

**MUNCY SCHOOL DISTRICT**

Audited Financial Statements

June 30, 2020

**MUNCY SCHOOL DISTRICT**  
**Audited Financial Statements**  
June 30, 2020

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**MUNCY SCHOOL DISTRICT**

List of Report Distribution

June 30, 2020

BLaST Intermediate Unit # 17  
2400 Reach Road  
Williamsport, PA 17701

Office of the Prothonotary  
Lycoming County Court House  
48 West Third Street  
Williamsport, PA 17701

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# MARGARET MCCLUSKEY CPA LLC

## INDEPENDENT AUDITORS' REPORT

To the School Board  
**Muncy School District**  
Muncy, Pennsylvania

### **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

### MUNCY SCHOOL DISTRICT

as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Muncy School District as of June 30, 2020, 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.

**INDEPENDENT AUDITORS' REPORT (continued)**

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that budgetary information, supplementary pension information, other postemployment benefits information and related notes to supplementary information (pages 38 through 44) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic and historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State 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.

Accounting principles generally accepted in the United States of America also require that the management's discussion and analysis be presented to supplement the basic financial statements. Management has omitted this discussion and analysis. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



Mifflinburg, Pennsylvania  
December 18, 2020

## **BASIC FINANCIAL STATEMENTS**



**MUNCY SCHOOL DISTRICT**

EXHIBIT A

Statement of Net Position  
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
<b>Unrestricted</b>			
Cash and Cash Equivalents	1,271,568	8,522	1,280,090
Deposits other than Cash Equivalents	-	10,000	10,000
Investments	2,404,016	-	2,404,016
Real Estate Taxes Receivable	387,984	-	387,984
Earned Income Tax Receivable	404,193	-	404,193
Due from Other Governments	422,026	-	422,026
State Revenue Receivable	661,923	393	662,316
Federal Revenue Receivable	79,504	10,139	89,643
Other Receivables	1,561	3,129	4,690
Inventories	-	33,323	33,323
Prepaid Expenses	172,901	-	172,901
Other Current Assets	1,336	-	1,336
<b>Restricted</b>			
Restricted Cash	222,623	-	222,623
Restricted Investments	2,582,929	-	2,582,929
<b>Total Current Assets</b>	<u>8,612,564</u>	<u>65,506</u>	<u>8,678,070</u>
<b>Fixed Assets:</b>			
Land	613,229	-	613,229
Site Improvements (Net of Accumulated Depreciation)	854,560	-	854,560
Building and Building Improvements (Net of Accumulated Depreciation)	12,242,862	-	12,242,862
Furniture and Equipment (Net of Accumulated Depreciation)	843,751	74,842	918,593
Construction In Progress/Equipment Not Yet in Service	14,152,972	-	14,152,972
<b>Total Fixed Assets</b>	<u>28,707,374</u>	<u>74,842</u>	<u>28,782,216</u>
<b>TOTAL ASSETS</b>	<u>37,319,938</u>	<u>140,348</u>	<u>37,460,286</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized Debt Refunding Costs	172,244	-	172,244
Related to Other Post Employment Benefits	973,283	4,311	977,594
Related to Pension Benefits	3,407,455	105,351	3,512,806
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>4,552,982</u>	<u>109,662</u>	<u>4,662,644</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	423,543	1,450	424,993
Accounts Payable from Restricted Assets	766,889	-	766,889
Current Portion of Bonds Payable	1,215,000	-	1,215,000
Current Portion of Liability for Compensated Absences	17,429	-	17,429
Accrued Interest	71,291	-	71,291
Accrued Salaries, Withholdings and Benefits	1,777,225	8,932	1,786,157
Unearned Revenues	52,431	19,738	72,169
Other Current Liabilities	-	16,924	16,924
<b>Total Current Liabilities</b>	<u>4,323,808</u>	<u>47,044</u>	<u>4,370,852</u>
<b>Noncurrent Liabilities:</b>			
Bonds Payable, net of current portion	17,775,000	-	17,775,000
Long-Term Portion of Compensated Absences	134,698	-	134,698
Net Liability for Other Post Employment Benefits	6,004,217	31,668	6,035,885
Net Liability for Pension Benefits	23,911,594	696,406	24,608,000
<b>Total Noncurrent Liabilities</b>	<u>47,825,509</u>	<u>728,074</u>	<u>48,553,583</u>
<b>TOTAL LIABILITIES</b>	<u>52,149,317</u>	<u>775,118</u>	<u>52,924,435</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unamortized Bond Premiums	249,246	-	249,246
Related to Other Post Employment Benefits	228,667	2,066	230,733
Related to Pension Benefits	1,662,579	48,421	1,711,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,140,492</u>	<u>50,487</u>	<u>2,190,979</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	11,456,409	74,842	11,531,251
Restricted	2,038,663	-	2,038,663
Unrestricted (deficit)	(25,911,962)	(650,437)	(26,562,399)
<b>TOTAL NET POSITION</b>	<u>(12,416,890)</u>	<u>(575,595)</u>	<u>(12,992,485)</u>

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

**MUNCY SCHOOL DISTRICT**

EXHIBIT B

Statement of Activities  
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Instruction	10,867,826	5,000	2,287,530	-	(8,575,296)	-	(8,575,296)
Instructional Staff and Student Support	1,380,785	-	357,828	-	(1,022,957)	-	(1,022,957)
Pupil Health	155,699	-	40,295	-	(115,404)	-	(115,404)
Administrative and Financial Support Services	1,560,412	-	148,855	-	(1,411,557)	-	(1,411,557)
Operation and Maintenance of Plant Services	1,422,623	-	117,546	-	(1,305,077)	-	(1,305,077)
Pupil Transportation	449,673	-	185,881	-	(263,792)	-	(263,792)
Support Services Central	403,184	-	66,194	-	(336,990)	-	(336,990)
Other Support Services	490	-	490	-	-	-	-
Student Activities	628,178	31,181	59,056	98,500	(439,441)	-	(439,441)
Community Services	33,745	-	10,790	-	(22,955)	-	(22,955)
Facilities Acquisitions and Improvements	-	-	-	-	0	-	-
Interest on Long-Term Debt	629,175	-	-	295,421	(333,754)	-	(333,754)
Unallocated Depreciation Expense	791,085	-	-	-	(791,085)	-	(791,085)
<b>Total Governmental Activities</b>	<b>18,322,875</b>	<b>36,181</b>	<b>3,274,465</b>	<b>393,921</b>	<b>(14,618,308)</b>	<b>-</b>	<b>(14,618,308)</b>
<b>Business-Type Activities</b>							
Food Services	622,266	170,840	319,002	-	-	(132,424)	(132,424)
<b>Total Primary Government</b>	<b>18,945,141</b>	<b>207,021</b>	<b>3,593,467</b>	<b>393,921</b>	<b>(14,618,308)</b>	<b>(132,424)</b>	<b>(14,750,732)</b>
<b>General Revenues</b>							
Taxes:							
Property Taxes, Levied for General Purposes, Net					8,323,379	-	8,323,379
Other Taxes Levied					2,078,414	-	2,078,414
Grants, Subsidies, and Contributions Not Restricted					4,508,524	-	4,508,524
Investment Earnings					226,174	631	226,805
Miscellaneous Income (Loss)					47,448	-	47,448
<b>Total General Revenues</b>					<b>15,183,939</b>	<b>631</b>	<b>15,184,570</b>
<b>Other Financing Sources(Uses)</b>							
Transfers to Food Service Fund					(51,361)	51,361	-
Loss on Disposal of Assets					(660)	-	(660)
<b>Total Other Financing Sources (Uses)</b>					<b>(52,021)</b>	<b>51,361</b>	<b>(660)</b>
<b>Total General Revenues and Other Financing Sources(Uses)</b>					<b>15,131,918</b>	<b>51,992</b>	<b>15,183,910</b>
Change in Net Position					513,610	(80,432)	433,178
<b>Net Position - Beginning</b>					<b>(12,930,500)</b>	<b>(495,163)</b>	<b>(13,425,663)</b>
<b>Net Position - Ending</b>					<b>(12,416,890)</b>	<b>(575,595)</b>	<b>(12,992,485)</b>

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

**MUNCY SCHOOL DISTRICT**

EXHIBIT C

Balance Sheet  
Governmental Funds  
June 30, 2020

	<b>General Fund</b>	<b>Capital Projects Fund Type #39</b>	<b>Capital Projects Fund Type #32</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	1,271,568	-	222,623	-	1,494,191
Investments	2,404,016	2,582,929	-	-	4,986,945
Real Estate Taxes Receivable	387,984	-	-	-	387,984
Due from Other Governments	422,026	-	-	-	422,026
State Revenue Receivable	661,923	-	-	-	661,923
Federal Revenue Receivable	79,504	-	-	-	79,504
Other Receivables	1,561	-	-	-	1,561
Other Current Assets	1,336	-	-	-	1,336
<b>TOTAL ASSETS</b>	<b>5,229,918</b>	<b>2,582,929</b>	<b>222,623</b>	<b>-</b>	<b>8,035,470</b>
<b>LIABILITIES</b>					
Accounts Payable	423,543	766,889	-	-	1,190,432
Accrued Salaries, Withholdings and Benefits	1,777,225	-	-	-	1,777,225
Unearned Revenues	52,431	-	-	-	52,431
Other Current Liabilities	17,429	-	-	-	17,429
<b>TOTAL LIABILITIES</b>	<b>2,270,628</b>	<b>766,889</b>	<b>-</b>	<b>-</b>	<b>3,037,517</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Revenues That Are Measurable But Not Available	387,984	-	-	-	387,984
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>387,984</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>387,984</b>
<b>FUND BALANCES</b>					
Restricted for Capital Projects	-	1,816,040	222,623	-	2,038,663
Committed	1,159,000	-	-	-	1,159,000
Unassigned	1,412,305	-	-	-	1,412,305
<b>TOTAL FUND BALANCES</b>	<b>2,571,305</b>	<b>1,816,040</b>	<b>222,623</b>	<b>-</b>	<b>4,609,968</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>5,229,917</b>	<b>2,582,929</b>	<b>222,623</b>	<b>-</b>	<b>8,035,469</b>

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

**MUNCY SCHOOL DISTRICT**

EXHIBIT D

Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2020

**Fund Balances - Total Governmental Funds** 4,609,968

*Governmental funds are presented on the modified accrual basis of accounting, while the statement of net position represents governmental activities on the full accrual of basis of accounting. Accordingly, certain assets and liabilities appear on the statement of net position for governmental activities that do not appear on the balance sheet of governmental funds.*

Capital Assets are reported as expenditures as incurred in governmental funds, but are capitalized and reported net of depreciation in the statement of net position 28,707,374

Certain receipts collected after August 30, 2019 are not considered to be available soon enough after year end to pay for the current period's expenditures, and therefore are not recognized as revenue in the fund financial statements. These amounts are, however, recognized as revenue in the statement of net position.

Real Estate Tax	387,984	
Earned Income Tax	<u>404,193</u>	792,177

Long-term liabilities are reported as liabilities in the statement of net position activities, but are not recorded as liabilities in the balance sheet of the governmental funds. Long-term liabilities at year end consist of:

Bonds Payable	(18,990,000)	
Accrued interest on the Bonds	(71,291)	
Compensated Absences	(134,698)	
Net OPEB Liability	(6,004,217)	
Net Pension Liability	<u>(23,911,594)</u>	(49,111,800)

Prepayments are not reported in the governmental fund statements, but are reported as assets and amortized over time in the statement of net position.

Bond Insurance	41,204	
Health and Other Insurances	<u>131,697</u>	172,901

Deferred Outflows and Inflows of Resources related to long-term debt, pensions and other postemployment benefits are not recorded in the governmental funds balance sheets, but are recorded in the statement of net position

Unamortized Debt Refunding Costs	172,244	
Unamortized Bond Premiums	(249,246)	
Deferred OPEB Outflows	973,283	
Deferred OPEB Inflows	(228,667)	
Deferred Pension Outflows	3,407,455	
Deferred Pension Inflows	<u>(1,662,579)</u>	2,412,490

**Net Position - Governmental Activities** (12,416,890)

**MUNCY SCHOOL DISTRICT**

EXHIBIT E

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2020

	<b>General Fund</b>	<b>Capital Projects Fund Type #39</b>	<b>Capital Projects Fund Type #32</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Local Sources	10,987,534	112,298	2,812	-	11,102,644
State Sources	7,466,166	-	-	-	7,466,166
Federal Sources	280,893	-	-	-	280,893
<b>TOTAL REVENUES</b>	<b>18,734,593</b>	<b>112,298</b>	<b>2,812</b>	<b>-</b>	<b>18,849,703</b>
<b>EXPENDITURES</b>					
Instruction	10,625,857	-	-	-	10,625,857
Support Services	5,368,112	327,462	-	-	5,695,574
Non-instructional Services	761,385	-	-	-	761,385
Facility Acquisition, Construction, and Improvement	-	10,093,922	-	-	10,093,922
Debt Service	-	-	-	1,702,653	1,702,653
<b>TOTAL EXPENDITURES</b>	<b>16,755,354</b>	<b>10,421,384</b>	<b>-</b>	<b>1,702,653</b>	<b>28,879,391</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,979,239</b>	<b>(10,309,086)</b>	<b>2,812</b>	<b>(1,702,653)</b>	<b>(10,029,688)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Face Amount of Bonds Issued	-	6,660,000	-	-	6,660,000
Bond Premiums	-	217,331	-	-	217,331
Interfund Transfers (To)/From Governmental Funds	(1,702,653)	-	-	1,702,653	-
Interfund Transfers (To) Proprietary Fund	(51,361)	-	-	-	(51,361)
Other Financing Uses	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,754,014)</b>	<b>6,877,331</b>	<b>-</b>	<b>1,702,653</b>	<b>6,825,970</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>225,225</b>	<b>(3,431,755)</b>	<b>2,812</b>	<b>-</b>	<b>(3,203,718)</b>
<b>FUND BALANCE - BEGINNING</b>	<b>2,346,080</b>	<b>5,247,795</b>	<b>219,811</b>	<b>-</b>	<b>7,813,686</b>
<b>FUND BALANCE - ENDING</b>	<b>2,571,305</b>	<b>1,816,040</b>	<b>222,623</b>	<b>-</b>	<b>4,609,968</b>

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

**MUNCY SCHOOL DISTRICT**

EXHIBIT F

Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
to the Statement of Activities  
For the Year Ended June 30, 2020

**Decrease In Fund Balances - Total Governmental Funds**

(3,203,718)

Capital outlays are reported in governmental funds as expenditures. 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 capital outlays exceeded depreciation, and disposals.

Capital outlays	10,648,745	
Depreciation expense	(791,085)	
Net Book Value of Assets Disposed	<u>(660)</u>	9,857,000

Certain receipts collected after August 30 are not considered to be available soon enough after year end to pay for the current period's expenditures, and therefore are not recognized as revenue in the fund financial statements. These amounts are, however, recognized as revenue in the statement of activities. The amounts below represent the change in these receivable amounts - June 30, 2019 compared to June 30, 2020.

Decrease in Real Estate Tax	(4,831)	
Increase in Earned Income Tax	<u>43,634</u>	38,803

Long-term liabilities are reported as liabilities in the statement of net position for governmental activities, but are not recorded as liabilities in the balance sheet of the governmental funds. The amounts below represent the change in these long-term liabilities - June 30, 2019 compared to June 30, 2020.

Bonds Issued	(6,660,000)	
Bonds Repaid	1,160,000	
Increase in Accrued Interest	(21,253)	
Increase in Compensated Absences	(31,524)	
Increase in Net OPEB Liability	(111,692)	
Decrease in Net Pension Liability	<u>344,954</u>	(5,319,515)

Prepayments are not reported in the governmental fund statements, but are reported as assets and amortized over time in the statement of net position. The amounts below represent the change in prepayments - June 30, 2019 compared to June 30, 2020.

Increase in Prepaid Bond Insurance	10,599	
Decrease in Prepaid Health and Other Insurances	<u>(5,506)</u>	5,093

Deferred Outflows and Inflows of Resources related to long-term debt, pensions and other postemployment benefits are not recorded in the governmental funds. Changes in these amounts are :

Decrease in Deferred Outflows -Debt Refunding Costs	(86,121)	
Increase in Deferred Inflows - Unamortized Bond Premiums	(196,480)	
Decrease in Deferred Outflows OPEB	(63,844)	
Increase in Deferred Inflows - OPEB	(110,053)	
Decrease in Deferred Outflows - Pension Benefits	(427,960)	
Decrease in Deferred Inflows - Pension Benefits	<u>20,405</u>	(864,053)

**Increase in Net Position - Governmental Activities**

513,610

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

**MUNCY SCHOOL DISTRICT**

EXHIBIT G

Statement of Net Position  
Proprietary Fund  
June 30, 2020

	<b>Food Service</b>
<b><u>ASSETS</u></b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	8,522
Deposits other than Cash Equivalents	10,000
State Subsidies Receivable	393
Federal Subsidies Receivable	10,139
Other Receivables	3,129
Inventories	<u>33,323</u>
<b>Total Current Assets</b>	<u>65,506</u>
<b>Noncurrent Assets:</b>	
Furniture and Equipment (Net of Accumulated Depreciation)	<u>74,842</u>
<b>Total Noncurrent Assets</b>	<u>74,842</u>
<b>TOTAL ASSETS</b>	<u>140,348</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Related to Other Post Employment Benefits	4,311
Related to Pension Benefits	105,351
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>109,662</u>
<b><u>LIABILITIES</u></b>	
<b>Current Liabilities:</b>	
Accounts Payable	1,450
Accrued Salaries, Withholdings and Benefits	8,932
Unearned Revenues	19,738
Other Current Liabilities	<u>16,924</u>
<b>Total Current Liabilities</b>	<u>47,044</u>
<b>Noncurrent Liabilities:</b>	
Net Liability for Other Post Employment Benefits	31,668
Net Liability for Pension Benefits	<u>696,406</u>
<b>Total Noncurrent Liabilities</b>	<u>728,074</u>
<b>TOTAL LIABILITIES</b>	<u>775,118</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Related to Other Post Employment Benefits	2,066
Related to Pension Benefits	48,421
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>50,487</u>
<b><u>NET POSITION</u></b>	
Investment in Capital Assets, Net of Related Debt	74,842
Unrestricted (deficit)	<u>(650,437)</u>
<b>TOTAL NET POSITION (deficit)</b>	<u>(575,595)</u>

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

**MUNCY SCHOOL DISTRICT**

EXHIBIT H

Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2020

	<b><u>Food Service</u></b>
<b><u>OPERATING REVENUES:</u></b>	
Food Service Revenue	<u>170,840</u>
<b>TOTAL OPERATING REVENUES</b>	<u>170,840</u>
<b><u>OPERATING EXPENSES:</u></b>	
Salaries	231,198
Employee Benefits	143,224
Purchased Property Services	7,570
Other Purchased Services	156
Supplies	209,921
Depreciation	24,401
Miscellaneous	<u>5,796</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>622,266</u>
<b>OPERATING INCOME/(LOSS)</b>	<u>(451,426)</u>
<b><u>NON-OPERATING REVENUES (EXPENSES):</u></b>	
Investment Earnings	631
State Sources	59,498
Federal Sources	<u>259,504</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>319,633</u>
<b>INCOME/(LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	(131,793)
<b><u>CONTRIBUTIONS AND TRANSFERS IN:</u></b>	
Transfers in from General Fund	<u>51,361</u>
<b>CHANGE IN NET POSITION</b>	(80,432)
<b>TOTAL NET POSITION (deficit) - BEGINNING</b>	<u>(495,163)</u>
<b>TOTAL NET POSITION (deficit) - ENDING</b>	<u>(575,595)</u>

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



**MUNCY SCHOOL DISTRICT**

**EXHIBIT I**

Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2020

	<b><u>Food Service</u></b>
<b><u>Cash Flows from Operating Activities</u></b>	
Cash Received from Users	179,855
Cash Payments to Employees for Service and Benefits	(378,184)
Cash Payments to Suppliers for Goods and Services	<u>(188,633)</u>
<b>Net Cash Used for Operating Activities</b>	<b><u>(386,962)</u></b>
<b><u>Cash Flows from Non-Capital Financing Activities</u></b>	
Transfers in from General Fund	51,361
State Sources	59,106
Federal Sources	<u>207,736</u>
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b><u>318,203</u></b>
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>	
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b><u>-</u></b>
<b><u>Cash Flows from Investing Activities</u></b>	
Investment Earnings	<u>631</u>
<b>Net Cash Provided by Investing Activities</b>	<b><u>631</u></b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(68,128)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b><u>76,650</u></b>
<b>Cash and Cash Equivalents - End of Year</b>	<b><u><u>8,522</u></u></b>
<b><u>Reconciliation of Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:</u></b>	
<b>Operating Income/(Loss)</b>	<b><u>(451,426)</u></b>
<b>Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided by/(Used for) Operating Activities:</b>	
Depreciation	24,401
Use of Donated Commodities	41,629
(Increase)/Decrease in Accounts Receivable	2,319
(Increase)/Decrease in Inventories	(6,894)
Increase/(Decrease) in Accounts Payable	75
Increase/(Decrease) in Accrued Salaries, Withholdings and Benefits	832
Increase/(Decrease) in Advanced Sales	6,696
Increase/(Decrease) in Net Pension/OPEB Liabilities and Deferred Inflows/Outflows of Resources	<u>(4,594)</u>
<b>Total Adjustments</b>	<b><u>64,464</u></b>
<b>Net Cash (Used for) Operating Activities</b>	<b><u><u>(386,962)</u></u></b>
<b>Non-Cash Non-Capital Financing Activities</b>	
Revenue Representing Donated Commodities	<u><u>41,629</u></u>

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

**MUNCY SCHOOL DISTRICT**

EXHIBIT J

Statement of Net Position  
Fiduciary Funds  
June 30, 2020

	<b><u>Student Activities</u></b>	<b><u>Private Purpose Trusts</u></b>	<b><u>Total Fiduciary</u></b>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	85,794	2,400	88,194
Deposits other than Cash Equivalents	-	34,400	34,400
<b>TOTAL ASSETS</b>	<b><u>85,794</u></b>	<b><u>36,800</u></b>	<b><u>122,594</u></b>
<b><u>LIABILITIES</u></b>			
Other Current Liabilities	85,794	-	85,794
<b>TOTAL LIABILITIES</b>	<b><u>85,794</u></b>	<b><u>-</u></b>	<b><u>85,794</u></b>
<b><u>NET POSITION</u></b>			
Restricted	-	36,800	36,800
<b>TOTAL NET POSITION</b>	<b><u>-</u></b>	<b><u>36,800</u></b>	<b><u>36,800</u></b>

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

**MUNCY SCHOOL DISTRICT**

EXHIBIT K

Statement of Changes in Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2020

	<b>Private Purpose Trust</b>
<b><u>ADDITIONS</u></b>	
Investment Earnings	<u>210</u>
<b>TOTAL ADDITIONS</b>	210
<b><u>DEDUCTIONS</u></b>	
Other Deductions	<u>185</u>
<b>TOTAL DEDUCTIONS</b>	<u>185</u>
<b>CHANGE IN NET POSITION</b>	25
<b>TOTAL NET POSITION - BEGINNING</b>	<u>36,775</u>
<b>TOTAL NET POSITION - ENDING</b>	<u><u>36,800</u></u>

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Muncy School District (the District) is a third class school district located in Muncy, Lycoming County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania.

#### **A. Use of Governmental Accounting Standards and Adoption of New Standard**

The financial statements of Muncy School District have been prepared in accordance with U. S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification is recognized as U. S. generally accepted accounting principles for state and local governments.

In May 2020, GASB issued *Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement's objective is to provide temporary relief to governments in light of the COVID-19 pandemic. Under this guidance, the District has elected to postpone implementation of *GASB Statement No 84 – Fiduciary Activities* which otherwise was to become effective this year. Also, the District will not be early implementing *GASB Statement No. 87—Leases*.

*GASB Statement No. 84* will be implemented in the year beginning July 1, 2020 and *GASB No. 87* will be implemented in the year beginning July 1, 2021. There are no other newly effective or postponed Statements that would currently impact the District.

#### **B. Reporting Entity**

The reporting entity has been defined in accordance with requirements of the Governmental Accounting Standards Board (GASB). The GASB criteria for evaluating whether other entities should be included as component units in the District's financial statements include legal status, financial accountability, fiscal dependency, and nature and significance of the relationship with the District. District management identified no other entities that should be included as component units given these criteria.

#### **C. Joint Venture**

The evaluation of potential component units included consideration of the jointly governed Lycoming County Career and Technology Center (the "Center") which provides vocational and technical education for students of member districts. The Center is governed by a joint committee of representatives of each of the member districts. Each member district appoints one representative annually. The member districts approve the budget of the Center and each member district pays tuition to the Center based upon its enrollment percentage. At the end of each fiscal year, actual expenditures are divided among the member districts based upon the prior year's enrollment percentage. If allocable expenditures exceed the tuition paid by any member district, that district will pay the additional amount due to the Center. If there is an excess of tuition paid over allocable expenditures, the Center refunds the excess to the member districts. In the year ended June 30, 2020, the Muncy School District remitted \$ 360,823 to the Center for tuition in the 2019-20 school year. The District believes that this amount adequately funds the Center's operations for 2019-20. During the year ended June 30, 2020, the District received a refund of \$ 23,489 representing refund of excess tuition paid for the 2018-19 school year. Separate financial statements for the Center are available at the Center's office.

#### **D. Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, as well as fund financial statements which provide a more detailed level of financial information.

***Government-Wide Financial Statements*** The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial results of all District activities, except for fiduciary activities. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the District at year-end. The statement of activities presents a comparison between function expenses and program revenues for each function of the District's activities. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District. Function expenses represent direct expenses that are specifically associated with a function. The District has no indirect expenses to allocate between functions. Program revenues include charges for services, including admissions to District sports and other events. Program revenue also includes grant revenues that are provided in specifically in support of defined functions. Revenues which are not classified as program revenues are presented as general revenues of the District.

**NOTE 1** **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Financial Statements** During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Although non-major funds may be aggregated and presented in a single column, the District has elected to present all funds in separate columns.

Fiduciary funds are reported by type.

**E. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid.

The District's general fund and capital project fund type 39 meet the major fund criteria defined by GAAP.

**General Fund** The general fund is the operating fund of the district and is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Project Fund Type 39** As defined by the PA Department of Education, capital projects funds type 39 may be used to account for capital outlays financed from General Obligation Bond's proceeds. The District's capital project fund recorded bond proceeds in the years ended June 30, 2018 and 2020. These proceeds continue to be used for construction of a gymnasium and other major updates to facilities.

GAAP permits funds that do not meet the major fund criteria to be reported as major funds when the fund information is considered to be important for consistency of presentation. The District has elected to report the capital project fund type 32 and the debt service fund as major funds, rather than aggregate these funds.

**Capital Project Fund Type 32** This type of capital project fund is authorized by P.L. 145, Act of April 30, 1943 Section 1431.36 (referred to as Section 1432) of the Municipal Code. The fund can receive amounts from the general fund surpluses. This fund is restricted for purchase of capital improvements, replacement of, addition to and improvement of public works, deferred maintenance and for replacement of school buses. Transfers out of this account are not allowed.

**Debt Service Fund** The debt service fund is used to account for the accumulation of resources to provide payment of general obligation bonds

**Proprietary Funds** Proprietary funds focus on the determination of net position, changes in net position, and cash flows and are classified as either enterprise or internal service.

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The District's major enterprise fund is –

**Food Service Fund** This fund accounts for the financial transactions related to the food service operations of the District.

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The District has two types of fiduciary funds: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**F. Measurement Focus and Basis of Accounting**

***Economic Resources Measurement Focus and Accrual Basis of Accounting*** - The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements.

In the accrual basis of accounting, revenues resulting from exchange transactions are recognized when the exchange takes place. Revenues from non-exchange transactions are recognized as follows:

- Derived tax revenues, such as earned income tax, are recognized when the exchange transaction on which the tax is imposed occurs.
- Property taxes are recognized as revenues in the year for which they are levied.
- Grants which are expenditure-driven are recognized as revenue when the specified reimbursable expense is incurred, provided any other eligibility criteria have also been met. Any amounts that have been received, but are not expended by year end, are recorded as unearned revenues.
- Grants which are not expenditure-driven, but instead are restricted to a defined purpose, are recognized as revenue when the applicable eligibility criteria are met. Any amounts that remain unused at year end are recorded as restricted fund balance.

Expenditures are recognized when liabilities are incurred.

***Current Financial Resources Measurement Focus and Modified Accrual Basis of Accounting*** - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. In the modified accrual basis of accounting, revenues are recognized as outlined above, but with the added criteria that revenues should only be recognized when both measurable and available to finance expenditures of the fiscal period.

The District defines revenues as "available" if received within 60 days of year end. However, the District has noted that revenues from expenditure-driven grants are generally available for collection soon after the related expenditures are incurred. As a matter of practicality and consistency, the District has decided to consider all such expenditure-driven grant revenue as available when the related expenditure has been incurred, provided any other eligibility criteria have also been met.

Revenues that are measurable, but do not meet the definition of "available" are recorded as deferred inflows of resources.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**G. Classification and Uses of Net Position and of Fund Balances**

***Net Position*** In the Government-wide financial statements, and in the Proprietary fund statements, net position may be classified as

- Restricted – This classification includes amounts when constraints on the uses of resources are imposed by external entities (grantors, contributors, creditors) or by law.
- Investment in Capital Assets – This classification represents the District's investment in fixed assets, net of related accumulated depreciation, and net of outstanding debt issued to acquire fixed assets. Any deferred inflows or outflows resulting from issuance of debt, or unused proceeds of debt also represent adjustments to investments in capital assets.
- Unrestricted- This classification represents any remaining positive or deficit net position.

The District's policy is to first apply restricted resources, rather than unrestricted resources, when an expense is incurred for purposes for which both restricted and unrestricted net position, are available.

***Fund Balance*** In Governmental Funds, fund balance may be classified as

- Un-spendable – This classification includes amounts that cannot be spent because they are either not in spendable form (inventories, prepayments, etc.) or are legally required to be maintained intact.
- Restricted – This classification includes amounts when constraints on the uses of resources are imposed by external entities (grantors, contributors, creditors) or by law.

**NOTE 1**    **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

- Committed – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by actions of the Board, which holds the highest level of decision making authority. Committed fund balances are created by action of the Board. Commitments can also be removed by action of the Board. At June 30, the District had committed fund balance of \$1,159,000 for future increases in pension, health care or other costs.
- Assigned – This classification includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by a committee or individual who has been granted authority to assign funds by the Board. The Finance committee has been granted authority to assign fund balance of \$1,650,000 for future costs including pension obligations.
- Unassigned – Unassigned fund balance is the residual classification for the general fund.

The District’s policy is to first apply restricted resources, rather than committed, assigned or unassigned fund balance when an expense is incurred for purposes for which both restricted and committed, assigned or unassigned fund balances are available.

In regard to use of committed, assigned and unassigned fund balance amounts, the District considers that committed amounts would be reduced first, followed by assigned amounts and then by unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

**H. Interfund Activity**

Transfers are made between the general fund and the debt service fund, as required by bond instruments. Also, transfers may be made from the general fund to other funds to assist with operations. In the spring of 2020, transfers from the general fund to the food services fund were necessary because PA schools were closed due to the COVID-19 pandemic, and food service revenues were limited to amounts received for curbside meal service. Those amounts were not sufficient to cover operating expenses.

In the governmental fund statements activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. These balances occur because of receipts/disbursements that are received/made by one fund on behalf of another. In the government-wide financial statements, transfers between one governmental fund and another, as well as any year-end amounts due to a governmental fund from another governmental fund are eliminated. Balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”. Amounts due to or from fiduciary funds are reported as other assets or liabilities in the government-wide financial statements.

**I. Inventories and Unearned Donated Commodities Revenue**

Inventories consist of food service food, supplies and commodities donated by the United States Department of Agriculture (USDA) which are stated at the specific items’ cost or donated value (the USDA’s cost). Any unused commodities donated by the federal government are reported as unearned revenues in the food service fund.

**J. Prepaid Expenses**

In the government-wide statements, prepaid expenses are recorded as assets in the specific activity in which future benefits will be derived.

**K. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements, and in the proprietary fund statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Capital assets that are purchased, are recorded at historical cost or estimated historical cost. Capital assets that are received as donations, are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**NOTES TO FINANCIAL STATEMENTS**

**PAGE 5**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

All capital assets reported as used in both the governmental activities and business-type activities are depreciated using the straight-line method over the following estimated useful lives –

<u>Assets</u>	<u>Years</u>
Site Improvements	10 - 30
Building and Building Improvements	5 - 40
Furniture and Equipment	5 - 40

**L. Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and long-term liabilities for compensated absences, pension and other postemployment benefits are reported as liabilities in the applicable governmental activities, business-type activity and proprietary fund type statement of net position. In addition, the government-wide financial statements, and proprietary fund types also include recognition of certain prepayments, accruals and deferred outflows and inflows associated with these long-term obligations.

Transactions related to these long-term liabilities are recognized as current period expenses, or revenues in reporting for governmental funds.

**M. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**N. Proprietary Fund FASB Usage and Definition of Operating Income**

The District's only proprietary fund is its food service fund. The District defines amounts received from individuals and groups for meals as operating revenue. Subsidies received from federal and state sources in support of the District's food services are defined as non-operating revenue.

**O. Statement of Cash Flows**

For purposes of the statement of cash flows, the District considers all investments with a maturity from the time of purchase by the District of three months or less to be cash equivalents.

**NOTE 2 CASH DEPOSITS AND INVESTMENTS**

**Permitted Deposits and Investments**

The District's policies allow for deposits and investments permitted under Section 440.1 of the Public School Code of 1949, as amended, as well as for investments permitted under Act 10 of March 25, 2016.

During the year, the District made permitted deposits and investments as follows:

- 1) Deposits with banks in checking, savings and time deposit accounts
- 2) Deposits with Pennsylvania School District Liquid Asset Fund (an external investment pool)
- 3) Investments in obligations of the United States of America and its Agencies
- 4) Investments in US Government Sponsored Enterprise Bonds
- 5) Investments in a registered money market fund. This fund invests in US Treasury and government securities and repurchase agreements collateralized fully by US Treasury and government securities

Additional information related to the Pennsylvania School District Liquid Asset Fund, including its audited financial statements, can be obtained at [www.psdlaf.org](http://www.psdlaf.org)



**NOTES TO FINANCIAL STATEMENTS**

**PAGE 6**

**NOTE 2 CASH DEPOSITS AND INVESTMENTS (Continued)**

**Deposit and Investment Risks**

GASB Statement No. 40 - Deposit and Investment Risk Disclosures, requires that the District disclose information about risks associated with certain deposit and investment activities.

**Deposits with Banks**

**Custodial Credit Risk**

Custodial credit risk for deposits with banks is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District's policy is to mitigate this risk by requiring each depository to furnish proper security for deposits in accordance with law. As of June 30, 2020, the carrying amount of the District's deposits was \$ 1,560,953 and the bank balance was \$ 1,760,477. Of the bank balance, \$ 544,400 was covered by federal depository insurance. The remaining bank balance of \$ 1,216,077 was exposed to custodial credit risk

**Investments**

**Credit Quality Ratings**

Credit quality risk is the risk that an issuer of an investment will not fulfill its obligations. This risk applies to the District's investment in registered money market funds, an external investment pool, and to the District's investment in US Government Sponsored Enterprises. These investments received Moody's Aaa ratings.

**Custodial Credit Risk**

Investments are exposed to custodial credit risk when securities are not insured and are not registered in the District's name. The District has entered into a custodial agreement by which the investments represented below are held in the custodian's trust department, but are registered in the name of the custodian. The investments represented below are therefore exposed to custodial credit risk.

The District's policies are to mitigate investment risks by evaluating the risks associated with each investment, by diversification and by investigating and reviewing the performance of all investment providers and professionals.

**Presentation in Financial Statements**

The information in this note can be reconciled to the financial statements as follows:

<b><u>Financial Statement Caption</u></b>	<b><u>Governmental Funds</u></b>	<b><u>Proprietary Fund</u></b>	<b><u>Fiduciary Funds</u></b>	<b><u>Total</u></b>
<b><u>Cash and Cash Equivalents</u></b>				
Undeposited Cash	950	344	-	1,294
Deposits with External Investment Pool	28,660	-	-	28,660
Deposits with Banks	1,464,581	8,178	88,194	1,560,953
Total Cash and Cash Equivalents	<u>1,494,191</u>	<u>8,522</u>	<u>88,194</u>	<u>1,590,907</u>
<b><u>Deposits with Banks Other Than Cash Equivalents</u></b>	<u>-</u>	<u>10,000</u>	<u>34,400</u>	<u>44,400</u>
<b><u>Investments</u></b>				
US Treasury Notes	1,551,757	-	-	1,551,757
US Government Sponsored Enterprise Bonds	1,174,776	-	-	1,174,776
US Treasury Bills	199,693	-	-	199,693
Registered Money Market Fund	2,051,791	-	-	2,051,791
subtotal	<u>4,978,017</u>	<u>-</u>	<u>-</u>	<u>4,978,017</u>
Accrued Income	8,928	-	-	8,928
Total Investments	<u>4,986,945</u>	<u>-</u>	<u>-</u>	<u>4,986,945</u>

**NOTE 3 MEASUREMENTS OF INVESTMENTS AND EXTERNAL INVESTMENT POOLS**

Most of the District’s investments are required to be measured at fair value. However, investments in regulated money market funds and certain external investment pools may be measured at amortized cost.

Fair values are categorized into one of three levels in the fair value hierarchy. These levels are based on the priority given to the inputs used in fair value measurement. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.
- Level 2 – Inputs to the valuation methodology include -
  - 1) Quoted prices for similar assets or liabilities in active markets
  - 2) Quoted prices for identical assets or liabilities in inactive markets
  - 3) Inputs other than quoted prices that are observable for the asset or liability
  - 4) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a summary of the District’s investments as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
US Treasury Notes	1,551,757	-	-
US Government Sponsored Enterprise Bonds	1,174,776	-	-
US Treasury Bills	199,693	-	-
Registered Investment Companies	2,051,791	-	-
Total	4,978,017	-	-

**NOTE 4 REAL ESTATE AND PER CAPITA TAXES AND DEFERRED REVENUE**

Levy Information

The District bills and collects property taxes based upon assessments provided by the County. The District tax rate for the year ended June 30, 2020 was 15.98 mills (\$15.98 per \$1,000 of assessed valuation) as levied by the Board of School Directors. The Board of School Directors also levies occupational tax, real estate transfer tax and earned income tax. The tax rates under Act 511 are \$5/person for each person employed in the District, 0.5% of each real estate transaction in the District and 1.25% of all income earned by residents that reside in the District, respectively. The schedule for real estate taxes levied for each fiscal year is as follows –

July 1	-Levy Date
July 1 – August 31	-2% Discount Period
September 1 – October 31	-Face Payment Period
November 1 – December 31	-10% Penalty Period
January 1	-Lien Date

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 REAL ESTATE AND PER CAPITA TAXES AND DEFERRED REVENUE (Continued)**

Recognition of Real Estate Taxes

The District recognizes delinquent and unpaid taxes receivable. No allowance for uncollectible real estate taxes is considered necessary. Real estate taxes receivable which are not available within 60 days after year end are not recognized in the fund financial statements and are reported as deferred inflows of resources.

Real Estate Tax Abatement Programs

The District provides tax abatements under the Pennsylvania Keystone Opportunity Zone (KOZ) program in order to foster economic opportunities, stimulate industrial, commercial and residential improvements and prevent physical and infrastructure deterioration within certain areas of the District. Abatements are granted on a calendar year basis; if properties were provided tax abatement for the County tax year beginning January 1, 2019, those properties would also be provided tax abatement for the District fiscal tax year July 1, 2019 through June 30, 2020. No taxes were abated in the year ended June 30, 2020.

**NOTE 5 ACCOUNTS RECEIVABLE**

Amounts due from other governments represent receivables for revenues earned by the District. At June 30, 2020, the following amounts are due from other governmental units –

	General Fund	Food Service Fund	Total
Federal	79,504	\$ 10,139	\$ 89,643
State	661,923	\$ 393	\$ 662,316
Local	422,026	\$ -	\$ 422,026
<b>Total</b>	<b>1,163,453</b>	<b>10,532</b>	<b>1,173,985</b>

The District establishes a food service account for each student. These accounts are generally pre-funded by parents, but some accounts become delinquent. The student accounts receivable are presented in the food service fund as Other Receivables and are net of an allowance for doubtful accounts of \$ 5,796.

**NOTE 6 CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated -				
Construction In Progress	4,185,782	10,290,297	323,107	14,152,972
Land	613,229	-	-	613,229
Total Capital Assets, Not Being Depreciated	4,799,011	10,290,297	323,107	14,766,201
Capital Assets, Being Depreciated -				
Site Improvements	1,705,239	323,107	-	2,028,346
Building and Building Improvements	22,917,944	123,429	-	23,041,373
Furniture and Equipment	3,646,184	235,019	816,816	3,064,387
Total Assets Being Depreciated	28,269,367	681,555	816,816	28,134,106
Less Accumulated Depreciation For -				
Site Improvements	1,108,176	65,610	-	1,173,786
Building and Building Improvements	10,294,191	504,320	-	10,798,511
Furniture and Equipment	2,815,637	221,155	816,156	2,220,636
Total Accumulated Depreciation	14,218,004	791,085	816,156	14,192,933
Total Capital Assets, Being Depreciated, Net	14,051,363	(109,530)	660	13,941,173
Governmental Activities, Capital Assets, Net	18,850,374	10,180,767	323,767	28,707,374

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 6 CHANGES IN CAPITAL ASSETS** (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets not Being Depreciated Equipment Not Yet Placed in Service	-	-	-	-
Capital Assets Being Depreciated - Equipment	500,467	-	-	500,467
Less Accumulated Depreciation For - Equipment	401,224	24,401	-	425,625
Total Capital Assets Being Depreciated, Net	99,243	(24,401)	-	74,842
Business-Type Activities Capital Assets, Net	99,243	(24,401)	-	74,842

**Depreciation Expense was reported as follows -**

<b>Governmental Activities</b>		791,085
Unallocated Activities		<u>791,085</u>
Total Depreciation Expense - Governmental Activities		<u>791,085</u>
<b>Business-Type Activities</b>		24,401
Food Service Fund		<u>24,401</u>
Total Depreciation Expense - Business-Type Activities		<u>24,401</u>

At June 30, 2020 there were no idle capital assets.

**NOTE 7 GENERAL LONG-TERM DEBT**

The following summarizes general long-term debt activity for the year ended June 30, 2020 –

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities -</b>					
Bonds and Notes Payable -					
General Obligation Debt Series 2015	3,525,000	-	1,150,000	2,375,000	1,175,000
General Obligation Debt Series 2017	9,965,000	-	5,000	9,960,000	5,000
General Obligation Debt Series 2019	-	6,660,000	5,000	6,655,000	35,000
Total Long-Term Debt	<u>13,490,000</u>	<u>6,660,000</u>	<u>1,160,000</u>	<u>18,990,000</u>	<u>1,215,000</u>

The payments of general long-term debt are to be funded by the General Fund.

**Series of 2015 General Obligation Bonds**

On August 20, 2015, the District issued \$7,760,000 of General Obligation Bonds, Series 2015, with an average interest rate of 2.04% to currently refund \$7,580,000 of outstanding 2010 Series bonds with an average interest rate of 3.05%.

**NOTE 7 GENERAL LONG-TERM DEBT (Continued)**

**Series of 2017 General Obligation Bonds**

On March 30, 2017, the District issued \$9,975,000 of General Obligation Bonds Series 2017, with an average interest rate of 3.28%. Proceeds of the bonds are to be used to for construct and improvements to the Junior/Senior High School and, to the extent of any remaining funds, to undertake additional capital projects.

**Series of 2019 General Obligation Bonds**

On July 24, 2019, the District issued \$6,660,000 of General Obligation Bonds Series 2019, with an average interest rate of 2.90%. Proceeds of the bonds are to be used to complete construction improvements and renovations to the Junior/Senior High School and, to the extent of any remaining funds, to undertake additional capital projects.

Debt service requirements are as follows –

Year Ended June 30	Series 2015 General Obligation Bonds		Series 2017 General Obligation Bonds		Series 2019 General Obligation Bonds		Total Require- ments
	Principal	Interest	Principal	Interest	Principal	Interest	
2021	1,175,000	50,500	5,000	326,708	35,000	193,225	1,785,433
2022	1,200,000	27,000	5,000	326,606	30,000	192,175	1,780,781
2023	-	-	530,000	326,508	645,000	191,275	1,692,783
2024	-	-	545,000	310,608	650,000	165,475	1,671,083
2025	-	-	560,000	294,258	700,000	139,475	1,693,733
2026-2030	-	-	3,075,000	1,208,187	3,780,000	393,475	8,456,662
2031-2035	-	-	3,615,000	667,158	815,000	20,375	5,117,533
2036-2037	-	-	1,625,000	86,575	-	-	1,711,575
	<u>2,375,000</u>	<u>77,500</u>	<u>9,960,000</u>	<u>3,546,608</u>	<u>6,655,000</u>	<u>1,295,475</u>	<u>23,909,583</u>

The Series 2015 bonds refunded the Series 2010 bonds, which had previously refunded Series 2004 and Series 2001 bonds. The related debt refunding costs are recorded as deferred outflows of resources on the Statement of Net Position, and are being amortized over the life of the Series 2015 bonds. Amortization expense for the year ended June 30, 2020 was \$ 86,121 is recorded as an increase of interest expense.

Bond premiums are recorded as deferred inflows of resources in the Statement of Net Position and are being amortized over the lives of the bonds. Amortization of bond premiums for the year ended June 30, 2020 was \$ 20,851 and is recorded as a decrease of interest expense.

**Interest Expense**

Interest expense presented in the Statement of Activities consists of the following elements:

Interest Paid and Accrued	563,906
Amortization of Debt Refunding costs	86,121
Amortization of Bond Premiums	<u>(20,852)</u>
	<u>629,175</u>

**NOTE 8 LEASE OBLIGATIONS**

The District leases copiers and other equipment under operating leases expiring in June 2020. Lease expense for the year ended June 30, 2020 was \$35,277 and is reported in the general fund.

In July 2020, the District received copier equipment under a lease requiring payment of \$33,788 annually for 5 years and tablets requiring payment of \$52,256 annually for 4 years.

**NOTE 9 COMPENSATED ABSENCES**

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, 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 the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the general fund. The remainder of the compensated absences liability is reported as a long-term liability on the government-wide financial statements. As no compensated absences are due to District employees who work in food service, no liabilities are recorded in the food service proprietary fund.

**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. However, accumulation of this leave is not compensated upon termination or retirement.

**Sabbaticals** - Most District employees are entitled to a sabbatical after ten years of service. Sabbaticals may only be taken for educational purposes or for 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 sabbaticals are conditional on future events.

Changes in reported compensated absences are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities -</b>					
Total Compensated Absences	120,674	152,127	120,674	152,127	17,429

**NOTE 10 PENSION PLAN**

**General Information about the Pension Plan**

Plan description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

Measurement of financial information

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

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

**NOTE 10 PENSION PLAN** (Continued)

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

*Member Contributions:*

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

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are 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%.

*Employer Contributions:*

The Districts' contractually required contribution rate for the fiscal year ended June 30, 2020 was 33.43% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$ 2,511,806 for the year ended June 30, 2020.

**NOTE 10 PENSION PLAN** (Continued)

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

At June 30, 2020, the District reported a liability of \$ 24,608,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District’s proportion was .0526 percent, which was an increase of .0006 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized pension expense of \$ 2,570,118. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	136,000	(816,000)
Changes in Assumptions	235,000	-
Net difference between projected and actual investment earnings	630,000	(70,000)
Changes in Proportion	-	(825,000)
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	2,511,806	-
	<u>3,512,806</u>	<u>(1,711,000)</u>

\$ 2,511,806 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2020	(124,000)
2021	(453,000)
2022	(177,000)
2023	44,000
	<u>(710,000)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the System’s total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level of pay.
- Investment return – 7.25%, includes inflation of 2.75%.
- 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.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS’ experience and projected using a modified version of the MP- 2015 Mortality Improvement Scale.

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



**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 10 PENSION PLAN** (Continued)

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real Estate	10.0%	4.2%
Alternative Investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	9.0%
	<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, 2019.

Discount rate

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

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

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

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
District's proportionate share of the net pension liability	30,652,000	24,608,000	19,490,000

Additional information about the Plan's fiduciary net position

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

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS – (OPEB)**

PSERS provides both pension benefits, as described above, and OPEB benefits in the form of health insurance premium assistance (Premium Assistance). The District has also adopted its own Muncy School District Postemployment Benefits Plan which provides health insurance benefits to eligible retirees.

**1. PREMIUM ASSISTANCE PROGRAM**

***General information about Premium Assistance:***

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

Measurement of financial information

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

Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2019 there are no assumed future benefit increases to participating eligible retirees.

Eligibility Criteria

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

- Having 24 ½ or more years of service, or
- Are a disabled retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Employer Contributions

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.

The District's contractually required contribution rate for the fiscal year ended June 30, 2020 was .84% 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 Premium Assistance Plan were \$ 63,077 for the year ended June 30, 2020.

Actuarial Assumptions

The total Premium Assistance liability as of June 30, 2019 was determined by rolling forward the System's total Premium Assistance liability as of the June 30, 2018 actuarial valuation to June 30, 2019. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study that was performed for the five year period ended June 30, 2015. The following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.79%- S&P 20 year Municipal Bond Rate.
- Salary Growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)**

- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP- 2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate pre-age 65 at 50%
  - Eligible retirees will elect to participate post-age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for the fiscal year 2018/19.
- Cost method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for health 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 Health Annuitant Tables with age set back 3 years for both genders assuming the population consisted of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

Investments

The Premium Assistance 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 for each succeeding year.

Premium Assistance OPEB- Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	13.20%	0.20%
US Core Fixed Income	83.10%	1.00%
Non-US Developed Fixed	<u>3.70%</u>	0.00%
	<u>100.00%</u>	

The above is the PSERS Board's adopted asset allocation policy and best estimate of geometric real rates of return for each major class as of June 30, 2019.

Discount Rate

The discount rate used to measure the total Premium Assistance liability was 2.79%. 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 2.79% which represents the S&P 20 year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)**

Sensitivity of the System Net OPEB liability to Change in Healthcare Cost Trends

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, 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, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District's proportionate share of the System's net OPEB liability for June 30, 2019, calculated using current Healthcare cost trends as well as what the liability would be if the health cost trends were 1- percentage point lower or 1-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net Premium Assistance liability	1,119,000	1,119,000	1,119,000

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

The following presents the District's proportionate share of the net Premium Assistance OPEB liability, calculating using the discount rate of 2.79%, as well as what the liability would be if it were calculating using a discount rate that 1- percentage point lower (1.79%) or 1- percentage point higher (3.79%) than the current rate:

	<u>1% Decrease 1.79%</u>	<u>Current Discount Rate 2.79%</u>	<u>1% Increase 3.79%</u>
District's proportionate share of the net Premium Assistance liability	1,274,000	1,119,000	990,000

Premium Assistance fiduciary net position

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

**2. MUNCY SCHOOL DISTRICT POSTEMPLOYMENT BENEFITS PLAN**

Plan Description.

The Muncy School District Postemployment Benefits Plan (MSD Plan) is a single-employer defined benefit healthcare plan administered by the District. The District adopted the MSD Plan in February of 2016. The District has elected to pay benefits directly from District assets, rather than create and then fund a trust to provide benefits. As the MSD Plan has no trust, the MSD Plan does not have a stand-alone financial statement to present.

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)**

Benefits Provided and Eligibility

The MSD Plan was established in accordance with Act 110 of October 20, 1988, and Act 43 of July 8, 1989, by which the Pennsylvania Public Education Code was amended, obligating the District to make the District group health insurance coverage available to its retirees who have met certain criteria. Benefits and eligibility for subsidized coverage are as follows:

Group I – Business Administrator

Eligibility: 10 years administrative service or 15 years total service with the District

Coverage: Medical and Prescription Drug coverage

Premium Sharing: Retiree contributes any PSERS premium assistance he/she is receiving. If the Retiree elects the Indemnity Plan, the Retiree must also contribute the difference between the Indemnity plan and the PPO Plan. District pays the remaining amount. If the Retiree completes 15 or more years of District service, the District also pays for the full PPO premium for the spouse (if the Indemnity plan is elected, the Retiree must contribute the difference between the premiums). Otherwise, the spouse must pay the full premium.

Dependent Coverage: Families included.

Duration: Retiree coverage ends at Retiree Medicare eligibility. Spouse coverage ends at the earlier of Retiree Medicare eligibility, spouse Medicare eligibility, or Retiree death.

Group II A – Teachers retired before June 30, 2017

Eligibility: Age 51 and 15 years of service with the District

Coverage: Same as Group I

Premium Sharing: Retiree contributes any PSERS premium assistance he/she is receiving. If retirement occurs on or after January 1, 2011, and the Retiree elects the Indemnity Plan, the Retiree must also contribute the difference between the Indemnity plan and the PPO Plan. District pays the remaining amount. District also pays for the full PPO premium for the spouse (if the Indemnity plan is elected, the Retiree must contribute the difference between the premiums).

Dependent Coverage: Same as Group I.

Duration: Same as Group I.

Group II B – Teachers retired after June 30, 2017

Eligibility: Same as Group II A

Coverage: Same as Group I

Premium Sharing: Retiree contributes any PSERS premium he/she is receiving. The District pays the full amount for the QHDP coverage for the Retiree only. The spouse may elect coverage by paying the full premium.

District will also make up to 8 annual deposits to the Retiree's HSA from \$937.50 to \$4,375.

Dependent Coverage: Same as Group I.

Duration: Retiree coverage ends at Retiree Medicare eligibility. Spouse coverage ends at the earlier of Retiree Medicare eligibility, spouse Medicare eligibility, or Retiree death.

District contributions to the Retiree's HSA ceases at the earlier of 8 years, Retiree Medicare eligibility, or death.

Group III A – Certified Administrators retired before June 30, 2017

Eligibility: Same as Group I

Coverage: Same as Group I

Premium Sharing: Same as Group I

Dependent Coverage: Same as Group I

Duration: Same as Group I

Group III B – Certified Administrators retired after June 30, 2017

Eligibility: Same as Group I

Coverage: Same as Group II B

Premium Sharing: Same as Group II B

Dependent Coverage: Same as Group II B

Duration: Same as Group II B

All Other Employees: Employees not included in the groups described above are not eligible to receive subsidized coverage. However, those who meet the requirements of Act 110/43 are eligible to receive coverage for themselves, their spouse and dependents, by paying the full premium determined for the purpose of COBRA. Employees are eligible under Act 110/43 upon retiring with 30 years PSERS service or upon superannuation retirement. Retiree coverage ends at Retiree Medicare eligibility. Spouse coverage ends at the earlier of Retiree Medicare eligibility, spouse Medicare eligibility, or Retiree death.

At June 30, 2017 there were 108 active participants, 15 retired participants, and no vested former participants.

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)**

Employer Contributions

The District pays premiums for subsidized members as they become due.

Multiple Year Reporting

Pursuant to GASB No. 75, an actuarial valuation can be used over a two year period. The figures reported reflect the measurement date of June 30, 2019 for the fiscal year ended June 30, 2020 and are based on an actuarial valuation date of July 1, 2019.

Actuarial Assumptions

The following actuarial assumptions were used in calculating the District’s net OPEB liability and deferred inflows and outflows of resources.

- Actuarial cost method – Entry Age Normal.
- Discount Rate – 2.98%, Based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2017.
- Salary Growth – Salary increases are composed of a 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%.
- Withdrawal – Rates of withdrawal vary by age, gender and years of service. Sample rates for employees with more than 10 years of service are shown below

Age	Male Rate	Female Rate
25	2.57%	5.02%
30	2.57%	4.02%
35	1.50%	2.85%
40	1.34%	1.60%
45	1.37%	1.65%
50	1.92%	2.06%
55	3.38%	3.11%
60	5.57%	6.40%

Rates for new employees start at 22.9% for both men and women and decrease with age and service.

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

Age	Age 55 & 25 Years of Service		Superannuation	
	Males	Females	Males	Females
55	19%	19%	27%	10%
56	17%	17%	32%	30%
57	17%	17%	32%	30%
58	17%	17%	32%	35%
59	22%	21%	31%	36%
60	14%	17%	31%	36%
61	29%	30%	29%	31%
62	51%	61%	51%	61%
63	26%	26%	26%	26%
64	21%	22%	21%	22%
65	100%	100%	100%	100%

- Per Capita Claims Cost – Making use of weighted averages for various plan designs, the per capita claims cost for medical and prescription drug is based on the expected portion of the group’s overall cost attributed to individuals in the specified age and gender brackets. Dental and vision cost are assumed to not vary with age and gender. The resulting costs are as follows:

Age	Medical and Prescription Coverage	
	Males	Females
45-49	\$ 7,307	\$10,552
50-54	\$ 9,677	\$11,926
55-59	\$11,786	\$12,479
60-64	\$15,380	\$14,335

- Retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rates.
- Health care cost trends – 6% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.89% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

- Disability – No disability is assumed.
- Mortality 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 Buck Modified 2016 projection scale to reflect mortality improvement.
- Participation Data: Based on census information as of July 2019. Due to timing of the school district turn-over, the data is believed to be representative of the population for the 2019-20 school year.
- Percent of eligible retirees electing coverage in the plan:
  - 100% of Teachers and Administrators eligible for subsidy'
  - 50% of Teachers and Administrators not eligible for subsidy
  - 10% of Support Staff
- Percent married at retirement: 60% of employees are assumed to be married and have a spouse covered by the plan at retirement. Wives are assumed to be two years younger than their husbands.

Changes in Assumptions –

The discount rate changed from 2.98% at June 30, 2018 to 3.36% at June 30, 2019.

Sensitivity of the System Net OPEB liability to Change in Healthcare Cost Trends

The following represents the MSD Plan net liability for June 30, 2019, calculated using current healthcare cost trends as well as what the system net liability would be if healthcare cost trends were 1 - percentage point lower, or 1 - percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
MSD Plan net liability	4,432,902	4,916,885	5,481,622

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

The following represents the MSD Plan net liability, calculating using the discount rate of 3.36%, as well as what the MSD Plan net liability would be if it were calculating using a discount rate that was 1- percentage point lower (1.98%) or 1- percentage point higher (3.98%) than the current rate:

	<u>1% Decrease 2.36%</u>	<u>Current Discount Rate 3.36%</u>	<u>1% Increase 4.36%</u>
MSD Plan net liability	5,261,520	4,916,885	4,586,923

Change in MSD Plan Liability

Liability Balance at 6/30/2018	4,839,202
Service Costs	262,207
Interest	148,893
Change in Benefit Terms	-
Difference Between Expected and Actual Experience	(10,203)
Changes in Assumptions	(129,367)
Benefit Payments	(193,847)
Other Changes	-
Net Change	<u>77,683</u>
Liability Balance at 6/30/2019	<u><u>4,916,885</u></u>

**NOTE 11 OTHER POST EMPLOYMENT BENEFITS – (OPEB) (Continued)**

**3. Summary of OPEB Liabilities, OBEP Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019, the District reported net OPEB liabilities as follows:

Proportionate share of Premium Assistance	1,119,000
MSD Plan	<u>4,916,885</u>
Total	<u>6,035,885</u>

The net liability for the SVRCS Plan was measured as of June 30, 2019. The liability is calculated based on actuarial report as of June 30, 2019.

The net liability for Premium Assistance was measured as of June 30, 2019. The liability was calculated by rolling forward the liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net Premium Assistance 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, the District's proportion was .0526 percent, which was a increase of .006 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of:

Proportionate share of Premium Assistance	57,552
MSD Plan	<u>491,701</u>
Total	<u>549,253</u>

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows as follows:

**Premium Assistance**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	6,000	-
Changes in Assumptions	37,000	(33,000)
Net difference between projected and actual investment earnings	2,000	
Changes in Proportion	39,000	(40,000)
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	63,077	
	<u>147,077</u>	<u>(73,000)</u>

**MSD Plan**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	605,511	(9,353)
Changes in Assumptions	6,475	(148,380)
Contributions subsequent to the measurement date	218,531	-
	<u>830,517</u>	<u>(157,733)</u>



**NOTE 11 OTHER POST EMPLOYMENT BENEFITS – (OPEB)** (Continued)

	<b><u>Total</u></b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	611,511	(9,353)
Changes in Assumptions	43,475	(178,380)
Net difference between projected and actual investment earnings	2,000	-
Changes in Proportion	39,000	(40,000)
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	281,608	-
	<u>977,594</u>	<u>(227,733)</u>

The net liabilities, the deferred outflows/inflows, and OPEB expenses for the PSERS plan have been allocated between the general fund and the food service fund, based on each fund's share of Premium Assistance contribution. All liabilities, deferred outflows/inflows and OPEB gain of the MSD Plan have been allocated to the general fund as there are no employees in the food service fund who would be eligible for subsidy in the MSD Plan.

The total \$ 281,608 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

<u>District Year Ended June 30,</u>	<u>Premium Assistance</u>	<u>MSD Plan</u>	<u>Total</u>
2021	1,000	52,985	53,985
2022	1,000	52,985	53,985
2023	1,000	52,985	53,985
2024	1,000	52,985	53,985
2025	2,000	52,985	54,985
thereafter	5,000	189,328	194,328
	<u>11,000</u>	<u>454,253</u>	<u>465,253</u>

**NOTE 12 CONTINGENT LIABILITIES**

**Grant Programs**

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**NOTE 13 RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage is consistent with previous years. During the year ended June 30, 2020, and the three previous years, no settlements exceeded insurance coverage.

The District participates in the Lycoming County Insurance Consortium Pooled Trust (a public entity risk pool) which is organized to provide a program of health and welfare coverage to its member organizations. The Trust's general objectives are to formulate, develop, and administer, on behalf of its members, a program of insurance, to obtain lower costs for that coverage and to develop a comprehensive loss control policy. The Consortium collects assessments from its members and pays health claims, stop loss insurance premiums and administrative expenses. The District's assessment is based on consideration of the claims experience of all Consortium members, the Consortium's accumulated reserves, and the District's proportional number of covered employees. As such, the District is subject to additional assessment should the Consortium's assessments prove to be insufficient to cover claims. As of June 30, 2020, the District believes that the risk of loss resulting any such additional assessments is remote.

**NOTE 14 SUBSEQUENT EVENTS**

In March 2020, the United States was impacted by the COVID-19 coronavirus. Pennsylvania School Districts were ordered to provide only remote learning activities in March 2020, and did not reopen for in-person learning until the start of the 2020-21 school year. The virus caused business disruptions in the spring of 2020 that negatively impacted tax revenue at both the local and state levels.

The Commonwealth is currently experiencing a significant increase in the number of COVID-19 cases. The future effects of the virus cannot be predicted, but return to remote learning or other changes in the District's operations could occur. Continued business interruptions and high unemployment could also occur, resulting in additional loss of tax revenues. When the District is not open for in-person learning, the food service provides free take-home meals for pick-up at the school. Grant funds are received for each meal served. However, many students may choose not to participate in this program. Food service revenue could, therefore, be significantly reduced if the District is closed to in-person learning for extended periods

**REQUIRED SUPPLEMENTARY INFORMATION**

**MUNCY SCHOOL DISTRICT**

SCHEDULE A

Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<b>Local Revenues:</b>				
Real Estate Taxes and Delinquencies	8,208,904	8,208,904	8,328,210	119,306
Payments in Lieu of Taxes	14,754	14,754	-	(14,754)
Other Taxes	2,116,258	2,116,258	2,034,780	(81,478)
Earnings on Investments	56,320	56,320	111,064	54,744
Revenue from District Activities	13,400	13,400	31,181	17,781
Revenue from Intermediate Sources	272,404	272,404	276,708	4,304
Contributions	-	-	153,143	153,143
Tuition	6,544	6,544	-	(6,544)
Services Provided Other Local Governments/ LEA's	5,000	5,000	5,000	-
Other Revenue	43,452	43,452	47,448	3,996
<b>Total Local Revenues</b>	<b>10,737,036</b>	<b>10,737,036</b>	<b>10,987,534</b>	<b>250,498</b>
<b>State Program Revenues</b>	<b>7,650,725</b>	<b>7,650,725</b>	<b>7,466,166</b>	<b>(184,559)</b>
<b>Federal Program Revenues</b>	<b>241,683</b>	<b>241,683</b>	<b>280,893</b>	<b>39,210</b>
<b>TOTAL REVENUES</b>	<b>18,629,444</b>	<b>18,629,444</b>	<b>18,734,593</b>	<b>105,149</b>
<b>EXPENDITURES</b>				
Regular Programs	8,072,502	8,072,502	8,103,648	(31,146)
Special Programs	2,109,612	2,109,612	2,034,688	74,924
Vocational Programs	382,000	382,000	337,374	44,626
Other Instructional Programs	149,170	149,170	150,147	(977)
Higher Education Programs for Secondary Students	-	-	-	-
Support Services - Students	623,373	623,373	561,134	62,239
Support Services - Instructional Staff	705,759	705,759	777,761	(72,002)
Support Services - Administration	1,075,253	1,075,253	1,051,985	23,268
Support Services - Pupil Health	152,149	152,149	151,173	976
Support Services - Business	417,009	417,009	344,243	72,766
Operation and Maintenance of Plant Services	1,601,566	1,601,566	1,493,102	108,464
Student Transportation Services	484,035	484,035	449,673	34,362
Support Services - Central	474,335	474,335	538,551	(64,216)
Other Support Services	-	-	490	(490)
Student Activities	714,762	714,762	727,988	(13,226)
Community Services	25,423	25,423	33,397	(7,974)
Facilities Acquisitions	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>16,986,948</b>	<b>16,986,948</b>	<b>16,755,354</b>	<b>231,594</b>
<b>OTHER FINANCING (SOURCES) USES</b>				
Other Uses	-	-	-	-
Transfers Out	1,724,708	1,724,708	1,754,014	(29,306)
Budgetary Reserve	220,220	220,220	-	220,220
<b>TOTAL OTHER EXPENDITURES AND OTER FINANCING USES</b>	<b>18,931,876</b>	<b>18,931,876</b>	<b>18,509,368</b>	<b>422,508</b>
<b>Net Change in Fund Balances</b>	<b>(302,432)</b>	<b>(302,432)</b>	<b>225,225</b>	<b>527,657</b>
<b>FUND BALANCE - BEGINNING</b>	<b>1,993,601</b>	<b>1,993,601</b>	<b>2,346,080</b>	<b>352,479</b>
<b>FUND BALANCE - ENDING</b>	<b>1,691,169</b>	<b>1,691,169</b>	<b>2,571,305</b>	<b>880,136</b>

See accompanying Notes to Required Supplementary Information.

**MUNCY SCHOOL DISTRICT**

**SCHEDULE B**

Schedule of the District's Proportionate Share of the Net Pension Liability  
Commonwealth of Pennsylvania School Employees Retirement System (PSERS)  
June 30, 2020

Measurement date	2020	2019	2018	2017	2016	2015
	<u>30-Jun-19</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>30-Jun-16</u>	<u>30-Jun-15</u>	<u>30-Jun-14</u>
District's proportion of the net pension liability (asset)	0.0526%	0.0520%	0.0546%	0.0523%	0.0548%	0.0530%
District's proportionate share of the net pension liability (asset)	24,608,000	24,963,000	26,966,000	25,918,000	23,737,000	20,978,000
District's covered-employee payroll	7,249,972	7,006,757	7,263,348	6,773,960	7,053,293	6,967,364
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	339.42%	356.27%	371.26%	382.61%	336.54%	301.09%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	51.84%	51.84%	50.14%	54.36%	57.23%

See accompanying Notes to Required Supplementary Information.

**MUNCY SCHOOL DISTRICT**

**SCHEDULE C**

Schedule of the District's Contributions for Pension Benefits  
Commonwealth of Pennsylvania School Employees Retirement System - PSERS  
June 30, 2020

Measurement date	<u>2020</u> <u>30-Jun-20</u>	<u>2019</u> <u>30-Jun-19</u>	<u>2018</u> <u>30-Jun-18</u>	<u>2017</u> <u>30-Jun-17</u>	<u>2016</u> <u>30-Jun-16</u>	<u>2015</u> <u>30-Jun-15</u>
Contractually required contribution	2,511,806	2,377,997	2,234,890	2,073,710	1,701,918	1,445,925
Contributions in relation to the contractually required contribution	<u>2,511,806</u>	<u>2,377,997</u>	<u>2,234,890</u>	<u>2,073,710</u>	<u>1,701,918</u>	<u>1,445,925</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	7,278,875	7,249,972	7,006,757	7,263,348	6,773,960	7,053,293
Contributions as a percentage of covered-employee payroll	34.5%	32.8%	31.9%	28.6%	25.1%	20.5%

**MUNCY SCHOOL DISTRICT**

**SCHEDULE D**

Schedule of the District's Proportionate Share of the Net Premium Assistance OPEB Liability  
Commonwealth of Pennsylvania School Employees Retirement System (PSERS)  
June 30, 2020

Measurement date	2020	2019	2018	2017
	<u>30-Jun-19</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>30-Jun-16</u>
District's proportion of the net Premium Assistance OPEB liability (asset)	0.0526%	0.0520%	0.0546%	0.0523%
District's proportion of the net Premium Assistance OPEB liability (asset)	1,119,000	1,084,000	1,112,000	1,127,000
District's covered-employee payroll	7,249,972	7,006,757	7,263,348	6,773,960
District's proportionate share of the net Premium Assistance OPEB liability(asset) as a percentage of its covered-employee payroll	15.43%	15.47%	15.31%	16.64%
Plan fiduciary net position as a percentage of the total Premium Assistance OPEB liability	5.56%	5.56%	5.73%	5.47%

See accompanying Notes to Required Supplementary Information.

**MUNCY SCHOOL DISTRICT**

**SCHEDULE E**

Schedule of the District's Contributions for Premium Assistance OPEB  
Commonwealth of Pennsylvania School Employees Retirement System - PSERS  
June 30, 2020

Measurement date	<u>2020</u> <u>30-Jun-20</u>	<u>2019</u> <u>30-Jun-19</u>	<u>2018</u> <u>30-Jun-18</u>	<u>2017</u> <u>30-Jun-17</u>
Contractually required contribution	63,076	60,544	58,156	60,286
Contributions in relation to the contractually required contribution	<u>63,076</u>	<u>60,544</u>	<u>58,156</u>	<u>60,286</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	7,278,876	7,249,972	7,006,757	7,263,348
Contributions as a percentage of covered-employee payroll	0.87%	0.84%	0.83%	0.83%

See accompanying Notes to Required Supplementary Information.



**MUNCY SCHOOL DISTRICT**

**SCHEDULE F**

Schedule of Changes in Net Liability and Covered Payroll for MSD Plan - OPEB  
June 30, 2020

Measurement date	2020	2019	2018
	<u>30-Jun-19</u>	<u>30-Jun-18</u>	<u>30-Jun-17</u>
OPEB Liability at beginning of measurement period	4,839,202	4,673,820	4,474,470
Service Costs	262,207	246,754	262,264
Interest	148,893	149,960	115,614
Changes in Benefit Terms	-	-	(773,363)
Differences Between Expected and Actual Experience	(10,203)	-	807,349
Changes in Assumptions	(129,367)	7,769	(39,724)
Benefit Payments	(193,847)	(239,101)	(172,790)
Other Changes	-	-	-
Total Change	<u>77,683</u>	<u>165,382</u>	<u>199,350</u>
OPEB Liability at end of measurement period	<u><u>4,916,885</u></u>	<u><u>4,839,202</u></u>	<u><u>4,673,820</u></u>
Covered Payroll	6,744,660	6,423,574	6,423,574
OPEB Liability as a Percent of Covered Payroll	72.9%	75.3%	72.8%

See accompanying Notes to Required Supplementary Information.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**NOTE 1  
ACTUAL-**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND  
Schedule A**

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

Legal budgetary control is maintained at the sub-function/major object level. The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments. The budget was not amended during the year ended June 30, 2020.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Budgeted appropriations lapse at year end, and no reserves are created for encumbrances outstanding at year end.

Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies.

**NOTE 2**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY- Schedule B**

and

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSION BENEFITS – Schedule C**

Information about the significant methods and assumptions used in the actuarially determined calculations can be found in Note 10 to the financial statements.

**NOTE 3**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PREMIUM ASSISTANCE OPEB  
LIABILITY – Schedule D**

and

**SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PREMIUM ASSISTANCE OPEB - Schedule E**

Information about the significant methods and assumptions used in the actuarially determined calculations can be found in Note 11 to the financial statements.

**NOTE 4**

**SCHEDULE OF CHANGES IN NET LIABILITY AND COVERED EMPLOYEE PAYROLL FOR THE MSD PLAN -  
OPEB – Schedule F**

Information about the significant methods and assumptions used in the actuarially determined calculations can be found in Note 11 to the financial statements.

No assets are accumulated in a trust to fund benefits.



## MARGARET MCCLUSKEY CPA LLC

### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the School Board  
**Muncy School District**  
Muncy Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Muncy School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 18, 2020.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Muncy School 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 Muncy School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-1 that we consider to be a material weakness.

#### **Compliance and Other Matters**

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

#### **Muncy School District Response to Findings**

The Muncy School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (continued)**

**Purpose of this Report**

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

Handwritten signature in black ink that reads "W. Clunk CPA LLC".

Mifflinburg, Pennsylvania  
December 18, 2020

**Muncy School District**  
Schedule of Findings and Responses  
June 30, 2020

**Finding 2020-1**

Criteria: The District's internal controls should be designed to prevent or detect misstatements in the District's accounts. Effective controls include comparison of subsidiary records to the balances in the District's related assets and liabilities accounts. These subsidiary records could include listings of inventory, accounts receivable, accounts payable and other documents supporting asset and liability amounts. Effective controls also include periodic review of revenue and expense accounts, to determine if postings have been made correctly. These controls are especially important at year-end, when some entries that are not made on a routine monthly basis, are required.

Condition: We found that these controls were not implemented for food service accounting activities.

Cause: We believe that changes in personnel responsible for account postings in the food service fund may have contributed to failure of these controls. The Food Service Manager took over these duties in February of 2020. We also believe that guidance and supervision from the Business Office could improve the accounting process in food service.

Effect: Because effective controls were not in place, errors that had occurred in postings were not detected prior to the audit and multiple audit adjustments were required. The most significant error was in the inventory accounts; the unadjusted balance for supplies inventory was a negative number, while the total inventory of food and supplies was overstated \$22,950. Additionally, the value of donated commodities used was understated. Correction of these items resulted in increased losses in the food service fund of \$25,055. We also found that the entry to record an estimate for depreciation expense was not made. This correction also increased loss by \$24,401.

In total, the adjustments made in the audit increased losses by \$54,257. This amount is material to the food service fund and is particularly noteworthy when considered in relation to the loss prior to audit adjustments which was \$26,175.

District's Response:

"The District agrees with identified finding related to accounting practices within Food Service. Proper training will be conducted with Food Service Manager on effective controls to review revenue and expense accounts monthly to determine the desired outcome was achieved after making monthly adjustments. The Business Office will monitor the internal controls for the months following implementation to affirm they have become part of the monthly routine."