

NEW ISSUE—BOOK-ENTRY ONLY

RATING: Moody's "A1" (Underlying)

In the opinion of Bond Counsel, under existing statutes, regulations, and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest on the Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. This opinion of Bond Counsel is subject to continuing compliance by the School District with its covenants to comply with requirements of the Code and applicable regulations thereunder.

Bond Counsel is also of the opinion that under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the interest on the Bonds is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax.

Each of the Bonds will be issued as a "qualified tax-exempt obligation" for purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

For further information concerning federal and state tax matters relating to the Bonds, see "Tax Matters" herein

\$9,995,000*

Montgomery Area School District (Lycoming County, Pennsylvania) General Obligation Bonds, Series of 2024

Dated: Date of Delivery**Interest Due:** March 1 and September 1**Principal Due:** September 1, as shown on inside cover**First Interest Payment:** September 1, 2024

The General Obligation Bonds, Series of 2024 (the "Bonds") in the aggregate principal amount of \$9,995,000* will be issued in registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry system maintained by DTC through its brokers and dealers who are, or act through, DTC Participants. The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein.

The Bonds are general obligations of the Montgomery Area School District, in Lycoming County, Pennsylvania (the "School District"), payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Resolution or any other of its revenues or funds the principal of every Bonds and the interest thereon on the dates, at the place and in the manner stated in the Bonds. For such budgeting, appropriation, and payment the School District irrevocably has pledged its full faith, credit, and available taxing power within the limits provided by law (See "Security" and "Taxing Powers of the School District" *infra*).

Interest on each of the Bonds is payable initially on September 1, 2024, and thereafter semiannually on March 1 and September 1 of each year until the maturity date of such Bond or, if such Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for. The School District has appointed Manufacturers and Traders Trust Company (the "Paying Agent"), as paying agent and sinking fund depository for the Bonds. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, payments of the principal of and interest on the Bonds, when due for payment, will be made directly to DTC by the Paying Agent, and DTC will in turn remit such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. If the use of the Book-Entry System for the Bonds is ever discontinued the Bonds will be payable, when due, upon surrender of such Bond to the Paying Agent at its specified corporate trust office in Harrisburg, Pennsylvania or Buffalo, New York (or any successor paying agent at its designated office(s)) and interest on such Bond will be payable by check made out and mailed to the person(s) in whose name(s) such Bond is registered as of the Record Date with respect to the particular interest payment date (See "THE BONDS," *infra*).

Proceeds of the Bonds will be used towards: (1) the acquisition and construction of renovations and improvements to existing school facilities of the School District; (2) capitalizing interest on the Bonds; and (3) the payment of all costs and expenses incurred by the School District in connection with the issuance and sale of the Bonds.

The Bonds are authorized investment for fiduciaries in the Commonwealth of Pennsylvania pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

MATURITIES, AMOUNTS, RATES AND PRICES/YIELDS

{As shown on Inside Cover}

The Bonds are offered when, as and if issued, and subject to the approving legal opinion of Mette, Evans & Woodside, Harrisburg, Pennsylvania, Bond Counsel, to be furnished upon delivery of the Bonds. Certain matters will be passed upon for the School District by McNerney, Page, Vanderlin & Hall, of Williamsport, Pennsylvania, School District Solicitor. PFM Financial Advisors LLC, of Harrisburg, Pennsylvania, will serve as the Financial Advisor to the School District. It is expected that the Bonds will be available for delivery in New York, New York, on or about June 20, 2024.

PFM Financial Advisors LLC

Financial Advisor to the School District

Dated:

*Estimated, subject to change.

\$9,995,000*
Montgomery Area School District
(Lycoming County, Pennsylvania)
General Obligation Bonds, Series of 2024

Dated: Date of Delivery
Interest Due: March 1 and September 1

Principal Due: September 1, as shown on inside cover
First Interest Payment: September 1, 2024

MATURITIES, AMOUNTS, RATES AND PRICES/YIELDS

| Maturity Date (September 1) Year | Principal Amounts | Interest Rates | Initial Offering Yields | CUSIP Numbers⁽¹⁾ |
|---|------------------------------|---------------------------|------------------------------------|--|
| 2025 | | | | |
| 2026 | | | | |
| 2027 | | | | |
| 2028 | | | | |
| 2029 | | | | |
| 2030 | | | | |
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| 2051 | | | | |
| 2052 | | | | |
| 2053 | | | | |

⁽¹⁾The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by an organization not affiliated with the School District or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such issue or the use of secondary market financial products. Neither the School District nor the Underwriter has agreed to, and there is no duty or obligation to, update this Preliminary Official Statement to reflect any change or correction in the CUSIP numbers set forth above.

(A portion of the Bonds may be structured as Term Bonds, See “Invitation to Bid”)

*Estimated, subject to change.

MONTGOMERY AREA SCHOOL DISTRICT
(Lycoming County, Pennsylvania)

BOARD OF SCHOOL DIRECTORS

| | |
|-------------------------|----------------|
| Paul E. Stryker, Jr. | President |
| Dana B. Pick | Vice President |
| Paula A. Yeckley | Treasurer |
| Jonathan DeSantis | Member |
| Roger McRae | Member |
| Thomas C. Persing | Member |
| Robyn M. Schreiber | Member |
| Christopher L. Spangler | Member |
| Holly Wertz | Member |

SUPERINTENDENT
DAPHNE L. BOWERS

BUSINESS MANAGER & BOARD SECRETARY
GRANT EVANGELISTI

SCHOOL DISTRICT SOLICITOR
MCNERNEY, PAGE, VANDERLIN & HALL
Williamsport, Pennsylvania

BOND COUNSEL
METTE, EVANS & WOODSIDE
Harrisburg, Pennsylvania

FINANCIAL ADVISOR
PFM FINANCIAL ADVISORS LLC
Harrisburg, Pennsylvania

PAYING AGENT
MANUFACTURERS AND TRADERS TRUST COMPANY
Harrisburg, Pennsylvania and Buffalo, New York

UNDERWRITER

SCHOOL DISTRICT ADDRESS
120 Penn Street
Montgomery, Pennsylvania 17752

No dealer, broker, salesman or other person has been authorized by the School District to give information or to make any representations, other than those contained in this Preliminary Official Statement, and if given or made, such other information or representations must not be relied upon. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The information set forth herein has been obtained from the School District and from other sources which are believed to be reliable but the School District does not guarantee the accuracy or completeness of information from sources other than the School District. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Preliminary Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

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PRELIMINARY OFFICIAL STATEMENT

\$9,995,000*

Montgomery Area School District Lycoming County, Pennsylvania General Obligation Bonds, Series of 2024

INTRODUCTION

This Preliminary Official Statement, including the cover and inside cover pages hereof and Appendices hereto, is furnished by Montgomery Area School District, in Lycoming County, Pennsylvania (the "School District"), in connection with the offering of its the \$9,995,000* aggregate principal amount General Obligation Bonds, Series of 2024, dated as of the date of delivery, which is expected to be June 20, 2024 (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Board of School Directors of the School District to be adopted on May 21, 2024 (the "Resolution"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania as amended (the "Commonwealth"), 53 Pa. C.S. Chs. 80-82 (the "Act").

PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used towards: (1) the acquisition and construction of renovations and improvements to existing school facilities of the School District; (2) capitalizing interest on the Bonds; and (3) the payment of all costs and expenses incurred by the School District in connection with the issuance and sale of the Bonds.

Sources and Uses of Bond Proceeds

The following is a summary of the sources and uses of the proceeds from the issuance of the Bonds.

Sources:

Bond Proceeds

Net Original Issue Premium/(Discount)

Use of Funds:

Deposit to Construction Fund

Capitalized Interest Fund

Cost of Issuance⁽¹⁾

⁽¹⁾Includes legal, financial advisor, printing, rating, municipal bond insurance premium, CUSIP, paying agent and miscellaneous costs.

*Estimated, subject to change.

THE BONDS

Description

The Bonds will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof, will be in the aggregate principal amount of \$9,995,000*, will be dated as of the date of delivery, which is expected to be June 20, 2024 and will bear interest at the rates and mature in the amounts and at the times set forth on the inside cover page of this Preliminary Official Statement. Interest on the Bonds will be payable initially September 1, 2024, and thereafter, semiannually on March 1 and September 1.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any physical delivery of bond certificates, and beneficial ownership of the Bonds will be evidenced only by book entries. See "**BOOK-ENTRY ONLY SYSTEM**" herein.

Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal and interest so paid.

If the use of the Book-Entry Only System for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal and interest on the Bonds shall be made as described in the following paragraphs:

The principal of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners of the Bonds, or registered assigns, upon surrender of the Bonds to Manufacturers and Traders Trust Company (the "Paying Agent"), acting as paying agent and sinking fund depository for the Bonds, at its specified corporate trust office in Harrisburg, Pennsylvania or Buffalo, New York (or to any successor paying agent at its designated office(s)).

Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to the Record Date preceding September 1, 2024, in which event such Bond shall bear interest from the date of delivery, which is expected to be June 20, 2024, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date to which interest was last paid on such Bond. Interest shall be paid initially September 1, 2024, and thereafter, semiannually on March 1 and September 1 of each year, until the principal sum is paid. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth day of February and August, respectively (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owner of such Bond not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the person in whose name such Bond is registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal or of interest on any Bonds on an interest payment date, or at maturity date, or at redemption shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions in the Commonwealth of Pennsylvania are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

*Estimated, subject to change.

Transfer, Exchange and Registration of Bonds

Subject to the provisions described below under **“BOOK-ENTRY ONLY SYSTEM,”** Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, accompanied by a written instrument or instruments in form and with instructions satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same series, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

Bonds are transferable or exchangeable by the registered owners thereof upon surrender of Bonds to the Paying Agent, at its specified corporate trust office accompanied by a written instrument or instruments in form, with instructions satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations, maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget for each fiscal year, and will appropriate from its general revenues in each such fiscal year, the amount of the debt service on the Bonds for such fiscal year, and will duly and punctually pay or cause to be paid from its Sinking Fund, as hereinafter defined, or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on the Bonds, and for such budgeting, appropriation, and payment the School District irrevocably has pledged its full faith, credit, and taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable property within the School District, within the limits provided by law (See **“Taxpayer Relief Act (Act 1)”** herein). The Act presently provides for enforcement of debt service payments as hereinafter described (see **“DEFAULTS AND REMEDIES”** herein), and the Public School Code (hereinafter defined) presently provides for the withholding and application of subsidies in the event of failure to pay debt service (see **“Commonwealth Enforcement of Debt Service Payments”** hereinafter).

Commonwealth Enforcement of Debt Service Payments

Section 633 of the Pennsylvania Public School Code of 1949, as amended by Act 150 of 1975, and as further amended and supplemented (the “Public School Code”), presently provides that in all cases where the board of school directors of any school district fails to pay or to provide for the payment of any indebtedness on the date of maturity or date of mandatory redemption or on any sinking fund deposit date, or any interest due on such indebtedness on any interest payment date or on any sinking fund deposit date, in accordance with the schedule under which the Bonds were issued, the Secretary of Education shall notify such board of school directors of its obligation and shall withhold out of any Commonwealth appropriation due such school district an amount equal to the sum of the principal amount maturing or subject to mandatory redemption and interest owing by such school district, or sinking fund deposit due by such school district, and shall pay over the amount so withheld to the bank or other person acting as sinking fund depository for such Bond issue. These withholding provisions are not part of any contract with the holders of the Bonds, and may be amended or repealed by future legislation.

The effectiveness of Section 633 of the Public School Code may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers’ salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors’ rights generally. See **“Pennsylvania Budget Adoption”** hereinafter.

Pennsylvania Budget Adoption

The budget for the 2018-19 and the 2019-20 fiscal years were adopted timely.

Due to the uncertainty of funding and expenditures caused by the COVID-19 pandemic, on May 29, 2020, the governor passed a five-month stopgap budget for the fiscal year 2020-21. This budget provided five months of flat funding for most state programs and a full twelve months of flat funding for public education. On November 20, 2020, the General Assembly passed Senate Bill 1350 and House Bill 2536, which included the 2020-21 Supplemental Budget to fund the Commonwealth through the remaining seven-months of fiscal year 2020-21. On November 23, 2020, the Governor approved the 2020-21 Supplemental Budget. The 2020-21 Supplemental Budget included mostly flat funding for public education similar to the stopgap budget adopted for the first five months of the 2020-21 fiscal year.

The Governor timely signed the state's 2021-2022 fiscal year budget on June 30, 2021. That budget included an increase of \$300 million for basic education, with \$100 million of that targeted to the 100 historically underfunded school districts that included some in both urban and rural areas of the state. Special education received a \$50 million increase, boosting that budget line to \$1.24 billion, while preschool and Head Start programs received a \$30 million increase, to \$311.5 million. All told, funding for K-12 schools reached a record high of \$13.55 billion in the 2021-2022 budget.

After a week's delay, a \$45.2 billion budget for the state's 2022-2023 fiscal year was signed by Governor Tom Wolf on July 8, 2022, which included \$7.6 billion for the basic education funding appropriation and \$225 million to supplement those school districts with a higher at-risk student population. The total amount was a \$767.8 million (10.83%) increase over the 2021-2022 fiscal year appropriation.

After over a month delay, a \$45.5 billion budget for the state's 2023-24 fiscal year was signed by Governor Josh Shapiro on August 3, 2023, which includes \$8.4 billion for the basic education funding appropriation. The total amount is a \$796.6 million (10.45%) increase over the 2022-2023 fiscal year appropriation. The budget also provides \$50 million in additional aid to school districts for special education services for a total of \$1.3 billion. Certain funds authorized within the 2023-2024 Budget required companion implementation language amending the Fiscal Code to be fully implemented. On December 13, 2023 multiple code bills were passed finalizing the 2023-24 Budget for education.

During a state budget impasse, school districts in Pennsylvania cannot be certain when state subsidies and revenues owed them from the Commonwealth will become available. This includes many of the major state subsidies, and overall revenues, that a Pennsylvania school district receives including basic education funding, special education funding, PlanCon reimbursements, and certain block grants, among many others. Future budget impasses may affect the timeliness or amount of payments by the Commonwealth under the withholding provisions of Section 633 of the School Code, however recent legislation included in Act 85 of 2016 has attempted to address the timeliness of the withholding provisions of Section 633 of the School Code during any future budget impasses. See "Act 85 of 2016" hereinafter.

Sinking Fund

A sinking fund for the payment of the debt service on the Bonds, designated "Sinking Fund - General Obligation Bonds, Series of 2024" (the "Sinking Fund"), has been created under the Resolution and shall be maintained by the Paying Agent, as sinking fund depository. The School District shall deposit in the Sinking Fund a sufficient sum not later than the date when interest and/or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and/or principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

Act 85 of 2016

On July 13, 2016, the Governor of the Commonwealth signed into law Act No. 85 of 2016, (P.L. 664, No. 85) ("Act 85 of 2016"), an amendment to the Act of April 9, 1929 (P.L. 343, No. 176), known as the Fiscal Code ("Fiscal Code"). Act 85 of 2016 adds to the Fiscal Code Article XVII-E.4, entitled "School District Intercepts for the Payment of Debt Service During Budget Impasse", which provides for intercept of subsidy payments by the Pennsylvania Department of Education ("PDE") to a school district subject to an intercept statute or an intercept agreement in the event of a Commonwealth budget impasse in any fiscal year.

Act 85 of 2016 includes in the definition of "intercept statutes" Section 633 of the Public School Code. The School District's general obligation bonds, including the Bonds, are subject to Section 633 of the Public School Code.

Act 85 of 2016 provides that the amounts that may be necessary for PDE to comply with the provisions of the applicable intercept statute or intercept agreement "shall be appropriated" to PDE from the General Fund of the Commonwealth after PDE submits justification to the majority and minority chairs of the appropriations committees of the Pennsylvania Senate and House of Representatives allowing ten (10) calendar days for their review and comment, if, in any fiscal year:

- (1) annual appropriations for payment of Commonwealth money to school districts have not been enacted by July 1 and continue not to be enacted when a payment is due;
- (2) the conditions under which PDE is required to comply with an intercept statute or intercept agreement have occurred, thereby requiring PDE to withhold payments which would otherwise be due to school districts; and

- (3) the Secretary of PDE, in consultation with the Secretary of the Budget, determines that there are no payments or allocations due to be paid to the applicable school districts from which PDE may withhold money as required by the applicable intercept statute or intercept agreement.

The necessary amounts shall be appropriated and paid to the paying agent on the day the scheduled payment for principal and interest is due on the expiration of the tenth (10th) day following submission of the justification described above to the majority and minority chairs of the appropriations committees, who may comment on the justification but cannot prevent the effectiveness of the appropriation.

The total of all intercept payments under Article XVII-E.4 for a school district may not exceed 50% of the total nonfederal general fund subsidy payments made to that school district in the prior fiscal year.

Act 85 of 2016 requires that each school district with bonds or notes subject to an intercept statute or intercept agreement must deliver to PDE, in such format as PDE may direct, a copy of the final Official Statement for the relevant bonds or notes or the loan documents relating to the obligations, within thirty (30) days of receipt of the proceeds of the obligations. The School District intends on submitting this information with respect to the Bonds to PDE within the prescribed timeframe following the issuance of the Bonds. Act 85 of 2016 provides that any obligation for which PDE does not receive the required documents shall not be subject to the applicable intercept statute or intercept agreement.

The provisions of Act 85 of 2016 are not part of any contract with the holders of the Bonds and may be amended or repealed by future legislation.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information, and such information is not to be construed as a representation of the School District or the Underwriter.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to Tender Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to Tender Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to Tender Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NEITHER THE ISSUER NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY TO ANY BENEFICIAL OWNER BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

The Issuer and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Bonds paid to DTC or its nominee, as the registered owner of the Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Preliminary Official Statement.

BOND INSURANCE

The Bonds may or may not be issued with bond insurance. The decision to use bond insurance on all or a portion of the Bonds will be subject to market conditions at the time of pricing the Bonds.

REDEMPTION OF BONDS

Mandatory Redemption

Bidders may elect to structure the issue to include term bonds, which term bonds, if selected by the bidder, will be subject to mandatory redemption prior to maturity, in the years and amounts as shown in the Invitation to Bid, upon payment of the principal amount of Bonds to be redeemed, together with accrued interest to the date fixed for redemption, or upon maturity, as applicable. Bonds to be redeemed shall be selected by lot by the Paying Agent.

In lieu of such Mandatory Redemption, the Paying Agent, on behalf of the School District, may purchase from money in the Sinking Fund, at a price not to exceed the principal amount plus accrued interest, or the School District may tender to the Paying Agent, all or part of the Bonds subject to being drawn for redemption in any such year.

Optional Redemption

The Bonds stated to mature on or after September 1, 2030, shall be subject to redemption prior to maturity, at the option of the School District, as a whole, on September 1, 2029 or on any date thereafter, or from time to time, in part (and if in part, in any order of maturity as selected by the School District and within a maturity by lot), in either case upon payment of a redemption price of 100% of the principal amount of such Bonds, together with accrued interest to the redemption date.

Notice of Redemption

Notice of any redemption shall be given by mailing a copy of the redemption notice not less than 30 days nor more than 45 days prior to the date fixed for redemption addressed to each of the registered owners of Bonds to be redeemed, in whole or in part at the addresses shown on the registration books; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof shall not affect the validity of any proceeding for redemption of any Bonds called for redemption.

On the date designated for redemption, and money for payment of the principal and accrued interest being held by the Paying Agent, interest on the Bonds and portions thereof so called for redemption shall cease to accrue and such Bonds and portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth of Pennsylvania are authorized by law or executive order to close, then the date for payment of the principal, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

Manner of Redemption

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing that number of Bonds which is obtained by dividing the principal amount thereof by \$5,000, each \$5,000 portion of such Bonds being subject to redemption. In the case of partial redemption of a Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

THE SCHOOL DISTRICT

Introduction

The Montgomery Area School District is located in Lycoming County in north central Pennsylvania, approximately 15 miles southeast of Muncy, Pennsylvania. The School District covers 87 square miles and is comprised of the Borough of Montgomery, Brady Township, Clinton Township, and Washington Township.

Administration

The School District has a nine-member Board of School Directors (the "School Board") elected for four-year terms. The Superintendent is the chief administrative officer of the School District, with overall responsibility for all aspects of operations, including education and finance. The Business Manager is responsible for budget and financial operations. The School Board selects both officials.

School Facilities

The School District presently operates one elementary school and a junior/senior high school, all as described in the following table.

TABLE 1
MONTGOMERY AREA SCHOOL DISTRICT
SCHOOL FACILITIES

| Building | Original Construction Date | Addition/ Renovation Date(s) | Grades | Rated Pupil Capacity | 2023-24 Enrollment |
|---|---|---|---------------|-------------------------------------|-------------------------------|
| <i>Elementary:</i> | | | | | |
| Montgomery Elementary School | 1958 | 1984 | K-6 | 600 | 526 |
| <i>Secondary:</i> | | | | | |
| Montgomery Jr./Senior High School | 1929 | 1984/2000 | 7-12 | 500 | 410 |

Source: School District officials.

Enrollment Trends

The following Table 2 presents recent trends in school enrollment and projections of enrollment for the next 5 years, as prepared by the School District's administrative officials.

TABLE 2
MONTGOMERY AREA SCHOOL DISTRICT
ENROLLMENT TRENDS

| Actual Enrollments | | | | Projected Enrollments | | | |
|---------------------------|-------------------|------------------|--------------|------------------------------|-------------------|------------------|--------------|
| School Year | Elementary | Secondary | Total | School Year | Elementary | Secondary | Total |
| 2019-20 | 547 | 369 | 916 | 2024-25 | 547 | 423 | 970 |
| 2020-21 | 537 | 395 | 932 | 2025-26 | 547 | 423 | 970 |
| 2021-22 | 534 | 414 | 948 | 2026-27 | 547 | 423 | 970 |
| 2022-23 | 530 | 423 | 953 | 2027-28 | 547 | 423 | 970 |
| 2023-24 | 526 | 410 | 936 | 2028-29 | 547 | 423 | 970 |

Source: School District officials.

SCHOOL DISTRICT FINANCES

Introduction

The School District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by the Superintendent and Business Manager and submitted to the School Board for approval prior to the beginning of the fiscal year July 1.

Financial Reporting

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll, taxes and pension fund contributions payable, loans receivable from other funds, and revenues receivable from other governmental units. Its financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of Richard B. Snodgrass & Co., of Williamsport, Pennsylvania serves as School District auditor.

Budgeting Process as modified by the 2006 Taxpayer Relief Act (Taxpayer Relief Act)

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by PDE and submitted to the board of school directors for approval prior to the beginning of each fiscal year which commences on July 1.

Procedures for Adoption of the Annual Budget. Unless the Simplified Procedures described below are utilized, under Pennsylvania Act No. 1 of the Special Session of 2006, as amended by Act 25 of 2011 (together “The Taxpayer Relief Act” or “Act 1”) all school districts of the first class A, second class, third class and fourth class must adopt a preliminary budget (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the primary election immediately preceding the beginning of each fiscal year. This preliminary budget must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days’ public notice of its intent to adopt the preliminary budget prior to its adoption. The board of school directors shall print the final budget and make it available for public inspection at least 20 days prior to its adoption and shall give public notice of its intent to adopt the final budget at least 10 days prior to adoption, and may hold a public hearing prior to adoption. Guidance from PDE suggests that the preliminary budget be converted to a proposed budget adopted by the board of school directors at least 30 days prior to the adoption of the final budget as required by the School Code. The School District follows the requirements of Act 1 and the guidance of PDE pursuant to the requirements of the School Code.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to PDE no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district’s Index (see “**The Taxpayer Relief Act (Act 1)**” herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, or seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see “**The Taxpayer Relief Act (Act 1)**” herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE. If PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing must be published by the school district immediately upon receipt of the notification from PDE that a hearing is required. PDE is required by the Taxpayer Relief Act to rule on the school district’s request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district’s request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared and approved at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days’ public notice be given of the board’s intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Summary and Discussion of Financial Results

The School District adopted a budget for 2023-24 on June 20, 2023.

The School District prepared annual fund balance analyses for discussion and approval by the Board. The Board's fund balance objective is to maintain a fund balance that will provide financial stability and to provide sufficient funds to pay current expenditures.

A summary of general fund balance sheet and changes in fund balances is presented in Tables 3 and 4. Table 5 shows revenues and expenditures for the past 5 years and the 2023-24 Budget.

TABLE 3
MONTGOMERY AREA SCHOOL DISTRICT
SUMMARY OF COMPARATIVE GENERAL FUND BALANCE SHEET*
(Years ending June 30)

| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$5,955,939 | \$6,163,042 | \$6,201,245 | \$6,334,557 | \$6,979,534 |
| Taxes Receivable (Net) | 615,822 | 680,999 | 654,225 | 636,519 | 629,623 |
| Interfund Receivable | 0 | 0 | 0 | 0 | 0 |
| Intergovernmental Receivable..... | 682,541 | 807,493 | 1,057,394 | 1,742,599 | 1,149,541 |
| Other..... | 240 | 0 | 0 | 0 | 0 |
| TOTAL ASSETS | <u>\$7,254,542</u> | <u>\$7,651,534</u> | <u>\$7,912,864</u> | <u>\$8,713,675</u> | <u>\$8,758,698</u> |
| LIABILITIES | | | | | |
| Due to Other Funds | \$19,450 | \$16,909 | \$21,113 | \$44,277 | \$26,696 |
| Accounts Payable | 178,271 | 288,129 | 179,978 | 718,141 | 273,996 |
| Current Portion of LT Debt..... | 9,702 | 9,702 | 9,702 | 9,702 | 9,702 |
| Accrued Salaries and Benefits..... | 499,499 | 513,468 | 573,236 | 565,394 | 542,764 |
| Payroll Deductions and Withholdings... | 653,858 | 691,075 | 591,451 | 668,700 | 789,129 |
| Other..... | 0 | 273,314 | 29,176 | -1,320 | 3,876 |
| TOTAL LIABILITIES | <u>\$1,360,780</u> | <u>\$1,792,597</u> | <u>\$1,404,656</u> | <u>\$2,004,894</u> | <u>\$1,646,163</u> |
| Deferred Inflow of Resources | \$284,943 | \$0 | \$259,342 | \$260,262 | \$264,285 |
| FUND EQUITIES | | | | | |
| Reserve for Inventories..... | \$630,000 | \$630,000 | \$630,000 | \$630,000 | \$630,000 |
| Standard Fund Balance..... | 4,375,635 | 4,375,635 | 4,375,635 | 4,375,635 | 4,375,635 |
| Unreserved Fund Balance..... | 603,184 | 853,302 | 1,243,231 | 1,442,884 | 1,842,615 |
| TOTAL FUND EQUITIES | <u>\$5,608,819</u> | <u>\$5,858,937</u> | <u>\$6,248,866</u> | <u>\$6,448,519</u> | <u>\$6,848,250</u> |
| TOTAL LIABILITIES | | | | | |
| AND FUND EQUITIES | <u>\$7,254,542</u> | <u>\$7,651,534</u> | <u>\$7,912,864</u> | <u>\$8,713,675</u> | <u>\$8,758,698</u> |

*Totals may not add due to rounding.

Source: School District Annual Financial Reports

TABLE 4
MONTGOMERY AREA SCHOOL DISTRICT GENERAL FUND
SUMMARY OF CHANGES IN FUND BALANCE*

| | Actual | | | | | Budgeted |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------------|
| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024⁽¹⁾</u> |
| Beginning Fund Balance | \$5,944,254 | \$5,608,819 | \$5,858,936 | \$6,248,868 | \$6,448,520 | \$6,848,251 |
| Revenues over | | | | | | |
| (under) Expenditure | <u>(335,435)</u> | <u>250,117</u> | <u>389,932</u> | <u>199,653</u> | <u>399,730</u> | <u>0</u> |
| Ending Fund Balance | <u><u>\$5,608,819</u></u> | <u><u>\$5,858,936</u></u> | <u><u>\$6,248,868</u></u> | <u><u>\$6,448,520</u></u> | <u><u>\$6,848,251</u></u> | <u><u>\$6,848,251</u></u> |

*Totals may not add due to rounding.

⁽¹⁾Budget, as adopted June 20, 2023. See "Summary and Discussion of Financial Results" herein.

Source: School District Annual Financial Reports and Budget.

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Revenue

The School District received \$20,445,895 in total revenue in 2022-23 and has budgeted \$19,030,557 in 2023-24. Local sources contributed to a decreased share of total revenue from 42.7 percent in 2018-19 to 38.2 percent in 2022-23. Revenue from State sources contributed a decreased share of total revenue from 54.1 percent to 52.2 percent over this period. Federal and other sources contributed an increased share from 3.2 percent to 9.7 percent over this period.

TABLE 5
MONTGOMERY AREA SCHOOL DISTRICT
SUMMARY OF SCHOOL DISTRICT GENERAL FUND
REVENUES *
(For years ending June 30)

| REVENUE: | Actual | | | | | Budget |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 ⁽¹⁾ |
| Local Sources: | | | | | | |
| Current Real Estate Taxes | \$4,255,649 | \$4,215,559 | \$4,271,355 | \$4,459,525 | \$4,609,877 | \$4,779,243 |
| Interim Real Estate Taxes | 5,631 | 5,216 | 4,804 | 535 | 3,817 | 9,836 |
| Public Utility Realty Tax | 5,535 | 5,275 | 74,822 | 6,064 | 6,200 | 5,385 |
| Payments in Lieu of Current Taxes | 68,288 | 66,129 | 6,005 | 68,944 | 62,436 | 68,858 |
| Act 511 Taxes | 1,644,219 | 1,584,742 | 1,812,767 | 1,908,052 | 1,938,252 | 1,817,207 |
| Delinquency on Taxes Levied | 224,959 | 287,559 | 283,360 | 221,212 | 222,505 | 300,000 |
| Earnings on Investments | 160,450 | 98,015 | 25,303 | 36,731 | 249,448 | 252,000 |
| Revenue from Student Activities | 29,820 | 27,957 | 2,528 | 32,446 | 28,929 | 20,719 |
| Federal IDEA Pass Through Revenue | 127,409 | 142,524 | 344,689 | 167,393 | 229,163 | 126,741 |
| Contributions and Donations | 66,534 | 107,252 | 101,000 | 105,712 | 100,376 | 105,000 |
| Tuition | 0 | 0 | 0 | 0 | 0 | 300,000 |
| Receipts from Other LEA's in PA | 247,382 | 282,120 | 250,275 | 281,845 | 349,213 | 0 |
| Community Services & Student Activities | 7,994 | 2,543 | 0 | 320 | 2,841 | 18,000 |
| Other Sources | 40,421 | 16,823 | 264,925 | 21,175 | 3,417 | 400 |
| Total Local Sources | \$6,884,292 | \$6,841,714 | \$7,441,832 | \$7,309,954 | \$7,806,474 | \$7,803,389 |
| State Sources: | | | | | | |
| Basic Instructional Subsidy | \$5,261,844 | \$5,348,003 | \$5,347,999 | \$5,499,910 | \$6,146,431 | \$6,146,665 |
| Tuition for Orphans | 20,335 | 27,300 | 53,099 | 26,143 | 61,480 | 42,500 |
| Vocational Education | 20,201 | 28,813 | 27,471 | 13,821 | 9,541 | 15,245 |
| Special Education | 601,713 | 615,471 | 615,454 | 647,940 | 680,078 | 680,094 |
| Pre-K Counts | 425,000 | 437,500 | 437,500 | 437,500 | 500,000 | 500,000 |
| Transportation | 250,174 | 227,445 | 203,814 | 225,450 | 285,776 | 234,000 |
| Rental and Sinking Fund Payments | 142,883 | 124,334 | 158,692 | 312,299 | 437,791 | 455,248 |
| Health Services | 15,486 | 15,279 | 16,402 | 15,206 | 16,152 | 15,472 |
| State Property Tax Reduction Allocation | 318,766 | 318,754 | 319,067 | 320,142 | 401,843 | 402,764 |
| Ready to Learn Block Grant | 136,406 | 136,406 | 136,406 | 136,406 | 136,406 | 136,408 |
| Social Security and Medicare Tax | 267,053 | 271,127 | 262,821 | 273,269 | 292,697 | 309,838 |
| Retirement Contributions | 1,243,675 | 1,317,755 | 1,191,764 | 1,524,048 | 1,517,029 | 1,288,053 |
| Other Sources | 25,000 | 29,359 | 105,389 | 74,352 | 178,723 | 4,908 |
| Total State Sources | \$8,728,536 | \$8,897,546 | \$8,875,880 | \$9,506,486 | \$10,663,947 | \$10,231,195 |
| Federal Sources: | | | | | | |
| Total Federal Sources | \$402,638 | \$523,267 | \$1,025,632 | \$2,088,236 | \$1,928,789 | \$825,973 |
| Other Sources: | | | | | | |
| Total Other Sources | \$110,589 | \$100,245 | \$0 | \$339,201 | \$46,685 | \$170,000 |
| TOTAL REVENUE | \$16,126,055 | \$16,362,772 | \$17,343,344 | \$19,243,878 | \$20,445,895 | \$19,030,557 |
| EXPENDITURES: | | | | | | |
| Instruction | \$9,559,786 | \$9,482,910 | \$10,086,731 | \$10,779,023 | \$11,751,209 | \$10,459,658 |
| Pupil Personnel | 546,690 | 570,227 | 653,867 | 673,779 | 602,261 | 628,164 |
| Instructional Staff | 453,797 | 580,188 | 619,578 | 567,990 | 551,715 | 567,278 |
| Administration | 936,022 | 959,914 | 987,537 | 980,264 | 1,007,928 | 1,125,218 |
| Pupil Health | 118,069 | 116,332 | 144,395 | 125,924 | 121,023 | 132,424 |
| Business | 352,787 | 360,107 | 362,643 | 383,636 | 420,374 | 402,255 |
| Operation and Maintenance | 1,449,325 | 1,475,535 | 1,734,394 | 2,714,011 | 1,797,320 | 1,432,135 |
| Student Transportation | 521,202 | 404,423 | 468,554 | 469,027 | 542,153 | 531,608 |
| Operation of Non-instructional Services | 599,796 | 569,627 | 552,219 | 631,123 | 677,502 | 594,122 |
| Facilities, Acquisition, Construction | 0 | 0 | 0 | 0 | 686,429 | 0 |
| Debt Service | 99,344 | 75,749 | 75,596 | 35,803 | 55 | 2,120,753 |
| Fund Transfers | 1,824,672 | 1,517,642 | 1,267,898 | 1,683,645 | 1,888,195 | 0 |
| Budgetary Reserve | 0 | 0 | 0 | 0 | 0 | 1,036,942 |
| TOTAL EXPENDITURES | \$16,461,490 | \$16,112,655 | \$16,953,413 | \$19,044,225 | \$20,046,165 | \$19,030,557 |
| SURPLUS (DEFICIT) OF | | | | | | |
| REVENUES OVER EXPENDITURES | (\$335,435) | \$250,117 | \$389,932 | \$199,653 | \$399,730 | \$0 |

*Totals may not add due to rounding.

⁽¹⁾ Budget as adopted June 20, 2023. See "Summary and Discussion of Financial Results" herein.

Source: School District Annual Financial Reports and Budget.

TAXING POWERS OF THE SCHOOL DISTRICT

In General

Subject to certain limitations imposed by the Taxpayer Relief Act (more specifically described below), the School District is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes.
2. An unlimited ad valorem tax on the property taxable for school purposes to provide funds:
 - a. for minimum salaries and increments of the teaching and supervisory staff;
 - b. to pay rentals due any municipality authority or non-profit corporation or due the State Public School Building Authority;
 - c. to pay interest and principal on any indebtedness incurred pursuant to the Local Government Unit Debt Act, or any prior or subsequent act governing the incurrence of indebtedness of the school district; and
 - d. to pay for the amortization of a bond or note issue which provided a school building prior to the first Monday of July, 1959.
3. An annual per capita tax on each resident or inhabitant over 18 years of age of not more than \$5.00.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended by Act 32 of 2008, enacted July 2, 2008 (53 P.S. §6924.101) the ("Local Tax Enabling Act"). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – "STEB") multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

The Taxpayer Relief Act (Act 1)

Under Act 1, a school district may not levy any new tax for the support of the public schools which was not levied in a previous fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the Pennsylvania Department of Education (PDE):

1. to pay interest and principal on indebtedness "incurred" (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) *prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004*; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees' Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by PDE. If a school district's petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Act 1 Index applicable to the School District in the next, current and prior fiscal years are as follows:

| Fiscal Year | Index % |
|--------------------|----------------|
| 2024-25 | 7.3% |
| 2023-24 | 5.6% |
| 2022-23 | 4.6% |
| 2021-22 | 3.9% |
| 2020-21 | 3.6% |

Source: Pennsylvania Department of Education website.

In accordance with Act 1, the School District put a referendum question on the ballot at the May, 15, 2007, primary election seeking voter approval to levy (or increase the rate of) an earned income and net profits tax ("EIT") or a personal income tax ("PIT") and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. This referendum question was not approved by the voters. A board of school directors may submit, but is not required to submit, a referendum question to the voters at the municipal election in any later year seeking approval to levy or increase the rate of an EIT or a PIT for the purpose of funding homestead and farmstead exclusions, but the proposed rate of the EIT or PIT shall not exceed the rate that is required to provide the maximum homestead and farmstead exclusions allowable under law.

Status of the Bonds Under Act 1

The Bonds do not qualify for an exception to the Index and referendum requirement for debt incurred prior to the effective date of Act 1 (or its predecessor statute Act 72). The School District must include any tax increases to pay debt service due on the Bonds within the Index applicable in each Fiscal Year.

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 1. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 1 NOR A LEGAL INTERPRETATION OF ANY PROVISION OF ACT 1, AND A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 1 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.

Legislation Limiting Unreserved Fund Balances

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

| <u>Total Budgeted Expenditures</u> | <u>Estimated Ending Unreserved Undesignated Fund Balance as a Percentage of Total Budgeted Expenditures</u> |
|---|--|
| Less than or equal to \$11,999,999 | 12.0% |
| Between \$12,000,000 and \$12,999,999 | 11.5% |
| Between \$13,000,000 and \$13,999,999 | 11.0% |
| Between \$14,000,000 and \$14,999,999 | 10.5% |
| Between \$15,000,000 and \$15,999,999 | 10.0% |
| Between \$16,000,000 and \$16,999,999 | 9.5% |
| Between \$17,000,000 and \$17,999,999 | 9.0% |
| Between \$18,000,000 and \$18,999,999 | 8.5% |
| Greater than or equal to \$19,000,000 | 8.0%* |

"Estimated ending unreserved fund balance" is defined in Act 2003-48 as that portion of the fund balance which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district's budget was adopted and held in the general fund accounts of the school district.

*Applicable to the School District.

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 48 OF 2003. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 48 OF 2003 NOR A LEGAL INTERPRETATION OF ANY PROVISION OF ACT 48. A PROSPECTIVE PURCHASER OF THE BONDS

SHOULD REVIEW THE FULL TEXT OF ACT 48 OF 2003 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.

Tax Levy Trends

Table 6 shows the recent trend of tax rates levied by the School District. Table 7 shows the comparative trend of real property tax rates for the School District, Lycoming County and the municipalities within the School District.

**TABLE 6
MONTGOMERY AREA SCHOOL DISTRICT
TAX RATES**

| | | Real Estate | Earned | Local | Mechanical |
|-------------|--------------------|--------------------|---------------|-----------------|-----------------------|
| | Real Estate | Transfer | Income | Services | Device |
| Year | (mills) | (%) | (%) | Tax | Tax/Per Device |
| 2019-20 | 15.21 | 0.50 | 1.25 | 5.00 | 125.00 |
| 2020-21 | 15.21 | 0.50 | 1.25 | 5.00 | 125.00 |
| 2021-22 | 15.80 | 0.50 | 1.25 | 5.00 | 125.00 |
| 2022-23 | 16.52 | 0.50 | 1.25 | 5.00 | 125.00 |
| 2023-24 | 17.36 | 0.50 | 1.25 | 5.00 | 125.00 |

Source: School District Budgets and Pennsylvania Department of Community and Economic Development- Municipal Statistics.

**TABLE 7
MONTGOMERY AREA SCHOOL DISTRICT
COMPARATIVE REAL PROPERTY TAX RATES
(Mills on Assessed Value)**

| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| School District | 15.2100 | 15.2100 | 15.8000 | 16.5200 | 17.3600 |
| | 2020 | 2021 | 2022 | 2023 | 2024 |
| Lycoming County | 6.5000 | 6.5000 | 6.5000 | 6.5000 | 6.5000 |
| Montgomery Borough | 7.4920 | 7.4920 | 7.4920 | 7.4920 | 7.4920 |
| Brady Township | 0.2500 | 0.2500 | 0.2500 | 0.2500 | 0.2500 |
| Clinton Township | 1.8980 | 1.8980 | 1.8980 | 1.8980 | 1.8980 |
| Washington Township | 2.0890 | 2.0890 | 2.0890 | 2.0890 | 2.0890 |

Source: Pennsylvania Department of Community and Economic Development- Municipal Statistics.

Real Property Tax

The real property tax (excluding delinquent collections) produced \$4,609,876 in 2022-23, approximately 22.5 percent of overall revenue. The tax is levied on July 1 of each year. Taxpayers who remit within 60 days receive a 2 percent discount, and those who remit subsequent to 120 days after July 1 are assessed a 10 percent penalty.

The following table summarizes recent trends of assessed and market valuations of real property and real property tax collection data. The last County reassessment was done July 1, 2004, which went into effect on January 1, 2005.

TABLE 8
MONTGOMERY AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA

| Year | Market Value | Assessed Value | Ratio |
|---------------|-------------------------|---------------------------|--------------|
| 2018-19 | \$390,456,185 | \$314,019,290 | 80.42% |
| 2019-20 | 392,536,210 | 315,460,950 | 80.36% |
| 2020-21 | 403,015,867 | 316,215,460 | 78.46% |
| 2021-22 | 406,001,555 | 317,883,290 | 78.30% |
| 2022-23 | 439,534,630 | 317,852,820 | 72.32% |

Source: Pennsylvania State Tax Equalization Board (STEB) / Tax Equalization Division (TED).

TABLE 9
MONTGOMERY AREA SCHOOL DISTRICT
REAL PROPERTY ASSESSMENT DATA BY MUNICIPALITY

| | 2021 Market Value | 2021 Assessed Value | 2022 Market Value | 2022 Assessed Value |
|------------------------------|----------------------------------|------------------------------------|----------------------------------|------------------------------------|
| <i>School District</i> | \$406,001,555 | \$317,883,290 | \$439,534,630 | \$317,852,820 |
| Brady Township | 29,247,382 | 23,083,210 | 30,342,184 | 22,999,640 |
| Clinton Township | 204,767,664 | 164,873,740 | 227,364,693 | 164,851,590 |
| Montgomery Borough | 46,984,394 | 40,185,780 | 50,108,632 | 40,281,950 |
| Washington Township | 125,002,115 | 89,740,560 | 131,719,121 | 89,719,640 |
| <i>Lycoming County</i> | 7,241,797,248 | 5,747,084,332 | 7,733,835,283 | 5,747,196,995 |

Source: Pennsylvania State Tax Equalization Board (STEB) / Tax Equalization Division (TED).

TABLE 10
MONTGOMERY AREA SCHOOL DISTRICT
ASSESSMENT BY LAND USE

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------------|---------------|---------------|---------------|---------------|---------------|
| Residential..... | \$179,147,135 | \$181,188,810 | \$176,245,550 | \$176,974,150 | \$177,780,400 |
| Trailers | 409,890 | 3,676,860 | 3,624,420 | 3,612,220 | 3,770,780 |
| Seasonal..... | 2,054,300 | 43,419,100 | 42,672,270 | 42,787,860 | 42,175,580 |
| Lot | 3,902,180 | 30,211,280 | 30,173,160 | 30,931,850 | 30,497,400 |
| Industrial | 43,749,660 | 51,861,040 | 51,881,150 | 51,949,550 | 52,025,410 |
| Commercial | 30,430,710 | 2,693,430 | 2,721,570 | 2,752,920 | 2,776,480 |
| Agriculture | 51,448,100 | 2,011,610 | 1,913,000 | 1,913,000 | 1,928,430 |
| Land | 2,877,315 | 398,820 | 6,984,340 | 6,961,740 | 6,898,340 |
| <i>Total</i> | \$314,019,290 | \$315,460,950 | \$316,215,460 | \$317,883,290 | \$317,852,820 |

Source: Pennsylvania State Tax Equalization Board (STEB) / Tax Equalization Division (TED).

TABLE 11
MONTGOMERY AREA SCHOOL DISTRICT
REAL PROPERTY TAX COLLECTION DATA

| | Adjusted | Current | Current Year | Total | Total |
|--------------|-----------------|--------------------|---------------------|-----------------------------|--------------------|
| Year | Levy | Collections | Collections | Collections | Collections |
| | | Amount | as Percent | Amount⁽¹⁾ | as Percent |
| 2019-20 | \$4,481,257 | \$4,215,559 | 94.07% | \$4,528,254 | 101.05% |
| 2020-21 | 4,662,835 | 4,271,354 | 91.60% | 4,554,714 | 97.68% |
| 2021-22 | 4,848,455 | 4,459,525 | 91.98% | 4,680,737 | 96.54% |
| 2022-23 | 4,848,455 | 4,609,876 | 95.08% | 4,837,655 | 99.78% |
| 2023-24(est) | 5,126,735 | 4,780,681 | 93.25% | 5,079,241 | 99.07% |

⁽¹⁾Flat billing plus penalties, less discounts and exonerations.

Source: School District officials.

The ten largest real property taxpayers, together with their assessed values, are shown in Table 12. The aggregate assessed value of these ten taxpayers totals approximately 12 percent of total assessed value.

TABLE 12
MONTGOMERY AREA SCHOOL DISTRICT
TEN LARGEST REAL PROPERTY TAXPAYERS

| Owner | 2023-24 Assessed Value |
|------------------------------|---------------------------------------|
| Panda Patriot Llc | \$9,108,000 |
| Energy Property Partners | 6,430,710 |
| Leclerc Foods Usa Inc | 3,847,500 |
| Specialized Vehicles Corp | 3,132,640 |
| Shared Investments Iv Llc | 2,800,030 |
| Construction Specialties Inc | 2,610,820 |
| Wengers Feed Mill Inc | 2,340,000 |
| 4 Girton Dr Lp | 2,238,000 |
| M-B Companies Inc | 2,058,450 |
| Wengerd Thomas S & Ella H | 1,718,700 |
| Total | \$36,284,850 |

Source: School District officials.

Other Taxes

Under Act 511, the School District collected \$1,938,252 in other taxes in 2022-23. Among the taxes authorized by Act 511, the Real Estate Transfer Tax, Earned Income Tax, Emergency and Municipal Services Tax, Mechanical Devise Tax are levied by the School District. The Act 511 limit, equal to 12 mills on the market value of real property, was \$5,274,415.

Real Estate Transfer. The School District levies a tax of 1.0% of the value of real estate transfers. In 2022-23, the School District's collected portion of this tax yielded \$68,746 or less than one percent of total revenue.

Earned Income Tax. A tax of one 1.25 percent of the earned income of residents is levied by the School District. In 2022-23, the School District's collected portion of this tax yielded \$1,869,504 or 9.1 percent of total revenue.

COMMONWEALTH AID TO SCHOOL DISTRICTS

Pennsylvania school districts receive financial assistance from the Commonwealth in a number of forms, all subject to statutory provisions and annual appropriation by the Pennsylvania General Assembly.

Basic education funding is allocated to all school districts in an amount equal to: (1) a fixed sum equal to the school district's Fiscal Year 2014-15 basic educational funding; plus (2) an additional increment determined annually pursuant to statutory formula which adjusts a school district's average daily membership by a number of factors specific to the composition of the student population as well as the school district's median household income, local tax effort and capacity to generate local revenue. The additional increment as calculated above for any individual school district may be zero.

Information concerning the calculation of the School District's basic education funding can be found on the Pennsylvania Department of Education's website at <https://www.education.pa.gov>

School districts may also receive state aid for special education, pupil transportation, vocational education, and health services, among other things.

Current Lack of State Appropriations for Debt Service Subsidies

Commonwealth law presently provides that the School District will receive, subject to state legislative appropriation, reimbursement from the Commonwealth for a portion of debt service paid on the Bonds following final approval by PDE. Commonwealth reimbursement is calculated based on the "Reimbursable Percentage" assigned to the Bonds by the PDE and the School District's permanent Capital Account Reimbursement Fraction ("CARF") (58.52%) or the wealth based Market Value Aid Ratio ("MVAR") currently (60.89%), whichever is higher. The Reimbursable Percentage is determined through a process known as the "Planning and Construction Workbook" or "PlanCon".

The School District estimates the 2024 bonds will not be subject to reimbursement by the Commonwealth.

In May of 2016, the Commonwealth enacted appropriation legislation known as Act 25 ("Act 25"), which contains authorization for the Commonwealth Finance Authority ("CFA") to issue up to \$2.5 billion of debt to fund PlanCon reimbursements to school districts. Act 25 also instituted a moratorium on new projects entering the PlanCon process while an advisory committee established under Act 25 considers amendments to the PlanCon reimbursement program. This moratorium went into effect on May 15, 2016 and most recently became indefinite with the adoption of Act No. 33 of 2023 on December 13, 2023.

To date, the CFA has issued \$1,903,065,000, to provide for PlanCon reimbursements owed to school districts, including the issuance of its Revenue Bonds, Series A of 2016 (Federally Taxable) in the principal amount of \$758,185,000 issued on October 31, 2016, its Revenue Bonds, Series A of 2018 (Federally Taxable) in the total amount of \$412,520,000 issued on January 18, 2018, its Revenue Bonds (Federally Taxable), Series A of 2019 in the total amount of \$388,975,000 issued on May 9, 2019, as well as its Revenue Bonds (Federally Taxable), Series A of 2021 in the total amount of \$343,385,000 issued on June 23, 2021. It is expected that proceeds of these issues have been and will continue to be used to provide PlanCon reimbursement that is owed to the School District for past and current fiscal years. However, the School District cannot be certain that any future PlanCon reimbursement will be received by PDE as the ability for CFA to issue additional bonds in the future to fund future PlanCon reimbursements owed to school districts may impact the availability of PlanCon reimbursements payable to the School District. Any failure by the Commonwealth to adopt a timely budget and enact necessary spending authorizations could have a material adverse effect upon the School District's anticipated receipt of PlanCon reimbursements.

Act 70 of 2019 was adopted by the State legislature that has modified the PlanCon process. The Act states that on July 1, 2020, a new PlanCon system will go online. However, the legislation does not include any funding nor does it state when the State would start to allow applicants to enter into the new program.

There can be no assurances that the School District will be able to successfully apply for, be awarded, and receive sufficient PlanCon reimbursement for the costs of any current or future projects of the School District. A failure by the School District to receive such reimbursement could force the School District to apply other available funds, if any, toward the completion costs of the Project and may have a material adverse effect on the financial resources of the School District to fund other obligations, including payment of debt service on the Bonds.

Legislation has been introduced from time to time in the Pennsylvania legislature containing language that would revise or even abolish the debt service reimbursement program for Pennsylvania school districts. As of the date hereof, and except as described above, none of these proposals have been signed into law. To the extent that any future legislation contains material changes to the PlanCon program as it is structured currently, the amount of PlanCon reimbursement to the School District may be positively or negatively affected, which could materially impact the amount of local funds needed to be raised by the School District to pay debt service on its debt obligations.

DEBT AND DEBT LIMITS

Debt Statement

Table 13 shows the debt of the Montgomery Area School District as of May 13, 2024, including the issuance of the Bonds.

TABLE 13
MONTGOMERY AREA SCHOOL DISTRICT
DEBT STATEMENT
(As of May 13, 2024)

| | Gross Outstanding |
|---|------------------------------|
| NONELECTORAL DEBT | |
| General Obligation Bonds, Series of 2024 (last maturity 2053) | \$9,995,000 |
| General Obligation Bonds, Series of 2023 (last maturity 2052) | 9,875,000 |
| General Obligation Note, Series of 2019 (last maturity 2027) | 5,790,000 |
| TOTAL NONELECTORAL DEBT | \$25,660,000 |
| LEASE RENTAL DEBT | |
| TOTAL LEASE RENTAL DEBT | \$0 |
| TOTAL PRINCIPAL OF DIRECT DEBT | \$25,660,000 |

*Includes the estimated Bonds offered through this Preliminary Official Statement.

Table 14 presents the overlapping indebtedness and debt ratios of the School District. After issuance of the Bonds, the principal amount of direct debt of the School District will total \$25,660,000. After adjustment for available funds and estimated Commonwealth aid, the local effort of direct debt will total \$23,996,932.

TABLE 14
MONTGOMERY AREA SCHOOL DISTRICT
BONDED INDEBTEDNESS AND DEBT RATIOS*
(As of May 13, 2024)

| | Gross Outstanding | Local Effort or Net of Available Funds and Estimated State Aid⁽¹⁾ |
|--|------------------------------|---|
| DIRECT DEBT | | |
| Nonelectoral Debt..... | \$25,660,000 | \$23,996,932 |
| Lease Rental Debt | 0 | 0 |
| TOTAL DIRECT DEBT | \$25,660,000 | \$23,996,932 |
| OVERLAPPING DEBT | | |
| Lycoming County, General Obligation ⁽²⁾ | \$4,981,754 | \$4,981,754 |
| Municipal Debt..... | 8,429,227 | 8,429,227 |
| TOTAL OVERLAPPING DEBT | \$13,410,981 | \$13,410,981 |
| TOTAL DIRECT AND OVERLAPPING DEBT | \$39,070,981 | \$37,407,913 |
| DEBT RATIOS | | |
| Per Capita | \$1,558.16 | \$1,491.84 |
| Percent 2022-23 Assessed Value..... | 12.29% | 11.77% |
| Percent 2022-23 Market Value..... | 8.89% | 8.51% |

*Includes the estimated Bonds offered through this Preliminary Official Statement.

⁽¹⁾ Gives effect to current appropriations for payment of debt service and expected future State Reimbursement of School District sinking fund payments based on current Aid Ratio. See "State Aid to School Districts."

⁽²⁾ Pro rata share of 5.68 percent of \$87,656,500 principal amount outstanding.

Debt Limit and Remaining Borrowing Capacity

The statutory borrowing limit of the School District under the Act is computed as a percentage of the School District's "Borrowing Base". The "Borrowing Base" is defined as the annual arithmetic average of "Total Revenues" (as defined by the Act), for the three full fiscal years ended next preceding the date of incurring debt. The School District calculates its present borrowing base and borrowing capacity as follows:

| | |
|--|----------------------------|
| Total Revenues for 2020-21 | \$16,539,800 |
| Total Revenues for 2021-22 | 16,950,105 |
| Total Revenues for 2022-23 | 18,462,630 |
| Total | <u>\$51,952,536</u> |
| Annual Arithmetic Average (Borrowing Base) | \$17,317,512 |

Under the Act as presently in effect, no school district shall incur any nonelectoral debt or lease rental debt if the aggregate net principal amount of such new debt together with any other net nonelectoral debt and lease rental debt then outstanding would cause the net nonelectoral debt plus net lease rental debt to exceed 225% of the Borrowing Base. The application of the aforesaid percentage to the School District's Borrowing Base produces the following product:

| | <u>Legal Limit</u> | <u>Net Debt Outstanding*</u> | <u>Remaining Borrowing Capacity</u> |
|--|-------------------------------|---|--|
| Net Nonelectoral Debt and Lease Rental Debt Limit: | | | |
| 225% of Borrowing Base..... | \$38,964,402 | \$25,660,000 | \$13,304,402 |

*Includes the estimated Bonds described herein and does not reflect credits against gross indebtedness that may be claimed for a portion of principal of debt estimated to be reimbursed by State aid.

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Debt Service Requirements

Table 15 presents the debt service requirements on the School District's outstanding general obligation and lease rental indebtedness including debt service on the Bonds.

Table 16 presents data on the extent to which State Aid provides coverage for debt service and lease rental requirements.

The School District has never defaulted on the payment of debt service.

TABLE 15
MONTGOMERY AREA SCHOOL DISTRICT
DEBT SERVICE REQUIREMENTS*

| <u>Year</u> | <u>Other</u> <u>General</u> <u>Obligation</u> | <u>Series</u> <u>of 2023</u> | | | <u>Total</u> |
|-------------|---|---------------------------------|-----------------|-----------------|---------------------|
| | <u>Debt</u> | <u>Principal</u> | <u>Interest</u> | <u>Subtotal</u> | <u>Debt Service</u> |
| 2023-24 | \$1,938,562 | | | | |
| 2024-25 | 1,923,230 | | | | |
| 2025-26 | 1,926,730 | | | | |
| 2026-27 | 1,920,105 | | | | |
| 2027-28 | 1,900,305 | | | | |
| 2029-30 | 625,655 | | | | |
| 2030-31 | 626,055 | | | | |
| 2031-32 | 626,055 | | | | |
| 2032-33 | 625,655 | | | | |
| 2033-34 | 624,855 | | | | |
| 2034-35 | 623,655 | | | | |
| 2035-36 | 622,055 | | | | |
| 2036-37 | 620,055 | | | | |
| 2037-38 | 622,555 | | | | |
| 2038-39 | 619,555 | | | | |
| 2039-40 | 621,055 | | | | |
| 2040-41 | 622,255 | | | | |
| 2041-42 | 626,855 | | | | |
| 2042-43 | 625,755 | | | | |
| 2043-44 | 624,055 | | | | |
| 2044-45 | 626,655 | | | | |
| 2045-46 | 628,455 | | | | |
| 2046-47 | 629,455 | | | | |
| 2047-48 | 629,655 | | | | |
| 2048-49 | 629,055 | | | | |
| 2049-50 | 627,519 | | | | |
| 2050-51 | 625,041 | | | | |
| 2051-52 | 626,653 | | | | |
| 2052-53 | 622,353 | | | | |
| Total | <u>\$25,231,852</u> | | | | |

*Totals may not add due to rounding.

TABLE 16
MONTGOMERY AREA SCHOOL DISTRICT
COVERAGE OF DEBT SERVICE AND LEASE RENTAL
REQUIREMENTS BY STATE AID*

| | |
|--|--------------|
| 2022-23 State Aid Received | \$10,663,947 |
| 2022-23 Debt Service Requirements | 1,524,175 |
| Maximum Future Debt Service Requirements after Issuance of Bonds | |
| Coverage of Maximum Future Debt Service Requirements after Issuance of Bonds | 7.00 times |

*Assumes current Commonwealth Aid Ratio. See “COMMONWEALTH AID TO SCHOOL DISTRICTS”.

Future Financing

The School District is considering issuing additional long term (non-refunding) debt of approximately \$15,515,000 in the next 1-2 years for various capital projects.

LABOR RELATIONS

School District Employees

There are approximately 128 employees of the School District, including 79 teachers and 9 administrators, 40 support personnel including secretaries, maintenance staff and monitors.

The School District’s teachers are represented by the Montgomery Area Education Association, an affiliate of the Pennsylvania State Education Association, under a contract with the School District which expires on June 30, 2024. Custodians and maintenance employees are represented by American Federation of State, County and Municipal Employees (AFSCME), under a contract which expires on June 30, 2025. Other employees are not represented by any labor union.

Pension Program

Currently, all Pennsylvania school districts and intermediate units participate in a pension program administrated by the Commonwealth. The program is formally known as the Public School Employees’ Retirement System (“PSERS”), and a percentage of each eligible employee’s salary is contributed by the employee, the School District and the Commonwealth. All full-time employees, part-time employees salaried over eighty days per year and hourly employees with over five hundred hours per year participate in the program.

Contributions are required by active members, School Districts, and the Commonwealth of Pennsylvania as established by the Public School Employees’ Retirement Code. Members who enrolled prior to January 1, 2002 range from 5.28% to 7.5% of compensation, depending upon the date of commencement of employment and elections made by each employee member. Members who enrolled in the pension plan on or after January 1, 2002 and before July 1, 2011 is 7.5% of compensation. The contribution rate for PSERS members who enrolled on or after July 1, 2011 is 7.5% or 10.3%, depending upon elections made by each employee member. The PSERS Board of Trustees certified an annual employer contribution rate of 33.9% for the fiscal year 2024-25.

The Commonwealth will reimburse the School District at the rate of 50% of its total contributions with respect to all employees who were hired prior to July 1, 1994. With respect to employees hired after July 1, 1994, and who were not previously employed by another public school system in the Commonwealth, the School District will be reimbursed by the Commonwealth at the rate of the higher of 50% of contributions made by the School District or the current Market Value/Personal Income Aid Ratio. The School District is reimbursed on a quarterly basis.

Under Act 5 of 2017 (“Act 5”) PSERS will transition from a traditional defined benefit system and begin to offer defined contribution plans as well. Beginning July 1, 2019, in addition to other transaction rules and options based on members’ classifications, certain classes of active members may choose to switch from the current defined benefit plan to one of three new retirement benefit plan options which will be available. Additionally, all active members newly hired on or after July 1, 2019 will be required to select one of those three new retirement benefit plan options and will not be eligible to participate in the current defined benefit plan. The three new plans consist of two hybrid plans, with defined benefit and defined contribution components, along with a stand-alone defined contribution plan.

In addition to its comprehensive change in available plans for active members, Act 5 also made certain changes to the PSERS Board of Trustees and administrative protocols and created the Public Pension Management and Asset Investment Review Commission to study and make recommendations to the General Assembly and the Governor regarding investment performance and strategies.

According to the Independent Fiscal Office, Act 5 is not expected to reduce school district and state contributions to PSERS over the first fifteen years. However, beginning in fiscal 2034-35 through fiscal 2049-50, employer contribution rates are expected to begin to decline due to the lower long-term employer costs of the new benefit plans and will be lower, in the aggregate, over the study period.

Annual School District contributions have been as follows:

| | |
|--------------------|-------------|
| 2018-19 | \$2,132,453 |
| 2019-20 | 2,205,371 |
| 2020-21 | 2,269,431 |
| 2021-22 | 2,379,733 |
| 2022-23 | 2,418,181 |
| 2023-24 (budgeted) | 2,431,222 |

At June 30, 2023, the School District reported a liability of \$20,807,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS total pension liability as of June 30, 2021 to June 30, 2022. The School District's proportion of the net pension liability was calculated utilizing its one-year reported covered payroll as it relates to the total one-year reported covered payroll of all school districts. At June 30, 2022, the School District's proportion was 0.0468% which was an increase of 0.0007% or an approximately 1.52% increase its proportion measured as of June 30, 2021 (approximately 0.0461%).

As of June 30, 2023, the PSERS plan was 61.60% funded, with an unfunded actuarial accrued liability of approximately \$44.0 billion. PSERS' rate of return for fiscal year ended June 30, 2023 was 3.54%. The Fund had plan net assets of \$72.8 billion at June 30, 2023. For more information, visit the PSERS website at www.psers.pa.gov, which is not incorporated by specific reference into this Preliminary Official Statement.

Source: School District Administrative Officials and PSERS.

Other Post-Employment Benefits

The School District is obligated under collective bargaining agreements to provide in the future health insurance coverage for current and future retired employees, and to provide retirement severance pay for existing employees. The School District will become subject to the requirements of GASB Statements No. 43 and 45 commencing with the School District's annual financial statements for the fiscal year ending June 30, 2009.

LITIGATION

At the time of settlement, the School Board will deliver a certificate stating and the Solicitor will opine that there is no litigation pending with respect to the Bonds, the Resolution or the right of the School District to issue the Bonds.

DEFAULTS AND REMEDIES

In the event of failure of the School District to pay or cause to be paid the interest on or principal of the Bonds, as the same becomes due and payable, the holders of the Bonds shall be entitled to certain remedies provided by the Act. Among the remedies, if the failure to pay shall continue for 30 days, holders of the Bonds shall have the right to recover the amount due by bringing an action in assumpsit in the Court of Common Pleas of the county in which the School District is located. The Act provides any judgment shall have an appropriate priority upon the funds next coming into the treasury of the School District. The Act also provides that upon a default of at least 30 days, holders of at least 25 percent of the Bonds may appoint a trustee to represent them. The Act provides certain other remedies in the event of default, and further qualifies the remedies hereinbefore described.

TAX MATTERS

Federal

Exclusion of Interest from Gross Income. In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will not be includable in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the School District with the requirements of the Code. Interest on the Bonds will not be a specific preference item for purposes of computing the federal alternative minimum tax on individuals; however, such interest on the Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

In rendering its opinion, Bond Counsel has assumed continuing compliance by the School District with its covenants contained in the Resolution and its representations in a tax certificate to be executed by the School District on the date of issuance of the Bonds relating to actions to be taken by the School District after the issuance of the Bonds necessary to effect or maintain the exclusion from gross income of interest on the Bonds for federal income tax purposes. These covenants and representations relate

to the use and investment of proceeds of the Bonds and the rebate to the United States Department of Treasury of specified arbitrage earnings, if any. Failure to comply with such covenants could result in interest on the Bonds becoming includible in gross income for federal income tax purposes from the date of issuance of the Bonds.

Other Federal Tax Matters. Ownership or disposition of the Bonds may result in other federal tax consequences of certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, holders of an interest in a financial asset securitization investment trust, property and casualty insurance companies, individuals who otherwise qualify for the earned income credit and taxpayers who have an initial basis in the Bonds greater or less than the principal amount thereof, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers, including banks, thrift institutions and other financial institutions, subject to Code Section 265, who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds.

Federal Income Tax Interest Expense Deductions for Financial Institutions

Under the Code, financial institutions are disallowed 100 percent of their interest expense deductions that are allocable, by a formula, to tax-exempt obligations acquired after August 7, 1986. An exception, which reduces the amount of the disallowance, is provided for certain tax-exempt obligations that are designated or “deemed designated” by the issuer as “qualified tax-exempt obligations under Section 265 of the Code.

The School District will designate the Bonds as “qualified tax-exempt obligations” for the purposes and effect contemplated by the Code.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described under the caption “Tax Matters” above and expressly stated in the form of Bond Counsel opinion included as APPENDIX B. Purchasers of the Bonds should consult their independent tax advisors with regard to all federal tax matters.

Pennsylvania

In the opinion of Bond Counsel, under the laws of the Commonwealth, as enacted and construed on the date thereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however, under the laws of the Commonwealth, as enacted and construed on the date hereof, any profits, gains or income derived from the sale, exchange or other disposition of the Bonds will be subject to Pennsylvania taxes and local taxes within the Commonwealth.

Other

The Bonds and the interest thereon may be subject to state or local taxes in jurisdictions other than the Commonwealth under applicable state or local tax laws.

Purchasers of the Bonds should consult their independent tax advisors with regard to all state and local tax matters that may affect them.

CYBERSECURITY

The School District, like other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the School District may be the subject of cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized remote access to the School District’s systems for the purposes of misappropriating assets or information or causing operational disruption or damage, or demanding ransom for restored access to files or information. The School District has never had a material cyber breach or a cyber breach that resulted in a financial loss. No assurance can be given that the School District’s current efforts to manage cyber threats and security will, in all cases, be successful. The School District cannot predict what future cyber security events may occur and what impact said events could have on its operations or finances. In addition to the various processes in place to safeguard against cyber security attacks, the School District also maintains a comprehensive insurance policy which includes privacy liability, cyber incident response, data breach, network security, internet media and network extortion coverages.

The School District relies on other entities and service providers in the course of operating the School District, including its accountants, attorneys, the trustee, and banks, as well as vendors with respect to outsourced critical digital network operations and functions. No assurance can be given that future cyber threats and attacks against other third party entities or service providers will not impact the School District, including the possibility of impacting the timely payments of debt service on the Bonds or timely filings pursuant to the Continuing Disclosure Certificate.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of the Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”), the School District (being an “obligated person” with respect to the Bonds, within the meaning of the Rule), will execute and deliver a written continuing disclosure undertaking as set forth in the form of Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”), attached hereto as Appendix C.

Certain operating data of the School District may be inherently included in the annual filings of financial statements, the summary of the budget, contents in Official Statements of future bond issues as well as publicly available information.

Under the terms of the Continuing Disclosure Certificate, the School District will undertake to file with the MSRB, certain financial and other information concerning the School District; for example, its annual audited financial statements and notice of certain events affecting the School District, all as set forth in Appendix C.

With respect to the filing of annual financial and operating information, the School District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information to the extent necessary or appropriate as a result of a change in legal requirements or a change in the nature of the School District or its operations or financial reporting, but the School District will agree that any such modification will be done in a manner consistent with the Rule.

The Municipal Securities Rulemaking Board (MSRB) has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other “obligated persons” with respect to municipal securities issues) are made available through the MSRB’s Electronic Municipal Market Access (“EMMA”) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

The School District acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District’s Continuing Disclosure Certificate shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District’s obligations with respect to continuing disclosure described herein shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the School District is no longer an “obligated person” with respect to the Bonds, within the meaning of the Rule.

The School District acknowledges that its undertaking pursuant to the Rule described herein is intended to be for the benefit of the holders and beneficial owners of the Bonds and shall be enforceable by the holders and beneficial owners of the Bonds, but the right of the holders and beneficial owners of the Bonds to enforce the provisions of the School District’s continuing disclosure undertaking shall be limited to a right to obtain specific enforcement, and any failure by the School District to comply with the provisions of the undertaking shall not be an event of default with respect to the Bonds.

The School District’s obligations with respect to continuing disclosure described herein shall terminate upon the prior redemption or payment in full of all of the Bonds or if and when the School District is no longer an “obligated person” with respect to the Bonds, within the meaning of the Rule.

Existing Continuing Disclosure Filing History

The School District has previously entered into Continuing Disclosure Agreements with respect to each one of its previously issued bond issues that were previously outstanding. The School District's filing history of its annual financial and operating information during the past four (4) years is outlined in the table below.

| Fiscal Year Ending | Filing Deadline ^[1] | Financial Statements | | Budget | | Operating Data | |
|-----------------------|-----------------------------------|--------------------------|------------------------|-------------|------------------------|----------------|------------------------|
| | | Filing Date | EMMA ID ^[2] | Filing Date | EMMA ID ^[2] | Filing Date | EMMA ID ^[2] |
| 6/30/2020 | 3/27/2021 | 3/15/2021 ^[3] | P21103853 | 6/29/2020 | RE1040649 | 12/18/2020 | P11105190 |
| 6/30/2021 | 3/27/2022 | 3/25/2022 ^[4] | P21186234 | 6/23/2021 | P11146411 | 12/17/2021 | P21160365 |
| 6/30/2022 | 3/27/2023 | 3/27/2023 | P21277890 | 6/30/2022 | P11223637 | 12/27/2022 | P11249766 |
| 6/30/2023 | 3/26/2024 | 3/25/2024 | P11317599 | 6/26/2023 | P11269857 | 3/21/2024 | P11315463 |

Notes

^[1] For these purposes, assumes the shortest filing deadline of the School District's previous Continuing Disclosure Agreements

^[2] Submission ID is the EMMA Submission ID for each filing. To access a filing, insert the Submission ID to the end of the web address below:
<http://emma.msrb.org/ContinuingDisclosureView/ContinuingDisclosureDetails.aspx?submissionId=>

^[3] The School District filed a notice regarding the status of the audit on 3/15/2021 (EMMA ID P21103853) and filed the PDE 2057 Annual Financial Report on 12/18/2020 (EMMA ID P11105190). Audited financial statements were filed on 6/23/2021 under EMMA ID P11146403.

^[4] The School District filed a notice regarding the status of the audit were filed on 3/25/2022 (EMMA ID P21186234) and filed the PDE 2057 Annual Financial Report on 3/25/2022 (EMMA ID P21186226). Audited financial statements were filed on 5/27/2022 under EMMA ID P11220784.

Based on the information above, the School District's annual financial and operating filing history over the past five (5) years can be summarized as follows:

The School District did not have Continuing Disclosure obligations during the June 30, 2015 fiscal year through the June 30, 2019 fiscal year.

For fiscal year ending June 30, 2020, the School District filed a notice regarding the status of the audit, annual financial report, operating data and budget in a timely fashion. The audit report was filed promptly after becoming available.

For fiscal year ending June 30, 2021, the School District filed a notice regarding the status of the audit, annual financial report, operating data and budget in a timely fashion. The audit report was filed promptly after becoming available.

For fiscal year ending June 30, 2022, the School District filed the audit, budget and operating data in a timely fashion.

For fiscal year ending June 30, 2023, the School District filed the audit, budget and operating data in a timely fashion.

Future Continuing Disclosure Compliance

The School District has conducted a thorough review of its continuing disclosure obligations and submissions. Upon discovering any inadvertent omissions with respect to these filings, the School District, to the best of its knowledge, has attempted to bring its continuing disclosure filings up to date.

In an effort to augment the School District's procedures and policies to maintain future compliance, the School District has taken additional steps intended to assure future compliance with its Continuing Disclosure Agreements. These steps include implementing the MSRB's EMMA's internal notification system whereby the School District will receive timely email reminders a month in advance for all of the School District's annual disclosure filings and coordinating with the School District's financial advisor to ensure all disclosure obligations have been made on a timely basis and in all material respects.

A member of the School District's business office will be responsible for ensuring ongoing continuing disclosure compliance. Members of the School District's business office will make an effort to participate in any ongoing continuing education regarding continuing disclosure undertaking if offered by local groups or affiliated organizations such as MSRB, PASBO or GFOA. The School District may communicate with its financial advisor, underwriter(s), bond counsel, or solicitor regarding any questions or concerns regarding ongoing continuing disclosure compliance. The School District may also communicate with its local auditor and advise of the School District's need for financial statements in a timely manner. In the event audited financial statements are not available by the filing deadline, the School District will file to EMMA, if available, its State Form PDE-2057 Annual Financial Report as an interim filing until such audited financial statements are available. Some of the operating data requirements may be found contained within the School District's financial statements or budget filing and may not be filed explicitly by themselves.

RATING

Moody's Investors Service has assigned an underlying municipal Bond rating of "A1" to this issue of Bonds. Such ratings reflect only the view of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that the credit rating will be maintained for any given period of time, or that it may not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such credit rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE RISK FACTORS

The Issuer has applied for a Bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The Issuer has yet to determine whether an insurance policy will be purchased with the Bonds. If an insurance policy is purchased, the following are risk factors relating to Bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the Policy) for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies that the Paying Agent exercises and the Bond Insurer's consent may be required in connection with amendments to the applicable Agreements or Indenture.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the Paying Agent pursuant to the Resolution or default provisions of the Act. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "**RATINGS**" herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Bondholder and Noteholder may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the Issuer or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given.

Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

UNDERWRITING

The Underwriter has agreed to purchase the Bonds from the School District, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased at a purchase price of \$_____ (consisting of an underwriter's discount of \$_____, plus an original issue premium of \$_____) less accrued interest from the dated date to the date of delivery of the Bonds.

LEGAL OPINION

The Bonds are offered subject to the receipt of the approving legal opinion of Mette, Evans & Woodside, Bond Counsel, of Harrisburg, Pennsylvania. Certain legal matters will be passed upon for the School District by McNerney, Page, Vanderlin & Hall, of Williamsport, Pennsylvania, School District Solicitor.

FINANCIAL ADVISOR

The School District has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania, as financial advisor (the "Financial Advisor") in connection with the preparation, authorization and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Preliminary Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

MISCELLANEOUS

This Preliminary Official Statement has been prepared under the direction of the School District by PFM Financial Advisors LLC, Harrisburg, Pennsylvania, in its capacity as Financial Advisor to the School District. The information set forth in this Preliminary Official Statement has been obtained from the School District and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Resolution, and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the School District or the Financial Advisor upon request. The information assembled in this Preliminary Official Statement is not to be construed as a contract with holders of the Bonds.

The School District has authorized the distribution of this Preliminary Official Statement.

MONTGOMERY AREA SCHOOL DISTRICT
Lycoming County, Pennsylvania

By: _____
President, Board of School Directors

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APPENDIX A
Demographic and Economic Information
Relating to the Montgomery Area School District

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Population

Table A-1 which follows shows recent population trends for the School District, Lycoming County and the Commonwealth. Table A-2 shows 2020 age composition and average number of persons per household in Lycoming County and for the Commonwealth. Average household size for Lycoming County was slightly smaller than the statewide average.

**TABLE A-1
RECENT POPULATION TRENDS**

| | <u>2010</u> | <u>2020</u> | Compound Average Annual Percentage Change 2010 to 2020 |
|------------------------------|-------------|-------------|---|
| <i>School District</i> | 27,940 | 25,075 | -0.10% |
| <i>Lycoming County</i> | 120,044 | 116,111 | 8.64% |
| <i>Pennsylvania</i> | 12,281,054 | 12,702,379 | 0.34% |

Source: 2010 & 2020 U.S. Bureau of the Census.

**TABLE A-2
AGE COMPOSITION**

| | <u>0-17 Years</u> | <u>18-64 Years</u> | <u>65+ Years</u> | <u>Persons Per Household</u> |
|------------------------------|-----------------------|------------------------|----------------------|----------------------------------|
| <i>Lycoming County</i> | 20.5 | 60.2 | 19.3 | 2.15 |
| <i>Pennsylvania</i> | 20.7 | 60.9 | 18.2 | 2.35 |

Source: 2020 U.S. Bureau of the Census.

Employment

Overall employment data are not compiled for the School District or municipalities, but such data are compiled for Lycoming County and the Williamsport Metropolitan Statistical Area (“MSA”) as shown below on Table A-3 for February 2024.

TABLE A-3
DISTRIBUTION OF EMPLOYMENT
(Williamsport Metropolitan Statistical Area)

| <i>ESTABLISHMENT DATA</i> | Industry Employment | | | | Net Change From: | |
|--|----------------------------|-----------------|-----------------|-----------------|-------------------------|-----------------|
| | Feb 2024 | Jan 2024 | Dec 2023 | Feb 2023 | Jan 2024 | Feb 2023 |
| Total Nonfarm | 52,000 | 51,800 | 52,700 | 51,500 | 200 | 500 |
| Total Private | 44,600 | 44,700 | 45,600 | 44,300 | -100 | 300 |
| Goods Producing | 10,200 | 10,300 | 10,300 | 10,000 | -100 | 200 |
| Manufacturing | 7,600 | 7,600 | 7,700 | 7,600 | 0 | 0 |
| Service-Providing | 41,800 | 41,500 | 42,400 | 41,500 | 300 | 300 |
| PRIVATE SERVICE-PROVIDING | 34,400 | 34,400 | 35,300 | 34,300 | 0 | 100 |
| Trade, Transportation, and Utilities | 9,200 | 9,300 | 9,700 | 9,400 | -100 | -200 |
| Retail trade | 5,600 | 5,700 | 5,900 | 5,800 | -100 | -200 |
| Educational and Health Services | 11,400 | 11,300 | 11,400 | 11,000 | 100 | 400 |
| Leisure and Hospitality | 4,300 | 4,300 | 4,400 | 4,300 | 0 | 0 |
| Government | 7,400 | 7,100 | 7,100 | 7,200 | 300 | 200 |
| Federal Government | 400 | 400 | 400 | 400 | 0 | 0 |
| State Government | 3,000 | 2,800 | 2,700 | 2,900 | 200 | 100 |
| Local Government | 4,000 | 3,900 | 4,000 | 3,900 | 100 | 100 |
| Data benchmarked to March 2023 ***Data changes of 100 may be due to rounding*** | | | | | | |

Source: Pennsylvania Department of Labor & Industry website: www.dli.state.pa.us (News Releases).

Leading employers within or near the School District include:

Lycoming County
3rd Quarter 2023

| BUSINESS |
|------------------------------------|
| The Williamsport Hospital |
| State Government |
| Pennsylvania College of Technology |
| Susquehanna Physician Services |
| Williamsport Area School District |
| West Pharmaceutical Services Inc. |
| Weis Markets Inc. |
| Lycoming County |
| Lycoming Engines |
| CS Group Payroll Services LLC |

Source: Center for Workforce Information & Analysis.

TABLE A-4
RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
(Lycoming County)

| | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024⁽¹⁾</u> | Compound Average Annual % Change |
|-------------------------------|-------------|-------------|-------------|-------------|---------------------------|---|
| <i>Lycoming County</i> | | | | | | |
| Civilian Labor Force (000) | 55.9 | 53.8 | 54.6 | 55.2 | 56.2 | 0.11% |
| Employment (000) | 51 | 51.5 | 52.1 | 53.4 | 54.0 | 1.15% |
| Unemployment (000) | 4.9 | 2.3 | 2.5 | 1.8 | 2.3 | -14.04% |
| Unemployment Rate | 8.8 | 4.3 | 4.6 | 3.2 | 4.0 | |
| <i>Pennsylvania</i> | | | | | | |
| Civilian Labor Force (000) | 6,515 | 6,445 | 6,479 | 6,485 | 6,568 | 0.16% |
| Employment (000) | 5,933 | 6,059 | 6,196 | 6,296 | 6,331 | 1.31% |
| Unemployment (000) | 581 | 386 | 283 | 189 | 237 | -16.42% |
| Unemployment Rate | 8.90% | 6.00% | 4.40% | 2.90% | 3.60% | |

⁽¹⁾As of February 2024.

Source: Pennsylvania Department of Labor and Industry.

Income

The data on Table A-5 shows recent trends in per capita income for the School District, Lycoming County and the Commonwealth over the 2010-2020 period. Per capita income in the School District is lower than average per capita income in the Commonwealth and the County. The School District per capita increased at a slower rate over this period.

TABLE A-5
TRENDS IN PER CAPITA INCOME*

| | <u>2010</u> | <u>2020</u> | Compound Average Annual Percentage Change 2010-2020 |
|------------------------------|-------------|-------------|--|
| <i>School District</i> | \$19,223 | \$21,105 | 2.05% |
| <i>Lycoming County</i> | 21,802 | 30,929 | 2.38% |
| <i>Pennsylvania</i> | 27,049 | 38,790 | 2.62% |

*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc. School District income is the population-weighted average for political subdivisions.

Source: Pennsylvania State Data Center and U.S. Census Bureau, 2016-2021 American Community Survey.

Commercial Activity

A-6 shows retail sales for the years 2018 through 2022 for the County, and the Commonwealth.

TABLE A-6
TOTAL RETAIL SALES
(000)

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------|-------------|-------------|-------------|-------------|-------------|
| Lycoming County..... | \$1,657,117 | \$2,484,896 | \$2,536,883 | \$2,252,603 | \$2,434,544 |
| Pennsylvania | 188,389,810 | 244,709,540 | 251,185,116 | 274,685,600 | 297,770,327 |

Source: Sales and Marketing Management Magazine

Educational Institutions

Lycoming College and Pennsylvania College of Technology are located in Williamsport and in nearby Lock Haven is Lock Haven University. State College is only 40 minutes away and is the home of the Pennsylvania State University, which accommodates over 30,000 students, and Bucknell University in Lewisburg is 30 minutes from the School District.

Housing

Lycoming County, 2000 census figures showed 52,464 housing units, while 49,580 housing units were found in 1990. This represents an increase of 2,884 residence within a decade.

Medical Facilities

Hospital care is provided by Susquehanna Health Systems which consist of the Williamsport Hospital and Divine Providence Hospital, both located in Williamsport, and Muncy Valley Hospital located in Muncy.

Utilities

Utility services for the area covered by the School District are provided by Verizon, PP&L Utilities and Pennsylvania Gas and Water Company. Water and sewer service is provided by Montgomery Water and Sewer Authority.

Transportation

The School District is along U.S. 15, a major north-south highway, approximately 20 miles north of Interstate 80, a major east-west route. Route 15 provides direct access south to Harrisburg, and north to Elmira and Rochester, New York. Interstate 80 provides direct access to the New York City area and major mid-western cities. Williamsport-Lycoming County Airport, five miles north of the School District, provides scheduled air service to Philadelphia and Pittsburgh. Conrail provides mainline freight service to Williamsport.

There are 873.4 miles of State and Federal highways and 839.2 miles of secondary and municipal highways within the County.

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APPENDIX B
Opinion of Bond Counsel

[Date of Closing]

\$ _____
MONTGOMERY AREA SCHOOL DISTRICT,
Lycoming County, Pennsylvania
GENERAL OBLIGATION BONDS, SERIES OF 2024

We have served as Bond Counsel to Montgomery Area School District, in Lycoming County, Pennsylvania (the “School District”), in connection with the issuance of its \$ _____ aggregate principal amount General Obligation Bonds, Series of 2024 (the “Bonds”). The Bonds have been issued under provisions of the Pennsylvania Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 (“Debt Act”), and a resolution (the “Resolution”) adopted on May 21, 2024, by the Board of School Directors of the School District. The Bonds are being issued to: (1) finance construction of improvements to facilities of the School District, (2) pay capitalized interest on the Bonds, and (3) pay costs of issuing the Bonds.

Each of the Bonds has been designated by the School District as a “qualified tax-exempt obligation” as defined in and for the purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (“Code”).

As Bond Counsel to the School District, we have examined: (i) the Debt Act; (ii) relevant provisions of the Public School Code of 1949, as amended; (iii) the Resolution; (iv) proceedings for and the approval of the School District’s incurrence of nonelectoral debt rendered by the Department of Community and Economic Development of the Commonwealth of Pennsylvania (the “Department”); and (v) certain statements, certifications, and other documents including, but not limited to, a tax certificate of the School District given pursuant to the Code.

In rendering the opinion set forth below, we have relied upon: (i) the genuineness and accuracy of all statements, certifications, and affidavits of or provided by the School District without undertaking to verify the same by independent investigation, and other documents and matters of law which we have considered relevant; and (ii) the opinion of the School District’s Solicitor as to all matters of fact and law set forth therein.

Based on the foregoing, we are of the opinion that:

1. The School District is authorized under the laws of the Commonwealth of Pennsylvania (the “Commonwealth”) to issue the Bonds for the purposes set forth therein, has properly authorized the issuance thereof, and the Department has approved the issuance of the Bonds.

2. The School District has established, in accordance with the Debt Act, a sinking fund for the Bonds (“Sinking Fund”) with Manufacturers and Traders Trust Company, as paying agent, registrar, and sinking fund depository (“Paying Agent”), and has covenanted in the Resolution to deposit in the Sinking Fund amounts sufficient to pay the principal of and interest on the Bonds as the same becomes due and payable and to apply the amounts so deposited to the payment of such principal and interest.

3. The School District has covenanted: (i) to include the amount of debt service on the Bonds in each fiscal year of the School District in which such sums are due and payable in its budget for that fiscal year; (ii) to appropriate such amounts from its general revenues for the payment of such debt service; and (iii) to duly and punctually pay, or cause to be paid, from the Sinking Fund or any other of its general revenues or funds, the principal or redemption price of and interest on the Bonds on the dates and in the place and in the manner stated in the Bonds according to the true intent and meaning thereof. For such budgeting, appropriation, and payment the School District has pledged, with respect to the Bonds, its full faith, credit, and taxing power within the limits established by law.

4. The Bonds have been duly authorized, executed, and issued and, upon due authentication by the Paying Agent, constitute valid and binding general obligations of the School District, enforceable in accordance with the Debt Act, except to the extent that enforcement thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other laws or legal or equitable principles affecting the enforcement of creditors’ rights.

5. Under the laws of the Commonwealth as enacted and construed on the date hereof, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax; however any profits, gains or income derived from the sale, exchange, or other disposition of the Bonds are subject to Commonwealth taxes and local taxes within the Commonwealth.

6. Under existing statutes, regulations, and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest on the Bonds is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The opinions set forth in the preceding paragraph are subject to the condition that the School District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes.

Without limiting the generality of the foregoing, we express no opinion with respect to and assume no responsibility for, the accuracy, adequacy, or completeness of the preliminary

official statement or the official statement prepared in respect of the Bonds, and make no representation that we have independently verified the contents thereof.

This opinion is given as of the date hereof and we assume no obligation to supplement this opinion to reflect changes in law that may hereafter occur or changes in facts or circumstances that may hereafter come to our attention.

Very truly yours,

Mette, Evans & Woodside

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APPENDIX C
Continuing Disclosure Certificate

[Date of Closing]

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by **MONTGOMERY AREA SCHOOL DISTRICT**, Lycoming County, Pennsylvania (the “School District”), in connection with the issuance of its General Obligation Bonds, Series of 2024, in the aggregate principal amount of \$_____, dated the date set forth above (the “Bonds”). The Bonds are being issued pursuant to a resolution duly adopted by the Board of School Directors of the School District on May 21, 2024 (the “Resolution”). The School District makes the following certifications and representations as an inducement to the Participating Underwriters and others to purchase the Bonds:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School District for the benefit of the holders or beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term or phrase used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the School District pursuant to and as described in Sections 3 and 4 of this Disclosure Certificate.

“Business Day” shall mean a day other than a Saturday, a Sunday, or a day on which the New York Stock Exchange is closed or a day on which banks located in the Commonwealth are authorized by law or executive order to be closed.

“Commonwealth” shall mean the Commonwealth of Pennsylvania.

“EMMA” shall mean the Electronic Municipal Market Access system of the MSRB.

“Financial Obligation” shall mean: (A) a debt obligation; (B) a derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of either (A) or (B) but which shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“Material Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Obligated Person” shall mean any person, including an issuer of municipal securities, who is either generally or through an enterprise fund or account of such person committed by contract or other arrangement to support payment of all or part of the obligations of the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

“Official Statement” shall mean the final official statement relating to the Bonds prepared by or on behalf of the School District and distributed in connection with the offering and sale of the Bonds by the Participating Underwriters.

“Participating Underwriters” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Depository” shall mean any public or private depository or entity designated by the Commonwealth as a state depository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Depository.

SECTION 3. Provision of Annual Reports. The School District shall, by no later than April 1 each of its fiscal years, beginning with the fiscal year ending June 30, 2024, provide to the MSRB through EMMA at <http://www.emma.msrb.org/> an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package in PDF format, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the School District may be submitted separately from the balance of the Annual Report.

If the School District is unable to provide to the MSRB an Annual Report by the date required in the preceding paragraph, the School District in a timely manner shall send or cause to be sent a notice to the MSRB through EMMA stating in substance that the School District has not provided an Annual Report as required by this Section 3 and the date that the School District anticipates filing the Annual Report.

SECTION 4. Content of Annual Reports. The School District’s Annual Report shall contain or incorporate by reference the following financial information and operating data with respect to the School District:

- the financial statements for the most recent fiscal year, prepared in accordance with generally accepted accounting principles for local government units and audited in accordance with generally accepted auditing standards
- a summary of the budget for the current fiscal year
- the aggregate assessed value and market value of all taxable real estate for the current fiscal year
- the taxes and millage rates imposed for the current fiscal year

- the real property tax collection results for the most recent fiscal year, including (1) the real estate levy imposed (expressed both as a millage rate and an aggregate dollar amount), (2) the dollar amount of real estate taxes collected that represented current collections (expressed both as a percentage of such fiscal year's levy and as an aggregate dollar amount), (3) the amount of real estate taxes collected that represented taxes levied in prior years (expressed as an aggregate dollar amount), and (4) the total amount of real estate taxes collected (expressed both as a percentage of the current year's levy and as an aggregate dollar amount)
- a list of the ten (10) largest real estate taxpayers and, for each, the total assessed value of real estate for the current fiscal year

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the School District or related public entities which have been submitted to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The School District shall clearly identify each other document so incorporated by reference. The School District reserves the right to modify from time to time specific types of information provided hereunder or the format of the presentation of such information, to the extent necessary or appropriate; provided, however, that any such modification will be in a manner consistent with the Rule.

SECTION 5. Reporting of Significant Events. The School District will, in a timely manner, within 10 days of the occurrence of the event, file with the MSRB through EMMA, notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, issuance by the Internal Revenue Service of proposed or final determinations of taxability or a Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to tax status of the Bonds or other events affecting the tax status of the Bonds;
- (g) modifications to rights of Bondholders, if material;

- (h) bond calls (excluding mandatory sinking fund redemption) if material and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership, or a similar proceeding by an obligated person;
- (m) consummation of a merger, consolidation, acquisition involving an obligated person, or sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or determination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or other change of name of a trustee, if material;
- (o) incurrence of a Financial Obligation of the School District or an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the School District or an Obligated Person, any of which affect security holders, if material;
- (p) default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the School District or an Obligated Person, any of which reflect financial difficulties; and
- (q) in a timely manner, to provide to the MSRB through EMMA, notice of any failure to provide required annual financial information on or before the date specified above.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the School District, such other event is material with respect to the Bonds, but the School District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

SECTION 6. Dissemination Agent. The School District may, at any time and from time to time, appoint or engage another person (the “Dissemination Agent”) to assist it in carrying out

its obligations under this Disclosure Certificate, and may discharge such Dissemination Agent, with or without appointing a successor, and without notice to holders of the Bonds.

SECTION 7. Termination of Disclosure Obligation. The School District's obligations under this Disclosure Certificate shall terminate at such time as the School District is no longer an Obligated Person with respect to the Bonds.

SECTION 8. Default. In the event of a failure of the School District to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the School District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the School District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School District, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the School District causes this Continuing Disclosure Certificate to be executed on its behalf by the President of the Board of School Directors, all as of the date set forth above.

MONTGOMERY AREA SCHOOL DISTRICT,
Lycoming County, Pennsylvania

By: _____
President of the Board
of School Directors

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APPENDIX D
Audited Financial Statements

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2023

(WITH INDEPENDENT SINGLE AUDIT REPORTS THEREON)

**MONTGOMERY AREA SCHOOL DISTRICT
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

(WITH INDEPENDENT SINGLE AUDIT REPORTS THEREON)

JUNE 30, 2023

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|---|-------|
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**Montgomery Area School District
Management's Discussion and Analysis (MD&A)
Fiscal Year Ended June 30, 2023
(UNAUDITED)**

MD & A Page 1 of 14

Our discussion and analysis of the Montgomery Area School District, "the District" and its financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. This MD&A should be read in conjunction with the District's financial statements.

Financial Highlights:

- ❖ Total net position of Governmental Activities increased by \$2.3-million or 25.3%, and the Proprietary Fund / Business-Type Activity (Food Service) showed a \$145-thousand or 34.4% increase in net position. These changes are detailed in the Statement of Activities included in the financial statements.
- ❖ The operations of the District's General Fund finished the year with revenue of approximately \$20.4-million, which was approximately \$1.4-million or 7.5% favorable as compared to final budget. However, fiscal year 2022-2023 expenditures of approximately \$20-million (including debt service and other transfers to other funds) was approximately \$380-thousand or 2% unfavorable to the final budgeted amount when debt service and the budgeted reserve are taken into account. Each of these variances as compared to budget are largely attributable to timing of Federal COVID-19 response and recovery grant funded activities which are underway under multi-year grants running from the outset of the COVID-19 pandemic through, at least, the District's 2023-2024 fiscal year.
- ❖ The District's General Fund ended the year with a fund balance of \$6,848,520 which represents an increase of approximately \$400-thousand or 6.8%.
- ❖ The District accounted for approximately \$10-million in current year borrowings and an anticipated multi-fiscal year renovation and capital improvement program (for which approximately \$1.1-million was incurred in current year) via a newly re-established Capital Project Fund.

A Brief Guide to the Financial Statements:

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

- Government-wide statements
- Governmental fund statements

Government-wide Statements:

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

- Governmental activities
- Business-type activities

Montgomery Area School District
Management's Discussion and Analysis (MD&A)
Fiscal Year Ended June 30, 2023
(UNAUDITED)

MD & A Page 2 of 14

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

The presentation provided in these government-wide statements is primarily focused on presenting the financial position of the District and the change in financial position as a result of the activities that occurred during the fiscal year. The significant differences in these statements as compared to governmental fund statements are:

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

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

Government Fund Statements:

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

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

- Governmental funds
- Proprietary funds
- Fiduciary funds

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

**Montgomery Area School District
Management's Discussion and Analysis (MD&A)
Fiscal Year Ended June 30, 2023
(UNAUDITED)**

MD & A Page 3 of 14

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

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

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

Montgomery Area School District
Management's Discussion and Analysis (MD&A)
Fiscal Year Ended June 30, 2023
(UNAUDITED)

MD & A Page 4 of 14

Condensed Government-wide Financial Statements:

| Condensed Statement of Net Position | | | |
|---|------------------------------------|-------------------------------------|-----------------------------|
| June 30, 2023 | | | |
| | Governmental Activities | Business-type Activities | Total |
| Assets & Deferred Outflows of Resources: | | | |
| Current assets: | | | |
| Cash, cash equivalents and investments | \$ 16,487,073 | \$ 460,263 | \$ 16,947,336 |
| Taxes receivable-net | 641,936 | - | 641,936 |
| Other current assets | 1,662,112 | 5,465 | 1,667,577 |
| Total current assets | <u>\$ 18,791,121</u> | <u>\$ 465,728</u> | <u>\$ 19,256,849</u> |
| Fixed assets-net | 14,931,652 | 89,620 | 15,021,272 |
| Deferred Outflows of Resources: | 3,705,467 | - | 3,705,467 |
| Total assets & deferred outflows | <u><u>\$ 37,428,240</u></u> | <u><u>\$ 555,348</u></u> | <u><u>\$ 37,983,588</u></u> |
| Liabilities and Deferred Inflows of Resources: | | | |
| Current liabilities: | | | |
| Accounts payable | 655,885 | 7,078 | 662,963 |
| Accrued salaries and benefits | 1,334,870 | - | 1,334,870 |
| Current portion of long-term debt | 1,320,000 | - | 1,320,000 |
| Other current liabilities | 358,706 | (20,040) | 338,666 |
| Total current liabilities | <u>3,669,461</u> | <u>(12,962)</u> | <u>3,656,499</u> |
| Long-term debt-net of current portion | 16,176,238 | - | 16,176,238 |
| Other non-current liabilities | 293,879 | - | 293,879 |
| Net OPEB liabilities | 1,852,206 | - | 1,852,206 |
| Net pension liability | <u>20,807,000</u> | <u>-</u> | <u>20,807,000</u> |
| Total liabilities | <u>42,798,784</u> | <u>(12,962)</u> | <u>42,785,822</u> |
| Deferred Inflows of Resources: | 1,621,488 | - | 1,621,488 |
| Total liabilities & deferred inflows | <u><u>44,420,272</u></u> | <u><u>(12,962)</u></u> | <u><u>44,407,310</u></u> |
| Net Position: | | | |
| Invested in capital assets-net of related debt | (2,541,834) | 89,620 | (2,452,214) |
| Restricted | 5,251,773 | - | 5,251,773 |
| Unrestricted | <u>(9,701,971)</u> | <u>478,690</u> | <u>(9,223,281)</u> |
| Total Net Assets | <u>(6,992,032)</u> | <u>568,310</u> | <u>(6,423,722)</u> |
| Total Liabilities, Deferred Inflows, and Net Position | <u><u>37,428,240</u></u> | <u><u>555,348</u></u> | <u><u>37,983,588</u></u> |

Comments regarding the condensed June 30, 2023 government wide Statement of Net Position:

- Cash, cash equivalents and investments are primarily held in the Muncy Bank, and the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT is a government investment pool.
- Taxes receivable include delinquent real estate along with current income tax collections, primarily from the June 30 and March 31, 2023 quarters.
- Fixed assets are presented net of depreciation and include the facilities and equipment of the District.
- Accrued salaries and benefits consists primarily of the amounts due teachers (and related benefits trusts/plans) for salaries and benefits earned in the 2022-23 school year that are paid over a twelve month period beginning when the District's academic year begins in August through the beginning of the following August. These are the remaining amounts which will be paid in July 2023 (i.e. summer pay).
- The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* (as amended; GASB No. 68). Per GASB No. 68, the District reports its cost-sharing employer proportionate portion, approx. \$20-million, of the Pennsylvania School Employees' Retirement System (PSERS) Net Pension Liability in its Statement of Net Position. The District records its proportionate share of the PSERS system-wide Net Pension Liability, related Deferred Inflow and Outflow balances and adjustments to Pension expense to reflect the requirements of GASB No. 68. These adjustments, balances, and amounts are reflected in the government-wide financial statements only.
- The District also has adopted GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) as of July 1, 2017. Per GASB No. 75, the District accounts for its offering of covered benefits under the State-level (PSERS premium assistance, a proportionate share of the statewide plan similar to the PSERS pension, as above) and a District-level other postemployment benefit (OPEB) plans. The year-end balances of the plans were \$861-thousand for the PSERS-State-level plan and \$991-thousand for the District-level plan.
- GASB No.'s 68 and 75 have no effect on the governmental fund financial statements and represent, along with the carrying values of such matters as the District's property & equipment and long-term debt, significant reconciling differences between those statements and the Government-wide statements.

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

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**Condensed Statement of Activities
Year Ended June 30, 2023**

| | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|-------------------------|-----------------------------|--|-----------------------------|------------------------|
| Functions/Programs | Expenses | Charges for Services | Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | |
| Instruction | \$ 10,995,294 | \$ 349,213 | \$ 5,127,547 | \$ (5,518,534) | | \$ (5,518,534) |
| Instructional Student Support | 1,203,649 | - | 152,484 | (1,051,165) | | \$ (1,051,165) |
| Admin. & Financial Support Services | 1,613,614 | - | 194,809 | (1,418,805) | | \$ (1,418,805) |
| Operation & Maintenance of Facilities | 1,729,365 | - | 110,208 | (1,619,157) | | \$ (1,619,157) |
| Pupil Transportation | 542,153 | - | 285,776 | (256,377) | | \$ (256,377) |
| Student Activities | 653,779 | 104,652 | 65,386 | (483,741) | | \$ (483,741) |
| Community Services | 38,344 | - | - | (38,344) | | \$ (38,344) |
| Scholarships and Awards | 1,078,163 | - | - | (1,078,163) | | \$ (1,078,163) |
| Interest on Long-Term debt | 429,613 | - | 437,791 | 8,178 | | \$ 8,178 |
| Total Governmental Activities | \$ 18,283,974 | \$ 453,865 | \$ 6,374,001 | \$ (11,456,108) | | \$ (11,456,108) |
| Business-type activities: | | | | | | |
| Food Service | 559,304 | 167,187 | 525,149 | | 133,032 | \$ 133,032 |
| Total Primary Government | \$ 18,843,278 | \$ 621,052 | \$ 6,899,150 | \$ (11,456,108) | \$ 133,032 | \$ (11,323,076) |
| General revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes, levied for general purposes, net | | | | 6,847,110 | - | 6,847,110 |
| Grants, subsidies, & contributions not restricted | | | | 6,548,274 | - | 6,548,274 |
| Investment Earnings | | | | 426,569 | 12,353 | 438,922 |
| Miscellaneous Income | | | | 6,258 | - | 6,258 |
| Loss on disposal of fixed assets | | | | - | - | - |
| Transfers | | | | - | - | - |
| Total general revenues, special items, extraordinary items and transfers | | | | 13,828,211 | 12,353 | 13,840,564 |
| Change in Net Assets | | | | 2,372,103 | 145,385 | 2,517,488 |
| Net Assets—beginning | | | | (9,364,135) | 422,925 | (8,941,210) |
| Net Assets—ending | | | | \$ (6,992,032) | \$ 568,310 | \$ (6,423,722) |

Comments regarding the condensed June 30, 2023 government wide Statement of Activities:

- Governmental activities operating grants include various subsidies including \$680-thousand of state funds for special education, \$356-thousand of federal Title I funds, to support academic achievement, \$286-thousand and \$293-thousand and \$1.5-million, respectively, of state subsidies to support student transportation, and for social security and retirement costs. The District also recognized and expended approximately \$1.5-million of pandemic-specific operating grants during the 2022-2023 fiscal year.
- General revenues include \$4.9-million of real estate taxes, \$1.9-million of earned income taxes and \$6.1-million of state basic education subsidy funding.
- Long-term pension and OPEB-related expense aggregated to a decrease of \$765-thousand, net, (as compared to the Governmental Funds expense activity), primarily as a result of activities including investment performance and updated pension valuation assumptions and consideration at the PSERS state-wide plans level. For comparison purposes this adjustment was an approximately \$972-thousand decrease in prior-year.

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The condensed Governmental Activities Statement of Net Position June 30, 2023 as compared to June 30, 2022 including the change in the elements of net position:

| | Governmental Activities | | |
|--|--------------------------------|----------------------|------------------------|
| | June 30, | June 30, | Inc. (Dec.) |
| | 2023 | 2022 | in Net Position |
| Assets: | | | |
| Current assets: | | | |
| Cash, cash equivalents and investments | \$ 16,487,073 | \$ 6,593,093 | \$ 9,893,980 |
| Taxes receivable-net | 641,936 | 703,984 | (62,048) |
| Other current assets | 1,662,112 | 2,193,950 | (531,838) |
| Total current assets | 18,791,121 | 9,491,027 | 9,300,094 |
| Fixed assets-net | 14,931,652 | 13,692,772 | 1,238,880 |
| Deferred Outflows of Resources: | 3,705,467 | 3,859,798 | (154,331) |
| Total assets & deferred outflows | <u>\$ 37,428,240</u> | <u>\$ 27,043,597</u> | 10,384,643 |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 655,885 | \$ 734,813 | 78,928 |
| Accrued salaries and benefits | 1,334,870 | 1,234,094 | (100,776) |
| Current portion of long-term debt | 1,320,000 | 1,255,000 | (65,000) |
| Other current liabilities | 358,706 | 139,854 | (218,852) |
| Total current liabilities | 3,669,461 | 3,363,761 | (305,700) |
| Long-term debt-net of current portion | 16,176,238 | 7,589,006 | (8,587,232) |
| Other non-current liabilities | 293,879 | 277,391 | (16,488) |
| Net OPEB liability | 1,852,206 | 2,272,261 | 420,055 |
| Net pension liability | 20,807,000 | 18,927,000 | (1,880,000) |
| Total liabilities | 42,798,784 | 32,429,419 | (10,369,365) |
| Deferred Inflows of Resources: | 1,621,488 | 3,978,313 | 2,356,825 |
| Change in net position | | | <u>\$ 2,372,103</u> |
| Net Position: | | | |
| Invested in capital assets-net of related debt | (2,541,834) | 4,894,271 | (7,436,105) |
| Restricted & unrestricted | (4,450,198) | (14,258,406) | 9,808,208 |
| Total Net Position | (6,992,032) | (9,364,135) | <u>\$ 2,372,103</u> |
| Total Liabilities, Deferred Inflows and Net Position | <u>\$ 37,428,240</u> | <u>\$ 27,043,597</u> | |

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

- The increase in cash is due primarily to the current year borrowing under the GOB 2023, the results of governmental activities operations, the timing of cash flows and the timing of payments with certain of the District's vendors and employees. Cash and equivalents were used to pay for fixed asset additions (\$2.3-million) and to pay down the GOB 2019 general obligation debt (\$1.3-million).
- Fixed assets increased due primarily to current period depreciation expense (approx. \$1.1-million) being outpaced by the aforementioned current period fixed asset additions (approx. \$2.3-million).
- The \$641-thousand decrease in other current assets is attributable to decreased receivables for COVID-19-related Federal grant programs and property insurance proceeds relative to certain covered maintenance and repair activities which were outstanding at the prior year end.
- The Accounts Payable decrease of approximately \$78-thousand is due to relatively decreased volume of charges in the current year for ongoing maintenance and restoration projects at the District.
- The increase in bonds payable reflects the current year issuance of the approximately \$10-million GOB 2023 as offset by the District's ordinary course pay down of approximately \$1.3-million of long-term debt.
- As discussed throughout this MD&A and the notes to the accompanying financials, per the requirements of GASB No. 68, the District reflects its proportionate share of the actuarially determined PSERS net pension liability in the Government-wide Statement of Net Position. The District's proportionate share increased by approximately \$1.8-million as compared to prior year. Prior year saw a decrease of approximately \$3.8-million. The year to year variability is primarily a result of the performance of the PSERS system-wide investment portfolio, other actuarial and experience adjustments, all at the PSERS Plan-level. The current year decrease in the Net Pension liability is also linked to the approximately \$2.8-million increase in Deferred Inflows of Resource, which is driven by PSERS-Plan-level adjustments and the GASB No. 68-driven deferred timing for their recognition.
- The District accounts for the its OPEB plans (the proportionate share-PSERS-level Plan and the District-Specific Plan) based upon the requirements of GASB No. 75. The plans represented liabilities of \$861-thousand and \$991-thousand, respectively, at year-end as compared to \$1.1-million and \$1.2-million, respectively, at prior-year-end).
- Note: These Pension and OPEB adjustments, balances, and amounts are reflected in the government-wide financial statements only – there was no effect on the governmental fund financial statements related to GASB No. 68 nor GASB No. 75.

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

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The condensed Business-type Activities Statement of Net Position June 30, 2023 as compared to June 30, 2022 including the change in the elements of net position:

| | Business-type Activities | | |
|--|---------------------------------|-------------------|------------------------|
| | June 30, | June 30, | Inc. (Dec.) |
| Assets: | 2023 | 2022 | in Net Position |
| Current assets: | | | |
| Cash, cash equivalents and investments | \$ 460,263 | \$ 236,377 | \$ 223,886 |
| Other current assets | 30,817 | 132,961 | (102,144) |
| Total current assets | 491,080 | 369,338 | 121,742 |
| Fixed assets-net | 89,620 | 84,528 | 5,092 |
| Deferred Outflows of Resources: | - | - | - |
| Total assets & deferred outflows | <u>\$ 580,700</u> | <u>\$ 453,866</u> | <u>126,834</u> |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 7,078 | \$ 6,949 | (129) |
| Other current liabilities | 5,312 | 23,992 | 18,680 |
| Total current liabilities | 12,390 | 30,941 | 18,551 |
| Other non-current liabilities | - | - | - |
| Total liabilities | 12,390 | 30,941 | 18,551 |
| Deferred Inflows of Resources: | - | - | - |
| Change in net position | | | <u>\$ 145,385</u> |
| Net Position: | | | |
| Invested in capital assets-net of related debt | 89,620 | 84,528 | 5,092 |
| Restricted & unrestricted | 478,690 | 338,397 | 140,293 |
| Total Net Position | 568,310 | 422,925 | <u>\$ 145,385</u> |
| Total Liabilities and Net Position | <u>\$ 580,700</u> | <u>\$ 453,866</u> | |

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

- The change in net position is due to the approx. \$145-thousand net income from operations for the period. The income is reflective of volume-driven increases as the food service program returned to an approximately pre-Pandemic operating schedule. Current year revenue resulting from meal reimbursements from State and Federal programs decreased as compared to past-Pandemic periods. By contrast, paid meals and related revenues increased as Pandemic-related eligibility for all students for free breakfasts and lunches improving overall participation expired.
- The \$5-thousand increase in fixed assets is attributable to the approximately \$16-thousand current period additions outpacing current year depreciation expense which represents an approximately \$11-thousand non-cash expense charge reflected in the formulation of the net income amount discussed above.

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A condensed Statement of Activities for the fiscal year ended June 30, 2023 as compared to the fiscal year ended June 30, 2022:

| Functions/Programs | Net Revenue/Expense Fiscal Year Ended June 30, | | Favorable (Unfavorable) Change | |
|--|---|---------------------|---|-------------|
| | 2023 | 2022 | | |
| Expenses- | | | | |
| Governmental activities: | | | | |
| Instruction | \$ 10,995,294 | \$ 9,983,729 | \$ (1,011,565) | 10.1% |
| Instructional Student Support | 1,203,649 | 1,262,880 | 59,231 | -4.7% |
| Admin. & Financial Support Services | 1,613,614 | 1,260,334 | (353,280) | 28.0% |
| Operation & Maintenance of Facilities | 1,729,365 | 1,825,177 | 95,812 | -5.2% |
| Pupil Transportation | 542,153 | 469,027 | (73,126) | 15.6% |
| Student Activities | 653,779 | 603,915 | (49,864) | 8.3% |
| Community Services | 38,344 | 31,822 | (6,522) | 20.5% |
| Unallocated Depreciation expense | 1,078,163 | 1,066,733 | (11,430) | 1.1% |
| Interest on Long-Term debt | 429,613 | 235,708 | (193,905) | 82.3% |
| Total Governmental Activities | 18,283,974 | 16,739,325 | (1,544,649) | 9.2% |
| Business-type activities: | | | | |
| Food Service | 559,304 | 554,253 | (5,051) | 0.9% |
| Total Expense | 18,843,278 | 17,293,578 | (1,549,700) | 9.0% |
| Program Revenues & Charges for Services- | | | | |
| Governmental activities: | | | | |
| Instruction | 5,476,760 | 5,273,406 | 203,354 | 3.9% |
| Instructional Student Support | 152,484 | 150,603 | 1,881 | 1.2% |
| Admin. & Financial Support Services | 194,809 | 193,473 | 1,336 | 0.7% |
| Operation & Maintenance of Facilities | 110,208 | 109,852 | 356 | 0.3% |
| Pupil Transportation | 285,776 | 225,450 | 60,326 | 26.8% |
| Student Activities | 170,038 | 170,012 | 26 | 0.0% |
| Community Services | - | - | - | |
| Interest on Long-Term debt | 437,791 | 312,299 | 125,492 | 40.2% |
| Total Governmental Activities | 6,827,866 | 6,435,095 | 392,771 | 6.1% |
| Business-type activities: | | | | |
| Food Service | 692,336 | 802,675 | (110,339) | -13.7% |
| Total Program Revenues & Charges for Services | 7,520,202 | 7,237,770 | 282,432 | 3.9% |
| General revenues: | | | | |
| Taxes: | | | | |
| Property and other taxes, levied for general purposes, net | 6,847,110 | 6,665,252 | 181,858 | 2.7% |
| Grants, subsidies, & contributions not restricted | 6,548,274 | 5,820,052 | 728,222 | 12.5% |
| Investment Earnings-governmental activities | 426,569 | 37,554 | 389,015 | 1035.9% |
| Investment earnings-business-type activities | 12,353 | 119 | 12,234 | 10280.7% |
| Miscellaneous Income | 6,258 | 360,298 | (354,040) | -98.3% |
| Total General Revenues | 13,840,564 | 12,883,275 | 957,289 | 7.4% |
| Change in Net Position | \$ 2,517,488 | \$ 2,827,467 | \$ (309,979) | |

Analysis of changes in Statement of Activities between fiscal years:

- The increase in Instructional expense is a result of increased costs of general and special education, at the Governmental Fund reporting level, for professional compensation and benefits in addition to instructional services, as offset by, at the Government-wide level, by decreased Pension Expense as compared to prior-year. The Pension cost decreases were attributable to adjustments and cost deferrals at the PSERS system/state-wide pension level. Cost rates for services, benefits, and supplies were generally elevated as compared to prior-year but

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- volume related year vs year comparative increases were also experienced due to the District's continued increased rate of returning to/proportion of school days of normal operations, in-person learning, activities, and extracurriculars, generally at or near full-schedule/capacity as compared to the same periods in prior year.
- The continued volume of longer-term activity under certain of the multi-year COVID-19-related federal grants, especially ESSER II and ESSER III (the American Rescue Plan (ARP)), contributed to the approximately \$203-thousand continued (prior year saw a \$1.5-million increase) increase in governmental activities program-revenue. The expense impact, at the government-wide, governmental activities level is deferred for much of the longer-term grant activities, predominantly pandemic-responsive improvements to the District's HVAC equipment, aimed at allowing the District to be more adaptive in maintaining in-person learning, which are being depreciated over their estimated useful lives, ranging from 5 to 20 years, in the accompanying statement of activities.
 - The increase in general revenue total is attributable to increases in property tax rates, improved related collections along with increases in earned income and other taxes. The impact of tax revenue increases was further supplemented by overall, net increases in State subsidies.

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The General Fund Budget vs. Actual for the June 30, 2023 Fiscal Year:

| | Budgeted Amounts | | | Variance With Final Budget Positive (Negative) |
|--|-------------------------|---------------------|---------------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Local Sources | \$ 7,331,894 | \$ 7,331,894 | \$ 7,806,474 | \$ 474,580 |
| State Sources | 9,723,704 | 9,723,704 | 10,663,947 | 940,243 |
| Federal Sources | 1,925,973 | 1,925,973 | 1,928,789 | 2,816 |
| Total Revenues | 18,981,571 | 18,981,571 | 20,399,210 | 1,417,639 |
| EXPENDITURES | | | | |
| Regular education programs | 6,323,952 | 6,323,952 | 7,941,699 | (1,617,747) |
| Special education programs | 2,247,978 | 2,247,978 | 2,110,631 | 137,347 |
| Vocational education programs | 683,965 | 683,965 | 694,637 | (10,672) |
| Other instructional programs | 453,962 | 453,962 | 504,297 | (50,335) |
| Pre-kindergarten | 413,509 | 413,509 | 500,000 | (86,491) |
| Pupil personnel support services | 624,120 | 624,120 | 602,261 | 21,859 |
| Instructional staff support services | 558,013 | 558,013 | 551,715 | 6,298 |
| Administrative services | 1,093,214 | 1,093,214 | 1,007,928 | 85,286 |
| Pupil health services | 128,478 | 128,478 | 121,023 | 7,455 |
| Business services | 382,484 | 382,484 | 420,374 | (37,890) |
| Operation & maintenance of facilities | 1,485,490 | 1,485,490 | 1,797,320 | (311,830) |
| Student transportation services | 467,358 | 467,358 | 542,153 | (74,795) |
| Student activities | 556,858 | 556,858 | 634,064 | (77,206) |
| Community services | 15,668 | 15,668 | 43,438 | (27,770) |
| Debt Service (Principal & Interest) | 1,708,655 | - | - | - |
| Other | - | - | 686,429 | (686,429) |
| Total Expenditures | 17,143,704 | 15,435,049 | 18,157,969 | (2,722,920) |
| Excess (Deficiency) of Revenues Over Expenditures | 1,837,867 | 3,546,522 | 2,241,241 | (1,305,281) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond Proceeds (Do not include refunded bonds) | | | | |
| Refunding Bond Proceeds | | | | - |
| Proceeds from Extended Term Financing | 170,000 | 170,000 | - | 170,000 |
| Insurance recoveries | - | - | 46,685 | 46,685 |
| Operating Transfers (Out) | (404,670) | (2,113,325) | (1,888,195) | 225,130 |
| Budgetary reserve | (2,119,669) | (2,119,669) | - | (2,119,669) |
| Net Change in Fund Balances | (516,472) | (516,472) | 399,731 | 916,203 |
| Fund Balance - Beginning of Year | 5,774,812 | 5,774,812 | 6,448,519 | |
| Fund Balance - End of Year | \$ 5,258,340 | \$ 5,258,340 | \$ 6,848,250 | |

Analysis of General Fund Budget vs. Actual for the June 30, 2023 Fiscal Year:

- The most significant contributor to the overall excess of revenues over expenditures was better than expected state subsidies and local sourced revenue collections. Variances as compared to budget for local sourced revenue came in both the form of better-than-expected tax collections (expectations were lowered during the budgeting process due to the pandemic-driven uncertainty) and greater

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than anticipated variable local taxes, such as earned income taxes and transaction-driven, real estate transfer taxes.

- Federal revenues were consistent with expectations. The District expended portions of the ESSER II and ESSER III grants in prior year, the current fiscal year, and expects to expend these through to, at maximum, the District's 2024-2025 fiscal year (for ESSER III).
- Likewise, the increased level of budgetary reserve in the current-year's adopted budget as compared to past periods is reflective of the same initial acceptance of the ESSER II and ESSER III grants and other pandemic-related uncertainty.
- Grant-related costs are the primary driver of the pre-budgetary reserve negative variance as compared to budget. Especially in the area of Operation & maintenance of facilities which, along with "other" is where the aforementioned HVAC project costs are captured in the General Fund's financial statements. The remaining increase in overall expense is a result of increased costs for professional compensation and benefits in addition to other instructional services cost increases as offset by the impact of cost containment efforts in these areas.

Long-term debt activity in the fiscal year ended June 30, 2023:

| Description | Balance June 30, 2022 | Additional Borrowings | Principal Reductions | Balance June 30, 2023 |
|-----------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
| GOB 2019 | \$ 8,365,000 | \$ - | \$ (1,255,000) | \$ 7,110,000 |
| GOB 2023 | - | 9,875,000 | - | 9,875,000 |
| | <u>8,365,000</u> | <u>9,875,000</u> | <u>(1,255,000)</u> | <u>16,985,000</u> |
| Unamortized bond premium | 479,006 | 121,346 | (89,114) | 511,238 |
| | <u>\$ 479,006</u> | <u>\$ 121,346</u> | <u>\$ (89,114)</u> | <u>\$ 511,238</u> |

See the notes to the financial statements for additional details.

Capital asset activity in the fiscal year ended June 30, 2023:

Governmental Activities Fixed Assets:

| Description | Cost June 30, 2022 | Fiscal Year-ended June 30, 2023 | | Cost June 30, 2023 | Depreciation Expense For Year-ended June 30, 2023 | Accumulated Depreciation June 30, 2023 | Net Asset June 30, 2023 |
|--------------------------|-----------------------|------------------------------------|---------------------------|-----------------------|--|--|-------------------------------|
| | | Additions | Retirements/ Transfers | | | | |
| Land | 84,535 | - | - | 84,535 | - | - | 84,535 |
| Land improvements | 2,100,313 | 181,660 | - | 2,281,973 | 83,713 | 1,400,047 | 881,926 |
| Buildings & improvements | 21,723,354 | 320,876 | - | 22,044,230 | 721,877 | 10,917,692 | 11,126,537 |
| Machinery & equipment | 4,721,757 | 268,140 | - | 4,989,897 | 272,573 | 3,697,611 | 1,292,287 |
| Capital leased equipment | 378,129 | - | - | 378,129 | - | 378,129 | - |
| Construction in Progress | - | 1,546,367 | - | 1,546,367 | - | - | 1,546,367 |
| | <u>\$ 29,008,088</u> | <u>\$ 2,317,043</u> | <u>\$ -</u> | <u>\$ 31,325,131</u> | <u>\$ 1,078,163</u> | <u>\$ 16,393,479</u> | <u>\$ 14,931,652</u> |

Unaudited - Supplementary Information
See accompanying Independent Auditor's Report

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Food Service Fixed Assets:

| Description | Fiscal Year-ended June 30, 2023 | | Cost June 30, 2023 | Depreciation Expense For Year-ended June 30, 2023 | Accumulated Depreciation June 30, 2023 | Net Asset June 30, 2023 |
|-----------------------|------------------------------------|--|-----------------------|--|--|-------------------------------|
| | Cost June 30, 2022 | Retirements/ Additions Transfers | | | | |
| Machinery & equipment | \$ 201,772 | \$ 16,398 \$ (15,439) | \$ 202,731 | \$ 11,306 | \$ 113,111 | \$ 89,620 |
| | <u>\$ 201,772</u> | <u>\$ 16,398</u> <u>\$ (15,439)</u> | <u>\$ 202,731</u> | <u>\$ 11,306</u> | <u>\$ 113,111</u> | <u>\$ 89,620</u> |

See the notes to the financial statements for additional details.

Potential Future Issues:

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

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery Area School District (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery Area School District as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America;

and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based upon the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion.
- Evaluate 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) information on pages MD&A 1 through 14 and the *schedule of the District's proportionate share of the net pension liability* on page RSI-1, the *schedule of the District's contributions to pensions* on page RSI-2, the *schedules of changes in the District's total OPEB liability and related ratios* on page RSI-3, the *schedule of the District's proportionate share of the net OPEB liability* on page RSI-4, and the *schedule of the District's OPEB contributions* on page RSI-5, be

presented to supplement the basic financial statements. Such information, though not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal (and state) awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the District's basic financial statements.

The schedule of expenditures of federal (and state) awards is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal (and state) awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated March 25, 2024 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Richard B. Snodgrass & Co.
Montoursville, Pennsylvania
March 25, 2024

**Montgomery Area School District
Statement of Net Position**

June 30, 2023

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------|
| Assets and Deferred Outflows of Resources: | | | |
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 16,487,073 | \$ 460,263 | \$ 16,947,336 |
| Taxes receivable-net | 641,936 | - | 641,936 |
| Due from other governments | 1,139,136 | 2,305 | 1,141,441 |
| Inventories | - | 3,160 | 3,160 |
| Other receivables | 522,976 | - | 522,976 |
| Total current assets | 18,791,121 | 465,728 | 19,256,849 |
| Noncurrent assets: | | | |
| Land and land improvements-net | 966,461 | - | 966,461 |
| Buildings and improvements-net | 11,126,537 | - | 11,126,537 |
| Furniture and equipment-net | 1,292,287 | 89,620 | 1,381,907 |
| Construction in progress | 1,546,367 | - | 1,546,367 |
| Total noncurrent assets | 14,931,652 | 89,620 | 15,021,272 |
| Total Assets | 33,722,773 | 555,348 | 34,278,121 |
| Deferred Outflows of Resources: | | | |
| Deferred (gain)/loss on bond refunding | 22,752 | - | 22,752 |
| Pension | 3,321,029 | - | 3,321,029 |
| OPEB | 361,686 | - | 361,686 |
| Total Deferred Outflows of Resources: | 3,705,467 | - | 3,705,467 |
| Total Assets and Deferred Outflows of Resources: | 37,428,240 | 555,348 | 37,983,588 |
| Liabilities, Deferred Inflows of Resources and Net Position: | | | |
| Liabilities: | | | |
| Current liabilities: | | | |
| Current portion of long-term debt | 1,320,000 | - | 1,320,000 |
| Accounts payable | 655,885 | 7,078 | 662,963 |
| Accrued salaries and benefits | 1,334,870 | - | 1,334,870 |
| Internal balances | 28,604 | (25,352) | 3,252 |
| Other current liabilities | 330,102 | 5,312 | 335,414 |
| Total current liabilities | 3,669,461 | (12,962) | 3,656,499 |
| Noncurrent liabilities: | | | |
| G.O. debt payable-net of current portion | 16,176,238 | - | 16,176,238 |
| Long-term portion of compensated absences | 293,879 | - | 293,879 |
| Net OPEB liability-PSERS | 861,000 | - | 861,000 |
| Net OPEB liability-District | 991,206 | - | 991,206 |
| Net pension liability | 20,807,000 | - | 20,807,000 |
| Total noncurrent liabilities | 39,129,323 | - | 39,129,323 |
| Total Liabilities | 42,798,784 | (12,962) | 42,785,822 |
| Deferred Inflows of Resources: | | | |
| Unearned revenue | - | - | - |
| OPEB | 1,088,488 | - | 1,088,488 |
| Pension | 533,000 | - | 533,000 |
| Total Deferred Inflows of Resources: | 1,621,488 | - | 1,621,488 |
| Net Position: | | | |
| Invested in capital assets-net of related debt | (2,541,834) | 89,620 | (2,452,214) |
| Restricted: | | | |
| Capital projects, equipment, and debt service | 2,680,430 | - | 2,680,430 |
| Retirement & benefits | 2,500,000 | - | 2,500,000 |
| Other | 71,343 | - | 71,343 |
| Unrestricted | (9,701,971) | 478,690 | (9,223,281) |
| Total Net Position | (6,992,032) | 568,310 | (6,423,722) |
| Total Liabilities, Deferred Inflows of Resources and Net Position: | \$ 37,428,240 | \$ 555,348 | \$ 37,983,588 |

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

Montgomery Area School District
Statement of Activities
For the Year Ended June 30, 2023

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|------------------|------------------------------------|-------------------------|--|--|----------------------------|-----------------------------|-----------------|
| | Expenses | Indirect Expenses Allocation | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| | | | | | | | | |
| Governmental activities: | | | | | | | | |
| Instruction | \$ 10,995,294 | \$ - | \$ 349,213 | \$ 5,127,547 | \$ - | \$ (5,518,534) | | \$ (5,518,534) |
| Instructional Student Support | 1,203,649 | - | - | 152,484 | - | (1,051,165) | | (1,051,165) |
| Admin. & Financial Support Services | 1,613,614 | - | - | 194,809 | - | (1,418,805) | | (1,418,805) |
| Operation & Maintenance of Facilities | 1,729,365 | - | - | 110,208 | - | (1,619,157) | | (1,619,157) |
| Pupil Transportation | 542,153 | - | - | 285,776 | - | (256,377) | | (256,377) |
| Student Activities | 653,779 | - | 104,652 | 65,386 | - | (483,741) | | (483,741) |
| Community Services | 38,344 | - | - | - | - | (38,344) | | (38,344) |
| Unallocated depreciation | 1,078,163 | - | - | - | - | (1,078,163) | | (1,078,163) |
| Interest on Long-Term debt | 429,613 | - | - | 437,791 | - | 8,178 | | 8,178 |
| Total Governmental Activities | 18,283,974 | | 453,865 | 6,374,001 | - | (11,456,108) | | (11,456,108) |
| Business-type activities: | | | | | | | | |
| Food Service | 559,304 | | 167,187 | 525,149 | | | 133,032 | 133,032 |
| Total Primary Government | \$ 18,843,278 | | \$ 621,052 | \$ 6,899,150 | \$ - | \$ (11,456,108) | \$ 133,032 | \$ (11,323,076) |
| General revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property and other taxes, levied for general purposes, net | | | | | | | | |
| Grants, subsidies, & contributions not restricted | | | | | | | | |
| Investment Earnings | | | | | | | | |
| Miscellaneous Income | | | | | | | | |
| Total general revenues, special items, extraordinary items and transfers | | | | | | | | |
| Change in Net Position | | | | | | | | |
| Net Position—beginning | | | | | | | | |
| Net Position—ending | | | | | | | | |

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

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

June 30, 2023

| | General Fund | Capital Reserve Fund | Debt Service Fund | Student Activities Fund | Capital Project Fund | Total Governmental Funds |
|--|-------------------------|---------------------------------|------------------------------|--|---------------------------------|---|
| Assets and Deferred | | | | | | |
| Outflows of Resources: | | | | | | |
| Assets: | | | | | | |
| Cash and cash equivalents | \$ 6,979,534 | \$ 60,771 | \$ 1,793 | \$ 71,343 | \$ 9,373,632 | \$ 16,487,073 |
| Taxes receivable-net | 641,936 | - | - | - | - | 641,936 |
| Due from other governments | 1,139,136 | - | - | - | - | 1,139,136 |
| Total Assets | 8,760,606 | 60,771 | 1,793 | 71,343 | 9,373,632 | 18,268,145 |
| Deferred Outflows of Resources: | | | | | | |
| | - | - | - | - | - | - |
| Total Assets & Deferred Outflows | 8,760,606 | 60,771 | 1,793 | 71,343 | 9,373,632 | 18,268,145 |
| Liabilities Deferred | | | | | | |
| Inflows and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | 271,019 | - | - | - | 384,866 | 655,885 |
| Due to other funds | 28,604 | - | - | - | - | 28,604 |
| Accrued salaries & benefits | 545,741 | - | - | - | - | 545,741 |
| Payroll withholdings | 789,129 | - | - | - | - | 789,129 |
| Other current liabilities | 13,578 | - | - | - | - | 13,578 |
| Total Liabilities | 1,648,071 | - | - | - | 384,866 | 2,032,937 |
| Deferred Inflows of Resources: | | | | | | |
| Unearned revenue | 264,285 | - | - | - | - | 264,285 |
| Total Deferred Inflows | 264,285 | - | - | - | - | 264,285 |
| Fund Balances: | | | | | | |
| Non-spendable | - | - | - | - | - | - |
| Restricted fund balance | - | 60,771 | 1,793 | - | - | 62,564 |
| Committed balance | 630,000 | - | - | - | - | 630,000 |
| Assigned fund balance | 4,375,635 | - | - | 71,343 | 8,988,766 | 13,435,744 |
| Unassigned fund balance | 1,842,615 | - | - | - | - | 1,842,615 |
| Total Fund Balance | 6,848,250 | 60,771 | 1,793 | 71,343 | 8,988,766 | 15,970,923 |
| Total Liabilities, Deferred Inflows & Fund Balance | \$ 8,760,606 | \$ 60,771 | \$ 1,793 | \$ 71,343 | \$ 9,373,632 | \$ 18,268,145 |

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

Montgomery Area School District
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2023

| | |
|--|---------------|
| Total Fund Balances - Governmental Funds | \$ 15,970,923 |
|--|---------------|

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

| | |
|---|------------|
| Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$31,325,131 and the accumulated depreciation is \$16,393,479. | 14,931,652 |
|---|------------|

| | |
|--|---------|
| Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are recorded as deferred revenues in the funds balance sheet. | 264,285 |
|--|---------|

| | |
|--|---------|
| Other receivables will be collected but are not available soon enough to pay for current period expenditures and, therefore, are not recorded in the fund financial statements | 522,976 |
|--|---------|

| | |
|--|--------------|
| Long-term liabilities, including notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of: | |
| General Obligation debts payable | (17,496,238) |
| Accrued interest on the bonds | (316,524) |
| Compensated absences | (293,879) |
| Other postemployment benefits-PSERS | (861,000) |
| Other postemployment benefits-District | (991,206) |
| Net pension liability | (20,807,000) |

| | |
|---|--------|
| Losses incurred on refundings of long-term liabilities are not financial resources and, therefore, are not reported as deferred outflows of resources in governmental funds. The deferred loss on refundings included in government-wide deferred outflows of resources is: | 22,752 |
|---|--------|

| | |
|---|-------------|
| Deferred outflows and inflows of resources related to pensions and OPEB amounts to be recognized and/or realized in future periods are not reported in governmental funds | |
| Deferred outflows-pension | 3,321,029 |
| Deferred inflows-pension | (533,000) |
| Deferred outflows-OPEB | 361,686 |
| Deferred inflows-OPEB | (1,088,488) |

| | |
|--|----------------|
| Total Net Position - Governmental Activities | \$ (6,992,032) |
|--|----------------|

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

Montgomery Area School District
Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2023

| | General Fund | Capital Reserve Fund | Debt Service Fund | Student Activities Fund | Capital Project Fund | Total Governmental Funds |
|---|-------------------------|---------------------------------|------------------------------|--|---------------------------------|---|
| REVENUES | | | | | | |
| Local Sources | \$ 7,806,474 | \$ 4,016 | \$ - | \$ 75,723 | \$ 173,105 | \$ 8,059,318 |
| State Sources | 10,663,947 | - | - | - | - | 10,663,947 |
| Federal Sources | 1,928,789 | - | - | - | - | 1,928,789 |
| Total Revenues | 20,399,210 | 4,016 | - | 75,723 | 173,105 | 20,652,054 |
| EXPENDITURES | | | | | | |
| Instruction | 11,751,264 | - | - | - | - | 11,751,264 |
| Support Services | 5,042,774 | - | - | - | 264,972 | 5,307,746 |
| Non-instructional Services | 677,502 | - | - | 71,848 | - | 749,350 |
| Capital Outlay | 686,429 | 314,218 | - | - | 1,079,733 | 2,080,380 |
| Debt Service (Principal & Interest) | - | - | 1,524,175 | - | - | 1,524,175 |
| Total Expenditures | 18,157,969 | 314,218 | 1,524,175 | 71,848 | 1,344,705 | 21,412,915 |
| Excess (Deficiency) of Revenues Over Expenditures | 2,241,241 | (310,202) | (1,524,175) | 3,875 | (1,171,600) | (760,861) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Bonds issued | - | - | - | - | 9,875,000 | 9,875,000 |
| Interfund Transfers in | - | 200,000 | 1,524,175 | - | 164,020 | 1,888,195 |
| Sale/Compensation for Fixed Assets (Insurance) | 46,685 | - | - | - | - | 46,685 |
| Bond Premiums | - | - | - | - | 121,346 | 121,346 |
| Operating Transfers Out | (1,888,195) | - | - | - | - | (1,888,195) |
| Net Change in Fund Balances | 399,731 | (110,202) | - | 3,875 | 8,988,766 | 9,282,170 |
| Fund Balance - Beginning of Year | 6,448,519 | 170,973 | 1,793 | 67,468 | - | 6,688,753 |
| Fund Balance - End of Year | \$ 6,848,250 | \$ 60,771 | \$ 1,793 | \$ 71,343 | \$ 8,988,766 | \$ 15,970,923 |

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

Montgomery Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
To the Statement of Activities
For the Year Ended June 30, 2023

Total net change in fund balances - governmental funds \$ 9,282,170

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

| | |
|----------------------|-------------|
| Depreciation expense | (1,078,163) |
| Capital Outlays | 2,317,043 |

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

| | |
|---------------------|-----------|
| Debt principal paid | 1,255,000 |
|---------------------|-----------|

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

| | |
|-------------------------------------|-------------|
| Additional borrowings | (9,875,000) |
| Bond premium, net | (121,346) |
| Amortize bond issue premiums | 89,114 |
| Amortize losses on prior refundings | (22,753) |

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

| |
|-----------|
| (226,799) |
|-----------|

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

| |
|-------|
| 4,023 |
|-------|

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

| | |
|------------------------------------|----------|
| Compensated absences | (16,488) |
| Other postemployment benefits, net | (8,781) |

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

| |
|---------|
| 774,083 |
|---------|

Change in net position of governmental activities

| |
|--------------|
| \$ 2,372,103 |
|--------------|

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

Montgomery Area School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Budget and Actual
For the Year Ended June 30, 2023

| | Budgeted Amounts | | | Variance With Final Budget |
|--|-------------------------|---------------------|---------------------|---------------------------------------|
| | Original | Final | Actual | Positive (Negative) |
| REVENUES | | | | |
| Local Sources | \$ 7,331,894 | \$ 7,331,894 | \$ 7,806,474 | \$ 474,580 |
| State Sources | 9,723,704 | 9,723,704 | 10,663,947 | 940,243 |
| Federal Sources | 1,925,973 | 1,925,973 | 1,928,789 | 2,816 |
| Total Revenues | 18,981,571 | 18,981,571 | 20,399,210 | 1,417,639 |
| EXPENDITURES | | | | |
| Regular education programs | 6,323,952 | 6,323,952 | 7,941,699 | (1,617,747) |
| Special education programs | 2,247,978 | 2,247,978 | 2,110,631 | 137,347 |
| Vocational education programs | 683,965 | 683,965 | 694,637 | (10,672) |
| Other instructional programs | 453,962 | 453,962 | 504,297 | (50,335) |
| Pre-kindergarten | 413,509 | 413,509 | 500,000 | (86,491) |
| Pupil personnel support services | 624,120 | 624,120 | 602,261 | 21,859 |
| Instructional staff support services | 558,013 | 558,013 | 551,715 | 6,298 |
| Administrative services | 1,093,214 | 1,093,214 | 1,007,928 | 85,286 |
| Pupil health services | 128,478 | 128,478 | 121,023 | 7,455 |
| Business services | 382,484 | 382,484 | 420,374 | (37,890) |
| Operation & maintenance of facilities | 1,485,490 | 1,485,490 | 1,797,320 | (311,830) |
| Student transportation services | 467,358 | 467,358 | 542,153 | (74,795) |
| Student activities | 556,858 | 556,858 | 634,064 | (77,206) |
| Community services | 15,668 | 15,668 | 43,438 | (27,770) |
| Debt Service (Principal & Interest) | 1,708,655 | - | - | - |
| Other | - | - | 686,429 | (686,429) |
| Total Expenditures | 17,143,704 | 15,435,049 | 18,157,969 | (2,722,920) |
| Excess (Deficiency) of Revenues Over Expenditures | 1,837,867 | 3,546,522 | 2,241,241 | (1,305,281) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond Proceeds (Do not include refunded bonds) | | | | |
| Refunding Bond Proceeds | | | | - |
| Proceeds from Extended Term Financing | 170,000 | 170,000 | - | 170,000 |
| Insurance recoveries | - | - | 46,685 | 46,685 |
| Operating Transfers (Out) | (404,670) | (2,113,325) | (1,888,195) | 225,130 |
| Budgetary reserve | (2,119,669) | (2,119,669) | - | (2,119,669) |
| Net Change in Fund Balances | (516,472) | (516,472) | 399,731 | 916,203 |
| Fund Balance - Beginning of Year | 5,774,812 | 5,774,812 | 6,448,519 | |
| Fund Balance - End of Year | \$ 5,258,340 | \$ 5,258,340 | \$ 6,848,250 | |

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

Montgomery Area School District
Statement of Net Position-Proprietary Funds

June 30, 2023

| | Food Service Fund |
|--|------------------------------|
| Assets and Deferred | |
| Outflows of Resources: | |
| Assets: | |
| Current assets: | |
| Cash and cash equivalents | \$ 460,263 |
| Due from other funds | 25,352 |
| Due from other governments | 2,305 |
| Other receivables | - |
| Inventories | 3,160 |
| Total current assets | 491,080 |
| Noncurrent assets: | |
| Furniture and equipment-net | 89,620 |
| Total noncurrent assets | 89,620 |
| Total Assets | 580,700 |
| Deferred Outflows of Resources: | - |
| Total Assets and Deferred Outflows | 580,700 |
| Liabilities, Deferred Inflows of | |
| Resources and Net Position: | |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | 7,078 |
| Accrued salaries and benefits | - |
| Due to other funds | - |
| Other current liabilities | 5,312 |
| Total current liabilities | 12,390 |
| Total Liabilities | 12,390 |
| Deferred Inflows of Resources: | - |
| Net Position: | |
| Invested in capital assets-net of related debt | 89,620 |
| Restricted | - |
| Unrestricted | 478,690 |
| Total Net Position | 568,310 |
| Total Liabilities, Deferred | |
| Inflows, and Net Position | \$ 580,700 |

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

Montgomery Area School District
Statement of Revenues, Expenditures and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

| | Food Service Fund |
|---|------------------------------|
| OPERATING REVENUES | |
| Food service revenue | \$ 167,187 |
| Charges for services | - |
| Total Operating Revenues | 167,187 |
| EXPENDITURES | |
| Salaries | 94,374 |
| Employee benefits | 69,289 |
| Purchased professional & technical services | - |
| Other purchased services | 342,438 |
| Supplies | 41,897 |
| Depreciation | 11,306 |
| Total Expenditures | 559,304 |
| Operating income (loss) | (392,117) |
| NON-OPERATING REVENUES (EXPENSES) | |
| Earnings on investments | 12,353 |
| State sources | 73,344 |
| Federal sources | 451,805 |
| | 537,502 |
| Income (Loss) for the Period | 145,385 |
| Increase (Decrease) in Net Position | 145,385 |
| Net Position - Beginning of period | 422,925 |
| Net Position - End of period | \$ 568,310 |

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

Montgomery Area School District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

| | Food Service Fund |
|--|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received from users | \$ 167,187 |
| Cash payments to employees for services | (145,582) |
| Cash payments to suppliers for goods and services | (382,477) |
| Net Cash (Used For) Operations | (360,872) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | |
| State sources | 75,436 |
| Federal sources | 513,367 |
| Net Cash Provided By Non-Capital Financing Operations | 588,803 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Capital outlay | (16,398) |
| Net Cash (Used For) Capital and Related Financing Operations | (16,398) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Earnings on investments | 12,353 |
| Net Cash Provided By Investing Activities | 12,353 |
| Net Increase (Decrease) in cash for fiscal year | 223,886 |
| Cash and cash equivalents at - Beginning of Year | 236,377 |
| Cash and cash equivalents at - End of Year | \$ 460,263 |
| RECONCILIATION OF OPERATING (LOSS) TO CASH (USED FOR) OPERATIONS: | |
| Operating (loss) | \$ (392,117) |
| Adjustments to reconcile- | |
| Depreciation | 11,306 |
| (Increase) Decrease in inventories | 1,729 |
| Increase (Decrease) in accounts payable | 129 |
| Increase (Decrease) in advances from other funds | 18,081 |
| Net Cash (Used For) Operations | \$ (360,872) |

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

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

June 30, 2023

| | Private Purpose Trusts |
|---|---------------------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 59,204 |
| Other receivables | - |
| Prepaid expenses | - |
| Total Assets | <u>59,204</u> |
| Liabilities: | |
| Accounts payable | 3,500 |
| Due to Student Groups | - |
| Due to other funds | - |
| Total Liabilities | <u>3,500</u> |
| Net Position: | |
| Restricted for scholarships | 4,423 |
| Unrestricted | 51,281 |
| Total Net Assets | <u>55,704</u> |
| Total Liabilities and Net Assets | <u>\$ 59,204</u> |

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

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

June 30, 2023

| | Private Purpose Trusts |
|---|---------------------------------------|
| Additions: | |
| Gifts and other contributions | \$ 16,025 |
| Other additions | 2,329 |
| Total Additions: | <u>18,354</u> |
| Deductions: | |
| Scholarships awarded | 22,862 |
| Student Activity Expenses | |
| Fees | - |
| Total Deductions | <u>22,862</u> |
| Increase (Decrease) in Net Position: | (4,508) |
| Net Position - Beginning of period | <u>60,212</u> |
| Net Position - End of period | <u><u>\$ 55,704</u></u> |

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

Montgomery Area School District
Notes to Financial Statements
June 30, 2023

Note 1. Summary of Significant Accounting Policies

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

1.A. – Description of Entity:

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

1.B. – Financial Reporting Entity:

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

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

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

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

1.C. – Basis of Presentation:

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities report information about the

(Continued)

Montgomery Area School District
Notes to Financial Statements
June 30, 2023

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

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the District as of the District's June 30 fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and for the single business-type activity of the District. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the particular program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues, are presented, with certain limited exceptions, as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and business-type activity is self-financing or draws upon the general revenues of the District.

Fund Financial Statements

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

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

(Continued)

Montgomery Area School District
Notes to Financial Statements
June 30, 2023

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category, and;
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

Fiduciary funds are reported by type.

The funds of the District are described below:

Governmental Funds

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

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

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

Student Activities Fund – The School District's Student Activities fund is governmental fund, effective with the July 1, 2020 adoption of GASB No. 84 (previously an agency fund included and described among "Fiduciary funds" below). This fund accounts for the funds being held by the School District on behalf of various student clubs and organizations. Generally, there is no trust agreement that affects the degree of management involvement and the length of time that the resources are held. Such student clubs and organizations are generally authorized by District policy and the Board with oversight by District management and other employees (such as club advisors), but the account balances result from organization activity and are the property of the respective clubs, and are not District property in spite of the District's administrative involvement and custody, through depository banking relationships, of the residual funds.

Proprietary Funds

Proprietary fund accounting and reporting is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the

(Continued)

Montgomery Area School District
Notes to Financial Statements
June 30, 2023

governing body is that the costs (expenses, including depreciation) of providing goods or services on a continuing basis is to be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Fiduciary Funds

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

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

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

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

1.D. – Accounting Methods:

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

(Continued)

Montgomery Area School District
Notes to Financial Statements
June 30, 2023

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

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

Measurement Focus

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

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

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

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

Basis of Accounting

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

(Continued)

Montgomery Area School District
Notes to Financial Statements
June 30, 2023

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

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

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

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

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

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

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

In conjunction with the District's adoption of GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB No. 63), as of the beginning of the fiscal year-ended June 30, 2013, the District has captioned the amounts historically disclosed as "deferred revenue," as "unearned revenue." The District's unearned revenues balance as per the Fund financial statements represents unavailable tax

(Continued)

Montgomery Area School District
Notes to Financial Statements
June 30, 2023

revenues and has been disclosed as “deferred inflows of resources.” These amounts are recognized as revenue in the period in which the tax is levied in the Government wide statements and are not deferred inflows therein.

1.F. – Expenses and Expenditures:

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

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

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

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

Cash and Cash Equivalents and Investments

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

Taxes and Intergovernmental Receivables

Taxes receivable are reported on the balance sheet at amounts that include any penalty amounts due net of an allowance for uncollectible balances. Management estimates the adequacy of the allowance for uncollectible taxes receivable based upon the historical experience in collecting these taxes. Intergovernmental receivables include amounts due from the state and federal governments for various grants and subsidies. For Fund Financial Statements only that portion of such receivables that is determined to be available as of the fiscal year end is recorded as revenue in the current year. Unearned revenue is credited for that portion of the receivable balance not meeting the revenue recognition criteria.

Inventory

Inventory is valued at cost (first-in, first-out). Inventory consists of food and related supplies in the District’s Food Service Fund. Food donated by the U.S. Department of Agriculture is recorded at market value. The school district's inventory of instructional and building maintenance supplies is not considered to be material and is, therefore, not reflected in the

(Continued)

Montgomery Area School District
Notes to Financial Statements
June 30, 2023

district's financial statement. The district utilizes the "purchases method" of accounting for such items under which such items are charged to expenditure when purchased.

Capital Assets

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

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

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

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

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

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

The District does not have any infrastructure capital assets.

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Montgomery Area School District
Notes to Financial Statements
June 30, 2023

Deferred Loss on Refunding and Amortization

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

Per the requirements of GASB No. 65, the District presents the net loss on refinancing as a component of Deferred Outflows of Resources in the accompanying statement of net position. Deferred losses on bond refunding resulted in amortization expense of approximately \$22,753 which is included as a component of interest expense in the accompanying statement of activities for the year-ended June 30, 2023. Straight-line amortization of these amounts is expected to continue through the District's fiscal year ending June 30, 2024, approximating the final maturity of the original, refinanced borrowing.

Accumulated Compensated Absences

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

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

Pensions

The District has adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions (as amended)* (GASB No. 68), effective as of the beginning of the fiscal year-ended June 30, 2015. Based upon the requirements of GASB No. 68, the District recognizes its proportionate share of the net pension liability relative relevant retirement benefits available to certain of the District's current and former employees and retirees.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS or the System or the Pension Plan or the Plan) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this

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Montgomery Area School District
Notes to Financial Statements
June 30, 2023

purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. PSERS's investments are reported at fair value.

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

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

Other Postemployment Benefit Plans (Other than Pensions)

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

Following the scheduled adoption of GASB GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) as of July 1, 2017, the District accounts for these OPEB plans based upon the requirements of GASB No. 75. Periods ending at July 1, 2008 through June 30, 2017 were previously accounted for based upon the requirements of GASB No. 45 (also entitled *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*), which GASB No. 75 replaced). The year-end balances of the plans were \$861,000 for the PSERS, State-level plan and \$991,206 for the District-level plan, respectively.

Net Position

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

(Continued)

Montgomery Area School District
Notes to Financial Statements
June 30, 2023

Fund Balance

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

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

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

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

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

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

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

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

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

Eliminations and Internal Balances

Transactions and balances between governmental activities have been eliminated in the government-wide financial statements. Residual amounts due between governmental and

(Continued)

Montgomery Area School District
Notes to Financial Statements
June 30, 2023

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

1. H. – Accounting Estimates:

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

Significant Risks and Uncertainties

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

- a) *Significant Group Concentrations of Credit Risk*
The District's operations are located in and around Montgomery, Lycoming County of Pennsylvania. Its service area is located within the geographic bounds of the District. The District assesses taxpayers, within its service area, based upon taxing powers at its disposal. The ability of each of the District's taxpayers to honor their assessed obligations to the District is dependent upon economic and other factors affecting the taxpayers.
- b) *Grant Programs*
The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance that may result in the disallowance of program expenditures.

(Continued)

Montgomery Area School District
Notes to Financial Statements
June 30, 2023

Note 2. Budgets and Budgetary Accounting

Budgets and Budgetary Accounting

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

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

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

- The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The District is required to have the budget printed, or otherwise made available for public inspection, at least twenty (20) days prior to the date set for the adoption of the budget. Final action may not be taken on any proposed budget in which the estimated expenditures exceed two thousand dollars (\$2,000), until after ten (10) days public notice.
- The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action during the last nine months of the fiscal year. An affirmative vote of a majority of all members of the Board is required.
- Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board, which authorize the District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which expenditure has been committed by a purchase order, contract, or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year-end are reported as reservations of fund balances.
- Program budgets, as prescribed by the state and federal agencies funding these programs, are included in the General Fund budget. These budgets are approved on a program-by-program basis by the state or federal funding agency for the term of the program.
- Capital budgets are implemented as project budgets in connection with the issuance of

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Montgomery Area School District
Notes to Financial Statements
June 30, 2023

debt for capital improvements and capital projects in the Capital Projects Fund. All transactions of the Capital Projects Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

- The District does not adopt a formal budget for the proprietary or debt service funds.

Note 3. Encumbrances

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

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappointed in the next fiscal year. As of June 30, 2022, the District had no outstanding encumbrances. A reserve for encumbrances is not reported on the government-wide financial statements.

Note 4. Deposits With Financial Institutions and Investments

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

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

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Montgomery Area School District
Notes to Financial Statements
June 30, 2023

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

| Description | June 30, 2023 Amount |
|---|-----------------------------|
| Cash and cash equivalents: | |
| Governmental Activities: | |
| Demand deposits | \$ 1,055,256 |
| PSDLAF investment pool | 29,537 |
| PLGIT investment pool | 15,402,280 |
| | <u>16,487,073</u> |
| Business-type activities: | |
| Demand deposits | 67,876 |
| PLGIT investment pool | 392,347 |
| Cash on hand | 40 |
| | <u>460,263</u> |
| Total Statement of Net Position Cash, Cash Equivalents and Investments | <u><u>\$ 16,947,336</u></u> |

Types of Deposits and Investments Permitted for Pennsylvania School Districts:

Legal Requirements

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

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

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Montgomery Area School District
Notes to Financial Statements
June 30, 2023

Information Regarding Risks Related to Deposits and Investments:

At June 30, 2023, the School District had the following deposits and investments with the noted related credit and custodial risks:

| Cash Equivalent/Investment | June 30, 2023 Amount | Credit/Custodial Risk |
|--|----------------------------|--|
| Governmental Activities: | | |
| Demand and investment deposits-collateralization | \$ 805,256 | Variable rate overnight investment with a bank collateralized with pooled securities held by a third party |
| Demand Deposits - FDIC insurance | 250,000 | |
| Demand Deposits - PSDLAF | 29,537 | An investment pool for Pennsylvania school districts rated AAAm |
| Demand Deposits - PLGIT | 15,402,280 | An investment pool for Pennsylvania local governments rated AAAm by Standard & Poor's. |
| | <u>16,487,073</u> | |
| Business-type activities: | | |
| Demand Deposits - FDIC insurance | 67,876 | |
| Demand Deposits - PLGIT | 392,347 | An investment pool for Pennsylvania local governments rated AAAm by Standard & Poor's. |
| Cash on hand | 40 | |
| | <u>460,263</u> | |
| Total Cash Equivalent/Investments | <u>\$ 16,947,336</u> | |

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

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

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

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

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

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Montgomery Area School District
Notes to Financial Statements
June 30, 2023

Note 5. Intergovernmental Receivables

Intergovernmental receivables consist of subsidies, grants and refunds due from the state and federal governments as of June 30, 2023. As discussed in Note 1, revenue of the general fund is recognized on the modified accrual basis.

Note 6. Taxes and Taxes Receivable

The School District levies Real Estate and Per Capita taxes based on valuations provided by Lycoming County, Pennsylvania. The calendar for taxes levied for the fiscal year ended June 30, 2022, was as follows:

| | |
|---------------------------------|--------------------|
| July 1, 2022 | Original levy date |
| July 1, - August 31, 2022 | 2% discount period |
| September 1, - October 31, 2022 | Face period |
| November 1, - December 31, 2022 | 10% penalty period |
| January 1, 2023 | Lien date |

Taxes receivable represents amounts due the School District as of June 30, 2023, for earned income tax real estate transfer tax, delinquent real estate, occupational, and per capita taxes recorded at their penalty amounts. A breakout of the detail is as follows:

| | <u>Amount</u> |
|----------------------|--------------------------|
| Real estate taxes | \$ 320,388 |
| Real estate transfer | 14,302 |
| Earned income tax | <u>307,246</u> |
| | <u><u>\$ 641,936</u></u> |

As discussed in Note 1, revenue related to taxes receivable is recognized on a modified accrual basis in fund financial statements. As of June 30, 2023, \$377,651 of the net balance of taxes receivable has been recognized as revenue in the fund financial statements. Government-wide financial statements are prepared on an accrual basis and all of the balance of taxes receivable has been recognized as revenue.

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Montgomery Area School District
Notes to Financial Statements
June 30, 2023

Note 7. Fixed Assets

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

Governmental Funds Fixed Assets:

| Description | Cost June 30, 2022 | Fiscal Year-ended June 30, 2023 | | Cost June 30, 2023 | Depreciation Expense For Year-ended June 30, 2023 | Accumulated Depreciation June 30, 2023 | Net Asset June 30, 2023 |
|--------------------------|-----------------------|------------------------------------|---------------------------|-----------------------|--|--|-------------------------------|
| | | Additions | Retirements/ Transfers | | | | |
| Land | 84,535 | - | - | 84,535 | - | - | 84,535 |
| Land improvements | 2,100,313 | 181,660 | - | 2,281,973 | 83,713 | 1,400,047 | 881,926 |
| Buildings & improvements | 21,723,354 | 320,876 | - | 22,044,230 | 721,877 | 10,917,692 | 11,126,537 |
| Machinery & equipment | 4,721,757 | 268,140 | - | 4,989,897 | 272,573 | 3,697,611 | 1,292,287 |
| Capital leased equipment | 378,129 | - | - | 378,129 | - | 378,129 | - |
| Construction in Progress | - | 1,546,367 | - | 1,546,367 | - | - | 1,546,367 |
| | <u>\$ 29,008,088</u> | <u>\$ 2,317,043</u> | <u>\$ -</u> | <u>\$ 31,325,131</u> | <u>\$ 1,078,163</u> | <u>\$ 16,393,479</u> | <u>\$ 14,931,652</u> |

Unallocated depreciation expense of \$1,078,163 was charged to governmental activities functions/programs of the District during the year-ended June 30, 2023.

Food Service Fixed Assets:

| Description | Cost June 30, 2022 | Fiscal Year-ended June 30, 2023 | | Cost June 30, 2023 | Depreciation Expense For Year-ended June 30, 2023 | Accumulated Depreciation June 30, 2023 | Net Asset June 30, 2023 |
|-----------------------|-----------------------|------------------------------------|---------------------------|-----------------------|--|--|-------------------------------|
| | | Additions | Retirements/ Transfers | | | | |
| Machinery & equipment | \$ 201,772 | \$ 16,398 | \$ (15,439) | \$ 202,731 | \$ 11,306 | \$ 113,111 | \$ 89,620 |
| | <u>\$ 201,772</u> | <u>\$ 16,398</u> | <u>\$ (15,439)</u> | <u>\$ 202,731</u> | <u>\$ 11,306</u> | <u>\$ 113,111</u> | <u>\$ 89,620</u> |

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

Note 8. Unearned Revenues

Unearned revenues at June 30, 2023 consist of the following:

Government-Wide Statement of Net Assets:

Governmental Activities:

| | Amount |
|-----------------------------------|-----------------|
| Unearned/unavailable tax revenue | \$ - |
| Unearned revenue-federal programs | 3,876 |
| | <u>\$ 3,876</u> |

Governmental Fund Statements:

General Fund:

| | |
|-----------------------------------|-------------------|
| Unearned/unavailable tax revenue | \$ 264,285 |
| Unearned revenue-federal programs | 3,876 |
| | <u>\$ 268,161</u> |

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Montgomery Area School District
Notes to Financial Statements
June 30, 2023

As discussed in Note 1, the difference in measurement focus between government-wide statements and fund financial statements, results in the above difference in deferred revenue. Government-wide statements are prepared utilizing accrual basis accounting while fund financial statements utilize the modified accrual basis of accounting. Unearned/deferred revenue represents revenue not yet recorded as revenue because of not meeting the "available" criteria. See Note 1 for further discussion.

Note 9. Pensions

General information about the Pension Plan:

1. ***Plan Description:***

PSERS is a governmental cost-sharing, multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania into which more than approximately 600 reporting units contribute. The members eligible to participate in the System include full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

2. ***Benefits Provided:***

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reach (a) age 62 with at least 1 year of credit service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes: Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and T-F members must work until age 65 with a minimum of three (3) years of service to attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of credited service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined by the Code) multiplied by the number of years of credited service. For members who membership started prior to July 1, 2011, after completion of five (5) years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten (10) years of service.

Participants are eligible for disability retirement benefits after completion of five years

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Montgomery Area School District
Notes to Financial Statements
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of credited service. Such benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply disability benefits.

Death benefits are payable upon death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three (3) years of credited service for Class T-E and Class T-F members) or who has at least five (5) years of credited service (ten (10) years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

3. ***Funding Policy - Contributions:***

a. **Member Contributions:**

| Member Contribution Rates (the contribution rates based on qualified member compensation for virtually all members are presented below): | | | | |
|---|-----------------------------|--|--------------------------------|-------------------------|
| Membership Class | Continuous Employment Since | Defined Benefit (DB) Contribution Rate | Defined Contribution (DC) Rate | Total Contribution Rate |
| T-C | Prior to July 22, 1983 | 5.25% | N/A | 5.25% |
| | | | | 6.25% |
| T-C | On or after July 22, 1983 | 6.25% | N/A | 6.25% |
| T-D | Prior to July 22, 1983 | 6.50% | N/A | 6.50% |
| | | | | 7.50% |
| T-D | On or after July 22, 1983 | 7.50% | N/A | 7.50% |
| T-E | On or after July 1, 2011 | 7.50% (*) | N/A | 7.50% |
| T-F | On or after July 1, 2011 | 10.30% (*) | N/A | 10.30% |
| T-G | On or after July 1, 2019 | 5.50% (*) | 2.75% | 8.25% |
| T-H | On or after July 1, 2019 | 4.50% (*) | 3.00% | 7.50% |
| DC | On or after July 1, 2019 | N/A | 7.50% | 7.50% |

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Montgomery Area School District
Notes to Financial Statements
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(*) Represents a “base rate” - Membership Classes T-E, T-F, T-G, and T-H are affected by a “Shared Risk” provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class contribution rates to fluctuate.

| Shared Risk Program Summary (“Shared risk,” as defined by PSERS, pertains to the risks and rewards of investment performance – potential Shared Risk-related fluctuations are summarized as follows:) | | | | |
|--|--------------------------------|-----------------------|---------|---------|
| Membership Class | Defined Benefit (DB) Base Rate | Shared Risk Increment | Minimum | Maximum |
| T-E | 7.50% | +/- 0.50% | 5.50% | 9.50% |
| T-F | 10.30% | +/- 0.50% | 8.30% | 12.30% |
| T-G | 5.50% | +/- 0.75% | 2.50% | 8.50% |
| T-H | 4.50% | +/- 0.75% | 1.50% | 7.50% |

| Total Member Contribution Rate Summary (Includes “Shared risk,” provision adjustment and DC components:) | | | | |
|---|--------------------------------|--------------------------------|---------------------|--------------------|
| Membership Class | Defined Benefit (DB) Base Rate | Defined Contribution (DC) Rate | Before July 1, 2021 | After July 1, 2021 |
| T-E | 7.50% | N/A | 7.50% | 8.00% |
| T-F | 10.30% | N/A | 10.30% | 10.80% |
| T-G | 5.50% | 2.75% | 8.25% | 9.00% |
| T-H | 4.50% | 3.00% | 7.50% | 8.25% |
| DC | N/A | 7.50% | 7.50% | 7.50% |

b. Employer Contributions:

The District’s contractually required contribution rate for fiscal year ended June 30 2022, was 34.31% of covered payroll (35.26%, net of premium assistance (0.75%) and defined contribution (0.20%) portions), 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 and received by the Pension Plan from the District were approximately \$2,353,000 for the year ended June 30, 2023.

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

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Montgomery Area School District
Notes to Financial Statements
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half of the School District's contributions.

4. ***Pension Liability:***

At June 30, 2023, the District reported a liability of approximately \$20,807,000, for its proportionate share of the PSERS net pension liability. The net pension liability was measured as of June 30, 2022 (for 2023), and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll reported by all PSERS participating employers. At June 30, 2022 (for 2023), the District's proportion of was 0.0468%, which was an increased by 0.0007 percentage points (1.52%) from its proportion (0.0461%) measured as of June 30, 2021 (for 2022).

For the year ended June 30, 2023, the District recognized pension expense of approximately \$1,580,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Difference between expected and actual experience | \$ 9,000 | \$ 180,000 |
| Changes in assumptions | 621,000 | - |
| Net difference between projected and actual investment earnings | - | 353,000 |
| Changes in proportions | 338,000 | - |
| Contributions subsequent to the measurement date | 2,353,029 | - |
| | <u>\$ 3,321,029</u> | <u>\$ 533,000</u> |

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

| | |
|---------------------|-------------------|
| Year ended June 30: | |
| 2024 | \$ 249,000 |
| 2025 | 155,000 |
| 2026 | (461,000) |
| 2027 | 492,000 |
| | <u>\$ 435,000</u> |

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Montgomery Area School District
Notes to Financial Statements
June 30, 2023

5. ***Actuarial Assumptions:***

The total pension liability as of June 30, 2022 (for 2023), was determined by rolling forward the System's total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- | | | |
|-----|-------------------------------|--|
| (a) | <i>Actuarial Cost Method:</i> | Entry Age Normal – level % of pay |
| (b) | <i>Investment Return:</i> | 7.00%, includes inflation at 2.75% |
| (c) | <i>Salary Increases</i> | Salary growth - effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases. |
| (d) | <i>Mortality rates</i> | Based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale. |
| (e) | <i>Discount rates</i> | The discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2022 (for 2023) and 2021 (for 2022). |

Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 (for 2022 and 2023) actuarial valuation:

- Salary growth rate - decreased from 5.00% to 4.50%.
- Real wage growth and merit or seniority increases (components for salary growth) - decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
- Mortality rates - Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

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Montgomery Area School District
Notes to Financial Statements
June 30, 2023

The actuarial assumptions used in the June 30, 2022 (for 2023) valuation were based on the experience study that was performed for the five-year period ending June 30, 2020.

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

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.

The following was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022 (for 2023):

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return</u> |
|----------------------|------------------------------|--|
| Global public equity | 28.0% | 5.3% |
| Private equity | 12.0% | 8.0% |
| Fixed income | 33.0% | 2.3% |
| Commodities | 9.0% | 2.3% |
| Infrastructure/MLPs | 9.0% | 5.4% |
| Real estate | 11.0% | 4.6% |
| Absolute return | 6.0% | 3.5% |
| Cash | 3.0% | 0.5% |
| Leverage | -11.0% | 0.5% |
| | <u>100%</u> | |

6. ***Discount Rate:***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be

(Continued)

Montgomery Area School District
Notes to Financial Statements
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available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. *Sensitivity to Discount Rate Changes:*

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the pension liability would be if it were calculated using discount rates that are 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate in order to demonstrate the sensitivity of the District's proportionate share of the Net Pension Liability to changes in the discount rate:

| | 1% Decrease 6.00% | Current Discount Rate 7.00% | 1% Increase 8.00% |
|--|----------------------------------|--|----------------------------------|
| District's proportionate share of the net pension liability | \$ 26,912,000 | \$ 20,807,000 | \$ 15,659,000 |

8. *Pension Plan Fiduciary Net Position:*

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

Note 10. Long-term Debt

The District's general obligation note long-term debt of the as of June 30, 2023 is comprised of the following:

General Obligation Bonds Series of 2019 (GOB 2019)

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

The interest rates on the bond vary between 2.00% and 5.00% based upon maturity. Full maturity of the GOB 2019 is approximately September 2027 with an optional redemption in approximately March of 2025.

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Montgomery Area School District
Notes to Financial Statements
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Debt service requirements of the GOB 2019 are as follow:

| Fiscal Year Ended | Series of 2019 GOB | | Total |
|----------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | |
| 2024 | 1,320,000 | 204,800 | 1,524,800 |
| 2025 | 1,385,000 | 137,175 | 1,522,175 |
| 2026 | 1,445,000 | 80,875 | 1,525,875 |
| 2027 | 1,475,000 | 44,450 | 1,519,450 |
| 2028 | 1,485,000 | 14,850 | 1,499,850 |
| | <u>\$ 7,110,000</u> | <u>\$ 482,150</u> | <u>\$ 7,592,150</u> |

General Obligation Bonds Series of 2023 (GOB 2023)

In February 2023, the District completed the issuance of approximately \$9,875,000 (face value) of General Obligation Bonds (GOB 2023). The District has utilized and plans to utilize the GOB 2023 issuance proceeds to accomplish renovations at the District's elementary and secondary facilities.

The interest rates on the bond approximate 4.00%, varying between 4.00% and 4.05%, based upon maturity with full maturity expected at approximately September 2052. The GOB 2023 provide for an optional redemption in approximately March of 2028.

The School District receives financial assistance from the Commonwealth of Pennsylvania with respect to the bonds. This assistance is in the form of a reimbursement for a portion of the bond interest and principal payments made. During the fiscal year ended June 30, 2023 the School District recorded approximately \$438,000 of such assistance which represented approximately 35% of such payments. Future reimbursements are subject to changes in the applicable statutory provisions and appropriations by the Pennsylvania General Assembly.

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

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Notes to Financial Statements
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A summary of activity in the general obligation long-term debt activity for the fiscal year is as follows:

| Description | Balance June 30, 2022 | Additional Borrowings | Principal Reductions | Balance June 30, 2023 |
|-----------------------------|--------------------------|--------------------------|-------------------------|--------------------------|
| GOB 2019 | \$ 8,365,000 | \$ - | \$ (1,255,000) | \$ 7,110,000 |
| GOB 2023 | - | 9,875,000 | - | 9,875,000 |
| | <u>8,365,000</u> | <u>9,875,000</u> | <u>(1,255,000)</u> | <u>16,985,000</u> |
| Unamortized bond premium | 479,006 | 121,346 | (89,114) | 511,238 |
| | <u>\$ 479,006</u> | <u>\$ 121,346</u> | <u>\$ (89,114)</u> | <u>\$ 511,238</u> |

Unused Lines of Credit

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

Events of Default, Collateral, and Other Matters

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

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

Aggregate Debt Service

Aggregate debt service to maturity on the District's general obligation notes at June 30, 2023, is summarized as follows:

| Fiscal Year Ended | Combined Debt Service | | Total |
|----------------------|-----------------------|---------------------|---------------------|
| | Principal | Interest | |
| 2024 | 1,320,000 | 618,562 | 1,938,562 |
| 2025 | 1,390,000 | 533,230 | 1,923,230 |
| 2026 | 1,450,000 | 476,730 | 1,926,730 |
| 2027 | 1,480,000 | 440,105 | 1,920,105 |
| 2028 | 1,490,000 | 410,305 | 1,900,305 |
| Thereafter | 9,855,000 | 5,767,920 | 15,622,920 |
| | <u>\$16,985,000</u> | <u>\$ 8,246,852</u> | <u>\$25,231,852</u> |

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Capital Leases

The District has entered into certain capital leases under which the related equipment will become the District's property when all terms of the lease agreement are met. The equipment is principally computer hardware and the asset and the related capital lease obligation are included in the governmental activities column in the accompanying government-wide statement of net position. Likewise, the amortization of the capital leased equipment and the interest on the capital lease obligation are included as components of governmental activities depreciation and interest expense in the accompanying statement of activities. The leased assets are being depreciated over the three-year term of the lease. The District had no remaining payment commitments under capital leases as of June 30, 2023.

Total interest expense on long-term debt in 2023 was \$429,613 (net of premium amortization related reductions in interest expense of approximately \$89,000). No interest was capitalized (i.e., added to the carrying value of capital assets) during 2023.

Note 11. *Compensated Absences*

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

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

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

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

Sick Leave – Most District employees are credited annually with sick days. Unused sick leave is cumulative from year to year. Until fiscal year 2020-2021, accumulation of this leave was not compensated upon termination or retirement. However, under the terms of the new

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collective bargaining agreements, certain accumulated leave is eligible for remuneration.

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

At June 30, 2023, the liability for compensated absences was \$303,581 of which approximately \$294,000 is estimated to be long-term in nature.

Note 12. Contingencies-Public Entity Risk Pools

The School District is a member of The Lycoming County Insurance Consortium Pooled Trust, "the Trust", which provides group health benefits to employees of the district. The District made payments for health care benefit claims coverage of approximately \$1,820,000 to the Trust during the fiscal year ended June 30, 2023. Audited financial statements of the Trust are available in the District's Business Office.

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

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

Health Benefits

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

Under the terms of membership in the Trust, should the School District decide to withdraw from the Trust, it would be required to give 180-days prior written notice, pay any deficit generated by its claims experience or from non-payment of premiums or contributions to the trust, as calculated by the Trust at the time of notification of the intent to withdraw. Any deficit repayment relative to claims would be based upon claims incurred by the District prior to the effective date of the withdrawal from the Trust.

Additionally, the District would be required to pay a termination fee to the trust of the greater 25% of the District's net interest in the Trust's operating surplus from the year in which the withdrawal would occur, which is calculated based upon a formula and takes into

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consideration payment status of any other District specific claims incurred or premium deficits, if any, or \$50,000.

Stop-Loss Insurance

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

Note 13. Non-monetary Transactions

The School District's Food Service fund received \$38,055 of Donated Commodities from the U. S. Department of Agriculture (USDA) for the fiscal year ended June 30, 2023. The receipt of these commodities is recorded at values provided by the USDA.

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

PSERS Health Insurance Premium Assistance Program (the PSERS Plan)

General Information about the PSERS Plan:

1. Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

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

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

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

Pension Plan description

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

Benefits provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2022 (for 2023) was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were approximately \$51,000 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$861,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 (for 2023), and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022 (for 2023), the District's

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proportion of was 0.0468%, which was 0.0008% (1.74% increase) increased from its 0.0468% proportion measured as of June 30, 2021 (for 2022).

For the year ended June 30, 2023, the District recognized OPEB expense of \$26,000. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 8,000 | \$ 5,000 |
| Changes in assumptions | 96,000 | 203,000 |
| Net difference between projected and actual investment earnings | 2,000 | - |
| Changes in proportions | 23,000 | 5,000 |
| Contributions subsequent to the measurement date | 51,436 | - |
| | <u>\$ 180,436</u> | <u>\$ 213,000</u> |

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

| | |
|---------------------|--------------------|
| Year ended June 30: | |
| 2024 | \$ (19,000) |
| 2025 | (11,000) |
| 2026 | (14,000) |
| 2027 | (17,000) |
| 2028 | (23,000) |
| | <u>\$ (84,000)</u> |

3. Actuarial Assumptions

The Total OPEB Liability as of June 30, 2022 (for 2023), was determined by rolling forward the System's Total OPEB Liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- (a) *Actuarial cost method:* Entry Age Normal - level % of pay
- (b) *Investment return:* 4.09% (was 2.18%) - S&P 20 Year Municipal Bond Rate
- (c) *Salary growth:* Effective average of 4.50%, comprised of

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Montgomery Area School District
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- inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases
Premium Assistance reimbursement is capped at \$1,200 per year.
Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year
- (d) *Mortality rates:* Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- (e) *Participation rate:* Eligible retirees will elect to participate Pre age 65 at 50%
Eligible retirees will elect to participate Post age 65 at 70%
- (f) *Employer contribution rate ((f)(i – iv)):* The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022 (for 2023).
- (i) *Cost Method:* Amount necessary to assure solvency of
(*employer contribution*) Premium Assistance through the third fiscal year after the valuation date
- (ii) *Asset valuation method:* Market Value
- (iii) *Participation rate:* The actual data for retirees benefiting under
(*employer contribution*) the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- (iv) *Mortality rates* Mortality Tables for Males and Females,
(*employer contribution*) 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, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2020.

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Investments

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

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

| <u>OPEB Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return</u> |
|-------------------------|------------------------------|--|
| Cash | 100.00% | 0.50% |
| | <u>100.00%</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, 2022 (for 2023).

Discount rate

The discount rate used to measure the Total OPEB Liability was 4.09% (was 2.18% in prior-year). Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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

The following presents the net OPEB liability, calculated using the discount rate of 4.09% (was 2.18%), as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

(Continued)

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| | 1% Decrease 3.09% | Current Discount Rate 4.09% | 1% Increase 5.09% |
|--------------------|----------------------------------|--|----------------------------------|
| PSERS Plan | | | |
| net OPEB liability | \$ 974,000 | \$ 861,000 | \$ 767,000 |

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022 (for 2023), retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022 (for 2023), 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022 (for 2023), 582 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2022 (for 2023), calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

| | 1% Decrease | Healthcare Cost Trend Rate Current Rate | 1% Increase |
|--------------------|------------------------|--|------------------------|
| PSERS Plan | | | |
| net OPEB liability | \$ 861,000 | \$ 861,000 | \$ 862,000 |

OPEB plan fiduciary net position

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

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Note 15. Postemployment Benefits Other Than Pensions – Single Employer

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

General Information About the District Plan:

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

1. Plan Descriptions

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

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

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

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

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

1. *Current and Certain Retired Administrators*- Benefit is coverage for medical and prescription drug. Subject to years of service (in and out of District) and, in some cases PSERS eligibility requirements, the retired employee and, in some cases,

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spouse and/or family are covered until Medicare age or death.
The District contribution ranges from \$250 per month to the full cost for single coverage.

2. *Retirees – Retired prior to 7/1/2015* - Benefit is coverage for medical and prescription drug. The retired employee and spouse are covered. The retiree and spouse are eligible for this coverage until eligible for Medicare or death. The District will contribute a maximum of \$350 per month.
3. *Retirees – Retired after 7/1/2015* - Benefit is coverage for medical and prescription drug. The retired employee and spouse are covered. The retiree and spouse are eligible for this coverage until eligible for Medicare or death. The District will contribute a maximum of \$250 per month. Employee must be 57 or older and must have 10 years of service to the District.
4. *Support Staff* - Benefit is coverage for medical and prescription drug. Member and spouse are eligible to participate at the COBRA rate. The retiree and spouse are eligible for this coverage until eligible for Medicare or death.
5. *Act 110/43 COBRA Benefit Plan*- In accordance with 24 Pa. C.S.A. 8701 et seq, referred to as the “Public School Retirees’ Health Insurance Act”, qualified retired employees are permitted to purchase insurance coverage for themselves and their dependents in the District’s group health plan at the COBRA rate until the retired employee reaches Medicare age. This program is administered through a combination of the District and an outside agency.
6. *Premium Assistance through the Pennsylvania School Employee Retirement System*- In accordance legislation enacted by the Commonwealth of Pennsylvania, eligible retirees may receive up to \$100 per month in reimbursement to assist in the payment for basic health insurance. The Plan is administered by PSERS and funded by contributions from the school districts and the Commonwealth of Pennsylvania.

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

Telephone request at 1-888-773-7748

Email: See www.psers.pa.gov

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

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At June 30, 2023, the District Plan reported a net OPEB liability of \$991,206. The net OPEB liability was measured as of July 1, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the District Plan's total OPEB liability as of July 1, 2021 to July 1, 2022. The District is the only employer sponsoring the District Plan (i.e. proportion of the overall net OPEB liability attributable to the District is 100%).

For the year ended June 30, 2023, the District recognized OPEB expense of \$52,138. The OPEB expense is comprised of approximately \$92,000 of service cost and \$29,000 of interest on the OPEB liability, net of a reduction of approximately \$312,000 of net amortization of deferred inflows/outflows of resources. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Changes in assumptions | \$ 124,268 | \$ 490,080 |
| Difference between expected and actual experience | 38,999 | 385,408 |
| Contributions subsequent to the measurement date | 17,983 | - |
| | <u>\$ 181,250</u> | <u>\$ 875,488</u> |

Deferred outflows resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the following year. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | |
|---------------------|---------------------|
| Year ended June 30: | |
| 2024 | \$ (68,864) |
| 2025 | (68,864) |
| 2026 | (68,864) |
| 2027 | (68,864) |
| 2028 | (68,864) |
| Thereafter | (367,901) |
| | <u>\$ (712,221)</u> |

3. Actuarial Assumptions

The Total OPEB Liability as of June 30, 2022/July 1, 2022, was determined by rolling forward the District's Total OPEB Liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

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- (a) *Actuarial cost method:* Entry Age Normal - level % of pay
(b) *Interest rate:* 4.06% (was 2.28 %) - S&P 20 Year Municipal Bond Rate (PSERS OPEB rate)

- (c) *Salary growth:* An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of 2.5% cost of living adjustment, 1% real wage growth, and, for teachers and administrators, a merit increase which varies by age from 2.75% to 0%.

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

- (d) *Mortality rates:* Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation

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

No disability was assumed

- (e) *Participation rate:* Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender.

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

Actuarial Cost Method – Entry Age Normal

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

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Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

The OPEB liability includes the amounts due retired employees under retiree health insurance plans, the amount determined as the implicit subsidy included in active employee insurance premiums for retirees purchasing health insurance through the District health plan, and amounts actuarially determined to be earned by current employees.

Funding Policy

The plans for medical coverage for employees and the Act 110/43 COBRA Benefit Plans are funded by the District on a pay as you go basis to meet the obligations of the Plans. As summarized in these Notes to the Financial Statements the Premium Assistance Plan is funded in accordance with legislation as enacted by the Commonwealth of Pennsylvania with school districts and the Commonwealth sharing in the funding of the Plan at a rate of 0.75% and 0.80% of eligible wages in the fiscal year ended June 30, 2023 and 2022, respectively. Such rate is subject to change. Refer to the PSERS information cited above for information as to the funding policies and status of this Plan.

Funded Status

The District Plan is funded on a “pay as you go” basis as of July 1, 2021, rolled forward to July 1, 2022, the most recent actuarial valuation date. As described, the Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. The Actuarial Value of Assets is \$0 for this purpose at June 30, 2021 and 2022 (i.e. for 2022 and 2023), respectively.

The actuarial assumptions included a 4.06% interest rate, which is expected to approximate the rate earned on the District's deposits.

Actuarial Methods and Assumptions

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

The calculations are based on the types of benefits provided under the terms of the

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substantive plan at the time of valuation and on the pattern of cost sharing between the employer and plan members. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Discount rate

The discount rate used to measure the Total OPEB Liability was 4.06% (was 2.28% in prior-year). Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.06% which represents the S&P 20 year Municipal Bond Rate at July 1, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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

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

| | 1% Decrease 3.06% | Current Discount Rate 4.06% | 1% Increase 5.06% |
|--------------------|----------------------------------|--|----------------------------------|
| District Plan | | | |
| net OPEB liability | \$ 1,062,982 | \$ 991,206 | \$ 922,896 |

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

The health care cost trend rate was 6.5% in 2022, 6.0% in 2023, 5.5% in 2024 and 2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later, based upon the Society of Actuaries Long-Run Medical Cost Trend Model.

The following presents the District Plan net OPEB liability at June 30, 2022 (for 2023), calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

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| | 1% Decrease | Healthcare Cost Trend Rate Current Rate | 1% Increase |
|--------------------|------------------------|--|------------------------|
| District Plan | | | |
| net OPEB liability | \$ 897,101 | \$ 991,206 | \$ 1,101,384 |

Note 16. Fund Balance

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

| Fund balances: | General Fund | Capital Reserve Fund | Debt Service Fund | Student Activities Fund | Capital Project Fund | Total |
|--------------------------------|---------------------|-------------------------|----------------------|-------------------------------|-------------------------|----------------------|
| Nonspendable: | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted for: | | | | | | |
| Debt service | - | - | 1,793 | - | - | 1,793 |
| Specific capital projects | - | 60,771 | - | - | - | 60,771 |
| Committed to: | | | | | | |
| Specific capital projects | 630,000 | - | - | - | - | 630,000 |
| Assigned to: | | | | | | |
| Future retirement rate changes | | | | | | |
| for pensions & OPEB | 2,500,000 | - | - | - | - | 2,500,000 |
| Debt service | 200,000 | - | - | - | - | 200,000 |
| Specific capital projects | - | - | - | - | 8,988,766 | 8,988,766 |
| Student sponsored activities | - | - | - | 71,343 | - | 71,343 |
| Technology equipment | 300,000 | - | - | - | - | 300,000 |
| Unspecified capital projects | 1,375,635 | - | - | - | - | 1,375,635 |
| Unassigned: | 1,842,615 | - | - | - | - | 1,842,615 |
| Total fund balances | <u>\$ 6,848,250</u> | <u>\$ 60,771</u> | <u>\$ 1,793</u> | <u>\$ 71,343</u> | <u>\$ 8,988,766</u> | <u>\$ 15,970,923</u> |

Note 17. Joint Ventures & Transactions With Other LEAs

The District is a member of BLaST Intermediate Unit 17 (“BLaST IU17” or “IU17”). Through this membership, the District is able to secure various special services, including special education. The District purchased special education and other contracted services through IU 17 of approximately \$300,000 (net of the \$487,000 discussed below) for the year ended June 30, 2023.

Joint Venture - Clear Vision

The District hosts a secure residential treatment service facility which is managed through the BLaST IU17 and the Pennsylvania Department of Human Services. The facility, known as “Clear Vision” (CV) provides care for adolescent females, adjudicated delinquent or dependent, who require placement services outside the home for social, emotional, and

(Continued)

Montgomery Area School District
Notes to Financial Statements
June 30, 2023

behavioral problems. CV is located within the District's attendance area and the District is responsible for operating the facility as a component of the public school system. Day to day operations are staffed and managed by specialized staff from the BLaST IU17. The District bills participating residents' home Districts for the cost of the BLaST IU17 services. Such leased professional services payments received by the District and paid to BLaST IU17 amounted to approximately \$487,000, for the year ended June 30, 2023.

Note 18. Tax Abatements

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

Homestead Tax Exemption

The District enters into property tax abatement agreements with local residents under the state's Taxpayer Relief Act, Act 1 of Special Session 1 of 2006 (The Taxpayer Relief Act). The Taxpayer Relief Act provides for property tax reduction allocations to be distributed by the Commonwealth to each school district. Property tax reduction will be through a "homestead or farmstead exclusion." Generally, most owner-occupied homes and farms are eligible for property tax reduction. Only a primary residence is eligible for property tax relief. During the year ended June 30, 2023, the District abated and received corresponding funding from the Commonwealth property taxes levied in the amount of approximately \$403,000.

Keystone Opportunity Zones (KOZ)

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

Other Tax Abatement Programs

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

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

(Continued)

Montgomery Area School District
Notes to Financial Statements
June 30, 2023

Note 19. New Accounting Pronouncement – Accounting for Software Subscriptions

During the fiscal year ended June 30, 2023, the District adopted GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* (GASB No. 96). The District has identified certain agreements within the scope of GASB No. 96. The agreements, which are primarily for financial and operational support and include student information and classroom materials. District management has evaluated the commitments under the terms of the respective agreements to be immaterial individually, and in the aggregate, relative to the financial statements taken as a whole and in the context of the District's other long term, debt and debt service commitments. The District has not recognized a GASB No. 96 subscription asset or liability relative to these immaterial items in the accompanying financial statements.

Note 20. Subsequent Events

Subsequent events have been evaluated through March 25, 2024, which is the date the financial statements were available to be issued. No reportable subsequent events were identified other than those accrued in the accompanying statement of net position and/or governmental funds balance sheet and the following:

Coronavirus – COVID-19 Pandemic

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

Montgomery Area School District
Required Supplementary Information
June 30, 2023
(UNAUDITED)

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

| Fiscal Year Ended | District's proportion of the net pension liability (asset) | District's proportionate share of the net pension liability (asset) | District's covered- employee Payroll | District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | Plan fiduciary net position as a percentage of the total pension liability |
|-------------------|---|--|---|---|--|
| June 30, 2023 | 0.0468% | \$ 20,807,000 | \$ 6,858,143 | 303.39% | 61.34% |
| June 30, 2022 | 0.0461% | \$ 18,927,000 | \$ 6,757,711 | 280.08% | 63.67% |
| June 30, 2021 | 0.0461% | \$ 22,699,000 | \$ 6,468,448 | 350.92% | 54.32% |
| June 30, 2020 | 0.0453% | \$ 21,193,000 | \$ 6,363,312 | 335.45% | 55.66% |
| June 30, 2019 | 0.0455% | \$ 21,842,000 | \$ 6,192,454 | 352.72% | 54.00% |
| June 30, 2018 | 0.0458% | \$ 22,620,000 | \$ 5,974,105 | 378.63% | 51.84% |
| June 30, 2017 | 0.0461% | \$ 22,846,000 | \$ 6,042,334 | 378.10% | 50.14% |
| June 30, 2016 | 0.0389% | \$ 16,849,000 | \$ 5,974,694 | 282.01% | 54.36% |
| June 30, 2015 | 0.0449% | \$ 17,772,000 | \$ 5,001,849 | 355.31% | 57.24% |

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

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

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

Montgomery Area School District
Required Supplementary Information
June 30, 2023
(UNAUDITED)

Schedule of the District's Pension Contributions

| <u>Fiscal Year Ended</u> | <u>Contractually required contribution</u> | <u>Contributions in relation to the contractually required</u> | <u>Contribution deficiency (excess)</u> | <u>District's covered- employee Payroll</u> | <u>Contributions as a percentage of covered-employee payroll</u> |
|--------------------------|--|--|---|---|--|
| June 30, 2023 | \$ 2,353,029 | \$ 2,353,029 | \$ - | \$ 6,858,143 | 34.31% |
| June 30, 2022 | \$ 2,296,946 | \$ 2,296,946 | \$ - | \$ 6,757,711 | 33.99% |
| June 30, 2021 | \$ 2,167,577 | \$ 2,167,577 | \$ - | \$ 6,468,448 | 33.51% |
| June 30, 2020 | \$ 2,122,801 | \$ 2,122,801 | \$ - | \$ 6,363,312 | 33.36% |
| June 30, 2019 | \$ 2,018,740 | \$ 2,018,740 | \$ - | \$ 6,192,454 | 32.60% |
| June 30, 2018 | \$ 1,896,181 | \$ 1,896,181 | \$ - | \$ 5,974,105 | 31.74% |
| June 30, 2017 | \$ 1,303,861 | \$ 1,303,861 | \$ - | \$ 6,042,334 | 21.58% |
| June 30, 2016 | \$ 1,400,415 | \$ 1,400,415 | \$ - | \$ 5,974,694 | 23.44% |
| June 30, 2015 | \$ 1,225,923 | \$ 1,225,923 | \$ - | \$ 5,001,849 | 24.51% |

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

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

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

Montgomery Area School District
Required Supplementary Information
June 30, 2023
(UNAUDITED)

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

| | Fiscal Year ending June 30, | | | | |
|--|-----------------------------|------------|-----------|-----------|-----------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Total OPEB liability | | | | | |
| Service Cost | \$ 92,201 | \$ 105,883 | \$ 77,602 | \$ 78,703 | \$ 74,086 |
| Interest | 28,801 | 27,446 | 41,703 | 42,189 | 43,676 |
| Changes of benefit terms | - | - | - | 8,738 | - |
| Differences between expected and actual experience | - | (261,068) | - | 56,331 | - |
| Changes of assumptions or other inputs | (291,289) | (34,848) | 146,009 | (274,051) | 2,026 |
| Benefit Payments | (20,768) | (54,259) | (64,970) | (109,478) | (97,691) |
| Net change in total OPEB liability | (191,055) | (216,846) | 200,344 | (197,568) | 22,097 |
| Total OPEB liability-beginning | 1,182,261 | 1,399,107 | 1,198,763 | 1,396,331 | 1,374,234 |
| Total OPEB liability-ending | 991,206 | 1,182,261 | 1,399,107 | 1,198,763 | 1,396,331 |
| Covered employee payroll | 6,356,520 | 6,356,520 | 6,120,869 | 6,120,869 | 5,912,733 |
| Total OPEB liability as a percentage of covered-employee payroll | 15.59% | 18.60% | 22.86% | 19.58% | 23.62% |
| | | | | | 23.24% |

Notes to Schedule:

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

Changes of Assumptions:

2022-2023: The discount rate changed from 2.28% to 4.06%. The initial expected recognition period is 13 years.

2020-2021: The discount rate changed from 3.36% to 1.86%. The trend assumption was updated. The expected recognition period is 12 years.

2018-2019: The discount rate changed from 3.13% to 2.98%. The trend assumption was updated. The expected recognition period is 12 years.

2021-2022: The discount rate changed from 1.86% to 2.28%. The initial expected recognition period is 13 years.

2019-2020: The discount rate changed from 2.98% to 3.36%. The proportion of eligible retirees electing coverage under the Plan decreased from 100% to 75%. The trend assumption was updated. The expected recognition period is 12 years.

2017-2018: The discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal, and retirement were updated based upon new PSERS assumptions. The expected recognition period is 12 years.

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

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

Unaudited – Supplementary Information

See *Accompanying Independent Auditor's Report*

Montgomery Area School District
Required Supplementary Information
June 30, 2023
(UNAUDITED)

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

| <u>Fiscal Year Ended</u> | <u>District's proportion of the net OPEB liability (asset)</u> | <u>District's proportionate share of the net OPEB liability (asset)</u> | <u>District's covered- employee Payroll</u> | <u>District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll</u> | <u>Plan fiduciary net position as a percentage of the total OPEB liability</u> |
|--------------------------|--|---|---|---|--|
| June 30, 2023 | 0.0468% | \$ 861,000 | \$ 6,858,143 | 12.55% | 6.86% |
| June 30, 2022 | 0.0460% | \$ 1,090,000 | \$ 6,757,711 | 16.13% | 5.30% |
| June 30, 2021 | 0.0460% | \$ 994,000 | \$ 6,468,448 | 15.37% | 5.69% |
| June 30, 2020 | 0.0453% | \$ 963,000 | \$ 6,363,312 | 15.13% | 5.56% |
| June 30, 2019 | 0.0455% | \$ 949,000 | \$ 6,192,454 | 15.33% | 5.56% |
| June 30, 2018 | 0.0458% | \$ 933,000 | \$ 5,974,105 | 15.62% | 5.73% |

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

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

Unaudited - Supplementary Information
See accompanying Independent Auditor's Report

Montgomery Area School District
Required Supplementary Information
June 30, 2023
(UNAUDITED)

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

| <u>Fiscal Year Ended</u> | <u>Contractually required contribution</u> | <u>Contributions in relation to the contractually required</u> | <u>Contribution deficiency (excess)</u> | <u>District's covered- employee Payroll</u> | <u>Contributions as a percentage of covered-employee payroll</u> |
|--------------------------|--|--|---|---|--|
| June 30, 2023 | \$ 51,436 | \$ 51,436 | \$ - | \$ 6,858,143 | 0.75% |
| June 30, 2022 | \$ 54,062 | \$ 54,062 | \$ - | \$ 6,757,711 | 0.80% |
| June 30, 2021 | \$ 53,041 | \$ 53,041 | \$ - | \$ 6,468,448 | 0.82% |
| June 30, 2020 | \$ 53,352 | \$ 53,352 | \$ - | \$ 6,363,312 | 0.84% |
| June 30, 2019 | \$ 51,397 | \$ 51,397 | \$ - | \$ 6,192,454 | 0.83% |
| June 30, 2018 | \$ 49,585 | \$ 49,585 | \$ - | \$ 5,974,105 | 0.83% |

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

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

Unaudited - Supplementary Information
See accompanying Independent Auditor's Report

Richard B. Snodgrass & Co.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Montgomery Area School District (the District) for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

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

Purpose of this Report

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



Richard B. Snodgrass & Co.
Montoursville, Pennsylvania
March 25, 2024

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

Year Ended June 30, 2023

| Program Title | PAL Number | Funding Code | Grantor's Pass Thru Number | Grant Period Beginning/Ending Date | Source Code | Program or Award Amt. | Total Received For Year | Accrued or (Deferred) 7/1/2022 | Revenue Recognized | Expenditures | Accrued or (Deferred) 6/30/2023 | Passed thru to sub-recipients For year ended 6/30/2023 |
|---|-------------------------------------|--------------|----------------------------|------------------------------------|-------------|-----------------------|-------------------------|--------------------------------|--------------------|--------------|---------------------------------|--|
| U.S. Department of Agriculture-- | | | | | | | | | | | | |
| Passed Through the Pennsylvania Department of Education: | | | | | | | | | | | | |
| P-EBT Local Admin Funds | 10.649 | I | N/A | 7/1/22-6/30/23 | F | - | \$ 628 | \$ - | \$ 628 | \$ - | \$ - | \$ - |
| Child Nutrition Cluster: | | | | | | | | | | | | |
| National School Lunch | 10.555 | I | N/A | 7/1/22-6/30/23 | F | N/A | 280,215 | - | 281,375 | 281,375 | 1,160 | - |
| COVID-19 National School Lunch-SSO | 10.555 | I | N/A | 7/1/21-6/30/22 | F | N/A | 63,724 | 63,724 | - | - | - | - |
| COVID-19 National School Lunch | 10.555 | I | N/A | 7/1/22-6/30/23 | F | N/A | 33,396 | - | 31,245 | 31,245 | (2,151) | - |
| Supply Chain Assistance | 10.555 | I | N/A | 7/1/22-6/30/23 | F | N/A | - | (19,103) | 19,103 | 19,103 | - | - |
| COVID-19 National School Lunch | 10.555 | I | N/A | 7/1/21-6/30/22 | F | N/A | 377,335 | 44,621 | 331,723 | 331,723 | (991) | - |
| Supply Chain Assistance | Total-National School Lunch Program | | | | | | | | | | | |
| National Breakfast | 10.553 | I | N/A | 7/1/22-6/30/23 | F | N/A | 79,590 | - | 80,299 | 80,299 | 709 | - |
| COVID-19 National Breakfast-SSO | 10.553 | I | N/A | 7/1/21-6/30/22 | F | N/A | 18,386 | 18,386 | - | - | - | - |
| Total-National School Breakfast Program | | | | | | | 97,976 | 18,386 | 80,299 | 80,299 | 709 | - |
| Totals-Child Nutrition Cluster-Cash Assistance | | | | | | | 475,311 | 63,007 | 412,022 | 412,022 | (282) | - |
| Passed Through the Pennsylvania Department of Agriculture: | | | | | | | | | | | | |
| National School Lunch Commodities | 10.555 | I | N/A | 7/1/22-6/30/23 | F | N/A | 38,055 | (4,889) | 39,783 | 39,783 | (3,161) | 1. |
| Totals-Child Nutrition Cluster-Non-Cash Assistance | | | | | | | 38,055 | (4,889) | 39,783 | 39,783 | (3,161) | - |
| Totals-Nutrition Cluster | | | | | | | 513,366 | 58,118 | 451,805 | 451,805 | (3,443) | - |
| Total U.S. Department of Agriculture | | | | | | | \$ 513,366 | \$ 58,118 | \$ 452,433 | \$ 452,433 | \$ (3,443) | \$ - |
| Non-Federal Funds - Passed Through the Pennsylvania Department of Education: | | | | | | | | | | | | |
| State Lunch Program | N/A | N/A | N/A | 7/1/22-6/30/23 | S | N/A | \$ 12,359 | \$ - | \$ 12,412 | \$ 12,412 | \$ 53 | \$ - |
| COVID-19 State Lunch Program-SSO | N/A | N/A | N/A | 7/1/21-6/30/22 | S | N/A | 1,823 | 1,823 | - | - | - | - |
| State Breakfast | N/A | N/A | N/A | 7/1/22-6/30/23 | S | N/A | 4,293 | - | 4,332 | 4,332 | 39 | - |
| COVID-19 State Breakfast-SSO | N/A | N/A | N/A | 7/1/21-6/30/22 | S | N/A | 706 | 706 | - | - | - | - |
| State Breakfast Initiative | N/A | N/A | N/A | 7/1/22-6/30/23 | S | N/A | 31,117 | - | 31,460 | 31,460 | 343 | - |
| Totals-Non-Federal Funds | | | | | | | 50,298 | 2,529 | 48,204 | 48,204 | 435 | - |
| U.S. Department of Education-- | | | | | | | | | | | | |
| Passed Through the Pennsylvania Department of Education: | | | | | | | | | | | | |
| Title I | 84.010 | I | 013-230262 | 7/1/22-9/30/23 | F | \$ | 308,188 | \$ - | \$ 355,599 | \$ 355,599 | \$ 47,411 | \$ - |
| Title I | 84.010 | I | 013-220262 | 7/1/21-9/30/22 | F | 369,693 | 50,623 | 50,623 | - | - | - | - |
| Total-Title I Program (PAL# 84.010) | | | | | | | 358,811 | 50,623 | 355,599 | 355,599 | 47,411 | - |
| Title IIA Improv Teacher | 84.367 | I | 020-230262 | 7/1/22-9/30/23 | F | 43,226 | 43,226 | - | 43,226 | 43,226 | - | - |
| Title IIA Improv Teacher | 84.367 | I | 020-220262 | 7/1/21-9/30/22 | F | 45,539 | 274 | 274 | - | - | - | - |
| Total-Title II Program (PAL# 84.367) | | | | | | | 43,500 | 274 | 43,226 | 43,226 | - | - |
| Title IV Student Support & Academic Enrichment Grants | 84.424 | I | 144-230262 | 7/1/22-9/30/23 | F | 28,286 | 7,185 | - | 28,286 | 28,286 | 21,101 | - |
| Title IV Student Support & Academic Enrichment Grants | 84.424 | I | 144-220262 | 7/1/21-9/30/22 | F | 23,483 | 9,402 | 4,949 | 4,453 | 4,453 | - | - |
| Total-Title IV Program (PAL# 84.424) | | | | | | | 16,587 | 4,949 | 32,739 | 32,739 | 21,101 | - |

The accompanying notes are an integral part of this Schedule.

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

Year Ended June 30, 2023
(Continued)

| Program Title | PAL Number | Funding Code | Grantor's Pass Thru Number | Grant Period Beginning/ Ending Date | Source Code | Program or Award Amt. | Total Received For Year | Accrued or (Deferred) 7/1/2022 | Revenue Recognized | Expenditures | Accrued or (Deferred) 6/30/2023 | Passed thru to sub-recipients For year ended 6/30/2023 |
|---|------------|--------------|----------------------------|-------------------------------------|-------------|-----------------------|-------------------------|--------------------------------|--------------------|--------------|---------------------------------|--|
| U.S. Department of Education (Continued)- | | | | | | | | | | | | |
| Passed Through the Pennsylvania Department of Education (Continued): | | | | | | | | | | | | |
| COVID-19 American Rescue Plan (ARP) | | | | | | | | | | | | |
| Elementary and Secondary School | | | | | | | | | | | | |
| Emergency Relief Fund | 84.425U | I | 223-210262 | 3/13/20-9/30/24 | F | 2,332,388 | 1,696,282 | 564,245 | 1,430,402 | 1,430,402 | 298,365 | - |
| COVID-19 American Rescue Plan (ARP) | | | | | | | | | | | | |
| Elementary and Secondary School | 84.425U | I | 225-210262 | 3/13/20-9/30/24 | F | 181,278 | 115,359 | 43,094 | 68,390 | 68,390 | (3,875) | - |
| Emergency Relief Fund (7%) | | | | | | | | | | | | |
| Total-Education Stabilization Fund - ESSER/ARP (PAL# 84.425) | | | | | | | \$ 1,811,641 | \$ 607,339 | \$ 1,498,792 | \$ 1,498,792 | \$ 294,490 | \$ - |
| Passed Through the Pennsylvania Department of Education: | | | | | | | | | | | | |
| Passed Through BLaST Intermediate Unit #17 : | | | | | | | | | | | | |
| Special Education Cluster- | | | | | | | | | | | | |
| IDEA B | 84.027 | I | H027X210093 | 7/1/22-9/30/23 | F | \$ 189,993 | \$ 85,859 | \$ - | \$ 189,993 | \$ 189,993 | \$ 104,134 | \$ - |
| IDEA B - ARP | 84.027X | I | N/A | 7/1/21-9/30/23 | F | 37,080 | - | - | 37,080 | 37,080 | 37,080 | - |
| IDEA B | 84.027 | I | H027X210093 | 7/1/21-9/30/22 | F | 165,244 | 164,957 | 164,957 | - | - | - | - |
| Total-IDEA B Program (PAL# 84.027) | | | | | | | 250,816 | 164,957 | 227,073 | 227,073 | 141,214 | - |
| IDEA B - Preschool | 84.173 | I | FA 131-210017 | 7/1/22-6/30/23 | F | 2,090 | - | - | 2,090 | 2,090 | 2,090 | - |
| IDEA B - Preschool | 84.173 | I | FA 131-210017 | 7/1/21-6/30/22 | F | 1,218 | 1,218 | 1,218 | - | - | - | - |
| Total-IDEA B Preschool Program (PAL# 84.173) | | | | | | | 1,218 | 1,218 | 2,090 | 2,090 | 2,090 | - |
| Totals-Special Education Cluster | | | | | | | 252,034 | 166,175 | 229,163 | 229,163 | 143,304 | - |
| Total U.S. Department of Education | | | | | | | \$ 2,482,573 | \$ 829,360 | \$ 2,159,519 | \$ 2,159,519 | \$ 506,306 | \$ - |
| Totals | | | | | | | | | | | | |
| | | | | | | | \$ 3,046,237 | \$ 890,007 | \$ 2,660,156 | \$ 2,660,156 | \$ 503,298 | \$ - |

NOTES:

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

Funding Codes:

D = Direct Funding
I = Indirect Funding

Source Codes:

F = Federal Funding
S = State Funding

The accompanying notes are an integral part of this Schedule.

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

Year Ended June 30, 2023

A. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and certain related state grant activity of the Montgomery Area School District (the District). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the District's operations, it is not intended to and does not present the District's financial position, changes in net assets/fund balance, or cash flows.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to the amounts of expenditures reported and deferred amounts.

C. USDA Donated Commodities

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

D. Indirect Cost Rate

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

E. Subrecipient Status

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

Richard B. Snodgrass & Co.

Audit, Tax, and Advisory
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE *UNIFORM GUIDANCE***

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

Report on Compliance for Each Major Federal Program

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

Opinion on Each Major Federal Program

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (*Uniform Guidance*). Our responsibilities under those standards and the *Uniform Guidance* are further described in the Auditors Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis opinion on compliance for each

major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Management's Responsibility for Compliance

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

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards*, and the *Uniform Guidance* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major program as a whole.

In performing an audit in accordance with GAAS and GAS and the *Uniform Guidance*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent,

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

Our consideration of internal control over compliance was for the limited purpose described in Auditors Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Purpose of this Report

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



Richard B. Snodgrass & Co.
Montoursville, Pennsylvania
March 25, 2024

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

June 30, 2023

Section I Summary of Auditor's Results:

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

See also the accompanying notes to this Schedule

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

June 30, 2023
(Continued)

Section II Financial Statement Findings

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

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

Section III Federal Award Findings and Questioned Costs:

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

See also the accompanying notes to this Schedule

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

June 30, 2023

A. Calculation of the 40%/20% Rule

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

| Major Programs | | % | Expenditures | Single Audit Treatment |
|------------------------------|--------|--------|--------------|------------------------|
| Education Stabilization Fund | | | | |
| ESSER/ARP | 84.425 | 57.4% | \$ 1,498,792 | Type A-Major |
| Totals | | 57.4% | \$ 1,498,792 | |
| Other Programs | | 42.6% | \$ 1,113,160 | |
| Total Federal Expenditures | | 100.0% | \$ 2,611,952 | (Note B.) |

B. Reconciliation of Total Federal Expenditures

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

| | | |
|--|----|------------------|
| Total Federal Expenditures are total expenditures per schedule of: | \$ | 2,660,156 |
| <i>less</i> State lunch reimbursements of: | \$ | (12,412) |
| <i>less</i> State breakfast reimbursements of: | \$ | (35,792) |
| | \$ | <u>2,611,952</u> |

C. Selection of Major Programs

The selection of major programs was done utilizing a risk-based approach in accordance with Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Based upon the applicable Type A vs. Type B program threshold of \$750,000 based upon Federal Expenditure level, the District has one (1) Type A program.

The Education Stabilization Fund (PAL# 84.425) has been previously audited as a Type A major program but has been evaluated as non-low risk via the Uniform Guidance/Compliance Supplement and has been identified as a major program. The District has no remaining Type A programs. Therefore, no Type A programs evaluated as low risk.

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

June 30, 2023

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

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

June 30, 2023

LIST OF REPORT DISTRIBUTION

Filed Electronically to:

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

Filed Electronically to:

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

Attention: Single Audit Clearing House

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

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

Lead Auditor Information

June 30, 2023

Lead Auditor:

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Licensing:

Richard B. Snodgrass & Co. is a Pennsylvania sole proprietorship which is owned and operated by David D. Snodgrass, CPA.

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