

**MONTGOMERY AREA SCHOOL DISTRICT
MONTGOMERY, PENNSYLVANIA 17752**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2021

(WITH INDEPENDENT SINGLE AUDIT REPORTS THEREON)

**MONTGOMERY AREA SCHOOL DISTRICT
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JUNE 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
<i>Management's Discussion and Analysis</i>	MD&A 1
<i>Independent Auditor's Report</i>	1-3
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Balance Sheet--Governmental Funds	6
Reconciliation of Total Governmental Fund Balances To Net Position of Governmental Funds.....	7
Statement of Revenues, Expenditures, and Changes in Fund balances--Governmental Funds.....	8
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund balances--Governmental Funds to Statement of Activities.....	9
Statement of Revenues, Expenditures, and Changes in Fund balance--Budget and Actual--General Fund	10
Statement of Net Position--Proprietary Fund	11
Statement of Revenues, Expenditures, and Changes in Net Position -- Proprietary Fund	12
Statement of Cash Flows--Proprietary Fund	13
Statement of Fiduciary Net Position	14

(Basic Financial Statements Continued):

Statement Changes in Fiduciary Net Position	15
Notes to Financial Statements	16

Required Supplementary Information (RSI):

Pension:

<i>Schedule of the District's Proportionate Share of the Net Pension Liability</i>	<i>RSI-1</i>
<i>Schedule of the District's Pension Contributions</i>	<i>RSI-2</i>

OPEB-Montgomery Area School District Postemployment Benefits Plan (District Plan):

<i>Schedules of the District's Total OPEB Liability and Related Ratios</i>	<i>RSI-3</i>
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OPEB-PSERS Health Insurance Premium Assistance Program (PSERS Plan):

<i>Schedule of the District's Proportionate Share of the Net OPEB Liability</i>	<i>RSI-4</i>
<i>Schedule of the District's OPEB Contributions</i>	<i>RSI-5</i>

Other Reporting required by Government Auditing Standards:

<i>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</i>	<i>59-60</i>
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Other Information:

Schedule of Expenditures of Federal and State Awards	61-62
Notes to the Schedule of Expenditures of Federal and State Awards	63
<i>Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance and Required by the Title 2 U.S. CFR Part 200 Uniform Guidance</i>	<i>64-66</i>
Schedule of Findings and Questioned Costs	67-68
Notes to the Schedule of Findings and Questioned Costs	69
Schedule of Prior Findings and Questioned Costs	70

Other Administrative Information:

Report Distribution	71
Lead Auditor Information	72

**Montgomery Area School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021
(UNAUDITED)**

M D & A Page 1 of 13

Our discussion and analysis of the Montgomery Area School District, "the District" and its financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the District's financial statements.

Financial Highlights:

- ❖ Total net position of Governmental Activities increased by \$35-thousand or 0.3%, and the Proprietary Fund / Business-Type Activity (Food Service) showed a decrease in net position of \$12-thousand or 6.6%. These changes are detailed in the Statement of Activities included in the financial statements.
- ❖ The operations of the District's General Fund finished the year with approximately \$17.3-million of revenue which was approximately \$1.1-million or 6.9% favorable as compared to final budget, and \$16.95-million of expenditures (including debt service and other transfers to other funds) which was approximately \$436-thousand or 2.5% favorable to the final budgeted amount when debt service and the budgeted reserve are taken into account.
- ❖ The District's General Fund ended the year with a fund balance of \$6,248,866 which represents an increase of approximately \$390-thousand or 6.7%.

A Brief Guide to the Financial Statements:

The financial statements of the District include presentation on two levels-

- Government-wide statements
- Governmental fund statements

Government-wide Statements:

These statements present the District's financial information in an aggregated format split into two types of activities.

- Governmental activities
- Business-type activities

Most of the activities of the District are reported as governmental activities. The operations of the District's Food Service Fund, whose operations involve primarily the serving of meals to students during the school day, is the District's only business-type activity.

The presentation provided in these government-wide statements is primarily focused on presenting the financial position of the District and the change in financial position as a

**Montgomery Area School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021
(UNAUDITED)**

M D & A Page 2 of 13

result of the activities that occurred during the fiscal year. The significant differences in these statements as compared to governmental fund statements are:

- Government-wide statements include fixed assets for governmental activities—government fund statements do not.
- Government-wide statements include long-term debt and similar obligations, such as pension liabilities, for governmental activities—government fund statements do not.
- Government-wide statements are prepared utilizing the accrual basis of accounting—government fund statements are generally prepared utilizing a modified accrual basis of accounting. This results in differences in the timing of the recognition of certain revenues and expenses.
- Government-wide statements present in a format to highlight net position. Government fund statements deal with fund balance. Net position is a much broader financial measurement.

For a more detailed explanation of these financial statements, please review the notes to the financial statements.

Government Fund Statements:

This format is concerned primarily with the presentation of “the flow of funds” rather than with measuring financial position. This is the presentation format which is utilized for preparation of budgets and is presented on a more disaggregated format than the government-wide statements.

This format, as with the government-wide statements, presents information by firstly grouping funds by type. In the case of governmental funds, the types are:

- Governmental funds
- Proprietary funds
- Fiduciary funds

These statements are presented by type and then utilizing criteria to identify “major funds” presenting information on a segregated basis for each of the major funds and then aggregating the information for all other funds within the fund type.

The District has the following “major funds” for government fund statement presentation-

- ✓ Governmental funds
 - General fund
 - Capital Reserve (and Capital Projects Funds (as needed))
 - Debt Service Fund
 - Student activities fund (previously a Fiduciary Fund (GASB 84))
- ✓ Proprietary funds
 - Food service fund (the District's only proprietary fund)

**Montgomery Area School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021
(UNAUDITED)**

MD & A Page 3 of 13

✓ Fiduciary funds

-Student awards fund – a private purpose trust fund

For more information regarding the presentation of fund financial statements, please review the notes to the financial statements.

Condensed Government-wide Financial Statements:

**Condensed Statement of Net Position
June 30, 2021**

	Governmental Activities	Business-type Activities	Total
Assets & Deferred Outflows of Resources:			
Current assets:			
Cash, cash equivalents and investments	\$ 6,437,220	\$ 47,159	\$ 6,484,379
Taxes receivable-net	675,629	-	675,629
Other current assets	1,552,156	60,465	1,612,621
Total current assets	<u>\$ 8,665,005</u>	<u>\$ 107,624</u>	<u>\$ 8,772,629</u>
Fixed assets-net	13,481,533	61,726	13,543,259
Deferred Outflows of Resources:	3,949,902	-	3,949,902
Total assets & deferred outflows	<u><u>\$ 26,096,440</u></u>	<u><u>\$ 169,350</u></u>	<u><u>\$ 26,265,790</u></u>
Liabilities and Deferred Inflows of Resources:			
Current liabilities:			
Accounts payable	179,978	7,003	186,981
Accrued salaries and benefits	1,164,687	-	1,164,687
Current portion of long-term debt	1,115,066	-	1,115,066
Other current liabilities	168,126	(12,037)	156,089
Total current liabilities	<u>2,627,857</u>	<u>(5,034)</u>	<u>2,622,823</u>
Long-term debt-net of current portion	8,931,098	-	8,931,098
Other non-current liabilities	263,734	-	263,734
Net OPEB liabilities	2,393,107	-	2,393,107
Net pension liability	22,699,000	-	22,699,000
Total liabilities	<u>36,914,796</u>	<u>(5,034)</u>	<u>36,909,762</u>
Deferred Inflows of Resources:	1,124,705	-	1,124,705
Total liabilities & deferred inflows	<u><u>38,039,501</u></u>	<u><u>(5,034)</u></u>	<u><u>38,034,467</u></u>
Net Position:			
Invested in capital assets-net of related debt	3,503,627	61,726	3,565,353
Restricted	5,241,282	-	5,241,282
Unrestricted	<u>(20,687,970)</u>	<u>112,658</u>	<u>(20,575,312)</u>
Total Net Assets	<u>(11,943,061)</u>	<u>174,384</u>	<u>(11,768,677)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u><u>26,096,440</u></u>	<u><u>169,350</u></u>	<u><u>26,265,790</u></u>

Comments regarding the condensed June 30, 2021 government-wide statements:

Statement of Net Position:

- Cash, cash equivalents and investments are primarily held in the Muncy Bank, and the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT is a government investment pool.
- Taxes receivable include delinquent real estate along with current income tax collections, primarily from the June 30 and March 31, 2021 quarters.
- Fixed assets are presented net of depreciation and include the facilities and equipment of the District.
- Accrued salaries and benefits consists primarily of the amounts due teachers (and related benefits trusts/plans) for salaries and benefits earned in the 2020-21 school year that are paid over a twelve month period beginning when the District's academic year begins in late August through the beginning of the following August. These are the remaining amounts which will be paid in July 2021 (i.e. summer pay).
- The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* (as amended; GASB No. 68). Per GASB No. 68, the District reports its cost-sharing employer proportionate portion, approx. \$22.7-million, of the Pennsylvania School Employees' Retirement System (PSERS) Net Pension Liability in its Statement of Net Position. The District records its proportionate share of the PSERS system-wide Net Pension Liability, related Deferred Inflow and Outflow balances and adjustments to Pension expense to reflect the requirements of GASB No. 68. These adjustments, balances, and amounts are reflected in the government-wide financial statements only.
- The District also has adopted GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) as of July 1, 2017. Per GASB No. 75, the District accounts for its offering of covered benefits under the State-level (PSERS premium assistance, a proportionate share of the statewide plan similar to the PSERS pension, as above) and a District-level other postemployment benefit (OPEB) plans. The year-end balances of the plans were \$993-thousand for the PSERS-State-level plan and \$1.4-million for the District-level plan.
- GASB No.'s 68 and 75 have no effect on the governmental fund financial statements and represent, along with the carrying values of such matters as the District's property & equipment and long-term debt, significant reconciling differences between those statements and the Government-wide statements.

The notes to the financial statements provide additional detail on these and other items included in the Statement of Net Position.

**Montgomery Area School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021
(UNAUDITED)**

MD & A Page 5 of 13

**Condensed Statement of Activities
Year Ended June 30, 2021**

				Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction	\$ 10,297,672	\$ 250,275	\$ 3,922,135	\$ (6,125,262)		\$ (6,125,262)
Instructional Student Support	1,458,469	-	125,981	(1,332,488)		\$ (1,332,488)
Admin. & Financial Support Services	1,510,949	-	156,579	(1,354,370)		\$ (1,354,370)
Operation & Maintenance of Facilities	1,699,699	-	88,581	(1,611,118)		\$ (1,611,118)
Pupil Transportation	469,010	-	203,814	(265,196)		\$ (265,196)
Student Activities	516,289	2,528	52,554	(461,207)		\$ (461,207)
Community Services	50,587	-	-	(50,587)		\$ (50,587)
Scholarships and Awards	1,029,318	-	-	(1,029,318)		\$ (1,029,318)
Interest on Long-Term debt	289,489	-	158,692	(130,797)		\$ (130,797)
Total Governmental Activities	\$ 17,321,482	\$ 252,803	\$ 4,708,336	\$ (12,360,343)		\$ (12,360,343)
Business-type activities:						
Food Service	348,646	29,791	306,576		(12,279)	\$ (12,279)
Total Primary Government	\$ 17,670,128	\$ 282,594	\$ 5,014,912	\$ (12,360,343)	\$ (12,279)	\$ (12,372,622)
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net				6,437,961	-	6,437,961
Grants, subsidies, & contributions not restricted				5,667,067	-	5,667,067
Investment Earnings				25,901	16	25,917
Miscellaneous Income				264,933	-	264,933
Loss on disposal of fixed assets				-	-	-
Transfers				-	-	-
Total general revenues, special items, extraordinary items and transfers				12,395,862	16	12,395,878
Change in Net Assets				35,519	(12,263)	23,256
Net Assets—beginning				(11,978,580)	186,647	(11,791,933)
Net Assets—ending				\$ (11,943,061)	\$ 174,384	\$ (11,768,677)

Statement of Activities:

- Governmental activities operating grants include various subsidies including \$615-thousand of state funds for special education, \$321-thousand of federal Title I funds, to support academic achievement, \$203-thousand and \$262-thousand and \$1.2-million, respectively, of state subsidies to support student transportation, and for social security and retirement costs. The District also recognized and expended approximately \$862-thousand of pandemic-specific operating grants during the 2020-2021 fiscal year.
- General revenues include \$4.5-million of real estate taxes, \$1.5-million of earned income taxes and a basic education funding subsidy from the state of \$5.3-million.
- As described above, long-term pension and OPEB expense increases in the aggregate amount of approx.. \$793-thousand, net, (as compared to the Governmental Funds expense activity), primarily as a result of activities at the PSERS state-wide plans level For comparison purposes this adjustment was approximately \$139-thousand in prior-year.

**Montgomery Area School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021
(UNAUDITED)**

MD & A Page 6 of 13

The condensed Governmental Activities Statement of Net Position June 30, 2021 as compared to June 30, 2020 including the change in the elements of net position:

	Governmental Activities		
	June 30, 2021	June 30, 2020	Inc. (Dec.) in Net Position
Assets:			
Current assets:			
Cash, cash equivalents and investments	\$ 6,437,220	\$ 6,255,440	\$ 181,780
Taxes receivable-net	675,629	680,999	(5,370)
Other current assets	1,552,156	1,330,469	221,687
Total current assets	8,665,005	8,266,908	398,097
Fixed assets-net	13,481,533	13,850,809	(369,276)
Other non-current assets	-	-	-
Deferred Outflows of Resources:	3,949,902	3,387,242	562,660
Total assets & deferred outflows	<u>\$ 26,096,440</u>	<u>\$ 25,504,959</u>	<u>591,481</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 179,978	\$ 286,609	106,631
Accrued salaries and benefits	1,164,687	1,204,543	39,856
Current portion of long-term debt	1,115,066	883,637	(231,429)
Other current liabilities	168,126	147,599	(20,527)
Total current liabilities	2,627,857	2,522,388	(105,469)
Long-term debt-net of current portion	8,931,098	10,133,256	1,202,158
Other non-current liabilities	263,734	44,026	(219,708)
Net OPEB liability	2,393,107	2,161,763	(231,344)
Net pension liability	22,699,000	21,193,000	(1,506,000)
Total liabilities	36,914,796	36,054,433	(860,363)
Deferred Inflows of Resources:	1,124,705	1,482,876	358,171
Change in net position			<u>\$ 89,289</u>
Net Position:			
Invested in capital assets-net of related debt	3,503,627	2,924,927	578,700
Restricted & unrestricted	(15,446,688)	(14,957,277)	(489,411)
Total Net Position	(11,943,061)	(12,032,350)	<u>\$ 89,289</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 26,096,440</u>	<u>\$ 25,504,959</u>	

Unaudited - Supplementary Information
See accompanying Independent Auditor's Report

Analysis of the changes in the Governmental Activities Statement of Net Position:

- The increase in cash is due primarily to the results of governmental activities operations, the timing of cash flows and the timing of payments with certain of the District's vendors and employees. Cash and equivalents were used to pay for fixed asset additions (\$662-thousand) and to pay down the related general obligation notes and other outstanding long-term debt (\$884-thousand).
- Fixed assets decreased due primarily to current period depreciation expense (approx. \$1-million) outpacing current period fixed asset additions (approx. \$662-thousand).
- The decrease in accounts payable is due to the relative timing of invoices received and being processed for payment as compared to prior-year which saw pandemic-related processing delays at vendors' offices.
- The decrease in bonds payable reflects the District's ordinary course pay down of debt.
- As discussed throughout this MD&A and the notes to the accompanying financials, per the requirements of GASB No. 68, the District reflects its proportionate share of the actuarially determined PSERS net pension liability in the Government-wide Statement of Net Position. The District's proportionate share increased approximately \$1.5-million) during the current year as compared to 2020 (which had seen a \$649-thousand decrease vs 2019). This increase is primarily a result of the performance of the PSERS system-wide investment portfolio, other actuarial and experience adjustments at the PSERS level all at the PSERS plan-level.
- The District adopted GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) as of July 1, 2017 relative to the District's OPEB plans (PSERS-level and District-Specific). The plans represented liabilities of \$994-thousand and \$1.4-million, respectively, at year-end as compared to liabilities of \$963-thousand and \$1.2-million, respectively, at prior-year-end).
- Note: These Pension and OPEB adjustments, balances, and amounts are reflected in the government-wide financial statements only – there was no effect on the governmental fund financial statements related to GASB No. 68 nor GASB No. 75.

Additional information regarding these matters can be found in the accompanying financial statements and notes.

Montgomery Area School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021
(UNAUDITED)

M D & A Page 8 of 13

The condensed Business-type Activities Statement of Net Position June 30, 2021 as compared to June 30, 2020 including the change in the elements of net position:

	Business-type Activities		
	June 30, 2021	2020	Inc. (Dec.) in Net Position
Assets:			
Current assets:			
Cash, cash equivalents and investments	\$ 47,159	\$ 110,983	\$ (63,824)
Other current assets	77,622	46,712	30,910
Total current assets	124,781	157,695	(32,914)
Fixed assets-net	61,726	62,661	(935)
Deferred Outflows of Resources:	-	-	-
Total assets & deferred outflows	<u>\$ 186,507</u>	<u>\$ 220,356</u>	<u>(33,849)</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 7,003	\$ 19,774	12,771
Accrued salaries and benefits	-	-	-
Other current liabilities	5,120	13,935	8,815
Total current liabilities	12,123	33,709	21,586
Other non-current liabilities	-	-	-
Total liabilities	12,123	33,709	21,586
Deferred Inflows of Resources:	-	-	-
Change in net position			<u>\$ (12,263)</u>
Net Position:			
Invested in capital assets-net of related debt	61,726	62,661	(935)
Restricted & unrestricted	112,658	123,986	(11,328)
Total Net Position	174,384	186,647	<u>\$ (12,263)</u>
Total Liabilities and Net Position	<u>\$ 186,507</u>	<u>\$ 220,356</u>	

Analysis of changes in Business-type activities Statement of Net Position:

- The change in net position is due to the approx. \$12-thousand loss from operations include a non-cash depreciation charge of approximately \$9-thousand. Current year revenue is decreases as compared to past periods resulting from meal reimbursements from State and Federal programs at a lower rate than paid meals prices and due to lower volumes of non-program meals due to pandemic-related operations limitations.

**Montgomery Area School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021
(UNAUDITED)**

MD & A Page 9 of 13

A condensed Statement of Activities for the fiscal year ended June 30, 2021 as compared to the fiscal year ended June 30, 2020:

Functions/Programs	Net Revenue/Expense Fiscal Year Ended June 30,		Favorable (Unfavorable) Change	
	2021	2020		
Expenses-				
Governmental activities:				
Instruction	\$ 10,297,672	\$ 9,315,622	\$ (982,050)	10.5%
Instructional Student Support	1,458,469	1,256,078	(202,391)	16.1%
Admin. & Financial Support Services	1,510,949	1,530,952	20,003	-1.3%
Operation & Maintenance of Facilities	1,699,699	1,468,782	(230,917)	15.7%
Pupil Transportation	469,010	404,527	(64,483)	15.9%
Student Activities	516,289	512,272	(4,017)	0.8%
Community Services	50,587	49,037	(1,550)	100.0%
Unallocated Depreciation expense	1,029,318	958,051	(71,267)	7.4%
Interest on Long-Term debt	289,489	300,444	10,955	-3.6%
Total Governmental Activities	17,321,482	15,795,765	(1,525,717)	9.7%
Business-type activities:				
Food Service	348,646	421,779	73,133	-17.3%
Total Expense	17,670,128	16,217,544	(1,452,584)	9.0%
Program Revenues & Charges for Services-				
Governmental activities:				
Instruction	4,172,410	3,473,998	698,412	20.1%
Instructional Student Support	125,981	134,973	(8,992)	-6.7%
Admin. & Financial Support Services	156,579	171,036	(14,457)	-8.5%
Operation & Maintenance of Facilities	88,581	96,759	(8,178)	-8.5%
Pupil Transportation	203,814	227,445	(23,631)	-10.4%
Student Activities	55,082	85,365	(30,283)	-35.5%
Community Services	-	-	-	
Interest on Long-Term debt	158,692	124,334	34,358	27.6%
Total Governmental Activities	4,961,139	4,313,910	647,229	15.0%
Business-type activities:				
Food Service	336,367	402,883	(66,516)	-16.5%
Total Program Revenues & Charges for Services	5,297,506	4,716,793	580,713	12.3%
General revenues:				
Taxes:				
Property and other taxes, levied for general purposes, net	6,437,961	6,154,029	283,932	4.6%
Grants, subsidies, & contributions not restricted	5,667,067	5,666,757	310	0.0%
Investment Earnings-governmental activities	25,901	100,426	(74,525)	-74.2%
Investment earnings-business-type activities	16	1,315	(1,299)	-98.8%
Miscellaneous Income	264,933	19,366	245,567	1268.0%
Loss on Disposal of Fixed Assets	-	-	-	
Total General Revenues	12,395,878	11,941,893	453,985	3.8%
Change in Net Position	\$ 23,256	\$ 441,142	\$ (417,886)	

Unaudited - Supplementary Information
See accompanying Independent Auditor's Report

Analysis of changes in Statement of Activities between fiscal years:

- The increase in Instructional expense is a result of increased costs of general and special education, at the Governmental Fund reporting level, for professional compensation and benefits in addition to instructional services, as further increased, at the Government-wide level, by increased Pension Expense as compared to prior-year. The Pension cost increases were attributable to costs incurred at the PSERS system/state-wide pension level. Cost rates for services and supplies were generally elevated as compared to prior-year but volume related year vs year comparative increases were also experienced due to schools shutting down in March to June of 2020 as compared to operating, in-person, at generally full-capacity during the same period in current year.
- The increased revenue total is attributable to increases in property tax rates, improved related collections as well as upon earned income and other taxes. These increases as complemented by overall increases in State and Federal grants primarily in the form of operating grants in support of pandemic response and service delivery updates/modifications including for sanitizing District facilities to enable continued in-person learning as well as hardware and distance learning capabilities to facilitate efficient and effective remote learning.

The General Fund Budget vs. Actual for the June 30, 2021 Fiscal Year:

**Montgomery Area School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021
(UNAUDITED)**

M D & A Page 11 of 13

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Local Sources	\$ 6,370,033	\$ 6,370,033	\$ 7,441,832	\$ 1,071,799
State Sources	8,992,741	8,992,741	8,850,117	(142,624)
Federal Sources	855,972	855,972	1,051,395	195,423
Total Revenues	16,218,746	16,218,746	17,343,344	1,124,598
EXPENDITURES				
Regular education programs	6,635,449	6,635,449	6,873,923	(238,474)
Special education programs	1,944,582	1,944,582	1,833,928	110,654
Vocational education programs	690,543	690,543	479,458	211,085
Other instructional programs	393,943	393,943	461,907	(67,964)
Adult education programs	-	-	-	-
Pre-kindergarten	528,077	528,077	437,518	90,559
Pupil personnel support services	625,162	625,162	653,867	(28,705)
Instructional staff support services	521,351	521,351	619,578	(98,227)
Administrative services	1,120,740	1,120,740	987,537	133,203
Pupil health services	121,833	121,833	144,395	(22,562)
Business services	364,627	364,627	362,643	1,984
Operation & maintenance of facilities	1,373,975	1,373,975	1,734,394	(360,419)
Student transportation services	484,855	484,855	468,554	16,301
Student activities	590,397	590,397	491,312	99,085
Community services	63,255	63,255	60,907	2,348
Debt Service (Principal & Interest)	-	-	75,596	(75,596)
Other	-	-	-	-
Total Expenditures	15,458,789	15,458,789	15,685,517	(226,728)
Excess (Deficiency) of Revenues Over Expenditures	759,957	759,957	1,657,827	897,870
OTHER FINANCING SOURCES (USES)				
Proceeds from Extended Term Financing	170,000	170,000	-	170,000
Operating Transfers Out	(1,400,540)	(1,400,540)	(1,267,898)	132,642
Budgetary reserve	530,271	530,271	-	530,271
TOTAL OTHER FINANCING SOURCES (USES)				
Net Change in Fund Balances	59,688	59,688	389,929	330,241
Fund Balance - Beginning of Year	5,056,690	5,056,690	5,858,937	
Fund Balance - End of Year	<u>\$ 5,116,378</u>	<u>\$ 5,116,378</u>	<u>\$ 6,248,866</u>	

Analysis of General Fund Budget vs. Actual for the June 30, 2021 Fiscal Year:

Unaudited - Supplementary Information
See accompanying Independent Auditor's Report

Montgomery Area School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021
(UNAUDITED)

M D & A Page 12 of 13

- The most significant contributor to the overall excess of revenues over expenditures (before debt service) was better than expected local sourced revenue collections in the form of both better-than-expected tax collections (expectations were lowered during the budgeting process due to the pandemic) and unexpected grant revenues passing through Local sources. State and Federal revenues also were higher than expected which corresponded to increased expenditure levels relative to pandemic response and school re-opening with remote learning flexibilities in fall 2020.
- The increase in overall expense is a result of increased costs for professional compensation and benefits in addition to other instructional services cost increases as offset by the results of cost containment measures in these areas.

Long-term debt activity in the fiscal year ended June 30, 2021:

Description	Balance June 30, 2020	Additional Borrowings	Principal Reductions	Balance June 30, 2021
GON 2015	\$ 967,000	\$ -	\$ (655,000)	\$ 312,000
GOB 2019	9,295,000	-	(160,000)	9,135,000
	<u>10,262,000</u>	<u>-</u>	<u>(815,000)</u>	<u>9,447,000</u>
Unamortized bond premium	653,190	-	(87,092)	566,098
	<u>\$ 653,190</u>	<u>\$ -</u>	<u>\$ (87,092)</u>	<u>\$ 566,098</u>

See the notes to the financial statements for additional details.

Capital asset activity in the fiscal year ended June 30, 2021:

Governmental Activities Fixed Assets:

Description	Cost June 30, 2020	Fiscal Year-ended June 30, 2021		Cost June 30, 2021	Depreciation Expense For Year-ended June 30, 2021	Accumulated Depreciation June 30, 2021	Net Asset June 30, 2021
		Additions	Retirements/ Transfers				
Land	84,535	-	-	84,535	-	-	84,535
Land improvements	2,042,542	-	-	2,042,542	88,477	1,237,916	804,626
Buildings & improvements	20,662,054	22,719	-	20,684,773	649,074	9,544,164	11,140,608
Machinery & equipment	3,916,448	638,863	(2,618)	4,552,693	188,037	3,151,080	1,401,614
Capital leased equipment	378,129	-	-	378,129	103,730	327,979	50,150
	<u>\$ 27,083,708</u>	<u>\$ 661,582</u>	<u>\$ (2,618)</u>	<u>\$ 27,742,672</u>	<u>\$ 1,029,318</u>	<u>\$ 14,261,139</u>	<u>\$ 13,481,533</u>

**Montgomery Area School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2021
(UNAUDITED)**

MD & A Page 13 of 13

Food Service Fixed Assets:

Description	Fiscal Year-ended June 30, 2021		Cost June 30, 2021	Depreciation Expense For Year-ended June 30, 2021	Accumulated Depreciation June 30, 2021	Net Asset June 30, 2021
	Cost June 30, 2020	Retirements/ Additions Transfers				
Machinery & equipment	\$ 161,117	\$ 7,500 \$ -	\$ 168,617	\$ 8,435	\$ 106,891	\$ 61,726
	<u>\$ 161,117</u>	<u>\$ 7,500 \$ -</u>	<u>\$ 168,617</u>	<u>\$ 8,435</u>	<u>\$ 106,891</u>	<u>\$ 61,726</u>

See the notes to the financial statements for additional details.

Potential Future Issues:

The following matters will potentially have future impact on the District:

- ✓ The Pennsylvania School Employees Retirement System (PSERS), a multi-employer pension plan covering substantially all of the District's employees, is projecting a significant funding shortfall. There is uncertainty as to the extent and resolution of this shortfall but it has the potential of a significant negative impact on the District in the form of increases in required employer contributions in future years.
- ✓ The combined impact of an overall macro-economy, anticipated increases to retirement funding obligations, and cost increases associated with the implementation of health care reform, including, but not limited to the Affordable Care Act, and the associated cost and operational considerations, pose a challenge to both the District and state to fund operations.
- ✓ The Commonwealth has imposed restrictions and limitations on the ability of school districts to raise revenue via future tax increases while labor related and other operating costs rise beyond the ability to accommodate with revenue enhancements. The school district will be required to consider operational changes.
- ✓ During March 2020, the pandemic outbreak of the COVID-19 strain of coronavirus resulted in the declaration of national and Commonwealth of Pennsylvania states of emergency. As a result, the Commonwealth's governor ordered all public school districts to close to students for an extended period in an effort to stem the transmission of the virus. The closure, re-opening, and related mitigation efforts and other, related circumstances have caused and may be assumed to continue to cause operational difficulties. While there is uncertainty as to the timing of the pandemic's end, the District continues to explore and has identified certain operational adaptations to allow for the continued delivery of educational and other services. Additionally, the District and most, if not all, other School Districts in the Commonwealth have received appropriations of significant federal and state grant funding in support of pandemic mitigation, re-opening, and operating efforts. Information regarding these grants is summarized per Supplementary Information accompanying these MD&A, financial statements, and notes. Generally, these funding sources are denoted with "COVID-19" in the grant name/identifier.

Richard B. Snodgrass & Co.

Audit, Tax, and Advisory
1117 Cemetery Road
Montoursville, Pennsylvania 17754

570-220-4990
FAX 570-433-4728
email-dsnodgrass@snodgrass-co.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery Area School District
120 Penn Street
Montgomery, Pennsylvania 17752

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery Area School District (the 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

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

Auditor's Responsibility

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

District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Montgomery Area School 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.

Emphasis of Matter - Accounting Changes – Changes in Accounting Principles

As discussed in note 1.C. – *Basis of Presentation – Accounting Changes*, to the financial statements, the District adopted GASB Statement No. 84 *Fiduciary Activities*, on July 1, 2020. The adoption provisions of this statement required retro-active restatement of the District's net position and fund balance as of the beginning of the earliest period presented. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) information on pages MD&A 1 through MD&A 13 and the *schedule of the District's proportionate share of the net pension liability* on page RSI-1, the *schedule of the District's contributions to pensions* on page RSI-2, the *schedules of changes in the District's total OPEB liability and related ratios* on page RSI-3, the *schedule of the District's proportionate share of the net OPEB liability* on page RSI-4, and the *schedule of the District's OPEB contributions* on page RSI-5, be presented to supplement the basic financial statements. Such information, though not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of the 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 accompanying schedule of expenditures of federal (and state) awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the District's basic financial statements.

The schedule of expenditures of federal (and state) awards is the responsibility of the District's 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 (and state) awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated May 23, 2022 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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.

The image shows a handwritten signature in black ink. The signature is cursive and appears to read "Richard B. Snodgrass & Co.". The signature is written over the printed name of the firm.

Richard B. Snodgrass & Co.
Montoursville, Pennsylvania
May 23, 2022

Montgomery Area School District
Statement of Net Position

June 30, 2021

	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 6,437,220	\$ 47,159	\$ 6,484,379
Taxes receivable-net	675,629	-	675,629
Due from other governments	1,029,180	54,128	1,083,308
Inventories	-	6,337	6,337
Other receivables	522,976	-	522,976
Total current assets	8,665,005	107,624	8,772,629
Noncurrent assets:			
Land and land improvements-net	889,161	-	889,161
Buildings and improvements-net	11,140,608	-	11,140,608
Furniture and equipment-net	1,451,764	61,726	1,513,490
Total noncurrent assets	13,481,533	61,726	13,543,259
Total Assets	22,146,538	169,350	22,315,888
Deferred Outflows of Resources:			
Deferred (gain)/loss on bond refunding	68,258	-	68,258
Pension	3,511,577	-	3,511,577
OPEB	370,067	-	370,067
Total Deferred Outflows of Resources:	3,949,902	-	3,949,902
Total Assets and Deferred Outflows of Resources:	26,096,440	169,350	26,265,790
Liabilities, Deferred Inflows of Resources and Net Position:			
Liabilities:			
Current liabilities:			
Current portion of long-term debt	1,115,066	-	1,115,066
Accounts payable	179,978	7,003	186,981
Accrued salaries and benefits	1,164,687	-	1,164,687
Internal balances	14,630	(18,374)	(3,744)
Other current liabilities	153,496	6,337	159,833
Total current liabilities	2,627,857	(5,034)	2,622,823
Noncurrent liabilities:			
G.O. Notes payable-net of current portion	8,931,098	-	8,931,098
Long-term portion of compensated absences	263,734	-	263,734
Net OPEB liability-PSERS	994,000	-	994,000
Net OPEB liability-District	1,399,107	-	1,399,107
Net pension liability	22,699,000	-	22,699,000
Total noncurrent liabilities	34,286,939	-	34,286,939
Total Liabilities	36,914,796	(5,034)	36,909,762
Deferred Inflows of Resources:			
Unearned revenue	-	-	-
OPEB	470,705	-	470,705
Pension	654,000	-	654,000
Total Deferred Inflows of Resources:	1,124,705	-	1,124,705
Net Position:			
Invested in capital assets-net of related debt	3,503,627	61,726	3,565,353
Restricted:			
Capital projects, equipment, and debt service	2,680,430	-	2,680,430
Retirement & benefits	2,500,000	-	2,500,000
Other	60,852	-	60,852
Unrestricted	(20,687,970)	112,658	(20,575,312)
Total Net Position	(11,943,061)	174,384	(11,768,677)
Total Liabilities, Deferred Inflows of Resources and Net Position:	\$ 26,096,440	\$ 169,350	\$ 26,265,790

The accompanying notes are an integral part of this financial statement.

**Montgomery Area School District
Statement of Activities
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Indirect Expenses Allocation	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	\$ 10,297,672	\$ -	\$ 250,275	\$ 3,922,135	\$ -	\$ (6,125,262)		\$ (6,125,262)
Instructional Student Support	1,458,469	-	-	125,981	-	(1,332,488)		(1,332,488)
Admin. & Financial Support Services	1,510,949	-	-	156,579	-	(1,354,370)		(1,354,370)
Operation & Maintenance of Facilities	1,699,699	-	-	88,581	-	(1,611,118)		(1,611,118)
Pupil Transportation	469,010	-	-	203,814	-	(265,196)		(265,196)
Student Activities	516,289	-	2,528	52,554	-	(461,207)		(461,207)
Community Services	50,587	-	-	-	-	(50,587)		(50,587)
Unallocated depreciation	1,029,318	-	-	-	-	(1,029,318)		(1,029,318)
Interest on Long-Term debt	289,489	-	-	158,692	-	(130,797)		(130,797)
Total Governmental Activities	17,321,482		252,803	4,708,336	-	(12,360,343)		(12,360,343)
Business-type activities:								
Food Service	348,646		29,791	306,576			(12,279)	(12,279)
Total Primary Government	\$ 17,670,128		\$ 282,594	\$ 5,014,912	\$ -	\$ (12,360,343)	\$ (12,279)	\$ (12,372,622)
General revenues:								
Taxes:								
Property and other taxes, levied for general purposes, net						6,437,961	-	6,437,961
Grants, subsidies, & contributions not restricted						5,667,067	-	5,667,067
Investment Earnings						25,901	16	25,917
Miscellaneous Income						264,933	-	264,933
Total general revenues, special items, extraordinary items and transfers						12,395,862	16	12,395,878
Change in Net Position						35,519	(12,263)	23,256
Net Position—beginning								
as previously reported						(12,032,350)	186,647	(11,845,703)
Effect of GASB 84 - Retro-restatement at beginning of year of adoption (Note 1)						53,770	-	53,770
as restated						(11,978,580)	186,647	(11,791,933)
Net Position—ending						\$ (11,943,061)	\$ 174,384	\$ (11,768,677)

The accompanying notes are an integral part of this financial statement.

**Montgomery Area School District
Balance Sheet-Governmental Funds**

June 30, 2021

	General Fund	Capital Reserve Fund	Debt Service Fund	Student Activities Fund	Total Governmental Funds
Assets and Deferred					
Outflows of Resources:					
Assets:					
Cash and cash equivalents	\$ 6,201,245	\$ 173,003	\$ 1,793	\$ 61,179	\$ 6,437,220
Taxes receivable-net	675,629	-	-	-	675,629
Due from other funds	6,810	-	-	-	6,810
Due from other governments	1,029,180	-	-	-	1,029,180
Total Assets	7,912,864	173,003	1,793	61,179	8,148,839
Deferred Outflows of					
Resources:	-	-	-	-	-
Total Assets & Deferred Outflows	7,912,864	173,003	1,793	61,179	8,148,839
Liabilities Deferred					
Inflows and Fund Balances					
Liabilities:					
Accounts payable	179,978	-	-	-	179,978
Due to other funds	21,113	-	-	327	21,440
Accrued salaries & benefits	573,236	-	-	-	573,236
Payroll withholdings	591,451	-	-	-	591,451
Other current liabilities	38,878	-	-	-	38,878
Total Liabilities	1,404,656	-	-	327	1,404,983
Deferred Inflows of					
Resources:					
Unearned revenue	259,342	-	-	-	259,342
Total Deferred Inflows	259,342	-	-	-	259,342
Fund Balances:					
Non-spendable	-	-	-	-	-
Restricted fund balance	-	173,003	1,793	-	174,796
Committed balance	630,000	-	-	-	630,000
Assigned fund balance	4,375,635	-	-	60,852	4,436,487
Unassigned fund balance	1,243,231	-	-	-	1,243,231
Total Fund Balance	6,248,866	173,003	1,793	60,852	6,484,514
Total Liabilities, Deferred Inflows & Fund Balance	\$ 7,912,864	\$ 173,003	\$ 1,793	\$ 61,179	\$ 8,148,839

The accompanying notes are an integral part of this financial statement.

Montgomery Area School District
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2021

Total Fund Balances - Governmental Funds	\$ 6,484,514
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Amounts reported for governmental activities in the statement of net position are different because:

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$27,742,672 and the accumulated depreciation is \$14,261,139.	13,481,533
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Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are recorded as deferred revenues in the funds balance sheet.	259,342
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Other receivables will be collected but are not available soon enough to pay for current period expenditures and, therefore, are not recorded in the fund financial statements	522,976
--	---------

Long-term liabilities, including notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
General Obligation Notes payable	(10,013,098)
Capital Lease obligations payable	(33,066)
Accrued interest on the bonds	(114,618)
Compensated absences	(263,734)
Other postemployment benefits-PSERS	(994,000)
Other postemployment benefits-District	(1,399,107)
Net pension liability	(22,699,000)

Losses incurred on refundings of long-term liabilities are not financial resources and, therefore, are not reported as deferred outflows of resources in governmental funds. The deferred loss on refundings included in government-wide deferred outflows of resources is:	68,258
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Deferred outflows and inflows of resources related to pensions and OPEB amounts to be recognized and/or realized in future periods are not reported in governmental funds	
Deferred outflows-pension	3,511,577
Deferred inflows-pension	(654,000)
Deferred outflows-OPEB	370,067
Deferred inflows-OPEB	(470,705)

Total Net Position - Governmental Activities	\$ (11,943,061)
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The accompanying notes are an integral part of this financial statement.

Montgomery Area School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Capital Reserve Fund	Debt Service Fund	Student Activities Fund	Total Governmental Funds
REVENUES					
Local Sources	\$ 7,441,832	\$ 598	\$ -	\$ 28,210	\$ 7,470,640
State Sources	8,850,117	-	-	-	8,850,117
Federal Sources	1,051,395	-	-	-	1,051,395
Total Revenues	17,343,344	598	-	28,210	17,372,152
EXPENDITURES					
Instruction	10,086,734	-	-	-	10,086,734
Support Services	4,970,968	-	-	-	4,970,968
Non-instructional Services	552,219	-	-	21,128	573,347
Capital Outlay	-	18,200	-	-	18,200
Debt Service (Principal & Interest)	75,596	-	1,167,898	-	1,243,494
Total Expenditures	15,685,517	18,200	1,167,898	21,128	16,892,743
Excess (Deficiency) of Revenues Over Expenditures	1,657,827	(17,602)	(1,167,898)	7,082	479,409
OTHER FINANCING SOURCES (USES)					
Interfund Transfers in	-	100,000	1,167,898	-	1,267,898
Operating Transfers Out	(1,267,898)	-	-	-	(1,267,898)
Net Change in Fund Balances	389,929	82,398	-	7,082	479,409
Fund Balance - Beginning of Year					
As previously reported	5,858,937	90,605	1,793	-	5,951,335
Effect of GASB 84 adoption (Note 1)	-	-	-	53,770	53,770
As restated	5,858,937	90,605	1,793	53,770	6,005,105
Fund Balance - End of Year	<u>\$ 6,248,866</u>	<u>\$ 173,003</u>	<u>\$ 1,793</u>	<u>\$ 60,852</u>	<u>\$ 6,484,514</u>

The accompanying notes are an integral part of this financial statement.

Montgomery Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
To the Statement of Activities
For the Year Ended June 30, 2021

Total net change in fund balances - governmental funds \$ 479,409

Amounts reported for governmental activities in the statement of activities are different because:

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 as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	(1,029,318)
Capital Outlays	661,582
Loss on disposal	(1,540)

Repayment of bond principal and capital lease payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt principal paid	815,000
Capital leases	68,637

Proceeds of debt and related bond refunding expenditures are treated as other financing sources & uses in government fund statements but are increases in statement of net position components and amortized or accreted over the period of the related debt in government wide statements

Amortize bond issue premiums	87,092
Amortize losses on prior refundings	(22,753)

Interest on long-term debt at year end is not accrued in governmental funds but is accrued in government wide financial statements. Accrued interest on bonds decreased (increased) at current year-end as compared to the previous year end

6,029

Taxes receivable are recognized on an accrual basis in government-wide statements while the revenue is recognized on a modified accrual basis in governmental funds. This is the reduction in revenue recognized in the government-wide statements in the current year due to this difference

(15,151)

Post-employment liabilities for OPEB and compensated absences (increased) decreased at current year end as compared to the previous year end and the District incurred, net, reduced expense in the governmental statement of activities:

Compensated absences	(219,708)
Other postemployment benefits, net	(33,536)

In the statement of activities, Pension expense is measured by the amounts contributed toward future retirement during the year. In the governmental funds, however, are measured by the amount of financial resources used. This amount represents the additional amount, net, expended in the current period in consideration of the changes in the Net Pension Liability and Deferred Pension-related inflows and outflows of resources:

(760,224)

Change in net position of governmental activities

\$ 35,519

The accompanying notes are an integral part of this financial statement.

Montgomery Area School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Budget and Actual
For the Year Ended June 30, 2021

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Local Sources	\$ 6,370,033	\$ 6,370,033	\$ 7,441,832	\$ 1,071,799
State Sources	8,992,741	8,992,741	8,850,117	(142,624)
Federal Sources	855,972	855,972	1,051,395	195,423
Total Revenues	16,218,746	16,218,746	17,343,344	1,124,598
EXPENDITURES				
Regular education programs	6,635,449	6,635,449	6,873,923	(238,474)
Special education programs	1,944,582	1,944,582	1,833,928	110,654
Vocational education programs	690,543	690,543	479,458	211,085
Other instructional programs	393,943	393,943	461,907	(67,964)
Adult education programs	-	-	-	-
Pre-kindergarten	528,077	528,077	437,518	90,559
Pupil personnel support services	625,162	625,162	653,867	(28,705)
Instructional staff support services	521,351	521,351	619,578	(98,227)
Administrative services	1,120,740	1,120,740	987,537	133,203
Pupil health services	121,833	121,833	144,395	(22,562)
Business services	364,627	364,627	362,643	1,984
Operation & maintenance of facilities	1,373,975	1,373,975	1,734,394	(360,419)
Student transportation services	484,855	484,855	468,554	16,301
Student activities	590,397	590,397	491,312	99,085
Community services	63,255	63,255	60,907	2,348
Debt Service (Principal & Interest)	-	-	75,596	(75,596)
Other	-	-	-	-
Total Expenditures	15,458,789	15,458,789	15,685,517	(226,728)
Excess (Deficiency) of Revenues Over Expenditures	759,957	759,957	1,657,827	897,870
OTHER FINANCING SOURCES (USES)				
Proceeds from Extended Term Financing	170,000	170,000	-	170,000
Operating Transfers Out	(1,400,540)	(1,400,540)	(1,267,898)	132,642
Budgetary reserve	530,271	530,271	-	530,271
TOTAL OTHER FINANCING SOURCES (USES)				
Net Change in Fund Balances	59,688	59,688	389,929	330,241
Fund Balance - Beginning of Year	5,056,690	5,056,690	5,858,937	
Fund Balance - End of Year	<u>\$ 5,116,378</u>	<u>\$ 5,116,378</u>	<u>\$ 6,248,866</u>	

The accompanying notes are an integral part of this financial statement.

Montgomery Area School District
Statement of Net Position-Proprietary Funds

June 30, 2021

	Food Service Fund
Assets and Deferred	
Outflows of Resources:	
Assets:	
Current assets:	
Cash and cash equivalents	\$ 47,159
Due from other funds	18,780
Due from other governments	54,128
Other receivables	-
Inventories	6,337
Total current assets	126,404
Noncurrent assets:	
Furniture and equipment-net	61,726
Total noncurrent assets	61,726
Total Assets	188,130
Deferred Outflows of Resources:	-
Total Assets and Deferred Outflows	188,130
Liabilities, Deferred Inflows of Resources and Net Position:	
Liabilities:	
Current liabilities:	
Accounts payable	7,003
Accrued salaries and benefits	-
Due to other funds	406
Other current liabilities	6,337
Total current liabilities	13,746
Total Liabilities	13,746
Deferred Inflows of Resources:	-
Net Position:	
Invested in capital assets-net of related debt	61,726
Restricted	-
Unrestricted	112,658
Total Net Position	174,384
Total Liabilities, Deferred Inflows, and Net Position	\$ 188,130

The accompanying notes are an integral part of this financial statement.

Montgomery Area School District
Statement of Revenues, Expenditures and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Food Service Fund
OPERATING REVENUES	
Food service revenue	\$ 29,791
Charges for services	-
	<hr/>
Total Operating Revenues	29,791
EXPENDITURES	
Salaries	89,063
Employee benefits	69,847
Purchased professional & technical services	-
Purchased property services	-
Other purchased services	152,448
Supplies	28,853
Depreciation	8,435
	<hr/>
Total Expenditures	348,646
Operating income (loss)	(318,855)
NON-OPERATING REVENUES (EXPENSES)	
Earnings on investments	16
State sources	27,789
Federal sources	278,787
	<hr/>
	306,592
	<hr/>
Income (Loss) for the Period	(12,263)
Increase (Decrease) in Net Position	(12,263)
Net Position - Beginning of period	186,647
Net Position - End of period	<u><u>\$ 174,384</u></u>

The accompanying notes are an integral part of this financial statement.

Montgomery Area School District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	\$ 29,791
Earnings on investments	16
Cash payments to employees for services	(162,110)
Cash payments to suppliers for goods and services	(194,288)
Net Cash (Used For) Operations	(326,591)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State sources	26,284
Federal sources	243,983
Net Cash Provided By Non-Capital Financing Operations	270,267
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital outlay	(7,500)
Net Cash (Used For) Capital and Related Financing Operations	(7,500)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Net Cash Provided By Investing Activities	-
Net Increase (Decrease) in cash for fiscal year	(63,824)
Cash and cash equivalents at - Beginning of Year	110,983
Cash and cash equivalents at - End of Year	<u>\$ 47,159</u>
RECONCILIATION OF OPERATING (LOSS) TO CASH (USED FOR) OPERATIONS:	
Operating (loss)	\$ (318,839)
Adjustments to reconcile-	
Depreciation	8,435
(Increase) Decrease in inventories	3,979
Increase (Decrease) in accounts payable	(17,892)
Increase (Decrease) in advances from other funds	(2,274)
Net Cash (Used For) Operations	<u>\$ (326,591)</u>

The accompanying notes are an integral part of this financial statement.

**Montgomery Area School District
Statement of Fiduciary Net Position
Private Purpose Trusts**

June 30, 2021

	Private Purpose Trusts
Assets:	
Cash and cash equivalents	\$ 64,002
Other receivables	3,900
Prepaid expenses	-
Total Assets	67,902
Liabilities:	
Accounts payable	4,150
Due to Student Groups	-
Due to other funds	-
Total Liabilities	4,150
Net Position:	
Restricted for scholarships	4,423
Restricted for student activities	-
Unrestricted	59,329
Total Net Assets	63,752
Total Liabilities and Net Assets	\$ 67,902

The accompanying notes are an integral part of this financial statement.

Montgomery Area School District
Statement of Changes in Fiduciary Net Position
Private Purpose Trusts

June 30, 2021

	Private Purpose Trusts	
Additions:		
Gifts and other contributions	\$ 18,428	
Other additions	16	
Total Additions:	<u>18,444</u>	
Deductions:		
Scholarships awarded	18,560	
Student Activity Expenses		
Fees	-	
Total Deductions	<u>18,560</u>	
Increase (Decrease) in Net Position:	(116)	
Net Position - Beginning of period	<u>63,868</u>	
Net Position - End of period	<u><u>\$ 63,752</u></u>	-

The accompanying notes are an integral part of this financial statement.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Montgomery Area School District, "the School District" or "District" conform to United States generally accepted accounting principles (GAAP) as applicable to governmental entities. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations to its governmental and business-type activities in certain situations.

1.A. – Description of Entity:

The Montgomery Area School District, Lycoming County, Pennsylvania, operates as a school district of the 3rd class under the School Code of 1949 of the Commonwealth of Pennsylvania. The District operates under the management of a superintendent hired by and responsible to an elected nine-member board of school directors.

1.B. – Financial Reporting Entity:

The District is the basic level of government which has responsibility and control over all activities related to public school education in its attendance area in Lycoming County, Pennsylvania. The attendance area includes the Borough of Montgomery and the Townships of Brady, Clinton, and Washington.

The District assesses the taxpayers of these municipalities based upon taxing powers at its disposal. The ability of the District's taxpayers to pay their assessments is dependent upon economic and other factors affecting the taxpayers.

The District receives funding from local, state, and Federal government sources and must comply with various requirements of these funding sources.

The District is not included in any other governmental reporting entity as defined by GASB pronouncements. The specific criteria used in determining whether other organizations should be included in the District's financial reporting entity are financial accountability, fiscal dependency and legal separation. Additionally, there are no other organizations which are required to be included as a component unit of the District's reporting entity.

1.C. – Basis of Presentation:

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities report information about the District as a whole. These statements include the financial activity of the District, except for fiduciary funds. The statements distinguish between those activities of the District that are

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

governmental and those that are considered business-type activities. The District's General, Capital Reserve, Capital Projects, Debt Service Funds and Student Activities and Private-purpose-student awards funds (newly classified here under GASB No. 84, previously fiduciary funds) are classified as governmental activities. The District's Food Service Fund is classified as a business-type activity.

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the District as of the District's June 30 fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and for the single business-type activity of the District. 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 of the goods or services offered by the particular 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, with certain limited exceptions, as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and business-type activity is self-financing or draws upon the general revenues of the District.

Fund Financial Statements

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. During the fiscal year, the School District accounts for its operations by segregating activities related to certain functions or activities into separate funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures or expenses, as appropriate. School district resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Funds are organized into three major categories: governmental, proprietary, and fiduciary. In the presentation of fund financial statements for governmental and proprietary funds, those funds which are considered to be "major funds" are presented separately with the remaining funds in each of these categories being presented in an aggregated manner. A fund is defined as a major fund in accordance with GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* if it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

corresponding total for all funds of that category, and;

2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

Fiduciary funds are reported by type.

The funds of the District are described below:

Governmental Funds

General Fund – The general fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Reserve Fund –The capital reserve fund is a governmental fund which accounts for the proceeds of specific revenue and financing sources that are legally restricted to expenditures for specific capital project and related purposes.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources to provide payment of the District’s general obligation notes and the current fiscal year issuance new General Obligation Bonds for refunding of prior long-term debt.

Accounting Changes

Following the scheduled Adoption of GASB No. 84 *Fiduciary Activities* (GASB No. 84) as of July 1, 2020, the District accounts for these OPEB plans based upon the requirements of GASB No. 84. Consistent with GASB No. 84’s adoption provisions, the District adjusted the opening balance of government-wide, governmental activities Net Position by a total of \$192,003, net, via retro-active restatement, to record the beginning balances relative to its prior Student Activities as described:

Student Activities Fund – The School District's Student Activities fund is governmental fund, effective with the July 1, 2020 adoption of GASB No. 84 (previously an agency fund included and described among “Fiduciary funds” below). This fund accounts for the funds being held by the School District on behalf of various student clubs and organizations. Generally, there is no trust agreement that affects the degree of management involvement and the length of time that the resources are held. Such student clubs and organizations are generally authorized by District policy and the Board with oversight by District management and other employees (such as club advisors), but the account balances result from organization activity and are the property of the respective

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

clubs, and are not District property in spite of the District's administrative involvement and custody, through depository banking relationships, of the residual funds.

Proprietary Funds

Proprietary fund accounting and reporting 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 on a continuing basis is to be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Food Service Fund – The Food Service Fund is the District's only proprietary fund. It is utilized to account for the District's operations in providing meal services. The Food Service Fund distinguishes between operating revenues and expenses and non-operating items. Operating revenues consist of charges for food served. Operating expenses consist mainly of food and food preparation costs, supplies, and other direct costs. All other revenues and expenses are reported as non-operating.

Fiduciary Funds

Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Fiduciary funds are custodial in nature and do not involve measurement of results of operation. Prior to the adoption of GASB No. 84, the District accounted for the Student Activities Fund as an agency fund. As of July 1, 2020, the District's only Fiduciary fund is:

Private-purpose Trust-Student Awards Fund – The student awards fund is used to account for funds received and utilized to account for assets held by the District in a trustee capacity for individuals and private organizations. Generally, the funds are restricted to be used to provide scholarships and similar awards to students and graduates of the District.

The funds, which are considered major funds for fund financial statement presentation, and are presented in a separate column within the respective fund category, are:

1. Governmental Funds
 - General Fund
 - Capital Reserve Fund
 - Debt Service Fund
 - Student Activities Fund (new following adoption of GASB No. 84)

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

2. Proprietary Funds - Food Service Fund

1.D. – Accounting Methods:

Accounting methods are described in terms of the measurement focus and basis of accounting.

Measurement focus is a term used to describe which transactions are recorded within the financial statements. Measurement focus is dictated by the principal objective of the accounting and reporting being presented.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

Measurement Focus

Government-wide Statements of Net Position and the Statements of Activities are prepared utilizing the “economic resources” measurement focus for both governmental and business-like activities. With this measurement focus, all assets and all liabilities associated with the operation of the District are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the District's net total assets.

Fund financial statements are prepared utilizing the “current financial resources” measurement focus in governmental funds.

In governmental funds, the principal objective of the accounting and reporting is to account for and report the flow of financial resources utilized in the delivery of services by that governmental entity. Typically, this entails the reporting of the various sources of revenues and expenditures versus a legally adopted budget. The emphasis is on accounting for this budget and the financial resources and requirements supporting it on an annual basis. This measurement focus accounts for current financial resources and as such revenue and expenditure recognition under this measurement focus is limited and excludes amounts represented by non-current assets or liabilities. Since they do not affect net current assets, long-term amounts are not recognized as revenues or expenditures or fund assets or liabilities.

Proprietary funds utilize an economic resources measurement focus because the objective of the accounting in these funds is the determination of operating income, changes in net position, financial position and cash flows. All assets and liabilities, whether current or non-current, associated with the activities of these funds are included.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become both measurable and available as net current assets. Taxes are considered "available" when in the hands of the School District or, in the case of delinquent taxes, anticipated to be collected within 60 days after the fiscal year end and are recognized as revenue within the fiscal year.

Expenditures are generally recognized when the related fund liability is incurred. The exception to this general rule is that interest on general long-term debt is recognized only when payable.

Government-wide financial statements are prepared utilizing the accrual basis of accounting. Revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Proprietary funds are also accounted for using the accrual basis of accounting.

1.E. – Revenue Recognition – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, those transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, those in which the District receives value without giving equal value in return, include property taxes, earned income taxes, grants and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from income taxes is recognized in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the specific time period in which expenditures must be made in order to be eligible as grant, entitlement or donation eligible; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from a non-exchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: earned income taxes, grants, interest, tuition, and

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

student fees.

In conjunction with the District's adoption of GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB No. 63), as of the beginning of the fiscal year-ended June 30, 2013, the District has captioned the amounts historically disclosed as "deferred revenue," as "unearned revenue." The District's unearned revenues balance as per the Fund financial statements represents unavailable tax revenues and has been disclosed as "deferred inflows of resources." These amounts are recognized as revenue in the period in which the tax is levied in the Government wide statements and are not deferred inflows therein.

1.F. – Expenses and Expenditures:

On the accrual basis of accounting expenses are recognized at the time they are incurred.

The "current financial resources" measurement focus of governmental fund accounting, results in accounting for decreases in net current financial resources, expenditures rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

1.G. – Assets, Liabilities and Net Position/Fund Balance:

The following summarizes certain of the District's Summary of Significant Accounting Policies (SOSAP) matters relevant to significant accounting and financial statement components:

Cash and Cash Equivalents and Investments

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near their maturities that they present insignificant risk of changes in value because of changes in interest rates. Generally only investments with original maturities of three months or less qualify as cash equivalents. Investments are stated at cost or amortized cost, which approximates market.

Taxes and Intergovernmental Receivables

Taxes receivable are reported on the balance sheet at amounts that include any penalty amounts due net of an allowance for uncollectible balances. Management estimates the adequacy of the allowance for uncollectible taxes receivable based upon the historical experience in collecting these taxes. Intergovernmental receivables include amounts due from the state and federal governments for various grants and subsidies. For Fund Financial Statements only that portion of such receivables that is determined to be available as of the fiscal year end is recorded as revenue in the current year. Unearned revenue is credited for

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

that portion of the receivable balance not meeting the revenue recognition criteria.

Inventory

Inventory is valued at cost (first-in, first-out). Inventory consists of food and related supplies in the District's Food Service Fund. Food donated by the U.S. Department of Agriculture is recorded at market value. The school district's inventory of instructional and building maintenance supplies is not considered to be material and is, therefore, not reflected in the district's financial statement. The district utilizes the "purchases method" of accounting for such items under which such items are charged to expenditure when purchased.

Capital Assets

General capital assets are those assets not specifically related to activities in the District's Food Service Fund. These assets generally result from expenditures in the District's governmental funds. These assets are not included in the Fund Financial Statements. They are, however include in the governmental activities column of the Government-wide Statement of Net Position.

Capital assets used by the Food Service Fund are included in both the Fund Financial Statements and the business-type activities column of the Government-wide Statement of Net Position.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date of donation. The District maintains a capitalization threshold of \$1,500 which is applied to individual asset purchases or, in the case of the purchase of same or similar assets in a group, to the aggregated cost. Capital assets are those items meeting the above individual and group cost threshold with an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized.

All capital assets, except land and construction/projects in progress, are depreciated. Construction in progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins. Assets subject to capital lease financing arrangements are depreciated over the corresponding lease term.

Depreciation is computed using the straight-line method over the following useful lives:

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

<i>Description</i>	<i>Estimated Useful Lives</i>
Land Improvements	20 years
Buildings and Building Improvements	20-50 years
Furniture and Equipment	4-20 years
Furniture and Equipment-Business-type	5-50 years

The District does not have any infrastructure capital assets.

Deferred Loss on Refunding and Amortization

The losses recognized upon the refunding/refinancing of the District's bonds and notes are being amortized utilizing the straight-line method, which is a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. The deferred loss arose, in aggregate, from the difference between the carrying value of refunded debt and the reacquisition price.

Per the requirements of GASB No. 65, the District presents the net loss on refinancing as a component of Deferred Outflows of Resources in the accompanying statement of net position. Deferred losses on bond refunding resulted in amortization expense of approximately \$22,753 which is included as a component of interest expense in the accompanying statement of activities for the year-ended June 30, 2021. Straight-line amortization of these amounts is expected to continue through the District's fiscal year ending June 30, 2024, approximating the final maturity of the original, refinanced borrowing.

Accumulated Compensated Absences

The District's collective bargaining agreements with its professional and support employees specify the sick leave and vacation leave policies. Administrative personnel, while not party to these agreements, are provided similar benefits. The agreements generally do not provide for payment of accumulated sick leave, at retirement or other termination of service with the District. Vacation leave is available only to administrative and twelve-month support employees. Vacation pay is earned in the year in which the service has been performed. Employees are entitled to accrue an annual designated number of vacation days, which carry over from year to year.

Sabbatical leaves-The Pennsylvania School Code of 1949, as amended, provides that certain employees are entitled to sabbatical leaves. The district's potential liability for such leaves is not included in the financial statements because of the uncertainty of future amounts payable.

Pensions

The District has adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions (as amended)* (GASB No. 68), effective as of the beginning of the fiscal year-ended June 30, 2015. Based upon the requirements of GASB No. 68, the District recognizes its

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

proportionate share of the net pension liability relative relevant retirement benefits available to certain of the District's current and former employees and retirees.

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 or the System or the Pension Plan or the Plan) 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. PSERS's investments are reported at fair value.

The Pension Plan provides Retirement, death and disability, legislatively mandated *ad hoc* cost-of-living adjustments, healthcare insurance premium assistance benefits to qualifying annuitants. The plan operates under the authority of the Public School Employee's Retirement Code (the Code) (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. 8101-8535). The Pension Plan is administered, at the State-wide level, by a 15-member board (the PSERS Board).

See also Note 9, "Pensions," for further discussion of Pensions and presentation and disclosure policies relative to the relevant account balances and amounts.

Other Postemployment Benefit Plans (Other than Pensions)

The District's employees and former employees, subject to eligibility requirements summarized here and detailed in the corresponding participant agreements, are provided postemployment benefits other than pensions via the PSERS Health Insurance Premium Assistance Program (the System Plan) (see Note 14 for further) and the Montgomery Area School District Postemployment Benefits Plan (the District Plan) (see Note 15 for further) (OPEB Plans).

Following the scheduled adoption of GASB GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) as of July 1, 2017, the District accounts for these OPEB plans based upon the requirements of GASB No. 75. Periods ending at July 1, 2008 through June 30, 2017 were previously accounted for based upon the requirements of GASB No. 45 (also entitled *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*), which GASB No. 75 replaced).

The year-end balances of the plans were \$994,000 for the PSERS, State-level plan and \$1,399,107 for the District-level plan, respectively.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position invested in capital assets represents the costs of fixed assets net of related accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on their use either through restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB No. 54), the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the Board of Directors, the District's highest level of decision-making authority, and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent or Business Administrator. Authority to make such assignments is granted by the Board of Directors via District policy but not through formal action of the School Board. The following are examples of activities resulting in assignment of fund balance:

- The School Board authorizes the District Business Manager to assign funds to specific purposes;
- The School Board passes a board motion authorizing assignments for activities as contemplated by the board.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and, should they arise, negative fund balances in other governmental funds.

The District uses restricted /committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

Eliminations and Internal Balances

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and business-type activities are labeled "internal balances" on the statement of net position. Examples of interfund activities include transfers between the General Fund and the Debt Service fund. Also, in the governmental fund statements, activity between funds that is representative of interfund lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

1. H. – Accounting Estimates:

Preparation of the School District's financial statements requires management to make certain estimates and assumptions about the effect of future events on the valuation of certain assets or liabilities and the reported amounts of revenues and expenses during the reporting period. These include assumptions regarding an allowance for uncollectible taxes and useful lives and residual values and depreciation and amortization methods related to productive facilities of the Food Service fund. Estimates are made because the measurement of some amounts or the valuation of some accounts is uncertain, pending the outcome of future events, or relevant data concerning events that have already occurred cannot be accumulated on a timely, cost-effective basis. Actual results could differ from these estimates.

Significant Risks and Uncertainties

The following represent factors which could cause actual results to differ from the estimates reflected in the accompanying financial statements:

- a) ***Significant Group Concentrations of Credit Risk***
The District's operations are located in and around Montgomery, Lycoming County of Pennsylvania. Its service area is located within the geographic bounds 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.
- b) ***Grant Programs***
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 expenditure which may be

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance that may result in the disallowance of program expenditures.

Note 2. Budgets and Budgetary Accounting

Budgets and Budgetary Accounting

In accordance with the Pennsylvania School Code of 1949, prior to June 30, the Board of Directors approve and adopt a General Fund Budget for the fiscal year beginning July 1. The General Fund Budget includes proposed expenditures and the means to finance them.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Budgeted amounts are as originally adopted, or as amended by the Board of Directors. Individual amendments are not material in relation to the original appropriations which were amended. All budgeted appropriations lapse at fiscal year end.

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 have the budget printed, or otherwise made available for public inspection, at least twenty (20) days prior to the date set for the adoption of the budget. Final action may not be taken on any proposed budget in which the estimated expenditures exceed two thousand dollars (\$2,000), until after ten (10) days public notice.
- The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action during the last nine months of the fiscal year. An affirmative vote of a majority of all members of the Board is required.
- Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board, which authorize 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 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.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

- Program budgets, as prescribed by the state and federal agencies funding these programs, are included in the General Fund budget. These budgets are approved on a program-by-program basis by the state or federal funding agency for the term of the program.
- Capital budgets are implemented as project budgets in connection with the issuance of debt for capital improvements and capital projects in the Capital Projects Fund. 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 or debt service funds.

Note 3. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. All encumbrances lapse at fiscal year end.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year- end and outstanding encumbrances at year-end are reappointed in the next fiscal year. As of June 30, 2021, the District had no outstanding encumbrances. A reserve for encumbrances is not reported on the government-wide financial statements.

Note 4. Deposits With Financial Institutions and Investments

The School District's deposits and investments are potentially subject to credit and market risks. Credit risk involves the risk that another party to the deposit or investment transaction will not fulfill its obligation with respect to the deposit or investment. Credit risks include failures to perform, as agreed, on the part of the issuer of the security or the financial institution holding the deposit or the custodial agent for the security itself or supporting collateral. Market risk involves the risk that the market value of an investment itself or the supporting collateral will decline and expose the School District to a loss.

The School District's market and credit risks are reduced by legal restrictions as to the types of deposits and investments it is allowed to make under Pennsylvania law. The following information is provided to allow the reader to evaluate the market and credit risks associated with the School District's deposits and investments.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

Government-wide Statement of Net Position Breakout of Cash and Investments:

Description	June 30, 2021 Amount
Cash and cash equivalents:	
Governmental Activities:	
Demand deposits	\$ 5,705,087
PLGIT investment pool	732,133
	<u>6,437,220</u>
Business-type activities:	
Demand deposits	42,367
PLGIT investment pool	4,752
Cash on hand	40
	<u>47,159</u>
Total Statement of Net Position Cash, Cash Equivalents and Investments	<u><u>\$ 6,484,379</u></u>

Types of Deposits and Investments Permitted for Pennsylvania School Districts:

Legal Requirements

Section 440.1 of the Pennsylvania Public School Code of 1949 requires deposits and investments of the School District to be restricted to the following:

- United States Treasury bills;
- Short-term obligations of the United States Government or its agencies or instrumentalities;
- Deposits in institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by the Act of August 6, 1971 (P.L. 281, No. 72) is pledged by the depository; or
- Obligations of the United States of America, the Commonwealth of Pennsylvania, or of any political subdivision of the Commonwealth of Pennsylvania or any of their agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania, or of any political subdivision of the Commonwealth of Pennsylvania respectively.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

Information Regarding Risks Related to Deposits and Investments:

At June 30, 2021, the School District had the following deposits and investments with the noted related credit and custodial risks:

Cash Equivalent/Investment	June 30, 2021 Amount	Credit/Custodial Risk
Governmental Activities:		
Demand and investment deposits-collateralization	\$ 5,205,087	Variable rate overnight investment with a bank collateralized with pooled securities held by a third party
Demand Deposits - FDIC insurance	500,000	
Demand Deposits - PLGIT	732,133	An investment pool for Pennsylvania local governments rated AAAm by Standard & Poor's.
	<u>6,437,220</u>	
Business-type activities:		
Demand deposits-collateralization	42,367	Variable rate overnight investment with a bank collateralized with pooled securities held by a third party
Demand Deposits - PLGIT	4,752	An investment pool for Pennsylvania local governments rated AAAm by Standard & Poor's.
Cash on hand	40	
	<u>47,159</u>	
Total Cash Equivalent/Investments	<u>\$ 6,484,379</u>	

PLGIT, the Pennsylvania Local Government Investment Trust is a pooled government investment fund which restricts its investments to those allowed for Pennsylvania school districts as outlined above.

For purposes of financial statement presentation some of the amounts classified as investments above are considered as cash equivalents. Cash equivalents are defined as short-term, highly liquid investments that are both:

- a. Readily convertible to known amounts of cash.
- b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Generally, only investments with original maturities of three months or less meet this definition.

Also some of the amounts classified as deposits above are considered to be investments for financial statement presentation.

Note 5. Intergovernmental Receivables

Intergovernmental receivables consist of subsidies, grants and refunds due from the state and

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

federal governments as of June 30, 2021. As discussed in Note 1, revenue of the general fund is recognized on the modified accrual basis.

Note 6. Taxes and Taxes Receivable

The School District levies Real Estate and Per Capita taxes based on valuations provided by Lycoming County, Pennsylvania. The calendar for taxes levied for the fiscal year ended June 30, 2021, was as follows:

July 1, 2020	Original levy date
July 1, - August 31, 2020	2% discount period
September 1, - October 31, 2020	Face period
November 1, - December 31, 2020	10% penalty period
January 1, 2021	Lien date

Taxes receivable represents amounts due the School District as of June 30, 2021, for earned income tax real estate transfer tax, delinquent real estate, occupational, and per capita taxes recorded at their penalty amounts. A breakout of the detail is as follows:

	<u>Amount</u>
Real estate taxes	\$ 358,500
Real estate transfer	12,169
Earned income tax	304,960
	<u><u>\$ 675,629</u></u>

As discussed in Note 1, revenue related to taxes receivable is recognized on a modified accrual basis in fund financial statements. As of June 30, 2021, \$416,287 of the net balance of taxes receivable has been recognized as revenue in the fund financial statements. Government-wide financial statements are prepared on an accrual basis and all of the balance of taxes receivable has been recognized as revenue.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

Note 7. Fixed Assets

The following is a summary of activity for the District's fixed assets:

Governmental Funds Fixed Assets:

Description	Cost June 30, 2020	Fiscal Year-ended June 30, 2021		Cost June 30, 2021	Depreciation Expense For Year-ended June 30, 2021	Accumulated Depreciation June 30, 2021	Net Asset June 30, 2021
		Additions	Retirements/ Transfers				
Land	84,535	-	-	84,535	-	-	84,535
Land improvements	2,042,542	-	-	2,042,542	88,477	1,237,916	804,626
Buildings & improvements	20,662,054	22,719	-	20,684,773	649,074	9,544,164	11,140,608
Machinery & equipment	3,916,448	638,863	(2,618)	4,552,693	188,037	3,151,080	1,401,614
Capital leased equipment	378,129	-	-	378,129	103,730	327,979	50,150
	<u>\$ 27,083,708</u>	<u>\$ 661,582</u>	<u>\$ (2,618)</u>	<u>\$ 27,742,672</u>	<u>\$ 1,029,318</u>	<u>\$ 14,261,139</u>	<u>\$ 13,481,533</u>

Unallocated depreciation expense of \$1,029,318 was charged to governmental activities functions/programs of the District during the year-ended June 30, 2021.

Food Service Fixed Assets:

Description	Cost June 30, 2020	Fiscal Year-ended June 30, 2021		Cost June 30, 2021	Depreciation Expense For Year-ended June 30, 2021	Accumulated Depreciation June 30, 2021	Net Asset June 30, 2021
		Additions	Retirements/ Transfers				
Machinery & equipment	\$ 161,117	\$ 7,500	\$ -	\$ 168,617	\$ 8,435	\$ 106,891	\$ 61,726
	<u>\$ 161,117</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 168,617</u>	<u>\$ 8,435</u>	<u>\$ 106,891</u>	<u>\$ 61,726</u>

See Note 1.G. for further explanation of the accounting treatment of fixed assets.

Note 8. Unearned Revenues

Unearned revenues at June 30, 2021 consist of the following:

Government-Wide Statement of Net Assets:	
Governmental Activities:	Amount
Unearned/unavailable tax revenue	\$ -
	<u>\$ -</u>
Governmental Fund Statements:	
General Fund:	
Unearned/unavailable tax revenue	\$ 259,342
	<u>\$ 259,342</u>

As discussed in Note 1, the difference in measurement focus between government-wide statements and fund financial statements, results in the above difference in deferred revenue. Government-wide statements are prepared utilizing accrual basis accounting while fund financial statements utilize the modified accrual basis of accounting.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

Unearned/deferred revenue represents revenue not yet recorded as revenue because of not meeting the "available" criteria. See Note 1 for further discussion.

Note 9. Pensions

General information about the Pension Plan:

1. ***Plan Description:***

PSERS is a governmental cost-sharing, multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania into which more than approximately 600 reporting units contribute. The members eligible to participate in the System include 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.

2. ***Benefits Provided:***

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reach (a) age 62 with at least 1 year of credit 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 T-F members must work until age 65 with a minimum of three (3) years of service to attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of credited service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined by the Code) multiplied by the number of years of credited service. For members who membership started prior to July 1, 2011, after completion of five (5) 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 (10) 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 on 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

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply disability benefits.

Death benefits are payable upon death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three (3) years of credited service for Class T-E and Class T-F members) or who has at least five (5) years of credited service (ten (10) 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.

3. *Funding Policy - Contributions:*

a. *Member Contributions:*

Active members who joined the System prior to July 22, 1983 contribute at 5.25% (Membership Class T-C) or at 6.5% (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 7.5% (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 7.5% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

b. *Employer Contributions:*

The school districts' contractually required contribution rate for fiscal year ended June 30, 2021 was 33.51% of covered payroll (net of portions for premium assistance (0.82%) and a PSERS Defined Contribution plan (0.18%))

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

(overall PSERS rate of 34.51%), 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 and received by the Pension Plan from the District were approximately \$2,168,000 for the year ended June 30, 2021.

In accordance with Act 29 of 1994, the Commonwealth of Pennsylvania is required to reimburse the School District for contributions made to the retirement plan based upon a formula provided in the Act but not less than one-half of the School District's contributions.

4. Pension Liability:

At June 30, 2021, the District reported a liability of approximately \$22,699,000, for its proportionate share of the PSERS net pension liability. 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 covered payroll as it relates to the total one-year reported covered payroll reported by all PSERS participating employers. At June 30, 2020 (for 2021), the District's proportion of was 0.0461%, which was an increase of 0.000008 percentage points or an approximately 1.8% increase from its proportion measured as of June 30, 2019 (for 2020) (approximately 0.0453%).

For the year ended June 30, 2021, the District recognized pension expense of approximately \$2,927,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 59,000	\$ 544,000
Changes in assumptions	998,000	-
Changes in proportions	287,000	110,000
Contributions subsequent to the measurement date	2,167,577	-
	<u>\$ 3,511,577</u>	<u>\$ 654,000</u>

Deferred outflows resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2022	\$	(109,000)
2023		112,000
2024		391,000
2025		296,000
2026		-
Thereafter		-
	<u>\$</u>	<u>690,000</u>

5. ***Actuarial Assumptions:***

The total pension liability as of June 30, 2020 (for 2021), was determined by rolling forward the System's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- (a) *Actuarial Cost Method:* Entry Age Normal – level % of pay
- (b) *Investment Return:* 7.25%, includes inflation at 2.75%
- (c) *Salary Increases* 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.
- (d) *Mortality rates* 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 experience study that was performed for the five-year period ending June 30, 2015.

The long-term expected rate of return on the Pension Plan's investments was determined using a building-block method in which the 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.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

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 Plan.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Global public equity	15.0%	5.2%
Private equity	15.0%	0.0%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	4.1%
Risk parity	8.0%	3.3%
Cash	6.0%	-1.0%
Financing (LIBOR)	-14.0%	0.7%
	<u>100%</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 (for 2021).

6. *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.

7. *Sensitivity to Discount Rate Changes:*

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the pension liability would be if it were calculated using discount rates that are 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate in order to demonstrate the sensitivity of the District's

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

proportionate share of the Net Pension Liability to changes in the discount rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 28,084,000	\$ 22,699,000	\$ 18,138,000

8. Pension Plan Fiduciary Net Position:

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

Note 10. Long-term Debt

The District's general obligation note long-term debt of the as of June 30, 2021 is comprised of the following:

General Obligation Note Series of 2015 (GON 2015)

In March 2015, the District entered into a \$2,471,000 note agreement with Citizens & Northern Bank, maturing in five years at 1.54% interest. Final maturity is approximately September 2021. The proceeds of GON 2015 accomplished the current refunding of \$2,415,000 the 2010 Series bonds (GOB 2010) which had an average interest rate of 3.05%.

Debt service requirements of the GON 2015 are as follow:

Fiscal Year Ended	Series of 2015 GON Principal	Interest	Total
2022	312,000	2,402	314,402
	<u>\$ 312,000</u>	<u>\$ 2,402</u>	<u>\$ 314,402</u>

General Obligation Bonds Series of 2019 (GOB 2019)

In December 2019, the District completed the issuance of approximately \$9,300,000 (face value) of General Obligation Bonds (GOB 2019). The District Plans utilized the GOB 2019 issuance proceeds primarily to accomplish the current refunding of the District's General Obligation Notes Series A of 2015 and Series of 2016.

The interest rates on the bond vary between 2.00% and 5.00% based upon maturity. Full maturity of the GOB 2019 is approximately September 2027 with an optional redemption in

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

approximately March of 2025.

Debt service requirements of the GOB 2019 are as follow:

Fiscal Year Ended	Series of 2019 GOB		Total
	Principal	Interest	
2022	770,000	319,800	1,089,800
2023	1,255,000	269,175	1,524,175
2024	1,320,000	204,800	1,524,800
2025	1,385,000	137,175	1,522,175
2026	1,445,000	80,875	1,525,875
Thereafter	2,960,000	59,300	3,019,300
	<u>\$ 9,135,000</u>	<u>\$ 1,071,125</u>	<u>\$ 10,206,125</u>

The School District receives financial assistance from the Commonwealth of Pennsylvania with respect to the bonds. This assistance is in the form of a reimbursement for a portion of the bond interest and principal payments made. During the fiscal year ended June 30, 2020 the School District recorded approximately \$158,000 of such assistance which represented approximately 14% of such payments. Future reimbursements are subject to changes in the applicable statutory provisions and appropriations by the Pennsylvania General Assembly.

All of the future payment requirements shown in the tables above are prior to any financial assistance which may be received from the Commonwealth of Pennsylvania in support of debt service payments.

A summary of activity in the general obligation note long-term debt activity for the fiscal year is as follows:

Description	Balance June 30, 2020	Additional Borrowings	Principal Reductions	Balance June 30, 2021
GON 2015	\$ 967,000	\$ -	\$ (655,000)	\$ 312,000
GOB 2019	9,295,000	-	(160,000)	9,135,000
	<u>10,262,000</u>	<u>-</u>	<u>(815,000)</u>	<u>9,447,000</u>
Unamortized bond premium	653,190	-	(87,092)	566,098
	<u>\$ 653,190</u>	<u>\$ -</u>	<u>\$ (87,092)</u>	<u>\$ 566,098</u>

Unused Lines of Credit

The District has no unused Lines of Credit or other similar borrowings.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

Events of Default, Collateral, and Other Matters

Under the terms of the relevant borrowing agreements, the District's lenders may accelerate/call the District's repayment obligations in an event of default such as, but not limited to, that a payment of principal and/or interest is delinquent. No such delinquencies or accelerations have occurred.

The District's lenders' collateral for the District's borrowings is a claim on the District's real estate and other tax receipts. Further collateral is provided by the ability for the District's lenders to intercept subsidy funding from the Commonwealth of Pennsylvania such as the Basic Education and other subsidies. Further collateral is also provided by the District's fixed and other assets.

Aggregate Debt Service

Aggregate debt service to maturity on the District's general obligation notes at June 30, 2021, is summarized as follows:

Fiscal Year Ended	Combined Debt Service		Total
	Principal	Interest	
2022	1,082,000	322,202	1,404,202
2023	1,255,000	269,175	1,524,175
2024	1,320,000	204,800	1,524,800
2025	1,385,000	137,175	1,522,175
2026	1,445,000	80,875	1,525,875
Thereafter	2,960,000	59,300	3,019,300
	<u>\$ 8,002,000</u>	<u>\$ 992,652</u>	<u>\$ 8,994,652</u>

Capital Leases

The District has entered into certain capital leases under which the related equipment will become the District's property when all terms of the lease agreement are met. The equipment is principally computer hardware and the asset and the related capital lease obligation are included in the governmental activities column in the accompanying government-wide statement of net position. Likewise, the amortization of the capital leased equipment and the interest on the capital lease obligation are included as components of governmental activities depreciation and interest expense in the accompanying statement of activities:

Description	Balance June 30, 2020	Additional Borrowings	Principal Reductions	Balance June 30, 2021
Capital Leases	\$ 101,703	\$ -	\$ (68,637)	\$ 33,066
	<u>101,703</u>	<u>-</u>	<u>(68,637)</u>	<u>33,066</u>

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

The District entered into capital leases for classroom technology equipment during the 2018-2019 and 2019-2020 school years. The remaining annual payment is \$35,803, on the 2019-20 capital lease obligation, is comprised of interest and principal of \$2,707 and \$33,066 respectively. The District expects to satisfy its obligations under its capital lease agreements by the end of the 2021-22 school/fiscal year. The leased assets are being depreciated over the three-year term of the lease.

Total interest expense on long-term debt in 2021 was \$289,489. No interest was capitalized (i.e., added to the carrying value of capital assets) during 2021.

Note 11. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, sick, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside of the control of the District and its employees is accrued as employees earn the rights to the benefits. Compensated absences that related to future services or that are contingent on a specific event that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for them. The remainder of the compensated absences liability is reported in general long-term debt in the government-wide financial statements.

In the proprietary fund and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

Vacation – District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary with length of service or job classification. Employees who do not take all their vacation during the year of entitlement may carry such leave over to subsequent years.

Sick Leave – Most District employees are credited annually with sick days. Unused sick leave is cumulative from year to year. Until fiscal year 2020-2021, accumulation of this leave was not compensated upon termination or retirement. However, under the terms of the new collective bargaining agreements, certain accumulated leave is eligible for remuneration. This change in terms resulted in a long-term increase in liability and long term compensation expense of approximately \$240,000 as reflected in the accompanying Government-wide Statement of Activities.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

Sabbaticals – Most District employees are entitled to a sabbatical after ten years of service. Sabbaticals may only be taken for education purposes or health reasons. Sabbaticals taken for educational purposes are considered restricted and for the benefit of the employer. Sabbaticals taken for health reasons are considered unrestricted. No liability is recorded because both types of sabbaticals are conditional on future events.

At June 30, 2021, the liability for compensated absences was \$273,436 of which approximately \$264,000 is estimated to be long-term in nature.

Note 12. Contingencies-Public Entity Risk Pools

The School District is a member of The Lycoming County Insurance Consortium Pooled Trust, "the Trust", which provides group health benefits to employees of the district. The District made payments for health care benefit claims coverage of approximately \$1,750,000 to the Trust during the fiscal year ended June 30, 2021. Audited financial statements of the Trust are available in the District's Business Office.

Public entity risk pools consist of groups of governmental entities joining together to finance an exposure, liability, or risk. Such risk pools may involve a transfer or pooling of the risk among the participating members or it may involve retention of a portion of or all of the risk by the individual members incurring the losses. Such pools may also involve the transfer of a portion or all of the risk of loss to another entity outside the pool by purchase of insurance.

The School District participates in the following programs of the Trust:

Health Benefits

The Trust provides health benefits to members under a pooling of risk concept. Required contributions by members are determined on an annual basis by the Trust.

Under the terms of membership in the Trust, should the School District decide to withdraw from the Trust, it would be required to give 180-days prior written notice, pay any deficit generated by its claims experience or from non-payment of premiums or contributions to the trust, as calculated by the Trust at the time of notification of the intent to withdraw. Any deficit repayment relative to claims would be based upon claims incurred by the District prior to the effective date of the withdrawal from the Trust. Additionally, the District would be required to pay a termination fee to the trust of the greater 25% of the District's net interest in the Trust's operating surplus from the year in which the withdrawal would occur, which is calculated based upon a formula and takes into consideration payment status of any other District specific claims incurred or premium deficits, if any, or \$50,000.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

Stop-Loss Insurance

The School District participates in stop-loss excess insurance which the Trust has purchased on-behalf of the pooled group which covers employee health benefit claims in excess of a \$375,000 specific deductible.

Note 13. Non-monetary Transactions

The School District's Food Service fund received \$23,216 of Donated Commodities from the U. S. Department of Agriculture (USDA) for the fiscal year ended June 30, 2021. The receipt of these commodities is recorded at values provided by the USDA.

Note 14. Postemployment Benefits Other Than Pensions – Multi-employer/Cost Sharing

PSERS Health Insurance Premium Assistance Program (the PSERS Plan)

General Information about the PSERS Plan:

1. Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) 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. As of June 30, 2018, 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:

- i. Have 24 ½ or more years of service, or
- ii. Are a disability retiree, or
- iii. Have 15 or more years of service and retired after reaching superannuation age, and
- iv. 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

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020 (for 2021), there were no assumed future benefit increases to participating eligible retirees

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2020 (for 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 approximately \$53,000 for the year ended June 30, 2021.

2. *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 \$994,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 (for 2021), and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 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, 2020 (for 2021), the District's proportion of was 0.0460%, which was an increase of 0.0007 percentage points from its proportion measured as of June 30, 2019 (for 2020) (approximately 0.0453%).

For the year ended June 30, 2021, the District recognized OPEB expense of \$51,000. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 9,000	\$ -
Changes in assumptions	41,000	22,000
Net difference between projected and actual investment earnings	2,000	-
Changes in proportions	13,000	9,000
Contributions subsequent to the measurement date	53,041	-
	<u>\$ 118,041</u>	<u>\$ 31,000</u>

Deferred outflows resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the following year. 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:	
2021	\$ 3,000
2022	3,000
2023	3,000
2024	11,000
2025	8,000
Thereafter	6,000
	<u>\$ 34,000</u>

3. Actuarial Assumptions

The Total OPEB Liability as of June 30, 2020 (for 2021), 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:

- (a) *Actuarial cost method:* Entry Age Normal - level % of pay
- (b) *Investment return:* 2.66% (was 2.79%) - S&P 20 Year Municipal Bond Rate
- (c) *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

Montgomery Area School District

Notes to Financial Statements

June 30, 2021

(Continued)

- | | |
|--|--|
| | assistance per year |
| (d) <i>Mortality rates:</i> | 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. |
| (e) <i>Participation rate:</i> | Eligible retirees will elect to participate Pre age 65 at 50%
Eligible retirees will elect to participate Post age 65 at 70%
63% of eligible retirees are assumed to elect premium assistance |
| (f) <i>Employer contribution rate ((f)(i – iv)):</i> | The results of the actuarial valuation as of June 30, 2018 determined the employer contribution rate for fiscal year 2020 (for 2021). |
| (i) <i>Cost Method:</i>
(<i>employer contribution</i>) | Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date |
| (ii) <i>Asset valuation method:</i> | Market Value |
| (iii) <i>Participation rate:</i>
(<i>employer contribution</i>) | 63% of eligible retirees are assumed to elect premium assistance. |
| (iv) <i>Mortality rates</i>
(<i>employer contribution</i>) | Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.) |

Investments

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

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

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 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>OPEB Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	50.30%	-1.00%
US Core Fixed income	46.50%	-0.10%
Non-US Developed Fixed	3.20%	-0.10%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020 (for 2021).

Discount rate

The discount rate used to measure the Total OPEB Liability was 2.66% (was 2.79% in prior-year). 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.

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 (for 2021), retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2020 (for 2021), 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020 (for 2021), 688 members were

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

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 (for 2021), calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
PSERS Plan			
net OPEB liability	\$ 994,000	\$ 994,000	\$ 994,000

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:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
PSERS Plan			
net OPEB liability	\$ 1,133,000	\$ 994,000	\$ 879,000

OPEB plan fiduciary net position

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

Note 15. Postemployment Benefits Other Than Pensions – Single Employer

Montgomery Area School District Postemployment Benefits Plan (the District Plan)

General Information About the District Plan:

The District Plan, which is a District-specific, employer-sponsored OPEB plan for all eligible retirees who qualify and elect to participate.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

1. *Plan Descriptions*

The District Plan provides the following postemployment health care plans which provide health insurance for qualified retirees:

The District Plan is a single-employer defined benefit plan administered by the District. The District Plan provides postemployment benefits to eligible retirees. The District Plan is established in accordance with Act 110 of October 20, 1988 and Act 43 of July 8, 1989 by which the Pennsylvania Public Education Code (the Code) was amended, obligating the District to make the school group health insurance coverage available to its retirees who have met certain criteria. Extension of coverage may continue until the retiree reaches Medicare eligibility or is covered by other insurance. The Code allows the District to charge retirees an amount not to exceed the premium determined for COBRA purposes.

The District Plan is unfunded and no financial report is prepared. The District Plan is authorized and under the control, maintenance and operation of the District's School Board. The benefits provided by the Plan are defined by the terms of the corresponding employment contract and/or collective bargaining agreement and typically include medical, prescription drug, dental and life insurance provided to certain eligible individuals and their spouses less the PSERS supplement (typically \$100 per month for benefit-eligible retirees (as discussed above), if applicable.

The District accounts for all of its OPEB activity within its governmental activities; the amount attributable to its business-type activity is not material.

Through collective bargaining, the District has agreed to offer coverage to certain eligible teachers and administrators the following postemployment health care plans which provide health insurance for qualified retirees:

1. *Current and Certain Retired Administrators*- Benefit is coverage for medical and prescription drug. Subject to years of service (in and out of District) and, in some cases PSERS eligibility requirements, the retired employee and, in some cases, spouse and/or family are covered until Medicare age or death. The District contribution ranges from \$250 per month to the full cost for single coverage.
2. *Retirees – Retired prior to 7/1/2015* - Benefit is coverage for medical and prescription drug. The retired employee and spouse are covered. The retiree and spouse are eligible for this coverage until eligible for Medicare or death. The District will contribute a maximum of \$350 per month.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

3. *Retirees – Retired after 7/1/2015* - Benefit is coverage for medical and prescription drug. The retired employee and spouse are covered. The retiree and spouse are eligible for this coverage until eligible for Medicare or death. The District will contribute a maximum of \$250 per month. Employee must be 57 or older and must have 10 years of service to the District.
4. *Support Staff* - Benefit is coverage for medical and prescription drug. Member and spouse are eligible to participate at the COBRA rate. The retiree and spouse are eligible for this coverage until eligible for Medicare or death.
5. *Act 110/43 COBRA Benefit Plan*- In accordance with 24 Pa. C.S.A. 8701 et seq, referred to as the “Public School Retirees’ Health Insurance Act”, qualified retired employees are permitted to purchase insurance coverage for themselves and their dependents in the District’s group health plan at the COBRA rate until the retired employee reaches Medicare age. This program is administered through a combination of the District and an outside agency.
6. *Premium Assistance through the Pennsylvania School Employee Retirement System*- In accordance legislation enacted by the Commonwealth of Pennsylvania, eligible retirees may receive up to \$100 per month in reimbursement to assist in the payment for basic health insurance. The Plan is administered by PSERS and funded by contributions from the school districts and the Commonwealth of Pennsylvania.

PSERS issues a comprehensive annual financial report that includes financial statements and required supplemental information on the plan. That report may be obtained by:

Telephone request at 1-888-773-7748

Email: See www.psers.pa.gov

2. *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 net OPEB liability of \$1,399,107 under the District Plan. 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 District Plan’s total OPEB liability as of June 30, 2019 to June 30, 2020. The District is the only employer sponsoring the District Plan (i.e. proportion of the overall net OPEB liability attributable to the District is 100%).

For the year ended June 30, 2020, the District recognized OPEB expense of \$92,384.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

The OPEB expense is comprised of approximately \$78,000 of service cost and \$42,000 of interest on the OPEB liability, net of a reduction of approximately \$28,000 of net amortization of deferred inflows/outflows of resources. 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>
Changes in assumptions	\$ 150,102	\$ 231,889
Difference between expected and actual experience	47,665	207,816
Contributions subsequent to the measurement date	54,259	-
	<u>\$ 252,026</u>	<u>\$ 439,705</u>

Deferred outflows resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the following year. 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	\$ (26,921)
2023	(26,921)
2024	(26,921)
2025	(26,921)
2026	(26,921)
Thereafter	(107,333)
	<u>\$ (241,938)</u>

3. Actuarial Assumptions

The Total OPEB Liability as of June 30, 2020/July 1, 2020, was determined by rolling forward the District'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:

- (a) *Actuarial cost method:* Entry Age Normal - level % of pay
- (b) *Interest rate:* 1.86% (was 3.36 %) - S&P 20 Year Municipal Bond Rate (PSERS OPEB rate)
- (c) *Salary growth:* An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method.

Montgomery Area School District

Notes to Financial Statements

June 30, 2021

(Continued)

For this purpose, salary increases are composed of 2.5% cost of living adjustment, 1% real wage growth, and, for teachers and administrators, a merit increase which varies by age from 2.75% to 0%.

Premium Assistance reimbursement is capped at \$1,200 per year.

(d) *Mortality rates:*

Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation

Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

No disability was assumed

(e) *Participation rate:*

Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender.

100% of members eligible to received subsidized benefits and 10% of members eligible for ACT 110/43 COBRA benefits are assumed to elect coverage.

Actuarial Cost Method – Entry Age Normal

Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

The OPEB liability includes the amounts due retired employees under retiree health

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

insurance plans, the amount determined as the implicit subsidy included in active employee insurance premiums for retirees purchasing health insurance through the District health plan, and amounts actuarially determined to be earned by current employees.

Funding Policy

The plans for medical coverage for employees and the Act 110/43 COBRA Benefit Plans are funded by the District on a pay as you go basis to meet the obligations of the Plans. As summarized in these Notes to the Financial Statements the Premium Assistance Plan is funded in accordance with legislation as enacted by the Commonwealth of Pennsylvania with school districts and the Commonwealth sharing in the funding of the Plan at a rate of 0.82% and 0.84% of eligible wages in the fiscal year ended June 30, 2021 and 2020, respectively. Such rate is subject to change. Refer to the PSERS information cited above for information as to the funding policies and status of this Plan.

Funded Status

The District Plan is funded on a “pay as you go” basis as of July 1, 2019, rolled forward to July 1, 2020, the most recent actuarial valuation date. As described, the Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. The Actuarial Value of Assets is \$0 for this purpose at June 30, 2020 and 2021 (i.e. for 2021), respectively.

The actuarial assumptions included a 1.86% interest rate, which is expected to approximate the rate earned on the District's deposits.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarial amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The calculations are based on the types of benefits provided under the terms of the substantive plan at the time of valuation and on the pattern of cost sharing between the employer and plan members. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Discount rate

The discount rate used to measure the Total OPEB Liability was 1.86% (was 3.36% in prior-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 1.86% which represents the S&P 20 year Municipal Bond Rate at July 1, 2020, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's proportionate share of the District net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the discount rate of 1.86%, as well as what the net 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 0.86%	Current Discount Rate 1.86%	1% Increase 2.86%
District Plan			
net OPEB liability	\$ 1,497,229	\$ 1,399,107	\$ 1,304,606

Sensitivity of the District Net OPEB Liability to Change in Healthcare Cost Trend Rates

The health care cost trend rate was 5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later, based upon the Society of Actuaries Long-Run Medical Cost Trend Model.

The following presents the District Plan net OPEB liability at June 30, 2020 (for 2021), calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate Current Rate	1% Increase
District Plan			
net OPEB liability	\$ 1,248,765	\$ 1,399,107	\$ 1,577,252

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

Note 16. Fund Balance

The District's accounting policies are discussed further per note 1.G. – *Summary of Significant Accounting Policies – Assets, Liabilities and Net Position/Fund Balance*. The following is a schedule of fund balances:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Debt Service Fund</u>	<u>Student Activities Fund</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:					
Debt service	-	-	1,793	-	1,793
Specific capital projects	-	173,002	-	-	173,002
Committed to:					
Specific capital projects	630,000	-	-	-	630,000
Assigned to:					
Future retirement rate changes for pensions & OPEB	2,500,000	-	-	-	2,500,000
Debt service	200,000	-	-	-	200,000
Student sponsored activities	-	-	-	60,852	60,852
Technology equipment	300,000	-	-	-	300,000
Unspecified capital projects	1,375,635	-	-	-	1,375,635
Unassigned:	1,243,231	-	-	-	1,243,231
Total fund balances	<u>\$ 6,248,866</u>	<u>\$ 173,002</u>	<u>\$ 1,793</u>	<u>\$ 60,852</u>	<u>\$ 6,484,513</u>

Note 17. Joint Ventures & Transactions With Other LEAs

The District is a member of BLaST Intermediate Unit 17 (“BLaST IU17” or “IU17”). Through this membership, the District is able to secure various special services, including special education. The District purchased special education and other contracted services through IU 17 of approximately \$358,000 (net of the \$338,000 discussed below) for the year ended June 30, 2021.

Joint Venture - Clear Vision

The District hosts a secure residential treatment service facility which is managed through the BLaST IU17 and the Pennsylvania Department of Human Services. The facility, known as “Clear Vision” (CV) provides care for adolescent females, adjudicated delinquent or dependent, who require placement services outside the home for social, emotional, and behavioral problems. CV is located within the District's attendance area and the District is responsible for operating the facility as a component of the public school system. Day to day

Montgomery Area School District
Notes to Financial Statements
June 30, 2021
(Continued)

operations are staffed and managed by specialized staff from the BLaST IU17. The District bills participating residents' home Districts for the cost of the BLaST IU17 services. Such leased professional services payments received by the District and paid to BLaST IU17 amounted to approximately \$338,000, for the year ended June 30, 2021.

Note 18. Tax Abatements

During the fiscal year ended June 30, 2017, the District adopted GASB Statement No. 77 *Tax Abatements* (GASB No. 77). The following is a corresponding disclosure of the District's applicable participation in various tax abatement programs:

Homestead Tax Exemption

The District enters into property tax abatement agreements with local residents under the state's Taxpayer Relief Act, Act 1 of Special Session 1 of 2006 (The Taxpayer Relief Act). The Taxpayer Relief Act provides for property tax reduction allocations to be distributed by the Commonwealth to each school district. Property tax reduction will be through a "homestead or farmstead exclusion." Generally, most owner-occupied homes and farms are eligible for property tax reduction. Only a primary residence is eligible for property tax relief.

During the year ended June 30, 2020, the District abated and received corresponding funding from the Commonwealth property taxes levied in the amount of approximately \$319,000.

Keystone Opportunity Zones (KOZ)

The District has two properties with active KOZ designations. However, as the properties are currently operated by the Lycoming County government and an affiliate of the Pennsylvania State University, which are not real estate taxpayers, there is no impact to the District's real estate tax receipts resulting from the KOZ program. The KOZ designations on these properties were expected to expire at December 31, 2020, but were renewed for a new seven-year period through December 31, 2027.

Other Tax Abatement Programs

The District does not have any property or other taxes abated under significant Commonwealth of Pennsylvania economic development programs such as the Local Economic Revitalization Tax Assistance (LERTA).

From time to time individuals or organizations may qualify for a tax abatement, such as for a disability, veteran status, or a combination of these and/or similar preferences. Such abatements are typically short in duration and are not significant individually or in the aggregate.

Montgomery Area School District
Notes to Financial Statements
June 30, 2021

Note 20. Subsequent Events

Subsequent events have been evaluated through May 23, 2022, which is the date the financial statements were available to be issued. No reportable subsequent events were identified other than those accrued in the accompanying statement of net position and/or governmental funds balance sheet and the following:

Coronavirus – COVID-19 Pandemic

During March 2020, the pandemic outbreak of the COVID-19 strain of coronavirus resulted in the declaration of national and Commonwealth of Pennsylvania states of emergency. As a result, the Commonwealth's governor ordered all public school districts to close to students for an extended period in an effort to stem the transmission of the virus. The closure, re-opening, and related mitigation efforts and other, related circumstances have caused and may be assumed to continue to cause varying degrees of operational difficulties. While there is uncertainty as to the timing of the pandemic's end, the District continues to explore and has identified certain operational adaptations to allow for the continued delivery of educational and other services. Additionally, the District and most, if not all, other School Districts in the Commonwealth have received appropriations of significant federal and state grant funding in support of pandemic mitigation, re-opening, and operating efforts. Certain current year expenditures of those grant amounts, generally identified with "COVID-19" in the grant descriptions and identifier information, and other related information are summarized per Supplementary Information accompanying these financial statements and notes.

Montgomery Area School District
Required Supplementary Information
June 30, 2021
(UNAUDITED)

Schedule of the District's Proportionate Share of the Net Pension Liability

Fiscal Year Ended	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered- employee Payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2021	0.0461%	\$ 22,699,000	\$ 6,468,448	350.92%	54.32%
June 30, 2020	0.0453%	\$ 21,193,000	\$ 6,363,312	335.45%	55.66%
June 30, 2019	0.0455%	\$ 21,842,000	\$ 6,192,454	352.72%	54.00%
June 30, 2018	0.0458%	\$ 22,620,000	\$ 5,974,105	378.63%	51.84%
June 30, 2017	0.0461%	\$ 22,846,000	\$ 6,042,334	378.10%	50.14%
June 30, 2016	0.0389%	\$ 16,849,000	\$ 5,974,694	282.01%	54.36%
June 30, 2015	0.0449%	\$ 17,772,000	\$ 5,001,849	355.31%	57.24%

This schedule is presented to fulfill the requirement, upon the adoption of GASB No. 68, to show certain pension related information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

The District adopted the provisions of GASB No. 68, for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2015 is not available for reporting and is not presented.

Unaudited - Required Supplementary Information
See accompanying Independent Auditor's Report

Montgomery Area School District
Required Supplementary Information
June 30, 2021
(UNAUDITED)

Schedule of the District's Pension Contributions

<u>Fiscal Year Ended</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered- employee Payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
June 30, 2021	\$ 2,167,577	\$ 2,167,577	\$ -	\$ 6,468,448	33.51%
June 30, 2020	\$ 2,122,801	\$ 2,122,801	\$ -	\$ 6,363,312	33.36%
June 30, 2019	\$ 2,018,740	\$ 2,018,740	\$ -	\$ 6,192,454	32.60%
June 30, 2018	\$ 1,896,181	\$ 1,896,181	\$ -	\$ 5,974,105	31.74%
June 30, 2017	\$ 1,303,861	\$ 1,303,861	\$ -	\$ 6,042,334	21.58%
June 30, 2016	\$ 1,400,415	\$ 1,400,415	\$ -	\$ 5,974,694	23.44%
June 30, 2015	\$ 1,225,923	\$ 1,225,923	\$ -	\$ 5,001,849	24.51%

This schedule is presented to fulfill the requirement, upon the adoption of GASB No. 68, to show certain pension related information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

The District adopted the provisions of GASB No. 68, for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2015 is not available for reporting and is not presented.

Unaudited - Required Supplementary Information
See accompanying Independent Auditor's Report

Montgomery Area School District
Required Supplementary Information
June 30, 2021
(UNAUDITED)

Schedules of Changes in the District's Total OPEB Liability and Related Ratios
Montgomery Area School District Postemployment Benefits Plan

	Fiscal Year ending June 30, 2021	Fiscal Year ending June 30, 2020	Fiscal Year ending June 30, 2019	Fiscal Year ending June 30, 2018
Total OPEB liability				
Service Cost	\$ 77,602	\$ 78,703	\$ 74,086	\$ 92,143
Interest	41,703	42,189	43,676	41,643
Changes of benefit terms	-	8,738	-	2,652
Differences between expected and actual experience	-	56,331	-	(300,176)
Changes of assumptions or other inputs	146,009	(274,051)	2,026	19,886
Benefit Payments	(64,970)	(109,478)	(97,691)	(135,674)
Net change in total OPEB liability	200,344	(197,568)	22,097	(279,526)
Total OPEB liability-beginning	1,198,763	1,396,331	1,374,234	1,653,760
Total OPEB liability-ending	1,399,107	1,198,763	1,396,331	1,374,234
Covered employee payroll	6,120,869	6,120,869	5,912,733	5,912,733
Total OPEB liability as a percentage of covered-employee payroll	22.86%	19.58%	23.62%	23.24%

Notes to Schedule:

Presentation :

This schedule is presented using the optional format of combining the required schedules in paragraphs 170a and 170b of GASB No. 75.

Changes of Assumptions:

2020-2021:

The discount rate changed from 3.36% to 1.86%. The trend assumption was updated. The expected recognition period is 12 years.

2019-2020:

The discount rate changed from 2.98% to 3.36%. The proportion of eligible retirees electing coverage under the Plan decreased from 100% to 75%. The trend assumption was updated. The expected recognition period is 12 years.

2018-2019:

The discount rate changed from 3.13% to 2.98%. The trend assumption was updated. The expected recognition period is 12 years.

2017-2018:

The discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal, and retirement were updated based upon new PSERS assumptions. The expected recognition period is 12 years.

This schedule is presented to fulfill the requirement, upon the adoption of GASB No. 75, to show certain pension related information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

The District adopted the provisions of GASB No. 75, for the year ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2018 is not available for reporting and is not presented.

Unaudited - Supplementary Information
See accompanying Independent Auditor's Report

Montgomery Area School District
Required Supplementary Information
June 30, 2021
(UNAUDITED)

Schedule of the District's Proportionate Share of the Net OPEB Liability
PSERS Health Insurance Premium Assistance Program

<u>Fiscal Year Ended</u>	<u>District's proportion of the net OPEB liability (asset)</u>	<u>District's proportionate share of the net OPEB liability (asset)</u>	<u>District's covered- employee Payroll</u>	<u>District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total OPEB liability</u>
June 30, 2021	0.0460%	\$ 994,000	\$ 6,468,448	15.37%	5.69%
June 30, 2020	0.0453%	\$ 963,000	\$ 6,363,312	15.13%	5.56%
June 30, 2019	0.0455%	\$ 949,000	\$ 6,192,454	15.33%	5.56%
June 30, 2018	0.0458%	\$ 933,000	\$ 5,974,105	15.62%	5.73%

This schedule is presented to fulfill the requirement, upon the adoption of GASB No. 75, to show certain pension related information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

The District adopted the provisions of GASB No. 75, for the year ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2018 is not available for reporting and is not presented.

Unaudited - Supplementary Information
See accompanying Independent Auditor's Report

Montgomery Area School District
Required Supplementary Information
June 30, 2021
(UNAUDITED)

Schedule of the District's OPEB Contributions
PSERS Health Insurance Premium Assistance Program

<u>Fiscal Year Ended</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered- employee Payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
June 30, 2021	\$ 53,041	\$ 53,041	\$ -	\$ 6,468,448	0.82%
June 30, 2020	\$ 53,352	\$ 53,352	\$ -	\$ 6,363,312	0.84%
June 30, 2019	\$ 51,397	\$ 51,397	\$ -	\$ 6,192,454	0.83%
June 30, 2018	\$ 49,585	\$ 49,585	\$ -	\$ 5,974,105	0.83%

This schedule is presented to fulfill the requirement, upon the adoption of GASB No. 75, to show certain pension related information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

The District adopted the provisions of GASB No. 75, for the year ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2018 is not available for reporting and is not presented.

Unaudited - Supplementary Information
See accompanying Independent Auditor's Report

Richard B. Snodgrass & Co.

Audit, Tax, and Advisory
1117 Cemetery Road
Montoursville, Pennsylvania 17754

570-220-4990
FAX 570-433-4728
email-dsnodgrass@snodgrass-co.com

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 Directors
Montgomery Area School District
120 Penn Street
Montgomery, Pennsylvania 17752

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Montgomery Area School District (the District) 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 May 23, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Richard B. Snodgrass & Co.
Montoursville, Pennsylvania
May 23, 2022

**Montgomery Area School District
Schedule of Expenditures of Federal and State Awards**

Year Ended June 30, 2021

Program Title	PAL Number	Funding Code	Grantor's Pass Thru Number	Grant Period Beginning/ Ending Date	Source Code	Program or Award Amt.	Total Received For Year	Accrued or (Deferred) 7/1/2020	Revenue Recognized	Expenditures	Accrued or (Deferred) 6/30/2021	Passed thru to sub-recipients For year ended 6/30/2021
U.S. Department of Agriculture-												
Passed Through the Pennsylvania Department of Education:												
Child Nutrition Cluster:												
COVID-19 National School Lunch-SSO	10.555	I	N/A	7/1/20-6/30/21	F	N/A	\$ 158,283	\$ -	\$ 201,583	\$ 201,583	\$ 43,300	\$ -
COVID-19 National School Lunch-SSO	10.555	I	N/A	3/16/20-6/30/20	F	N/A	17,357	17,357	-	-	-	-
Total-National School Lunch Program							175,640	17,357	201,583	201,583	43,300	-
COVID-19 National Breakfast-SSO	10.553	I	N/A	7/1/20-6/30/21	F	N/A	41,148	-	50,009	50,009	8,861	-
Total-National School Breakfast Program							41,148	-	50,009	50,009	8,861	-
Totals-Child Nutrition Cluster-Cash Assistance							216,788	17,357	251,592	251,592	52,161	-
Passed Through the Pennsylvania Department of Agriculture:												
National School Lunch Commodities	10.555	I	N/A	7/1/20-6/30/21	F	N/A	23,216	(10,315)	27,194	27,194	(6,337)	-
Totals-Child Nutrition Cluster-Non-Cash Assistance							23,216	(10,315)	27,194	27,194	(6,337)	-
Totals-Nutrition Cluster							240,004	7,042	278,786	278,786	45,824	-
Total U.S. Department of Agriculture							\$ 240,004	\$ 7,042	\$ 278,786	\$ 278,786	\$ 45,824	\$ -
Non-Federal Funds - Passed Through the Pennsylvania Department of Education:												
COVID-19 State Lunch Program-SSO	N/A	N/A	N/A	7/1/20-6/30/21	S	N/A	\$ 5,434	\$ -	\$ 7,009	\$ 7,009	\$ 1,575	\$ -
COVID-19 State Lunch Program-SSO	N/A	N/A	N/A	7/1/19-6/30/20	S	N/A	463	463	-	-	-	-
COVID-19 State Breakfast-SSO	N/A	N/A	N/A	7/1/20-6/30/21	S	N/A	1,821	-	2,213	2,213	392	-
							7,718	-	9,222	9,222	1,967	-
U.S. Department of Education-												
Passed Through the Pennsylvania Department of Education:												
Title I	84.010	I	013-210262	7/1/20-9/30/21	F	\$ 336,203	\$ 321,469	\$ -	\$ 321,469	\$ 321,469	\$ -	\$ -
Total-Title I Program (PAL# 84.010)							321,469	-	321,469	321,469	-	-
Title IIA Improv Teacher	84.367	I	020-210262	7/1/20-9/30/21	F	48,085	40,975	-	40,975	40,975	-	-
Title IIA Improv Teacher	84.367	I	020-200262	7/1/19-9/30/20	F	41,483	784	784	-	-	-	-
Total-Title II Program (PAL# 84.367)							41,759	784	40,975	40,975	-	-
Title IV Student Support & Academic Enrichment Grants	84.424	I	144-210262	7/1/20-9/30/21	F	25,038	11,684	-	13,336	13,336	1,652	-
Title IV Student Support & Academic Enrichment Grants	84.424	I	144-200262	7/1/19-9/30/20	F	25,163	13,420	13,420	-	-	-	-
Total-Title IV Program (PAL# 84.424)							25,104	13,420	13,336	13,336	1,652	-
COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	I	200-200262	3/13/20-9/30/22	F	271,166	156,991	11,577	228,461	228,461	83,047	-
COVID-19 Elementary and Secondary School Emergency Relief Fund II	84.425D	I	200-210262	3/13/20-9/30/23	F	1,153,100	82,891	-	276,304	276,304	193,413	-
COVID-19 American Rescue Plan (ARP) Elementary and Secondary School Emergency Relief Fund	84.425U	I	223-210262	3/13/20-9/30/24	F	2,332,388	-	-	52,311	52,311	52,311	-
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	I	253-200262	3/13/20-9/30/21	F	19,400	18,379	-	19,400	19,400	1,021	-
Passed Through the Pennsylvania Commission on Crime and Delinquency:												
COVID-19 Elementary and Secondary School Emergency Relief Fund - School Health & Safety Grant 2	84.425D	I	2020-ES-01-35048	3/13/20-9/30/22	F	25,763	25,763	-	25,763	25,763	-	-
Total-Education Stabilization Fund - ESSER/ARP/GEER (PAL# 84.425)							\$ 284,024	\$ 11,577	\$ 602,239	\$ 602,239	\$ 329,792	\$ -
Passed Through the Pennsylvania Department of Education:												
Special Education Cluster-												
COVID-19 IDEA B (SECIM)	84.027	I	252-200262	7/1/20-9/30/21	F	\$ 8,327	\$ 5,000	\$ -	\$ 5,000	\$ 5,000	\$ -	\$ -
Passed Through the Pennsylvania Department of Education:												
Passed Through BLaST Intermediate Unit #17 :												
Special Education Cluster-												
IDEA B	84.027	I	NA	7/1/20-6/30/21	F	\$ 155,054	\$ 274	\$ -	\$ 155,054	\$ 155,054	\$ 154,780	\$ -
IDEA B	84.027	I	NA	7/1/19-6/30/20	F	140,226	139,963	139,963	-	-	-	-
Total-IDEA B Program (PAL# 84.027)							140,237	139,963	155,054	155,054	154,780	-
IDEA B - Preschool	84.173	I	NA	7/1/20-6/30/21	F	2,436	-	-	2,436	2,436	2,436	-
IDEA B - Preschool	84.173	I	NA	7/1/19-6/30/20	F	2,298	2,298	2,298	-	-	-	-
Total-IDEA B Preschool Program (PAL# 84.173)							2,298	2,298	2,436	2,436	2,436	-
Totals-Special Education Cluster							147,535	142,261	162,490	162,490	157,216	-
Total U.S. Department of Education							\$ 819,891	\$ 168,042	\$ 1,140,509	\$ 1,140,509	\$ 488,660	\$ -

The accompanying notes are an integral part of this Schedule.

**Montgomery Area School District
Schedule of Expenditures of Federal and State Awards**

**Year Ended June 30, 2021
(Continued)**

Program Title	PAL Number	Funding Code	Grantor's Pass Thru Number	Grant Period Beginning/ Ending Date	Source Code	Program or Award Amt.	Total Received For Year	Accrued or (Deferred) 7/1/2020	Revenue Recognized	Expenditures	Accrued or (Deferred) 6/30/2021	Passed thru to sub-recipients For year ended 6/30/2021
U.S. Department of the Treasury-												
Passed Through the Pennsylvania Commission on Crime and Delinquency:												
COVID-19 Coronavirus Relief Fund - School Health & Safety Grant	21.019	I	2020-CS-01-33836	3/1/20-10/30/20	F	153,134	153,134	99,058	54,076	54,076	-	-
Passed Through the Pennsylvania Department of Education:												
COVID-19 Coronavirus Relief Fund - PA PKC	21.019	I	161-190075	9/29/20-12/30/20	F	14,300	14,300	-	14,300	14,300	-	-
Passed Through the Pennsylvania Department of Community and Economic Development:												
Passed Through County of Lycoming (Pennsylvania):												
COVID-19 Coronavirus Relief Fund	21.019	I	C000073983	3/1/20-12/30/20	F	187,200	187,200	-	187,200	187,200	-	-
Total U.S. Department of the Treasury							<u>\$ 354,634</u>	<u>\$ 99,058</u>	<u>\$ 255,576</u>	<u>\$ 255,576</u>	<u>\$ -</u>	<u>\$ -</u>
Totals							<u><u>\$ 1,422,247</u></u>	<u><u>\$ 274,142</u></u>	<u><u>\$ 1,684,093</u></u>	<u><u>\$ 1,684,093</u></u>	<u><u>\$ 536,451</u></u>	<u><u>\$ -</u></u>

NOTES:

- USDA donated commodities valued at USDA prices.
- None (\$0.00) of the District's expenditures of federal or state awards represent amounts passed through the District to sub-recipients.

Funding Codes:

D = Direct Funding
I = Indirect Funding

Source Codes:

F = Federal Funding
S = State Funding

The accompanying notes are an integral part of this Schedule.

Montgomery Area School District
Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2021

A. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and certain related state grant activity of the Montgomery Area School District (the District). 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 District's operations, it is not intended to and does not present the District's financial position, changes in net assets/fund balance, or cash flows.

B. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to the amounts of expenditures reported and deferred amounts.

C. USDA Donated Commodities

Deferred balances at the beginning and end of the fiscal year represent inventories of USDA donated commodities. Such commodity inventories are valued at USDA provided unit values.

D. Indirect Cost Rate

The accompanying Schedule does not include indirect costs related to the operation of the District's federal and related state grant programs. The District has utilized neither a federally negotiated rate nor the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance to capture and include any such indirect costs associated with federal awards.

E. Subrecipient Status

The District is a subrecipient of federal awards, does not function as a pass-through to other subrecipients, and \$0 of the District's grant awards have been passed-through.

Richard B. Snodgrass & Co.

Audit, Tax, and Advisory
1117 Cemetery Road
Montoursville, Pennsylvania 17754

570-220-4990
FAX 570-433-4728
email-dsnodgrass@snodgrass-co.com

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Montgomery Area School District
120 Penn Street
Montgomery, Pennsylvania 17752

Report on Compliance for Each Major Federal Program

We have audited the Montgomery Area School District's (the District) compliance of 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 programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The District's management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 opinion on compliance for each major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Montgomery Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

The District's management 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance 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.

A deficiency in internal control over compliance 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, 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 control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

 Richard B. Snodgrass & Co.

Richard B. Snodgrass & Co.
Montoursville, Pennsylvania
May 23, 2022

Montgomery Area School District
Single Audit Report
Schedule of Findings and Questioned Costs

June 30, 2021

Section I Summary of Auditor's Results:

<i>Financial Statements</i>		
Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:		
<i>The auditor's report on the basic financial statements is unmodified.</i>		
• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<i>Federal Awards</i>		
Internal control over major federal programs:		
• Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
• Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Type of auditors' report issued on compliance for major federal programs:		
<i>The auditor's report on compliance for major programs is unmodified.</i>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Identification of major federal programs:		
PAL Number(s):	Name of Federal Program or Cluster:	
CFDA 84.425	Education Stabilization Fund	
Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>	
Auditee qualified as low- risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

See also the accompanying notes to this Schedule

Montgomery Area School District
Single Audit Report
Schedule of Findings and Questioned Costs

June 30, 2021
(Continued)

Section II Financial Statement Findings

Financial statement Findings which are required to be reported under generally accepted government auditing standards:

There were **no** such findings/matters reported.

Section III Federal Award Findings and Questioned Costs:

There were **no** such findings/matters reported.

See also the accompanying notes to this Schedule

Montgomery Area School District
Single Audit Report
Notes to the Schedule of Findings and Questioned Costs

June 30, 2021

A. Calculation of the 40%/20% Rule

Major programs were selected representing the following percentages of total Federal Expenditures:

Major Programs		%	Expenditures	Single Audit Treatment
ESSER/GEER/ARP	84.425	36.0%	\$ 602,239	Type B-Major
Totals		36.0%	\$ 602,239	
Other Programs		64.0%	\$ 1,072,632	
Total Federal Expenditures		100.0%	\$ 1,674,871	(Note B.)

B. Reconciliation of Total Federal Expenditures

Total Federal Expenditures per Note A above are total expenditures per the Schedule of Expenditures of Federal (and State) awards as follows:

Total Federal Expenditures are total expenditures per schedule of:	\$	1,684,093
<i>less</i> State lunch reimbursements of:	\$	(9,222)
<i>less</i> State breakfast reimbursements of:	\$	-
	<u>\$</u>	<u>1,674,871</u>

C. Selection of Major Programs

The selection of major programs was done utilizing a risk-based approach in accordance with Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The District has no Type A programs (applicable threshold of \$750,000 based upon Federal Expenditure level).

Montgomery Area School District
Single Audit Report
Schedule of Prior Findings and Questioned Costs

June 30, 2021

There are no prior findings or questioned costs required to be reported under OMB A-133 (prior periods)/the Uniform Guidance.

Montgomery Area School District
Financial Statements and
Supplementary Information
(With Independent Single Audit Reports Thereon)

June 30, 2021

LIST OF REPORT DISTRIBUTION

Filed Electronically to:

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Special Audit Services Division
Forum Place—8th Floor
555 Walnut Street
Harrisburg, PA 17101

Filed Electronically to:

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Bureau of the Census
1201 E. 10th Street
Jeffersonville, IN 47132

Attention: Single Audit Clearing House

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Municipal Securities Rulemaking Board
Electronic Municipal Market Access (EMMA system)
c/o EMMA Dataport
www.msrb.org

Montgomery Area School District
Financial Statements and
Supplementary Information
(With Independent Single Audit Reports Thereon)

Lead Auditor Information

June 30, 2021

Lead Auditor:

David D. Snodgrass
Certified Public Accountant
Richard B. Snodgrass & Co.
1117 Cemetery Road
Montoursville, Pennsylvania 17754

Phone: (570) 220-4990
Fax: (570) 433-4728
E-mail: dsnodgrass@snodgrass-co.com

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David D. Snodgrass, CPA, is licensed to do business in the Commonwealth of Pennsylvania (PA License No. CA-051085) where the District is located and where the accounting records are maintained.