00 %
Total	\$ 747,779	\$ 812,172	\$ 64,393	8.61 %
Interfund transfers In	\$ -	\$ -	\$ -	-%
Capital Contributions	\$ -	\$ -	\$ -	- %
Change in Net Position	\$ 26,250	\$ 69,105	\$ 42,855	163.26 %

General Fund Budget

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

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

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

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021, the District had \$63,170,570 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 \$37,123,205 at year end. Significant additions and disposals included computer equipment for classroom and remote learning.

Table A-6 Fiscal Year End Comparison June 30, 2020 – June 30, 2021 Capital Assets – Net of Depreciation						
	Governmental Activities		Business-Type Activities		Increase (Decrease) By Activity Type	
(Amounts expressed in Thousands)	2020	2021	2020	2021	Govern.	Business
Land and Improvements	\$ 1,250	\$ 1,152	\$ -	\$ -	(\$ 98)	\$ -
Buildings and Building Improvements	\$ 61,404	\$ 59,628	\$ -	\$ -	(\$ 1,776)	\$ -
Furniture and Equipment	\$ 2,062	\$ 2,210	\$ 223	\$ 180	\$ 148	(\$ 43)
Construction in Progress	\$ 59	\$ -	\$ -	\$ -	(\$ 59)	\$ -
Total	\$ 64,775	\$ 62,990	\$ 223	\$ 180	(\$ 1,785)	(\$ 43)

Debt Administration

During the year, the District made payments against principal of \$3,935,000 resulting in outstanding debt as of June 30, 2021 of \$38,110,000; this is displayed in Table A-7.

Table A-7 Outstanding Debt Comparison June 30, 2020 – June 30, 2021			
	2020	2021	Increase (Decrease)
Bonds, Series of 2014	\$ 2,805,000	\$ -	(\$ 2,805,000)
Note, Series of 2015	\$ 3,635,000	\$ 2,520,000	(\$ 1,115,000)
Bonds, Series of 2016	\$ 15,735,000	\$ 15,730,000	(\$ 5,000)
Bonds, Series of 2019	\$ 9,980,000	\$ 9,975,000	(\$ 5,000)
Bonds, Series of 2020	\$ 9,890,000	\$ 9,885,000	(\$ 5,000)
Total Debt Outstanding	\$ 42,045,000	\$ 38,110,000	(\$ 3,935,000)

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.

**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, 2021 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](http://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, 2021

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 9,831,769	\$ 259,105	\$ 10,090,874
Taxes receivable, net	955,420		955,420
Due from other governments	1,646,092	42,102	1,688,194
Internal balances	(26,732)	26,732	
Other receivables	29,182	24,486	53,668
Inventories		6,301	6,301
Prepaid expenses	64,975		64,975
Total current assets	12,500,706	358,726	12,859,432
<b>NONCURRENT ASSETS:</b>			
Capital assets, net	62,990,401	180,169	63,170,570
Prepaid bond insurance	70,850		70,850
Total noncurrent assets	63,061,251	180,169	63,241,420
<b>TOTAL ASSETS</b>	<b>\$ 75,561,957</b>	<b>\$ 538,895</b>	<b>\$ 76,100,852</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred loss on refunding debt, net	\$ 8,312		\$ 8,312
Other postemployment benefits - district plan	350,402	\$ 10,062	360,464
Other postemployment benefits - premium assistance program	248,118	2,388	250,506
Pensions	7,057,655	69,035	7,126,690
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 7,664,487</b>	<b>\$ 81,485</b>	<b>\$ 7,745,972</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Due to other governments	\$ 20,465		\$ 20,465
Accounts payable	537,593	\$ 3,062	540,655
Accrued salaries and benefits	3,167,046	3,767	3,170,813
Accrued interest payable	90,134		90,134
Current portion of noncurrent liabilities	1,155,000		1,155,000
Unearned revenue		35,151	35,151
Other current liabilities	17,957	263	18,220
Total current liabilities	4,988,195	42,243	5,030,438
<b>NONCURRENT LIABILITIES:</b>			
Bonds and notes payable, net	37,311,337		37,311,337
Accumulated compensated absences, net	1,377,295		1,377,295
Total other postemployment benefit liability - district plan	1,711,192	9,148	1,720,340
Net other postemployment benefit liability - premium assistance program	1,844,371	18,629	1,863,000
Net pension liability	41,971,050	423,952	42,395,002
Total noncurrent liabilities	84,215,245	451,729	84,666,974
<b>TOTAL LIABILITIES</b>	<b>\$ 89,203,440</b>	<b>\$ 493,972</b>	<b>\$ 89,697,412</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Other postemployment benefits - district plan	\$ 1,475,661	\$ 34,792	\$ 1,510,453
Other postemployment benefits - premium assistance program	160,536	13,188	173,724
Pensions	2,173,144	245,341	2,418,485
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 3,809,341</b>	<b>\$ 293,321</b>	<b>\$ 4,102,662</b>
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 24,442,242	\$ 180,169	\$ 24,622,411
Restricted for capital projects	3,257,542		3,257,542
Unrestricted (deficit)	(37,486,121)	(347,082)	(37,833,203)
<b>TOTAL NET POSITION</b>	<b>\$ (9,786,337)</b>	<b>\$ (166,913)</b>	<b>\$ (9,953,250)</b>

See Notes to the Basic Financial Statements



**MONTOURSVILLE AREA SCHOOL DISTRICT**  
GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 19,339,745	\$ 89,414	\$ 4,215,765		\$ (15,034,566)		\$ (15,034,566)
Instructional student support services	2,634,274		1,252,644		(1,381,630)		(1,381,630)
Administrative and financial support services	2,222,393		245,889		(1,976,504)		(1,976,504)
Operation and maintenance of plant services	3,150,013	33,495	166,154		(2,950,364)		(2,950,364)
Pupil transportation	1,132,727		486,209		(646,518)		(646,518)
Student activities	639,852	36,342	30,409		(573,101)		(573,101)
Interest and amortization on long-term debt	<u>1,097,956</u>		<u>765,812</u>		<u>(332,144)</u>		<u>(332,144)</u>
Total governmental activities	30,216,960	159,251	7,162,882		(22,894,827)		(22,894,827)
BUSINESS-TYPE ACTIVITIES,							
Food service	<u>812,172</u>	<u>107,305</u>	<u>773,325</u>			\$ 68,458	<u>68,458</u>
TOTAL	<u>\$ 31,029,132</u>	<u>\$ 266,556</u>	<u>\$ 7,936,207</u>	<u>\$</u>	<u>(22,894,827)</u>	<u>68,458</u>	<u>(22,826,369)</u>
GENERAL REVENUES:							
Property taxes, levied for general purposes					12,834,359		12,834,359
Local earned income taxes levied					4,163,955		4,163,955
Other taxes levied, net					251,645		251,645
Grants and entitlements not restricted to specific programs					7,689,140		7,689,140
Investment earnings					5,470	647	6,117
Miscellaneous income					<u>7,466</u>		<u>7,466</u>
Total general revenues					<u>24,952,035</u>	<u>647</u>	<u>24,952,682</u>
CHANGE IN NET POSITION					2,057,208	69,105	2,126,313
NET POSITION, BEGINNING					<u>(11,843,545)</u>	<u>(236,018)</u>	<u>(12,079,563)</u>
NET POSITION, ENDING					\$ (9,786,337)	\$ (166,913)	\$ (9,953,250)

See Notes to the Basic Financial Statements

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 6,574,227	\$ 3,257,542		\$ 9,831,769
Taxes receivable, net	955,420			955,420
Due from other governments	1,646,092			1,646,092
Other receivables	29,182			29,182
Prepaid expenses	<u>64,975</u>	<u>          </u>	<u>          </u>	<u>64,975</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 9,269,896</b></u>	<u><b>\$ 3,257,542</b></u>	<u><b>\$</b></u>	<u><b>\$ 12,527,438</b></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Due to other funds	\$ 26,732			\$ 26,732
Due to other governments	20,465			20,465
Accounts payable	537,593			537,593
Accrued salaries and benefits	3,167,046			3,167,046
Other liabilities	<u>17,957</u>	<u>          </u>	<u>          </u>	<u>17,957</u>
<b>Total liabilities</b>	<u><b>3,769,793</b></u>	<u>          </u>	<u>          </u>	<u><b>3,769,793</b></u>
<b>DEFERRED INFLOWS OF RESOURCES,</b>				
Unavailable revenue - delinquent property taxes	<u>491,984</u>	<u>          </u>	<u>          </u>	<u>491,984</u>
<b>FUND BALANCES:</b>				
Nonspendable, for prepaid expenses	64,975			64,975
Restricted, by law or regulation		\$ 3,257,542		3,257,542
Committed, for retirement	359,550			359,550
Unassigned	<u>4,583,594</u>	<u>          </u>	<u>          </u>	<u>4,583,594</u>
<b>Total fund balances</b>	<u><b>5,008,119</b></u>	<u><b>3,257,542</b></u>	<u>          </u>	<u><b>8,265,661</b></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><b>\$ 9,269,896</b></u>	<u><b>\$ 3,257,542</b></u>	<u><b>\$</b></u>	<u><b>\$ 12,527,438</b></u>

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2021**

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TOTAL GOVERNMENTAL FUND BALANCES	\$ 8,265,661
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.</p> <p>These assets consist of:</p>	
Land and improvements	2,573,483
Buildings and building improvements	88,768,699
Furniture and equipment	7,815,011
Accumulated depreciation	(36,166,792)
<p>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.</p>	
	70,850
<p>Deferred loss on refunding bonds are not current financial resources, and therefore are not reported in the governmental funds balance sheet.</p>	
	8,312
<p>Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.</p> <p>These liabilities consist of:</p>	
Accrued interest payable	(90,134)
Bonds and notes payable in future years	(38,466,337)
Accumulated compensated absences	(1,377,295)
Net other postemployment benefit liability	(3,555,563)
Net pension liability	(41,971,050)
<p>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.</p> <p>These deferrals consist of:</p>	
Other postemployment benefits	(1,037,677)
Pensions	4,884,511
<p>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.</p>	
	<u>491,984</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (9,786,337)</u>

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local sources	\$ 18,264,227	\$ 1,174		\$ 18,265,401
State sources	13,443,892			13,443,892
Federal sources	<u>635,819</u>	<u></u>	<u></u>	<u>635,819</u>
Total revenues	<u>32,343,938</u>	<u>1,174</u>	<u></u>	<u>32,345,112</u>
EXPENDITURES:				
Current:				
Instruction	18,646,989			18,646,989
Support services	8,797,502			8,797,502
Noninstructional services	513,136			513,136
Capital outlay		15,055		15,055
Debt service (principal and interest)	<u></u>	<u>1,677,847</u>	<u>\$ 3,401,471</u>	<u>5,079,318</u>
Total expenditures	<u>27,957,627</u>	<u>1,692,902</u>	<u>3,401,471</u>	<u>33,052,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>4,386,311</u>	<u>(1,691,728)</u>	<u>(3,401,471)</u>	<u>(706,888)</u>
OTHER FINANCING SOURCES (USES):				
Interfund transfers in			3,401,471	3,401,471
Interfund transfers out	(3,401,471)			(3,401,471)
Proceeds from sale of capital assets	15,284			15,284
Refund of prior year revenues	(4,217)			(4,217)
Proceeds from insurance recoveries	<u>33,495</u>	<u></u>	<u></u>	<u>33,495</u>
Total other financing sources (uses)	<u>(3,356,909)</u>	<u></u>	<u>3,401,471</u>	<u>44,562</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,029,402	(1,691,728)		(662,326)
FUND BALANCES, BEGINNING	<u>3,978,717</u>	<u>4,949,270</u>	<u></u>	<u>8,927,987</u>
FUND BALANCES, ENDING	<u>\$ 5,008,119</u>	<u>\$ 3,257,542</u>	<u>\$</u>	<u>\$ 8,265,661</u>

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT**  
**OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (662,326)

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. (1,784,881)

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. (72,200)

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. 3,960,985

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	(31,340)
Other postemployment benefit related costs	82,120
Pension related costs	544,473

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. 20,377

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,057,208

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2021**

	Food Service Fund
<hr/>	
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 259,105
Due from other funds	26,732
Due from other governments	42,102
Other receivables	24,486
Inventories	<u>6,301</u>
Total current assets	<u>358,726</u>
NONCURRENT ASSETS,	
Capital assets, net	<u>180,169</u>
TOTAL ASSETS	<u>\$ 538,895</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Other postemployment benefits - district plan	\$ 10,062
Other postemployment benefits - premium assistance program	2,388
Pensions	<u>69,035</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 81,485</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 3,062
Accrued salaries and benefits	3,767
Unearned revenue	35,151
Other liabilities	<u>263</u>
Total current liabilities	<u>42,243</u>
NONCURRENT LIABILITIES:	
Total other postemployment benefit liability - district plan	9,148
Net other postemployment benefit liability - premium assistance program	18,629
Net pension liability	<u>423,952</u>
Total noncurrent liabilities	<u>451,729</u>
TOTAL LIABILITIES	<u>\$ 493,972</u>
DEFERRED INFLOWS OF RESOURCES:	
Other postemployment benefits - district plan	\$ 34,792
Other postemployment benefits - premium assistance program	13,188
Pensions	<u>245,341</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 293,321</u>
NET POSITION:	
Net investment in capital assets	\$ 180,169
Unrestricted (deficit)	<u>(347,082)</u>
TOTAL NET POSITION	<u>\$ (166,913)</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, 2021**

	Food Service Fund
OPERATING REVENUES:	
Food service revenue	\$ 103,219
Other operating revenues	<u>4,086</u>
Total operating revenues	<u>107,305</u>
OPERATING EXPENSES:	
Salaries	130,358
Employee benefits	19,894
Purchased property services	17,249
Management fees	515,164
Supplies	81,259
Depreciation	42,276
Dues and fees	<u>5,972</u>
Total operating expenses	<u>812,172</u>
OPERATING LOSS	<u>(704,867)</u>
NONOPERATING REVENUES:	
Investment earnings	647
State sources	51,402
Federal sources	<u>721,923</u>
Total nonoperating revenues	<u>773,972</u>
CHANGE IN NET POSITION	69,105
NET POSITION, BEGINNING	<u>(236,018)</u>
NET POSITION, ENDING	<u>\$ (166,913)</u>

See Notes to the Basic Financial Statements

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Food Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from users	\$ 103,531
Cash received from other operating revenues	1,139
Payments to suppliers for goods and services	(560,177)
Payments to employees	<u>(247,613)</u>
Net cash used by operating activities	<u>(703,120)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
State sources	52,765
Federal sources	<u>604,986</u>
Net cash provided by noncapital financing activities	<u>657,751</u>
<b>CASH PROVIDED BY INVESTING ACTIVITIES,</b>	
Investment earnings	<u>647</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(44,722)
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>303,827</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 259,105</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Operating loss	<u>\$ (704,867)</u>
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	42,276
Amortization	(49,002)
Donated commodities used	76,398
Change in:	
Due to/from other funds	13
Other receivables	(15,870)
Inventories	16,117
Other postemployment benefits - district plan deferred outflows of resources	(1,923)
Other postemployment benefits - premium assistance deferred outflows of resources	(1,909)
Pension deferred outflows of resources	(79,237)
Accounts payable	3,062
Accrued salaries and benefits	2,471
Unearned revenue	(23,151)
Other liabilities	263
Total other postemployment benefit liability - district plan	(27,260)
Net other postemployment benefit liability - premium assistance program	(8,101)
Net pension liability	(164,108)
Other postemployment benefits - district plan deferred inflows of resources	28,095
Other postemployment benefits - premium assistance deferred inflows of resources	9,059
Pension deferred inflows of resources	<u>194,554</u>
Total adjustments	<u>1,747</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (703,120)</u>
<b>NONCASH NONCAPITAL FINANCING ACTIVITIES,</b>	
The District received \$60,282 of food commodities.	

See Notes to the Basic Financial Statements



**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2021**

	Scholarship Trust Funds	Custodial Funds
ASSETS:		
Cash and cash equivalents	\$ 10,290	\$ 182,068
Prepaid expenses	<u>          </u>	<u>9,076</u>
TOTAL ASSETS	<u>\$ 10,290</u>	<u>\$ 191,144</u>
NET POSITION:		
Restricted for scholarships	\$ 10,290	
Restricted for student activities	<u>          </u>	<u>\$ 191,144</u>
TOTAL NET POSITION	<u>\$ 10,290</u>	<u>\$ 191,144</u>

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Scholarship Trust Funds	Custodial Funds
ADDITIONS:		
Gifts and contributions	\$ 66,588	
Student activities receipts		\$ 132,856
Investment income	<u>40</u>	<u>444</u>
Total additions	<u>66,628</u>	<u>133,300</u>
DEDUCTIONS:		
Student activities disbursements		111,284
Scholarships awarded	<u>60,632</u>	<u>          </u>
Total deductions	<u>60,632</u>	<u>111,284</u>
CHANGE IN NET POSITION	5,996	22,016
NET POSITION, BEGINNING (As restated, See Note 2)	<u>4,294</u>	<u>169,128</u>
NET POSITION, ENDING	<u>\$ 10,290</u>	<u>\$ 191,144</u>

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**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**  
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**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

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
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extent to which each 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.

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

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
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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.
- The District does not adopt a formal budget for the proprietary fund and debt service fund.

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
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**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, 2021, 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 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.

**Inventories**

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

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**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 2021 and are uncollected as of June 30, 2021 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, 2021.

**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.

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.



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**Prepaid Bond Insurance and Amortization**

The cost of prepaid bond insurance of the Series of 2014, 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 \$7,620 for the year ended June 30, 2021.

**Bond Premium and Amortization**

The premium recognized upon the issuance of the Series of 2014, 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 \$107,945 for the year ended June 30, 2021.

**Loss on Refinancing and Amortization**

The loss recognized on the refinancing of Series of 2009 and 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 \$74,341 for the year ended June 30, 2021.

**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, 2021.
- *Unassigned* - fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Unrestricted net position for proprietary funds represent the net assets available for future distribution.

The District has not adopted a minimum fund balance policy.

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

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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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, 2021.

**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.

**2. RESTATEMENT - ADOPTION OF GASB STATEMENT NO. 84:**

Effective July 1, 2020, the District implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of GASB Statement No. 84 is to establish criteria for identifying fiduciary activities based on whether the government controls the assets of the activity and the beneficiaries with whom a relationship exists. Activities that meet the 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 District reclassified its agency funds as custodial funds and restated beginning net position for the custodial funds by reclassifying certain liabilities due to student groups as net position - restricted for student activities. The District now presents a statement of changes in fiduciary net position for its custodial funds.

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

Fiduciary Activities:

Custodial Funds:

Net position, as previously reported

GASB Statement No. 84:

Restricted for student activities

\$169,128

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
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Net position, as restated \$169,128

**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, 2021, \$316,788 of the District's bank balance of \$10,473,462 was exposed to custodial credit risk as follows:

Collateralized with securities held by the pledging financial institution \$316,788

**Reconciliation to Financial Statements**

Collateralized with securities held by financial institution amount above	\$ 316,788
Insured amount	280,009
Plus deposits in transit	31,803
Less outstanding checks	<u>(222,633)</u>
Carrying amount	405,967
Plus petty cash	600
Plus pooled cash equivalents in:	
General fund	6,619,123
Capital projects fund	<u>3,257,542</u>

Total cash and cash equivalents per financial statements \$10,283,232

**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 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, 2021, investments consisted of the following:

<u>Description</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
PSDLAF - Max Series	\$3,200,038		\$3,200,038	
PSDLAF - Full Flex Pool	<u>6,601,123</u>	<u>          </u>	<u>6,601,123</u>	<u>          </u>
Total	<u>\$9,801,161</u>	<u>\$          </u>	<u>\$9,801,161</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, 2021. 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.

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**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, 2021, the investments were rated as follows:

<u>Description</u>	<u>Standard &amp; 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.

**Reconciliation to Financial Statements**

Total investments per above	\$ 9,801,161
Less deposits in investment pool considered cash equivalents	<u>(9,801,161)</u>
Total investments per financial statements	<u>\$ _____</u>

**5. REAL ESTATE TAXES:**

The tax on real estate, as levied by the School Board, was 16.23 mills (\$16.23 per \$1,000 of assessed valuation) for fiscal year 2021. The original assessed value at July 1, 2020, upon which the 2021 levy was based was \$823,351,425. 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

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
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Current tax collections for the year ended June 30, 2021 were 96.2 % of the tax levy. Estimated collectible delinquent real estate taxes at June 30, 2021 amounted to \$628,834.

**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, 2021, the following amounts are due from other governments:

	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
Federal	\$ 428,904	\$40,538	\$ 469,442
State	1,096,447	1,564	1,098,011
Local	<u>120,741</u>	<u>          </u>	<u>120,741</u>
Total	<u>\$1,646,092</u>	<u>\$42,102</u>	<u>\$1,688,194</u>

**7. INTERFUND BALANCES AND ACTIVITY:**

As of June 30, 2021, 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		\$26,732
Food service fund	<u>\$26,732</u>	<u>          </u>
Total	<u>\$26,732</u>	<u>\$26,732</u>

**8. CAPITAL ASSETS:**

A summary of changes in capital assets is as follows:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets, not being depreciated:				
Land	\$ 184,579			\$ 184,579
Construction in progress	<u>58,880</u>	<u>\$ 8,900</u>	<u>\$ 67,780</u>	<u>          </u>
Total capital assets, not being depreciated	<u>243,459</u>	<u>8,900</u>	<u>67,780</u>	<u>184,579</u>
Capital assets, being depreciated:				
Land improvements	2,388,904			2,388,904
Buildings and building improvements	88,693,867	74,832		88,768,699
Furniture and equipment	<u>7,411,808</u>	<u>601,120</u>	<u>197,917</u>	<u>7,815,011</u>
Total capital assets, being depreciated	<u>98,494,579</u>	<u>675,952</u>	<u>197,917</u>	<u>98,972,614</u>
Less accumulated depreciation:				
Land improvements	1,323,402	97,757		1,421,159
Buildings and building improvements	27,289,913	1,850,366		29,140,279
Furniture and equipment	<u>5,349,441</u>	<u>431,718</u>	<u>175,805</u>	<u>5,605,354</u>

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	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Total accumulated depreciation	<u>\$33,962,756</u>	<u>\$ 2,379,841</u>	<u>\$175,805</u>	<u>\$36,166,792</u>
Total capital assets, being depreciated, net	<u>64,531,823</u>	<u>(1,703,889)</u>	<u>22,112</u>	<u>62,805,822</u>
Governmental activities capital assets, net	<u>\$64,775,282</u>	<u>\$ (1,694,989)</u>	<u>\$ 89,892</u>	<u>\$62,990,401</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 1,136,582			\$ 1,136,582
Less accumulated depreciation	<u>914,137</u>	<u>\$ 42,276</u>	<u>_____</u>	<u>956,413</u>
Total capital assets, being depreciated, net	<u>222,445</u>	<u>(42,276)</u>	<u>_____</u>	<u>180,169</u>
Business-type activities capital assets, net	<u>\$ 222,445</u>	<u>\$ (42,276)</u>	<u>\$ _____</u>	<u>\$ 180,169</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$1,202,338
Instructional student support services	233,426
Administrative and financial support services	31,380
Operation and maintenance of plant services	769,799
Pupil transportation	4,136
Student activities	<u>138,762</u>
Total	<u>\$2,379,841</u>

**9. COMPENSATED ABSENCES:**

**Retirement Severance Benefit**

An administrator, upon permanent retirement from the field of public education, is paid \$60 for each unused sick day accumulated by the employee, subject to certain limitations. Professional employees upon retirement with 15 years of service with the District receive a non-elective employer contribution to their 403(b) or 457 retirement plan, in the amount of \$775 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, 2021, the estimated liability for accumulated retirement severance benefit due upon retirement or termination of certain administrators, professional, and non-professional employees was \$1,377,295. This liability has been recorded in accumulated compensated absences in the government-wide statement of net position. For the year ended June 30, 2021, the District made payments amounting to approximately \$122,000.

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**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 for teachers and administrators. 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>

**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 \$43,000 for the fiscal year ended June 30, 2021. The retiree contributions made by plan members were approximately \$117,000 for the year ended June 30, 2021.



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

At June 30, 2021, the District reported a total OPEB liability of \$1,720,340. The total OPEB liability was measured as of July 1, 2020, 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, 2021 was as follows:

	Total OPEB Liability
Balance as of July 1, 2020 (based on measurement date of July 1, 2019)	<u>\$1,790,767</u>
Changes for the year:	
Service cost	86,941
Interest	61,575
Changes of benefit terms	(1,347)
Difference between expected and actual experience	(410,576)
Changes of assumptions	276,273
Benefit payments	<u>(83,293)</u>
Net change	<u>(70,427)</u>
Balance as of June 30, 2021 (based on measurement date of July 1, 2020)	<u>\$1,720,340</u>

For the year ended June 30, 2021, the District recognized OPEB expense in the government-wide financial statements as follows:

Governmental activities	\$(101)
Business-type activities	<u>158</u>
Total	<u>\$ 57</u>

At June 30, 2021, 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		\$ 686,940
Changes in assumptions	\$298,200	823,513
Benefit payments subsequent to the measurement date	<u>62,264</u>	<u>          </u>
Total	<u>\$360,464</u>	<u>\$1,510,453</u>

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\$62,264 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:	
2022	\$(147,114)
2023	(147,111)
2024	(147,114)
2025	(147,113)
2026	(147,115)
Thereafter	(476,686)

**Actuarial Assumptions**

The total OPEB liability at July 1, 2020 was determined by rolling forward the plan's total OPEB liability at July 1, 2019 to July 1, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal
- Discount rate - 1.86% - S&P municipal bond 20-year high grade rate index at July 1, 2020. The discount rate changed from 3.36% to 1.86%.
- 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; previously, assumed 65% of administrators and teachers not eligible for a subsidy.
- Percent married at retirement - 10% of employees; previously, assumed 20%.
- 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 based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

The following presents the total OPEB liability for June 30, 2020, calculated using current healthcare cost trends as well as what the total OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Trend</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Total OPEB liability (in thousands)	\$1,543	\$1,720	\$1,929

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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 1.86%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.86%) or 1-percentage point higher (2.86%) than the current rate:

	1% Decrease <u>0.86%</u>	Current Discount Rate <u>1.86%</u>	1% Increase <u>2.86%</u>
Total OPEB liability (in thousands)	\$1,835	\$1,720	\$1,610

**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, 2020, 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 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](http://www.psers.pa.gov).

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**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, 2020, 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, 2021 was 0.82% 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 \$98,637 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$1,863,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2021, the District's proportion was 0.0862%, which was an increase of 0.0024% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized OPEB expense in the government-wide statement of activities as follows:

Governmental activities	\$75,483
Business-type activities	<u>(2,464)</u>
<b>Total</b>	<b><u>\$73,019</u></b>

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, 2021.

At June 30, 2021, 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	\$ 17,138	
Changes in assumptions	75,902	\$ 40,863
Net difference between projected and actual investment earnings	3,215	
Changes in proportion	43,714	121,143

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion between governmental activities and business-type activities	\$ 11,566	\$ 11,566
Difference between employer contributions and proportionate share of total contributions	334	152
Contributions subsequent to the measurement date	<u>98,637</u>	<u>          </u>
Total	<u>\$250,506</u>	<u>\$173,724</u>

\$98,637 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, 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:	
2022	\$(16,144)
2023	(16,610)
2024	(17,020)
2025	(3,872)
2026	18,811
Thereafter	12,980

#### Actuarial Assumptions

The total OPEB liability as of June 30, 2020, was determined by rolling forward the System's total OPEB liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay.
- Investment return - 2.66% - S&P 20 year municipal bond rate.
- Salary growth - effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate pre age 65 at 50%
  - Eligible retirees will elect to participate post age 65 at 70%

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020.
- Cost Method: amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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	50.3%	(1.0%)
US Core Fixed Income	46.5%	(0.1%)
Non-US Developed Fixed	<u>3.2%</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, 2020.

**Discount Rate**

The discount rate used to measure the Total OPEB Liability was 2.66%. 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 2.66% which represents the S&P 20 year municipal bond rate at June 30, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

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**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, 2020, 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, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 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, 2020, calculated using current healthcare cost trends as well as what the System net OPEB liability would be if health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability (in thousands)	\$1,862	\$1,863	\$1,863

**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 2.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.66%) or 1-percentage point higher (3.66%) than the current rate:

	<u>1% Decrease 1.66%</u>	<u>Current Discount Rate 2.66%</u>	<u>1% Increase 3.66%</u>
District's proportionate share of the net OPEB liability (in thousands)	\$2,124	\$1,863	\$1,646

**OPEB Plan Fiduciary Net Position**

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

**Payables to the OPEB Plan**

At June 30, 2021, the District had an accrued balance due to PSERS, including contributions related to OPEB of \$29,227. This amount represents the District's contractually obligated contributions for wages earned in April 2021 through June 2021. The balance was paid in September 2021.

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**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, 2021:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amortization</u>	<u>Balance June 30, 2021</u>	<u>Amounts Due in One Year</u>
Governmental Activities:						
General obligation bonds	\$38,410,000		\$2,820,000		\$35,590,000	\$ 15,000
Notes from direct borrowings and direct placements	3,635,000		1,115,000		2,520,000	1,140,000
Plus deferred net bond premium	<u>464,282</u>	<u>          </u>	<u>          </u>	<u>\$(107,945)</u>	<u>356,337</u>	<u>          </u>
Total debt, net	42,509,282		3,935,000	(107,945)	38,466,337	1,155,000
Compensated Absences	1,345,955	\$ 153,020	121,680		1,377,295	
Total OPEB liability	1,754,359		43,167		1,711,192	
Net OPEB liability	1,755,270	89,101			1,844,371	
Net pension liability	<u>38,615,940</u>	<u>3,355,110</u>	<u>          </u>	<u>          </u>	<u>41,971,050</u>	<u>          </u>
Total	<u>\$85,980,806</u>	<u>\$3,597,231</u>	<u>\$4,099,847</u>	<u>\$(107,945)</u>	<u>\$85,370,245</u>	<u>\$1,155,000</u>
Business-Type Activities:						
Total OPEB liability	\$ 36,408		\$ 27,260		\$ 9,148	
Net OPEB liability	26,730	\$ 809	8,910		18,629	
Net pension liability	<u>588,060</u>	<u>31,912</u>	<u>196,020</u>	<u>          </u>	<u>423,952</u>	<u>          </u>
Total	<u>\$ 651,198</u>	<u>\$ 32,721</u>	<u>\$ 232,190</u>	<u>\$          </u>	<u>\$ 451,729</u>	<u>\$          </u>

General obligation bonds and notes from direct borrowings and direct placements payable at June 30, 2021 are comprised of the following:

	<u>Bonds</u>	<u>Notes from Direct Borrowings and Direct Placements</u>	<u>Total</u>
Series of 2016, due in varying installments through June 2036, with interest rates ranging from 2.0% to 4.0% per annum.	\$15,730,000		\$15,730,000
Series of 2015, due in varying installments through May 2023, with interest of 2.17% per annum.		\$2,520,000	2,520,000



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	<u>Bonds</u>	<u>Notes from Direct Borrowings and Direct Placements</u>	<u>Total</u>
Series of 2019, due in varying installments through June 2036, with interest rates ranging from 1.5% to 3.0% per annum.	\$ 9,975,000		\$ 9,975,000
Series of 2020, due in varying installments through June 2036, with interest rates ranging from 1.4% to 4.0% per annum.	<u>9,885,000</u>		<u>9,885,000</u>
Total	35,590,000	\$2,520,000	38,110,000
Less amounts due in one year	15,000	1,140,000	1,155,000
Plus deferred bond premium	<u>356,337</u>		<u>356,337</u>
Noncurrent portion of general obligation bonds and notes payable	<u>\$35,931,337</u>	<u>\$1,380,000</u>	<u>\$37,311,337</u>

The annual requirements to amortize general obligation bonds and notes from direct borrowings and direct placements payable at June 30, 2021 are as follows:

	<u>Bonds</u>		<u>Notes from Direct Borrowings and Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 15,000	\$1,025,024	\$1,140,000	\$54,684
2023	355,000	1,024,779	1,380,000	29,946
2024	1,780,000	1,017,701		
2025	2,400,000	949,101		
2026	2,475,000	866,701		
2027 - 2031	13,510,000	3,202,806		
2032 - 2036	<u>15,055,000</u>	<u>1,314,899</u>		
Total	<u>\$35,590,000</u>	<u>\$9,401,011</u>	<u>\$2,520,000</u>	<u>\$84,630</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, 2021 amounted to \$1,097,956. No interest expense was capitalized during the year ended June 30, 2021.

**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

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any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://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 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**

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

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

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

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

**Employer Contributions**

The school districts' contractually required contribution rate for fiscal year ended June 30, 2021 was 33.51% 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 \$4,052,535 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$42,395,002 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, 2020, 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, 2019 to June 30, 2020. 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, 2021, the District's proportion was 0.0861%, which was an increase of 0.0023% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the District recognized pension expense in the government-wide statement of activities as follows:

Governmental activities	\$3,467,537
Business-type activities	<u>(53,603)</u>
Total	<u>\$3,413,934</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, 2021.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 110,906	\$1,016,095
Net difference between projected and actual investment earnings	1,863,196	

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 833,250	\$1,179,000
Changes in proportion between governmental activities and business-type activities	223,390	223,390
Difference between employer contributions and proportionate share of total contributions	43,413	
Contributions subsequent to the measurement date	<u>4,052,535</u>	
Total	<u>\$7,126,690</u>	<u>\$2,418,485</u>

\$4,052,535 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$(1,066,641)
2023	341,458
2024	827,338
2025	553,515

**Actuarial Assumptions**

The total pension liability at June 30, 2020 was determined by rolling forward the System's total pension liability at June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - entry age normal - level % of pay
- Investment return - 7.25%, includes inflation at 2.75%
- Salary growth - an effective average of 5.00%, comprised of inflation at 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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 long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Asset Class:		
Global public equity	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real Estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	(1.0%)
Financing (LIBOR)	(14.0)%	(0.7%)
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, 2020.

#### Discount Rate

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

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

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

	<u>1% Decrease 6.25%</u>	<u>Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability (in thousands)	\$52,451	\$42,395	\$33,876

#### Pension Plan Fiduciary Net Position

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

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**Payables to the Pension Plan**

At June 30, 2021, the District had an accrued balance due to PSERS, including contributions related to pension of \$1,205,097. This amount represents the District's contractually obligated contributions for wages earned in April 2021 through June 2021. The balance was paid in September 2021.

**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, 2021.

**Litigation**

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

**Risk Management**

The District is exposed to various risks of losses related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. It is the policy of the District to purchase commercial insurance for the risks

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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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, 2021, the District made payments for healthcare benefit claims of approximately \$2,956,000 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, 2021, the District paid approximately \$289,000 to the Center. Audited financial statements of the Center are available.

**16. SUBSEQUENT EVENTS:**

Subsequent events have been evaluated through March 4, 2022 which is the date the financial statements were available to be issued.

On November 1, 2021, the District fully redeemed General Obligation Note, Series of 2015 in the amount of \$2,520,000 plus accrued interest of \$27,342 using \$1,167,342 budgeted for debt service from the General Fund and \$1,380,000 of cash reserves from the Capital Projects Fund.

**17. RECENT ACCOUNTING PRONOUNCEMENTS:**

In June 2017, GASB issued Statement No. 87, *Leases*. This statement requires a lessee to recognize in the financial statements a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. This statement also requires a lessor to recognize a lease receivable and a deferred inflow of resources for the lease term. Short-term leases (12 months or less) are recognized as outflows or inflows of resources based on the payment provisions of the lease contract. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*, which delayed the effective date of this statement by eighteen months. This statement is effective for fiscal years beginning after June 15, 2021. The District has not determined the effect, if any, on the financial statements due to adoption of this statement.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires interest cost incurred before the end of a construction period to be recognized as an expense, in the period incurred in financial statements prepared using the economic resources measurement focus. Such interest cost should not be capitalized as part of the historical cost of a

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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capital asset. Such interest cost should be recognized as an expenditure on a basis consistent with governmental fund accounting principles in financial statements prepared using the current financial resources measurement focus. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*, which delayed the effective date of this statement by one year. This statement is effective for fiscal years beginning after December 15, 2020. The District has not determined the effect, if any, on the financial statements due to adoption of this statement.

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Pay Arrangements*. This statement provides accounting and financial report guidance for public-private and public-public partnership arrangements (PPPs) and availability pay arrangements (APAs). This statement is effective for fiscal year beginning after June 15, 2022. The District has not determined the effect, if any, on the financial statements due to adoption of this statement.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement establishes accounting and financial reporting guidance for subscription-based information technology arrangements. This statement requires government end users to record a right-to-use subscription asset and corresponding subscription liability for these arrangements. This statement also requires additional disclosures in the financial statements. This statement is effective for fiscal year beginning after June 15, 2022. The District has not determined the effect, if any, on the financial statements due to adoption of this statement.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit (PCU), except for certain pension and OPEB fiduciary component units, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This statement also changes the financial reporting requirements for employer sponsors of Section 457 plans. This statement is effective (1) immediately for guidance related to PCUs and (2) for fiscal years beginning after June 15, 2021 for Section 457 plans. The District determined adoption of the additional PCU guidance did not have a significant effect on the financial statements. The District has not determined the effect, if any, on the financial statements due to adoption of the Section 457 plan provisions of this statement.



**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		Actual
	Original	Final	Budgetary Basis
REVENUES:			
Local sources	\$ 16,964,570	\$ 16,964,570	\$ 18,264,227
State sources	12,808,613	12,808,613	13,443,892
Federal sources	<u>560,121</u>	<u>560,121</u>	<u>635,819</u>
Total revenues	<u>30,333,304</u>	<u>30,333,304</u>	<u>32,343,938</u>
EXPENDITURES:			
Current:			
Instruction	17,824,402	17,824,402	18,646,989
Support services	8,146,631	8,146,631	8,797,502
Noninstructional services	<u>658,979</u>	<u>658,979</u>	<u>513,136</u>
Total expenditures	<u>26,630,012</u>	<u>26,630,012</u>	<u>27,957,627</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>3,703,292</u>	<u>3,703,292</u>	<u>4,386,311</u>
OTHER FINANCING SOURCES (USES):			
Interfund transfers out	(3,481,267)	(3,481,267)	(3,401,471)
Proceeds from sale of capital assets			15,284
Refund of prior year revenues			(4,217)
Proceeds from insurance recoveries			33,495
Budgetary reserve	<u>(597,438)</u>	<u>(597,438)</u>	
Total other financing sources (uses)	<u>(4,078,705)</u>	<u>(4,078,705)</u>	<u>(3,356,909)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(375,413)	(375,413)	1,029,402
FUND BALANCE, BEGINNING	<u>3,662,167</u>	<u>3,662,167</u>	<u>3,978,717</u>
FUND BALANCE, ENDING	<u>\$ 3,286,754</u>	<u>\$ 3,286,754</u>	<u>\$ 5,008,119</u>

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S**  
**TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY**  
**DISTRICT PLAN**  
**LAST 10 YEARS\***  
(Dollar amounts in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
TOTAL OPEB LIABILITY:				
Service cost	\$ 87	\$ 88	\$ 194	\$ 192
Interest	61	54	104	79
Changes of benefit terms	(1)		(100)	
Differences between expected and actual experience	(411)		(431)	
Changes of assumptions	276	(46)	(1,080)	74
Benefit payments	<u>(83)</u>	<u>(81)</u>	<u>(145)</u>	<u>(199)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(71)	15	(1,458)	146
TOTAL OPEB LIABILITY, BEGINNING	<u>1,791</u>	<u>1,776</u>	<u>3,234</u>	<u>3,088</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 1,720</u>	<u>\$ 1,791</u>	<u>\$ 1,776</u>	<u>\$ 3,234</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 9,365</u>	<u>\$ 9,063</u>	<u>\$ 9,063</u>	<u>\$ 10,822</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	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.

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

Discount rate decreased from 3.36% to 1.86%.

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 assumptions used in the measurement of the total OPEB liability beginning July 1, 2019:

Discount rate increased from 2.98% to 3.36%.

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:

Discount rate decreased from 3.13% to 2.98%

The trend, election, and marriage assumptions were updated.

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

Discount rate increased from 2.49% to 3.13%.

The trend assumption was updated.

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

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

(Dollar amounts in thousands)

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

Changes of assumptions used in the measurement of the total OPEB liability beginning June 30, 2020:

Discount rate decreased from 2.79% to 2.66%.

Changes of assumptions used in the measurement of the total OPEB liability beginning June 30, 2019:

Discount rate decreased from 2.98% to 2.79%.

Changes of assumptions used in the measurement of the total OPEB liability beginning June 30, 2018:

Discount rate decreased from 3.13% to 2.98%.

Changes of assumptions used in the measurement of the total OPEB liability beginning June 30, 2017:

Discount rate increased from 2.71% to 3.13%.

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

(Dollar amounts in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Contractually required contribution	\$ 99	\$ 101	\$ 96	\$ 94	\$ 104
Contributions in relation to the contractually required contribution	<u>99</u>	<u>101</u>	<u>96</u>	<u>94</u>	<u>104</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 12,028	\$ 12,099	\$ 11,555	\$ 11,311	\$ 12,473
Contributions as a percentage of covered-employee payroll	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.

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**LAST 10 YEARS\***

(Dollar amounts in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability (asset)	0.0861%	0.0838%	0.0840%	0.0937%	0.0936%	0.0946%	0.0938%
District's proportionate share of the net pension liability (asset)	\$ 42,395	\$ 39,204	\$ 40,324	\$ 46,277	\$ 46,385	\$ 40,976	\$ 37,127
District's covered-employee payroll	\$ 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	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	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.

Changes of 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.

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS**  
**LAST 10 YEARS\***  
(Dollar amounts in thousands)

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	\$ 4,053	\$ 4,022	\$ 3,784	\$ 3,594	\$ 3,648	\$ 3,031	\$ 2,428	\$ 1,916
Contributions in relation to the contractually required contribution	<u>4,053</u>	<u>4,022</u>	<u>3,784</u>	<u>3,594</u>	<u>3,648</u>	<u>3,031</u>	<u>2,428</u>	<u>1,916</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered-employee payroll	\$ 12,028	\$ 12,099	\$ 11,555	\$ 11,311	\$ 12,473	\$ 12,127	\$ 12,172	\$ 11,974
Contributions as a percentage of covered-employee payroll	33.69%	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.

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Grantor/Program Title	Source Code	Assistance Listing Number	Pass-through Grant Number	Grant Period Beginning/ Ending Date	Grant Amount	Total Received for the Year	Accrued (Unearned) Revenue July 1, 2020	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue June 30, 2021	Passed Through To Subrecipients
<b>U.S. DEPARTMENT OF EDUCATION</b>											
Passed through the Pennsylvania Department of Education:											
Title I Grants to Local Educational Agencies	I	84.010	13-200264	08/16/19-09/30/20	\$289,956	\$ 81,692	\$ 81,692				
Title I Grants to Local Educational Agencies	I	84.010	13-210264	08/19/20-09/30/21	286,637	102,452		\$ 286,637	\$ 286,637	\$ 184,185	
Total Title I						184,144	81,692	286,637	286,637	184,185	
Title II Supporting Effective Instruction State Grants	I	84.367	20-190264	07/01/18-09/30/19	61,791	127	127				
Title II Supporting Effective Instruction State Grants	I	84.367	20-200264	08/16/19-09/30/20	53,996	11,761	11,761				
Title II Supporting Effective Instruction State Grants	I	84.367	20-210264	08/19/20-09/30/21	52,674	19,224		52,674	52,674	33,450	
Total Title II						31,112	11,888	52,674	52,674	33,450	
Title IV Student Support and Academic Enrichment	I	84.424	144-200264	08/16/19-09/30/20	23,008	6,574	6,574				
Title IV Student Support and Academic Enrichment	I	84.424	144-210264	08/19/20-09/30/21	21,990	7,854		21,990	21,990	14,136	
Total Title IV						14,428	6,574	21,990	21,990	14,136	
Special Education Grants to States	I	84.027	252-200264	07/1/20-09/30/21	12,065	4,022		12,065	12,065	8,043	
Passed through BLaST Intermediate Unit #17:											
IDEA	I	84.027	N/A	07/01/19-06/30/20	N/A	62,817	62,817				
IDEA Extended School Year	I	84.027	N/A	07/01/20-09/30/21	N/A	585		585	585		
IDEA	I	84.027	N/A	07/01/20-09/30/21	N/A	300,000		330,508	330,508	30,508	
Total IDEA						367,424	62,817	343,158	343,158	38,551	
Special Education Preschool Grants	I	84.173	N/A	07/01/20-06/30/21	N/A			696	696	696	
Total Special Education Cluster (IDEA)						367,424	62,817	343,854	343,854	39,247	
Education Stabilization Fund	I										
Passed through the Pennsylvania											
Commission on Crime and Delinquency:											
COVID-19 Education Stabilization Fund	I	84.425	200-200264	03/13/20-09/30/21	238,154	50,138	236,065	2,086	2,086	188,013	
Passed through the Pennsylvania Department of Education:											
COVID-19 Education Stabilization Fund	I	84.425	2020-ES-01 35354	03/13/20-09/30/21	54,914	54,914		54,914	54,914		
Total COVID-19 Education Stabilization Fund						105,052	236,065	57,000	57,000	188,013	
TOTAL U.S. DEPARTMENT OF EDUCATION						702,160	399,036	762,155	762,155	459,031	
<b>U.S. DEPARTMENT OF TREASURY</b>											
Passed through the Pennsylvania											
Commission on Crime and Delinquency:											
COVID-19 Coronavirus Relief Fund	I	21.019	2020-CS-01 34367	03/01/20-10/30/20	197,438	197,438	5,748	191,690	191,690		
Passed through the County of Lycoming:											
COVID-19 Coronavirus Relief Fund	I	21.019	C000073983	03/01/20-12/30/20	386,600	386,600		386,600	386,600		
Total COVID-19 Coronavirus Relief Fund						584,038	5,748	578,290	578,290		
TOTAL U.S. DEPARTMENT OF TREASURY						584,038	5,748	578,290	578,290		
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>											
Passed through the Pennsylvania											
Emergency Management Agency:											
Disaster Grants- Public Assistance (Presidentially Declared Disasters)	I	97.036	100069822	01/01/20-06/30/21	12,049	10,844		11,920	11,920	1,076	
Total COVID-19 Disaster Grants-Public Assistance						10,844		11,920	11,920	1,076	
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY						10,844		11,920	11,920	1,076	

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Grantor/Program Title	Source Code	Assistance Listing Number	Pass-through Grant Number	Grant Period Beginning/Ending Date	Grant Amount	Total Received for the Year	Accrued (Unearned) Revenue July 1, 2020	Revenue Recognized	Expenditures	Accrued (Unearned) Revenue June 30, 2021	Passed Through To Subrecipients
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>											
Passed through the Pennsylvania Department of Human Services:											
Medical Assistance Program	I	93.778	N/A	07/01/19-06/30/20	N/A	\$ 1,879	\$ 1,879				
Medical Assistance Program	I	93.778	N/A	07/01/20-06/30/21	N/A	<u>1,843</u>		<u>\$ 1,843</u>	<u>\$ 1,843</u>		
Total Medicaid Cluster						<u>3,722</u>	<u>1,879</u>	<u>1,843</u>	<u>1,843</u>		
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						<u>3,722</u>	<u>1,879</u>	<u>1,843</u>	<u>1,843</u>		
<b>U.S. DEPARTMENT OF AGRICULTURE</b>											
Passed through the Pennsylvania Department of Education:											
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	521,072		554,606	554,606	\$ 33,534	
Passed through the Pennsylvania Department of Agriculture:											
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	<u>60,282</u>	(b) <u>(22,417)</u>	<u>76,399</u>	(c) <u>76,399</u>	(d) <u>(6,300)</u>	
Total National School Lunch Program						<u>581,354</u>	<u>(22,417)</u>	<u>631,005</u>	<u>631,005</u>	<u>27,234</u>	
Passed through the Pennsylvania Department of Education:											
School Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	N/A	<u>83,914</u>		<u>90,918</u>	<u>90,918</u>	<u>7,004</u>	
Total Child Nutrition Cluster						<u>665,268</u>	<u>(22,417)</u>	<u>721,923</u>	<u>721,923</u>	<u>34,238</u>	
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>						<u>665,268</u>	<u>(22,417)</u>	<u>721,923</u>	<u>721,923</u>	<u>34,238</u>	
<b>TOTAL FEDERAL AWARDS</b>						<u>\$ 1,966,032</u>	<u>\$ 384,246</u>	<u>\$ 2,076,131</u>	<u>\$ 2,076,131</u>	<u>\$ 494,345</u>	<u>\$</u>

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

FOOTNOTES:  
(a) Total amount of commodities received.  
(b) Beginning inventory at July 1, 2020.  
(c) Total amount of commodities used.  
(d) Ending inventory at June 30, 2021.



**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**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, 2021. 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.



**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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 4, 2022.

**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 did identify certain deficiencies in internal control that we consider to be a material weakness 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

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 2021-002, 2021-003, and 2021-004 to be significant deficiencies.

### **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**

The District's response to the findings identified in our audit is 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 it.

### **Purpose of this Report**

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

*Larson, Kellitt & Associates, P.C.*

Montoursville, Pennsylvania  
March 4, 2022



**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**

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, 2021. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

## **Basis for Qualified Opinion on COVID-19 Coronavirus Relief Fund**

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Assistance Listing 21.019 COVID-19 Coronavirus Relief Fund as described in finding number 2021-006 for Activities Allowed or Unallowed and Allowable Costs/Cost Principals. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

## **Qualified Opinion on COVID-19 Coronavirus Relief Fund**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on COVID-19 Coronavirus Relief Fund (Assistance Listing 21.019) for the year ended June 30, 2021.

## **Other Matters**

The District's response to the noncompliance finding identified in our audit is 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.

## **Report on Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 a material weakness 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-005 to be a material weakness.

*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 2021-007 to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is 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, Kellitt & Associates, P.C.*

Montoursville, Pennsylvania  
March 4, 2022

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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**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: Qualified 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

21.019

COVID-19 Coronavirus Relief 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, 2021**

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**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**

**2021-001. FOOD SERVICE MANAGEMENT FEES**

*Criteria:* The District's contract with a third-party food service management company (FSMC) requires the FSMC to provide documentation that it has credited the District for the value of donated foods received for use in the District's food service during the school year. The contract also requires the District to reconcile, at least annually, the management fees to ensure FSMC has credited it for the value of donated foods received for use in the District's food service operation.

*Condition:* The District did not perform an annual reconciliation of the FSMC's fees to ensure the FSMC credited the District for the value of donated foods received.

*Cause:* Although District management reviewed each invoice from FSMC to ensure the District was charged only for services received in accordance with the contract, management was not aware of the requirement to reconcile total fees and credits for the value of donated foods received annually.

*Effect:* Due to an error identified by the FSMC in calculating the credits, the District did not receive the credits due and, prior to correction, management fees expense was materially misstated for the year.

*Questioned Costs:* Not applicable.

*Perspective Information:* Not applicable.

*Identification of Repeat Findings:* Not applicable.

*Recommendation:* The District should implement procedures to reconcile annually the management fees to ensure FSMC has credited the District for the value of donated foods received for use in the District's food service operation.

*Views of Responsible Officials:* Management agrees with the finding.

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

**2021-002. CUSTODIAL FUNDS DISBURSEMENTS**

*Criteria:* In accordance with School Board Policy No. 618, *Student Activity Funds*, disbursements from the student activities funds shall be made only by check upon request of the authorized advisor and the approval of the fund custodian. Disbursements shall be supported by invoices or verified documentation.

*Condition:* Although two check disbursements selected for testing included a withdrawal request signed by the authorized advisor and fund custodian, the disbursements did not include supporting invoices or verified documentation.



**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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*Cause:* The authorized advisor and fund custodian relied on the withdrawal request or a brochure for items purchased as supporting documentation for the disbursements.

*Effect:* The disbursements were not made in accordance with School Board Policy No. 618, *Student Activity Funds*.

*Questioned Costs:* Not applicable.

*Perspective Information:* 2 out of 31 disbursements haphazardly selected for testing.

*Identification of Repeat Findings:* Not applicable.

*Recommendation:* The authorized advisors and fund custodians should follow School Board Policy to ensure all disbursements are supported by invoices or verified documentation.

*Views of Responsible Officials:* Management agrees with the finding.

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

**2021-003. STATEMENTS OF FINANCIAL INTERESTS**

*Criteria:* In accordance with School Board Policy No. 004, *Membership*, each member of the Board of School Directors shall file a statement of financial interests with the State Ethics Commission before taking the oath of office or entering upon his or her duties. 65 Pa. C.S.A. 1104 requires any public employee or public official to file a statement of financial interest with the Board of School Directors by which he or she is employed, appointed, or elected by May 1 of each year. Public employees include individuals responsible for taking or recommending official action of a non-ministerial nature with regard to contracting or procurement and administering or monitoring grants or subsidies.

*Condition:* Statements of financial interests were not available to the Board of School Directors by May 1 of each year.

*Cause:* The Board Secretary makes requests for the statements to be completed and filed; however, statements were not available to the District.

*Effect:* The Board of School Directors may enter into contracts with unidentified related parties.

*Questioned Costs:* Not applicable.

*Perspective Information:* Not applicable.

*Identification of Repeat Findings:* Not applicable.

*Recommendation:* The District should implement procedures to ensure each public official and public employee responsible for contracting or procurement and administering or monitoring grants or subsidies timely files a statement of

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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financial interests by May 1 each year. The District must have a copy of these statements for their files.

*Views of Responsible Officials:* Management agrees with the finding.

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

**2021-004. 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 each student activity's liability account.

*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:* Not applicable.

*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, 2021**

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**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**U.S. DEPARTMENT OF TREASURY**

2021-005. COVID-19 Coronavirus Relief Fund - Assistance Listing 21.019 passed through the Pennsylvania Commission on Crime and Delinquency; Grant Period - Year Ended June 30, 2021.

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

*Condition:* Expenditure reports submitted to the Pennsylvania Commission on Crime and Delinquency 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 Commission on Crime and Delinquency 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:* Not applicable.

*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.

2021-006. COVID-19 Coronavirus Relief Fund - Assistance Listing 21.019 passed through the County of Lycoming; Grant Period - Year Ended June 30, 2021.

*Criteria:* The OMB Compliance Supplement 2021 for Assistance Listing 21.019 Coronavirus Relief Fund refers to Federal Register notice 86 FR 4182 (Jan. 15, 2021) which states that "although a broad range of uses is allowed, revenue replacement is not a permissible use of Fund payments".

*Condition:* A Lost revenue calculation related to athletic events was reimbursed with federal funds passed through the County of Lycoming.

**MONTOURSVILLE AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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*Cause:* A lost revenue calculation was included on the County of Lycoming Cares Act Needs Assessment and reimbursed by the County of Lycoming.

*Effect:* The District may have to repay the reimbursement.

*Questioned Costs:* \$57,160 was the amount the County of Lycoming reimbursed the District related to the lost revenue calculation for the COVID-19 Coronavirus Relief Fund Assistance Listing 21.019.

*Perspective Information:* Not applicable.

*Identification of Repeat Findings:* Not applicable.

*Recommendation:* The District should evaluate the risk of noncompliance with federal statutes and regulations, in addition to the terms and conditions of awards passed through from a subrecipient.

*Views of Responsible Officials:* Management agrees with the finding.

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

2021-007. COVID-19 Coronavirus Relief Fund - Assistance Listing 21.019; passed through the Pennsylvania Commission on Crime and Delinquency and the County of Lycoming; Grant Period - Fiscal Year Ended June 30, 2021.

*Significant Deficiency:* See deficiency 2021-003 in Section II.