


GENERAL MCLANE SCHOOL DISTRICT

Financial Statements

For the Year Ended June 30, 2019



**GENERAL MCLANE SCHOOL DISTRICT
EDINBORO, PENNSYLVANIA**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
General McLane School District
Edinboro, PA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of General McLane School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the school district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the General McLane School District, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 41-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, on our consideration of the General McLane School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering General McLane School District's internal control over financial reporting and compliance.

Buseck, Berger, Bleil & Co. Inc.

Certified Public Accountants
Erie, Pennsylvania

**GENERAL McLANE SCHOOL DISTRICT
EDINBORO, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2019**

The discussion and analysis of General McLane School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999.

OVERVIEW OF FINANCIAL STATEMENTS

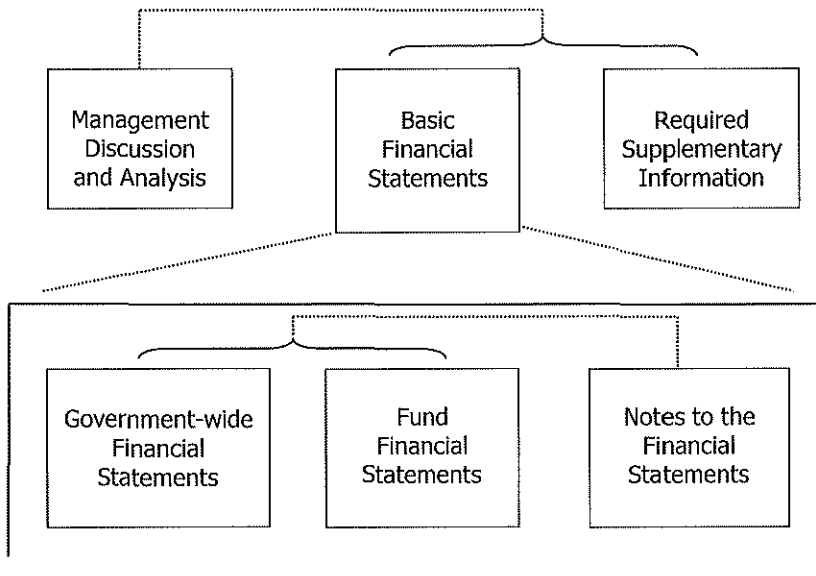
The first two statements are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide the District's long-term and short-term financial information.

The remaining statements are fund financial statements that are focused on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements contain information about how District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about activities that the District operates like a business. Fiduciary fund statements contain information about activities where the School District acts solely as a trustee or agent to safeguard resources that belong to other groups or entities.

The financial statements also include notes to explain certain selected information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1
Required components of
General McLane School District's
Financial Report



Government-wide Statements

The government-wide statements contain information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements are used to report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the District, additional non-financial factors must be considered, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- **Governmental activities** – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants are used to finance most of these activities.
- **Business type activities** –The District has a food service operation and charges fees to staff, students and visitors to cover a portion of the operation's costs.

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law or by bond requirements.

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where reporting is focused on determining net income, financial position, changes in financial position, and a significant portion of funding is from user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The District is the trustee, or fiduciary, for certain scholarship and student activity funds. All of the District's fiduciary activities are report in separate Statements of Fiduciary Net Assets. These activities were excluded from the District's other financial statement because the District is not permitted to use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-1
 Fiscal Year ended June 30, 2019
 With Comparative Totals for June 30, 2018
 Net Assets (in \$000)

	Governmental Activities	Business-type Activities	June 30, 2019 Total	June 30, 2018 Total
Current and other assets	\$24,528	\$ 33	\$24,561	\$24,268
Capital assets	28,014	182	28,196	28,053
Total Assets	52,542	215	52,757	52,321
Deferred Outflows (OPEB & Pensions)	12,652	251	12,903	12,938
Current and other liabilities	5,063		5,063	5,967
Long-term Liabilities	59,047	1,100	60,147	59,276
Total Liabilities	64,110	1,100	65,210	65,243
Deferred Inflows (Pensions)	3,248	65	3,313	2,600
Net Position				
Invested in capital assets, net of related debt	28,013	182	28,195	28,053
Restricted	12,983		12,983	12,685
Unrestricted	(43,161)	(880)	(44,041)	(43,322)
Total Net Position	(\$2,164)	(\$699)	(\$2,863)	(\$2,584)

Beginning with the fiscal year ended June 30, 2015, the District has been required to report its proportionate share of the Pennsylvania School Employees Retirement System ("PSERS") pension related liabilities, expense, deferred outflows and deferred inflows under GASB Statement 68.

Most of the District's net assets are invested in capital assets (buildings, land, and equipment). The remaining net assets are either restricted or unrestricted. Restricted assets are amounts reserved for special termination benefits, inventories, and encumbrances.

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

Table A-2 is a presentation of the information from the Statement of Activities in a different format. It shows a \$1,377 million increase in revenues and a \$4.1 million decrease to expenditures from the prior year.

Table A-2
Fiscal Year ended June 30, 2019
With Comparative Totals for the Year ended June 30, 2018
Changes in Net Assets (in \$000)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Year Ending June 30, 2019 Total</u>	<u>Year Ending June 30, 2018 Total</u>
Revenues				
Charges for services	\$432	\$320	\$752	\$794
Operating grants and contributions	8,478	556	9,034	8,173
Capital grants and contributions	--	--	--	-
General revenues:				
Property and other taxes	13,814	--	13,814	13,436
Grants, subsidies and contributions, unrestricted	10,619	--	10,619	10,526
Other	<u>509</u>	<u>43</u>	<u>552</u>	<u>422</u>
Total revenues	<u>\$33,852</u>	<u>\$919</u>	<u>\$34,771</u>	<u>\$33,351</u>
Expenses				
Instruction	\$21,997	--	\$21,997	\$19,152
Instructional student support	3,355	--	3,355	3,075
Administrative and financial support	2,719	--	2,719	2,412
Operation and maintenance of plant	2,874	--	2,874	2,694
Pupil transportation	2,149	--	2,149	1,795
Student activities	978	--	978	860
Loss on asset dispositions and other	65	3	68	12
Interest on long-term debt	--	--	--	-
Food Services	--	<u>908</u>	<u>908</u>	<u>872</u>
Total expenses	<u>\$34,135</u>	<u>\$911</u>	<u>\$35,048</u>	<u>\$30,872</u>
Increase (decrease) in net assets	<u>\$(285)</u>	<u>\$ 8</u>	<u>\$(277)</u>	<u>\$2,479</u>

Table A-3 shows the District's total cost for its eight largest functions as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3
Fiscal Year ended June 30, 2019
Governmental Activities (in \$000)

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$21,997	\$15,307
Instructional student support	3,355	3,077
Administrative	2,719	2,447
Operation and maintenance	2,874	2,638
Pupil transportation	2,149	829
Student activities	978	865
Loss on asset dispositions and other	<u>65</u>	<u>25</u>
Total governmental activities	<u>\$30,000</u>	<u>\$25,188</u>
Less: Unrestricted grants, subsidies		<u>10,619</u>
Total needed from Local Taxes & Other Revenues		<u>\$14,569</u>

THE DISTRICT FUNDS

At June 30, 2019, the District governmental funds had a combined fund balance of \$19.0 million, which is an increase of \$1 million from the prior year.

GENERAL FUND BUDGET

For the 2018-19 fiscal year, the Board increased real estate taxes by 0.13 mills over the previous year and projected a \$2.1 million use of fund balance. However, actual revenues exceeded expenditures by \$1.1 million resulting in a corresponding increase to the fund balance.

Table A-4 summarizes the general fund revenues and expenditures comparing budget to actual results.

Table A-4
Fiscal Year ended June 30, 2019
General Fund Revenues and Expenditures Highlights (in \$000)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
<u>Revenues</u>				
Real estate taxes	\$11,781	\$11,715	\$(66)	(0.6)%
Earned income taxes	1,700	1,787	87	5.1
Other taxes	240	295	55	22.9
Other local revenues	597	856	259	43.4
State grants/subsidies	17,481	17,829	348	2.0
Federal grants/subsidies	<u>909</u>	<u>1,269</u>	<u>360</u>	<u>39.6</u>
Total Revenues	<u>\$32,708</u>	<u>\$33,751</u>	<u>\$1,043</u>	<u>3.2%</u>
<u>Expenditures</u>				
Salaries & Benefits	26,514	25,513	(1,001)	4.0%
Purchased Services	2,116	1,911	(205)	9.7
Equipment & Supplies	1,882	1,873	(9)	.5
Tuition	1,408	1,289	(119)	8.5
Utilities	562	486	(76)	13.5
Fund Transfers	2,005	2,048	43	2.1
Other	<u>360</u>	<u>30</u>	<u>(330)</u>	<u>99.9</u>
Total Expenditures	<u>34,847</u>	<u>33,150</u>	<u>(1,697)</u>	<u>4.9%</u>
Fund Balance Change	<u>(\$2,139)</u>	<u>\$601</u>	<u>\$2,740</u>	

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2019, the District had \$28.2 million invested (net of depreciation) in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, disposals and depreciation) of \$0.3 million from June 30, 2018.

Governmental and Business Type Activities
Capital assets net of depreciation (in \$000)

	2019	2018
Land	\$ 516	\$ 516
Buildings	23,366	23,325
Furniture & Equipment	2,844	2,676

DEBT ADMINISTRATION

The District had no outstanding bonds as of June 30, 2019.

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about long-term liabilities is included in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

2019-2020 BUDGET OVERVIEW

For the 2019-2020 school year, General McLane adopted a general fund budget totaling \$33.4 million. This budget includes costs to educate approximately 2,200 students in four buildings. The budget includes a 0.27 mill increase in real estate taxes and a \$2.1 million use of fund balance.

FINANCIAL TRENDS

Over the last three decades, the percentage of school costs paid by the Commonwealth of Pennsylvania has decreased. During the early seventies, the state paid approximately 50% of instructional costs. Today that number is around 35% for many districts. The state has considered several proposals to increase its share of school funding. Because General McLane currently receives 54% of its revenue from the state, any change would have a major impact on real estate taxes and the district's budget. The Taxpayer Relief Act (Special Session Act 1 of 2006) provided tax relief options through increased funding for the state's Senior Citizens Property Tax and Rent Rebate Program, an annual inflationary cost index limit for real estate tax increases, an installment payment option for real estate taxes for homestead owners and potential state gaming revenue to provide homestead real estate tax relief. Approximately 3,900 property owners will realize real estate tax relief from gaming revenues during 2019-2020.

The biggest challenges facing the district are ever increasing retirement contributions and cyber/charter tuition payments. The District's share of retirement has increased to an unsustainable level of 18.86% in 2019-2020.

General McLane has historically provided residents with above-average education for a below-average cost. The district will continue to operate as efficiently as possible without adversely affecting the quality of education provided.

CONTACTING DISTRICT FINANCIAL PERSONNEL

This financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office at General McLane School District, 11771 Edinboro Road, Edinboro, PA 16412 (814) 273-1033.

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and Cash Equivalents	\$ 18,163,879	\$ 2,390	\$ 18,166,269
Taxes Receivable, Net	543,567	-	543,567
Due from Other Governments	2,830,747	6,339	2,837,086
Internal balances	(2,436)	2,436	-
Other Receivables	272,616	591	273,207
Inventories	-	20,959	20,959
Prepaid Expenses	184,420	-	184,420
Restricted Cash and Investments	2,535,543	-	2,535,543
Land and Site Improvements - Net	516,402	-	516,402
Building and Building Improvements - Net	23,366,374	-	23,366,374
Furniture and Equipment - Net	2,661,370	182,349	2,843,719
Vehicles - Net	1,469,823	-	1,469,823
<u>Total Assets</u>	<u>52,542,305</u>	<u>215,064</u>	<u>52,757,369</u>
<u>Deferred Outflows</u>			
OPEB	346,008	-	346,008
Pension	12,305,771	251,138	12,556,909
<u>Total Assets and Deferred Outflows</u>	<u>\$ 65,194,084</u>	<u>\$ 466,202</u>	<u>\$ 65,660,286</u>
<u>Liabilities</u>			
Accounts Payable	\$ 736,052	\$ 560	\$ 736,612
Accrued Salaries and Benefits	2,922,801	-	2,922,801
Payroll Withholdings	1,404,514	-	1,404,514
Noncurrent liabilities:			
Current Portion of Compensated Absences	47,565	-	47,565
Portion due or payable after one year:			
Post employment benefits	3,547,692	-	3,547,692
Net Pension liability	53,913,720	1,100,280	55,014,000
Long-Term Portion of Compensated Absences	1,537,949	-	1,537,949
<u>Total Liabilities</u>	<u>64,110,293</u>	<u>1,100,840</u>	<u>65,211,133</u>
<u>Deferred Inflow of Resources</u>			
Grants	22,275	-	22,275
OPEB	123,889	-	123,889
Pension	3,101,700	63,300	3,165,000
<u>Total Deferred Inflow of Resources</u>	<u>3,247,864</u>	<u>63,300</u>	<u>3,311,164</u>
<u>Net Position</u>			
Net investment in Capital Assets	28,013,969	182,349	28,196,318
Restricted	12,982,870	-	12,982,870
Unrestricted	(43,160,912)	(880,287)	(44,041,199)
<u>Total Net Position</u>	<u>(2,164,073)</u>	<u>(697,938)</u>	<u>(2,862,011)</u>
<u>Total Liabilities, Deferred Inflows and Net Position</u>	<u>\$ 65,194,084</u>	<u>\$ 466,202</u>	<u>\$ 65,660,286</u>

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

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Governmental Activities:</u>			
Instruction	\$ 21,996,905	\$ 334,920	\$ 6,354,543
Instructional Student Support	3,354,574	-	277,419
Admin & Financial Support Services	2,719,310	-	274,049
Op & Maintenance of Plant Services	2,873,986	65,386	170,355
Pupil Transportation	2,149,440	-	1,320,465
Student Activities	977,649	31,052	81,474
Other Expenditures	5,512	-	
<u>Total Governmental Activities</u>	<u>34,077,376</u>	<u>431,358</u>	<u>8,478,306</u>
 <u>Business-Type Activities:</u>			
Food Services	908,742	320,405	555,699
 <u>Total Primary Government</u>	 <u>\$ 34,986,118</u>	 <u>\$ 751,763</u>	 <u>\$ 9,034,005</u>

General Revenues:

- Taxes:
 - Property and other taxes
 - Grants, Subsidies and Contributions Not Restricted
- Receipts from Member Districts
- Investment Earnings
- Miscellaneous Income
- Contributed capital
- Refund of prior years' expenditures
- Budgetary reserves
- Loss on Disposition of Capital Assets
- Total general revenues, special items, extraordinary items and transfers

Change in Net Position
 Net Position - Beginning

Net Position - Ending

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net (Expense) Revenue and Changes in Net Assets			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (15,307,442)	\$ -	\$ (15,307,442)
-	(3,077,155)	-	(3,077,155)
-	(2,445,261)	-	(2,445,261)
-	(2,638,245)	-	(2,638,245)
-	(828,975)	-	(828,975)
-	(865,122)	-	(865,122)
-	(5,512)	-	(5,512)
-	(25,167,711)	-	(25,167,711)
-	-	(32,638)	(32,638)
-	(25,167,711)	(32,638)	(25,200,349)
\$ -	(25,167,711)	(32,638)	(25,200,349)
	13,814,589	-	13,814,589
	10,619,172	-	10,619,172
	449,926	-	449,926
	45,317	-	45,317
	(43,141)	43,141	-
	14,189	-	14,189
	(345)	-	(345)
	(17,324)	(2,821)	(20,145)
	24,882,383	40,320	24,922,703
	(285,328)	7,682	(277,646)
	(1,878,745)	(705,620)	(2,584,365)
	\$ (2,164,073)	\$ (697,938)	\$ (2,862,011)

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

GENERAL MCLANE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General	Capital Projects	Total Governmental Funds
<u>Assets</u>			
Cash & Cash Equivalents	\$ 14,595,977	\$ 3,571,318	\$ 18,167,295
Investments	2,532,127	-	2,532,127
Taxes Receivable	560,793	-	560,793
Due from Other Governments	2,220,239	610,508	2,830,747
Other Receivables	272,616	-	272,616
Prepaid Expenses	184,420	-	184,420
<u>Total Assets</u>	<u>\$ 20,366,172</u>	<u>\$ 4,181,826</u>	<u>\$ 24,547,998</u>
<u>Liabilities and Fund Balances</u>			
<u>Liabilities</u>			
Accounts payable	\$ 692,421	\$ 46,067	\$ 738,488
Interfund payable	13,694	(13,694)	-
Accrued salaries and benefits	2,922,801	-	2,922,801
Payroll withholdings	1,404,514	-	1,404,514
<u>Total Liabilities</u>	<u>5,033,430</u>	<u>32,373</u>	<u>5,065,803</u>
<u>Deferred Inflows of Resources</u>			
Deferred revenue	383,862	-	383,862
<u>Fund Balances</u>			
Nonspendable - prepaid expenses	184,420	-	184,420
Restricted - Capital Projects	-	4,149,453	4,149,453
Committed:			
Future PSERS rate increases	3,500,000	-	3,500,000
Future OPEB expenses	3,134,965	-	3,134,965
Uncompensated Absences	1,570,500	-	1,570,500
Health Insurance Claims	526,000	-	526,000
Encumbrances	101,952	-	101,952
Unassigned	5,931,043	-	5,931,043
<u>Total Fund Balances</u>	<u>14,948,880</u>	<u>4,149,453</u>	<u>19,098,333</u>
<u>Total Liabilities, Deferred Inflows and Fund Balances</u>	<u>\$ 20,366,172</u>	<u>\$ 4,181,826</u>	<u>\$ 24,547,998</u>

GENERAL MCLANE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balances - Governmental Funds \$ 19,098,333

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 the assets is \$81,125,675 and the accumulated depreciation is \$53,111,706. 28,013,969

Property taxes receivable will be collected this year but are not available soon enough to pay for current period's expenditures, and therefore are deferred in the funds. 344,361

Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to OPEB	\$	346,008	
Deferred inflows of resources related to OPEB		(123,889)	
Deferred outflows of resources related to pensions		12,305,771	
Deferred inflows of resources related to pensions		<u>(3,101,700)</u>	9,426,190

Long-term liabilities, including bonds 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:

Post employment benefits	\$	(3,547,692)	
Pension liability		(53,913,720)	
Compensated absences (sick pay and vacations)		<u>(1,585,514)</u>	<u>(59,046,926)</u>

Total Net Position - Governmental Activities **\$ (2,164,073)**

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	General	Capital Projects	Total Governmental Funds
<u>Revenues</u>			
Local Sources	\$ 14,640,014	\$ 84,374	\$ 14,724,388
State Sources	17,828,649	-	17,828,649
Federal Sources	1,268,829	-	1,268,829
<u>Total Revenues</u>	<u>33,737,492</u>	<u>84,374</u>	<u>33,821,866</u>
<u>Expenditures</u>			
Regular Programs	13,731,671	-	13,731,671
Special Programs	3,901,898	-	3,901,898
Vocational Programs	1,381,045	-	1,381,045
Other Instructional Programs	606,912	-	606,912
Pupil Personnel Services	1,166,461	-	1,166,461
Instructional Staff Services	1,440,987	22,150	1,463,137
Administrative Services	2,121,309	-	2,121,309
Pupil Health	463,978	-	463,978
Business Services	378,355	-	378,355
Operation & Maintenance of Plant Services	2,766,880	-	2,766,880
Student Transportation Services	2,138,927	-	2,138,927
Other Support Services	51,784	-	51,784
Student Activities	945,631	-	945,631
Facilities Acquisition and Construction	-	1,552,548	1,552,548
Other Expenditures	5,512	-	5,512
<u>Total Expenditures</u>	<u>31,101,350</u>	<u>1,574,698</u>	<u>32,676,048</u>
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	2,636,142	(1,490,324)	1,145,818
<u>Other Financing Sources (Uses)</u>			
Refund of Prior Years' Expenditures	14,189	-	14,189
Budgetary Reserves	(345)	-	(345)
Contributed Capital - Food Service	(43,141)	-	(43,141)
Interfund Transfers	(2,005,000)	2,005,000	-
<u>Total Other Financing Sources (Uses)</u>	<u>(2,034,297)</u>	<u>2,005,000</u>	<u>(29,297)</u>
<u>Net Change in Fund Balances</u>	601,845	514,676	1,116,521
<u>Fund Balance - July 1, 2018</u>	<u>14,347,035</u>	<u>3,634,777</u>	<u>17,981,812</u>
<u>Fund Balance - June 30, 2019</u>	<u>\$ 14,948,880</u>	<u>\$ 4,149,453</u>	<u>\$ 19,098,333</u>

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

GENERAL MCLANE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balance - Governmental Funds \$ 1,116,521

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

Governmental funds report capital outlays 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 capital outlay exceeded depreciation in the current period. Also included is the book loss on the disposition of assets in the current year.

Depreciation Expense	\$ (1,989,669)	
Book Loss	(17,324)	
Capital Outlays	2,138,797	131,804

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred revenues decreased by this amount this year. 16,803

In the statement of activities, certain operating expenses-compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represented the difference between the amount earned versus the amount used. 50,408

On the statement of activities the actual and projected amount of long term expenditures for post employment benefits are reported whereas on the government funds only the actual expenditures are recorded for post employment benefits. (1,843,978)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	5,128,447	
Cost of benefits earned net of employee contributions	(4,885,333)	243,114

Change in Net Position of Governmental Activities \$ (285,328)

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
AS OF JUNE 30, 2019

	<u>Food Service</u>
<u>Assets</u>	
<u>Current Assets:</u>	
Cash	\$ 2,390
Due from Other Governments	6,339
Other Receivables	591
Due from other funds	2,436
Inventories	20,959
<u>Total Current Assets</u>	<u>32,715</u>
<u>Non-current Assets</u>	
Furniture and equipment	1,015,514
Less accumulated depreciation	(833,165)
<u>Total Non-Current Assets</u>	<u>182,349</u>
<u>Deferred Outflows</u>	<u>251,138</u>
<u>Total Assets and Deferred Outflows</u>	<u>\$ 466,202</u>
<u>Liabilities</u>	
<u>Current Liabilities:</u>	
Accounts Payable	\$ 560
<u>Total Current Liabilities</u>	<u>560</u>
<u>Long Term Liabilities</u>	
Net pension liability	1,100,280
<u>Total Liabilities</u>	<u>1,100,840</u>
<u>Deferred Inflows of Resources</u>	<u>63,300</u>
<u>Net Position</u>	
Invested in capital assets	182,349
Unrestricted	(880,287)
<u>Total Net Position</u>	<u>(697,938)</u>
<u>Total Liabilities and Net Position</u>	<u>\$ 466,202</u>

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

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Food Service</u>
<u>Operating Revenues</u>	
Food Service Revenue	\$ <u>320,405</u>
 <u>Operating Expenses</u>	
Salaries, wages and benefits	480,686
Food and Milk	340,318
Donated commodities used	59,424
Repairs	10,447
Supplies	7,339
Depreciation	<u>10,528</u>
<u>Total Operating Expenses</u>	<u>908,742</u>
Operating Income (Loss)	<u>(588,337)</u>
 <u>Non-Operating Revenues (Expenses)</u>	
Contributed capital	43,141
Loss on disposal	(2,821)
State Sources	89,498
Federal Sources	<u>466,201</u>
<u>Total Non-Operating Revenues</u>	<u>596,019</u>
<u>Change in Net Position</u>	7,682
<u>Total Net Position - July 1, 2018</u>	<u>(705,620)</u>
<u>Total Net Position - June 30, 2019</u>	<u>\$ (697,938)</u>

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Food Service</u>
<u>Cash Flows From Operating Activities</u>	
Cash Received from Users	\$ 320,405
Cash Payments to Employees for Services	(480,686)
Cash Payments to Suppliers for Goods and Services	(348,667)
Cash Payments for Other Operating Expenses	(10,447)
<u>Net Cash Provided (Used) By Operating Activities</u>	<u>(519,395)</u>
<u>Cash Flows From Non-Capital Financing Activities</u>	
Contributed capital	43,141
State Sources	89,498
Federal Sources	407,017
	<u>539,656</u>
<u>Cash Flows Used for Capital Financing Activities</u>	
Acquisition and disposal of equipment net	<u>(24,993)</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>(4,732)</u>
<u>Cash and Cash Equivalents - July 1, 2018</u>	<u>7,122</u>
<u>Cash and Cash Equivalents - June 30, 2019</u>	<u>\$ 2,390</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities</u>	
<u>Operating Income(Loss)</u>	<u>\$ (588,337)</u>
<u>Adjustments to Reconcile Operating Income (Loss)</u>	
<u>to Net cash Provided (Used) in Operating Activities:</u>	
Depreciation	10,528
<u>Change in Assets and Liabilities:</u>	
(Increase) decrease in Accounts Receivable	63,865
(Increase) decrease in Inventories	(5,318)
Increase (decrease) in Accounts Payables and Accruals	(133)
<u>Total Adjustments</u>	<u>68,942</u>
<u>Cash Provided (Used) by Operating Activities</u>	<u>\$ (519,395)</u>

Noncash Noncapital Financing Activities

During the year, the district received \$59,184 of food commodities from the U.S. Department of Agriculture.

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Elementary Trust</u>	<u>Student Activities</u>	<u>Foundation</u>
<u>Assets</u>			
Cash	\$ 7,648	\$ 56,751	\$ 223,017
Undivided interest in Foundation Assets	-	-	385,884
	<u>7,648</u>	<u>56,751</u>	<u>385,884</u>
<u>Total Assets</u>	<u>\$ 7,648</u>	<u>\$ 56,751</u>	<u>\$ 608,901</u>
<u>Liabilities</u>			
Due to Student groups	\$ 7,648	\$ 56,751	\$ -
Accounts Payable	-	-	-
	<u>7,648</u>	<u>56,751</u>	<u>-</u>
<u>Total Liabilities</u>	<u>7,648</u>	<u>56,751</u>	<u>-</u>
<u>Net Position</u>			
Held in Trust	<u>-</u>	<u>-</u>	<u>\$ 608,901</u>

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Foundation
<u>Additions</u>	
Fundraising income and donations	\$ 70,721
Interest	26,306
	97,027
<u>Total Additions</u>	97,027
 <u>Deductions</u>	
Scholarships and student assistance	21,328
Professional fees	2,339
Fundraising expenses	14,074
	37,741
<u>Total Deductions</u>	37,741
 <u>Change in Net Position</u>	 59,286
 <u>Total Net Position - July 1, 2018</u>	 549,615
 <u>Total Net Position - June 30, 2019</u>	 \$ 608,901

GENERAL MCLANE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of General McLane School District (the District) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

REPORTING ENTITY

The General McLane School District operates two elementary schools, one middle school, and one high school in Edinboro, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the school laws of Pennsylvania. The District operates under a locally elected nine-member Board form of government.

In evaluating the school as a reporting entity, the school includes all funds that are controlled or dependent on the School District. Control by or dependence on the School District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the School District to finance any deficits that may occur or money received for the benefit of the students of General McLane School District. This report presents the activities of General McLane School District and its blended component unit, the General McLane School Foundation. The Foundation issues its own financial statements. A copy can be obtained by contacting the Business Manager at General McLane School District.

The following joint venture is not a component unit of General McLane School District and is not included in this report.

Erie County Area Vocational Technical School (AVTS) is a separate legal entity. The district is also a participant of the Vo-Tech School with ten other Erie County school districts. Each district participating in the joint venture elects one member of the Operating Committee (Joint Board) and is responsible for a portion of the AVTS operating budget, based on the district's total enrollment and the district's share of student enrollment at the Vo-Tech School. The AVTS issues a publicly available financial report, which may be obtained by writing to Erie County Technical School, 8500 Oliver Road, Erie, PA 16509.

Jointly Governed Organization

Erie County Intermediate Unit #5 is a separate legal entity that provides services for fees to participating districts. It was organized by the constituent school districts in Erie County to provide services to the school districts. Each member school district appoints one member to serve on the Board of Directors of the IU #5. The district contracts with the IU for services for district students.

Basis of Presentation

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the School District as a whole. These statements include financial activities of the primary government, except for fiduciary funds. The statement of net position presents the financial condition of the governmental activities of the School District at year end.

The statement of activities presents a comparison between district expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District. Taxes are always general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund financial statements are provided in the report for all governmental funds, proprietary funds, and the fiduciary funds of the School District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. The principal operating revenues of the school district's enterprise fund are food service charges. Operating expenses for the school district's enterprise fund include food production costs, supplies, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenue and expenses.

MANAGEMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues as soon as they are both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the fiscal period.

The Proprietary Fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed for proprietary activity financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

FUND ACCOUNTING

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources except those required to be in another fund.

The *capital projects fund* accounts for transfers from other funds and related investment earnings for capital acquisition or construction of major capital facilities not accounted for in another fund.

The District operates one enterprise fund, the *food service fund*. This fund accounts for the activities of the District's food service program.

The District accounts for assets held by the District in trustee capacity in a *trust fund*. The District has an Elementary School Trust, which accounts for elementary school student needs. The District is also including the General McLane Foundation as of June 30, 2019.

The District accounts for assets held as an agent for various student activities in an *agency fund*.

BUDGET AND BUDGETARY ACCOUNTING

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

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

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recorded. Encumbrances outstanding at year end are reported in the fund financial statements as reservations of fund balances.

OTHER ACCOUNTING POLICIES

A. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

B. INVESTMENTS

Under The Public School Code, the District is permitted to invest its monies as follows:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;
3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the FDIC and,
4. Obligations of the United States of America or any of its agencies or instrumentalities, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities or any political Subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

All investments are reported at fair value. Fair value is determined using selected basis as follows: securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates and investments that do not have an established market are reported at estimated fair value.

C. RECEIVABLES AND PAYABLES

Activities between funds that are representative of lending/borrowing arrangements outstanding at the year end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the government activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

D. INVENTORIES

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used. A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2019. The inventory consisted of government donated commodities, which we have estimated fair market valued, and purchased commodities and supplies both valued at cost using first-in, first-out (FIFO) method.

E. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund financial statements.

F. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government wide financial statements. Capital assets are defined by the school district as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>	<u>Assets</u>	<u>Years</u>
Building	40	Computer Software	5
Building Improvements	20	Textbooks/Periodicals	7
Land Improvements	20	Furniture/Equipment	10-20
Vehicles	8		

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 5-15 years.

G. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports deferred outflows of resources for its pension plan and OPEB plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources for its pension plan, OPEB plan and grants.

H. FUND BALANCE FLOW ASSUMPTIONS

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

I. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. Bond issuance costs are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and bond issuance costs, during the current period. The face amount of debt is reported as other financing sources, while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. ESTIMATES

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

K. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the controls of the Board of Education and that are either unusual or infrequent in occurrence. Neither type of transaction occurred during the fiscal year end June 30, 2019.

L. COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it's probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving pay in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees with more than one year of service.

The entire compensated absences liability is reported on the government-wide financial statements. For government funds, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. The noncurrent portion of the liability is not recorded.

M. FUND BALANCE REPORTING

The District has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance classifications and the constraints imposed on the uses of those resources.

Nonspendable: This category includes the resources of imprest funds and inventories not available for appropriation. The School's nonspendable fund balance consists of prepaid expenses.

Committed items: This category includes items that contain self-imposed constraints of the government from its highest level of decision-making authority. The School Board has committed a portion of the fund balance to pay for future PSERS rate increases, future OPEB expenditures, health claims, uncompensated absences, and for sewage disposal.

Assigned items: Assigned items represent the School Board's intent to use certain resources for assigned purposes.

Unassigned: This represents the remainder of the School Board's equity in governmental fund-type balances. The School does not currently have a minimum fund balance policy. The School policy is that assigned funds will be reduced first and then unassigned amounts for future PSERS rate increases, future OPEB expenditures, health claims, uncompensated absences and sewage disposal.

N. PENSIONS

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits:

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2019, the District's total deposits were \$18,548,219; \$538,201 of this amount was insured by FDIC. The balance in the amount of \$18,010,018 was exposed to custodial credit risk as:

Reconciliation to Financial Statements

Bank Balance	\$ 18,548,219
Plus: Outstanding Deposits	9,770
Less: Outstanding Checks	<u>(388,454)</u>
Carrying Amount - Bank balances	18,169,535
Plus: Petty Cash	150
Less: Restricted cash for employee benefits	<u>(3,416)</u>
Total Cash Per Financial Statement	<u><u>\$ 18,166,269</u></u>

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateral held by the pledging bank's trust department not in the District's name	<u>18,548,219</u>
TOTAL	<u><u>\$ 18,548,219</u></u>

Investments:

Investments

As of June 30, 2019, the District had the following investments:

	<u>Fair Value</u>
<u>Investments</u>	
<u>Restricted</u>	
CD's Cash Surrender Value Life Insurance - restricted	\$ 2,532,127
	<u>\$ 2,532,127</u>

Interest Rate Risk

The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District has no investment subject to custodial credit risk.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2019, the District's PLGIT investments were classified as cash equivalents and these were rated as:

<u>Investment</u>	<u>Standard & Poors</u>
PA Local Government Investment Trust	AAAm

Concentration of Credit Risk:

The District places no limit on the amount it may invest in any one issuer. The District has 100% of its total investments in Certificates of Deposit with various banks, all of which is within restricted investments.

NOTE 3 – REAL ESTATE TAXES AND DEFERRED REVENUE

The School District tax rate for the year ended June 30, 2019 was 1285 mills (\$12.85 per \$1,000 of assessed valuation) as levied by the Board of School Directors. The schedule for real estate taxes levied for each fiscal year is as follows:

Levy Date	-	July 1
2% Discount Period	-	July 1 – August 31
Face Payment Period	-	September 1 – October 31
10% Penalty Period	-	November 1 – June 30

The School District allows residents to pay the real estate taxes on the installment basis. The total taxes at face can be paid in three monthly installments in August, September and October.

Real estate assessed values for the school year was as follows:

	<u>Assessable Base</u>
Edinboro Boro	\$420,455,009
Washington Township	\$370,418,620
McKean Township	\$293,934,860
Franklin Township	\$102,263,760
McKean Borough	\$28,121,600

The School District, in accordance with GAAP, recognized the delinquent unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days was recognized as revenue and the balance deferred in the fund financial statements. The deferred revenue balance in the general fund includes \$361,587 of deferred real estate taxes.

NOTE 4 – TAX ABATEMENTS

The School District has entered into tax abatement agreements with residential and commercial real estate owners under PILOT (Payment in Lieu of Taxes) and LERTA (Local Economic Revitalization Tax Assistance) programs.

For fiscal year ended June 30, 2019, the District received real estate taxes totaling \$31,893 under the PILOT program, including the following tax abatement agreements that each exceed 10% of the total amount abated:

1. Edinboro Family Homes - 50% of tax abated \$31,731

For fiscal year ended June 30, 2019 the District abated real estate taxes totaling \$74,292 under a residential LERTA program. The District abated 100% of real estate taxes that would have otherwise been due on qualified new residential construction for a period of three years from the date construction was completed. None of the individual tax abatements exceeded 10% of the total amount abated.

For fiscal year ended June 30, 2019 the District abated real estate taxes totaling \$44,653 under the commercial LERTA program, including the following tax abatements that each exceeds 10% of the total amount abated:

1. Washington Township Senior Housing LP \$24,923
2. Middleboro Commons, LLC \$13,240
3. Tractor Supply Company \$6,230

NOTE 5 – RECEIVABLES

Receivables at June 30, 2019, consisted of the following:

Interfund Balance

	<u>Due To</u>	<u>Due From</u>
General Fund	\$ -	\$ 2,436
Enterprise Fund	2,436	-
	<u>\$ 2,436</u>	<u>\$ 2,436</u>

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

Interfund Transfers

	Transfer to Other Funds	Transfer from Other Funds
General Fund	\$ 2,005,000	\$ -
Capital Reserve Fund	-	2,005,000
	<u>\$ 2,005,000</u>	<u>\$ 2,005,000</u>

Interfund receivables and payables are temporary loans of cash between funds. The amounts are expected to be paid within the 2018-2019 fiscal year. The transfer out of the General Fund to the Capital Reserve Fund was to pay for future technology and building improvements. There was also \$43,141 in capital contributed to the cafeteria fund from the general fund that was used to help pay operating expenses.

NOTE 6 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance 7/1/18	Additions	Deductions	Balance 6/30/19
Governmental Activities				
Capital Assets, not being depreciated				
Land	\$ 516,402	\$ -	\$ -	\$ 516,402
Capital Assets, being depreciated				
Building and improvements	58,687,279	1,529,814	-	60,217,093
Furniture and equipment	16,563,108	234,582	-	16,797,690
Vehicles	3,393,317	374,401	(173,228)	3,594,490
Total Capital Assets Being Depreciated	<u>78,643,704</u>	<u>2,138,797</u>	<u>(173,228)</u>	<u>80,609,273</u>
Less Accumulated Depreciation				
Building and improvements	(35,362,253)	(1,488,466)	-	(36,850,719)
Furniture and equipment	(13,887,174)	(249,146)	-	(14,136,320)
Vehicles	(2,028,514)	(252,057)	155,904	(2,124,667)
Total Accumulated Depreciation	<u>(51,277,941)</u>	<u>(1,989,669)</u>	<u>155,904</u>	<u>(53,111,706)</u>
Capital Assets Being Depreciated, Net	<u>27,365,763</u>	<u>149,128</u>	<u>(17,324)</u>	<u>27,497,567</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,882,165</u>	<u>\$ 149,128</u>	<u>\$ (17,324)</u>	<u>\$ 28,013,969</u>

Depreciation expense (net of adjustments and deductions) was charged to programs of the primary government as follows:

Governmental Activities

Instruction	\$ 1,432,562
Instructional Student Support	198,967
Administration & Financial Support	39,793
Operations & Maintenance Plant	59,690
Pupil Transportation	258,657
Total Depreciation of Governmental Activities	<u>\$ 1,989,669</u>

Business-Type Activities

Food Service	\$ 10,528
Total Depreciation & Expense - Business-Type Activities	<u>\$ 10,528</u>

NOTE 7 – GENERAL LONG-TERM DEBT

During the year ended June 30, 2019, general long-term debt changed as follows:

	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2019</u>	<u>Due in One Year</u>
<u>Other Liabilities</u>					
Post employment benefits	\$ 1,370,635	\$ 2,177,057	\$ -	\$ 3,547,692	\$ -
Pension Liability	56,402,000	-	(1,388,000)	55,014,000	-
Compensated Absences	1,635,922	-	(50,408)	1,585,514	47,565
Governmental Activities, Long-Term Liabilities	<u>\$ 59,408,557</u>	<u>\$ 2,177,057</u>	<u>\$ (1,438,408)</u>	<u>\$ 60,147,206</u>	<u>\$ 47,565</u>

The payments of general long-term debt are to be funded by the General Fund. The District does not currently have any long-term liabilities for business-type activities.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

Plan Description

General McLane School District contributes to the Public School Employees’ Retirement System (PSERS), a governmental cost-sharing multi-employer defined benefit pension plan. PSERS 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 comprehensive annual financial report that includes financial statements and required supplementary information for the plan. The report is available in the publications section of the PSERS website at www.psers.pa.gov.

Benefits provided

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

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

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

Member Contributions

Public School Employees' Retirement System has four membership classes: T-C, T-D, T-E and T-F. The rate of the contribution an employee pays toward his account is based on the date of hire and/or membership class selected as follows:

- Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent. Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.250% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute 7.50% (automatic membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in the future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School were \$5,233,109 for the year ended June 30, 2019.

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

At June 30, 2019, the School reported a liability of \$55,014,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. The School’s proportion of the net pension liability was calculated utilizing the employer’s one year reported covered payroll as it relates to the total one year reported covered payroll. At June 30, 2019, the School’s proportion was .1146%, which was an increase from their prior year proportion of .1142% measured at June 30, 2018.

For the year ended June 30, 2019, the School recognized pension expense of \$5,233,109 in the general fund and \$104,035 in the food service fund. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 2,549,200	
Net difference between projected and actual investment earnings	2,251,000	-
Difference between expected and actual experience	707,200	2,523,800
Changes in proportion	1,816,400	641,200
Contributions subsequent to the measurement date	5,233,109	-
	<u>\$ 12,556,909</u>	<u>\$ 3,165,000</u>

\$5,233,109 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2019	\$ 1,242,000
2020	819,000
2021	(469,000)
2022	(210,000)
Total	<u>\$ 1,382,000</u>

Actuarial assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the PSERS’ total pension liability as of June 30, 2017 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level pay
- Investment return - 7.25%, includes inflation at 2.75%.

- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	-20.0%	0.9%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

Discount Rate

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

Sensitivity of the School’s proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
School's proportionate share of the net pension liability	\$ 68,194,000	\$ 55,014,000	\$ 43,870,000

Pension plan fiduciary net position

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

NOTE 9 – COMPENSATED ABSENCES

Vacation

School District employees who are required to work on an eleven month or twelve-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation must be used by June 30th of each fiscal year.

Sick Leave

Most School district employees are credited with ten to twelve sick days annually. Upon retirement, teachers with fifteen years of service with the District may be paid \$110 per day for unused sick days earned and accrued within the District with no maximum. Full time supervisors with fifteen years of service with the District may be paid \$55 per day for unused sick days earned and accrued within the District with no maximum. Full time salaried support staff with fifteen years of service are paid \$55 per day for each unused sick day with a maximum of \$5,500. Bus drivers with fifteen years of service are paid \$25 per day for each unused sick day with a maximum of \$1,500.

Current accumulated leaves are recorded as expenditures in the period taken. Termination compensation payable in future years is recorded as compensated absences. At June 30, 2019, the liability for compensated absences was \$1,585,514.

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

In addition to the pension benefits described in Note 8, the School provides other post-employment health, dental, vision, prescription and life insurance benefits to its retirees. The District subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the

plan on average than those of active employees. The benefits provided under this defined benefit plan are provided for a fixed number of years determined at the time of retirement based on the number of years worked for the District. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The other post-employment benefits are through a single-employer defined benefit plan. The benefits are established in accordance with the requirements set forth by the bargaining unit contracts. The Benefit Plan is not allocated for as a trust fund, an irrevocable trust has not been established, the Plan does not issue a separate report and activity of the Plan is reported in the School's General Fund.

Plan Membership

At June 30, 2019, Plan membership consisted of the following:

Active employees	227
Inactive employees currently receiving benefits	<u>24</u>
	<u>251</u>

Contributions

Contribution requirements are negotiated between the School and union representatives. Currently the School contributes 100% of the cost of the healthcare plans. The Plan is financed on a pay-as-you-go basis.

The District purchased life insurance policies on all employees eligible for the early retirement plan with salaries over \$44,000. The District is the beneficiary on these policies and will use the death benefits to fund the early retirement plan. The cash surrender value of these policies was \$2,532,127 as of June 30, 2019.

A reserve of the District's General Fund Balance equal to the cash surrender value of the life insurance policies has been provided at June 30, 2019. This amount is shown as restricted cash and investments on the government-wide statement of net assets.

OPEB Liability

At June 30, 2019, the School reported a liability of \$1,158,692 for its share of the OPEB liability. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Discount Rate: 3.50% Based on the Bond Buyer 20-Bond General Obligation Index
- Salary increases: Effective average of 5% per annum, compounded annually. The components are 2.75% for inflation and 2.25% for real wage growth and merit or seniority increases.

Mortality Rates were assumed in accordance with the Society of Actuaries RP-2014 Total Dataset Mortality Table for males and females adjusted to 2006 for base rates and projected to the valuation date using mortality Improvement scale MP-2018.

Changes in the total OPEB Liability

The District's total OPEB liability has been measured as of June 30, 2019. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, and by rolling forward the liabilities from the July 1, 2017 actuarial valuation through the measurement date. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. The net OPEB liability is \$1,158,692, all of which is unfunded. As of June 30, 2019, the total OPEB liability of \$1,158,692 is related to the governmental funds and is recorded in the governmental activities in the government wide statement of net position.

The District's change in its total OPEB Liability for the year ended June 30, 2019 was as follows:

	Governmental Activities
Service cost	\$ 182,672
Interest	52,197
Changes of benefit terms	-
Changes of assumptions or other input	12,092
Benefit payments	(375,775)
Net change in total OPEB Liability	(128,814)
Total OPEB liability - June 30, 2018	1,287,506
Total OPEB liability - June 30, 2019	<u>\$ 1,158,692</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources - OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$131,298. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Changes of assumptions	\$ 11,124	41,162
Differences between expected and actual	218,359	-
Total	<u>\$ 229,483</u>	<u>\$ 41,162</u>

The amount reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2020	\$ 17,860
2021	17,860
2022	17,860
2023	17,860
2024-2031	116,881

Discount Rate

The discount rate used to measure the OPEB liability was 3.50%. The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	<u>1% Increase 4.50%</u>	<u>Current Rate 3.50%</u>	<u>1% Decrease 2.50%</u>
Net OPEB Liability	\$ 1,135,766	\$ 1,158,692	\$ 1,181,363

Sensitivity of Net OPEB Liability to Changes in the Healthcare

Not applicable since the benefit liability is based on accumulated sick days.

Health Insurance Premium Assistance Program

In addition, the Pennsylvania Public School Employees' Retirement System ("PSERS") provides a Health Insurance Premium Assistance Plan ("PSERS Plan"). The PSERS Plan is a governmental cost sharing, multiple-employer other post-employment benefit plan that provides premium assistance to eligible public-school employees of the Commonwealth of Pennsylvania. Under the PSERS Plan, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits for each succeeding year.

The administrative staff of PSERS administers the PSERS Plan. The control and management of PSERS, including the investment of its assets, is vested in the 15-member Board of Trustees (Board). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS Plan by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Premium Assistance Eligibility Criteria

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

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

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 Option Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The school districts' contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.83% 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 \$43,798 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$2,389,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 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, 2017 to June 30, 2018. 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, 2019, the District's proportion was .1146% which was an increase of .0004 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,843,978. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 13,636	\$ -
Changes of assumptions	34,545	82,727
Net Difference between expected and actual investment earnings	3,637	-
Changes in proportion	20,909	-
District contributions subsequent to the measurement date	43,798	-
Total	<u>\$ 116,525</u>	<u>\$ 82,727</u>

\$43,798 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. 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:

2020	\$ (2,000)
2021	(2,000)
2022	(2,000)
2023	(3,000)
2024	(3,000)
	<u>\$ (12,000)</u>

Actuarial Assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.98% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit and seniority increases.
- Premium assistance reimbursement capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females adjusted to reflect PSERS' experience and projected using a modified version of the RP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five-year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits).

Investments 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. 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, 2018 were:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.90%	0.03%
US Core Fixed Income	92.80%	1.20%
Non-US Developed Fixed	1.30%	0.04%
Total	<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, 2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.98%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.98% which represents the S&P 20-year Municipal Bond Rate at June 30, 2018, 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 Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, 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, 2016, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,077 members were receiving less than the maximum amount allowed of \$1200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District’s Proportionate Share of the net OPEB liability as well as what the District’s Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate.

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,389,000	\$ 2,389,000	\$ 2,390,000

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

The following presents the District’s Proportionate Share of the net OPEB liability as well as what the District’s Proportionate Share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.98 percent) or higher (3.98 percent) than the current discount rate.

	1% Decrease (1.98%)	Discount Rate (2.98%)	1% Increase (3.98%)
District's proportionate share of net OPEB liability	\$2,717,000	\$2,389,000	\$2,117,000

OPEB Plan Fiduciary Net Position

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

NOTE 11 – SELF-INSURANCE PLAN

The District’s self-insurance plan (the Plan) pays dental, accident, vision and health insurance coverage for District employees. Retired employees are also covered by the plan provided they pay a monthly premium to the District. The District contributed \$1,300 per month per covered employee to the Plan. Claims were paid by a third-party administrator acting on behalf of the District. The District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Aetna. Stop-loss coverage was in effect for individual claims exceeding \$90,000 with an annual aggregate loss of \$1,000,000 and unlimited per lifetime.

The claims liability of \$432,100, included in accrued liabilities of the general fund at June 30, 2019, is based on the requirements of Governmental Accounting Standards Board (GASB) No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. The above liability includes an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on inflation, changes in legal doctrines and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. Changes in claims liability are as follows:

Claims liability - June 30, 2018	\$ 432,100
Current year claims incurred	2,944,421
Claim payments	<u>(2,944,421)</u>
Claims liability - June 30, 2019	<u>\$ 432,100</u>

NOTE 12 – NOTE PURCHASE AGREEMENT

The District entered into an agreement with Home Rule Township of Washington, whereas the District intends to purchase Guaranteed Revenue Term Notes that the Township intends to issue in the amount of \$1,500,000. The Township will use the proceeds of the notes to finance the costs associated with a sewer extension along Route 99 in the Township of Washington.

The interest rate the Township will pay the District on these Notes shall be 1% per annum compounded monthly from the first disbursement date until the earlier of the date of completion of the project or December 31, 2014. The interest rate then varies every 5 years until maturity in 20 years. Interest is payable on the first day of each quarter, commencing on the first day of the first quarter following the first disbursement date.

Washington Township has borrowed \$610,508 for this project as of June 30, 2019.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damages to, and destruction of assets. The District has purchased various insurance policies to safeguard its assets from risk of loss. There have been no significant reductions in coverage from prior year and in the past three years settlements have not exceeded insurance coverage.

NOTE 14 – LITIGATION

The District is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. Management believes that any liability arising from such claims would be immaterial to the financial statements.

NOTE 15 – CONTINGENT LIABILITIES

Grant Programs

The School District participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditures, which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

NOTE 16 – SUBSEQUENT EVENTS

There were no subsequent events that needed to be disclosed in the financial statements. These financial statements considered subsequent events through November 14, 2019, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
COMPARED WITH BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Revenue	Variance Positive (Negative)
<u>Revenue from Local Sources</u>				
Current Real Estate Taxes	\$ 11,208,773	\$ 11,208,773	\$ 11,185,024	\$ (23,749)
Interim Real Estate Taxes	42,500	42,500	43,718	1,218
Earned Income Taxes	1,699,800	1,699,800	1,787,118	87,318
Public Utility Realty Tax	15,300	15,300	13,626	(1,674)
Delinquent Taxes	530,000	530,000	486,619	(43,381)
Real Estate Transfer Tax	160,000	160,000	217,967	57,967
Occupational Privilege Tax	34,000	34,000	31,822	(2,178)
Payments in Lieu of Current Taxes	31,175	31,175	31,892	717
Tuition	348,832	348,832	334,920	(13,912)
Rentals	23,000	23,000	65,386	42,386
Interest on Investments	135,000	135,000	365,552	230,552
Gate receipts	45,950	45,950	31,052	(14,898)
Miscellaneous Revenue	43,840	43,840	45,318	1,478
<u>Total Revenue From Local Sources</u>	<u>14,318,170</u>	<u>14,318,170</u>	<u>14,640,014</u>	<u>321,844</u>
 <u>Revenue from State Sources</u>				
Basic Instructional Subsidy	10,618,567	10,618,567	10,619,172	605
Section 1305 and 1306	-	-	44,025	44,025
Special Education	1,494,036	1,494,036	1,504,997	10,961
Transportation	815,200	815,200	1,068,636	253,436
Health Services	40,500	40,500	40,404	(96)
State Property Tax Reduction Allocation	518,608	518,608	518,608	-
Social Security Payments	620,000	620,000	669,649	49,649
Ready to Learn Block Grant	329,440	329,440	329,440	-
Revenue for Retirement Payments	3,045,000	3,045,000	3,033,718	(11,282)
<u>Total Revenue From State Sources</u>	<u>17,481,351</u>	<u>17,481,351</u>	<u>17,828,649</u>	<u>347,298</u>

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
COMPARED WITH BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Revenue	Variance Positive (Negative)
<u>Revenue from Federal Sources</u>				
IDEA	\$ 407,362	\$ 407,362	\$ 410,858	\$ 3,496
Title IV	-	-	23,470	23,470
Title II	69,000	69,000	63,498	(5,502)
Title I - Improving Basic Programs	367,917	367,917	320,672	(47,245)
Medical Assistance Reimbursement (ACCESS)	65,000	65,000	450,331	385,331
<u>Total Revenue From Federal Sources</u>	<u>909,279</u>	<u>909,279</u>	<u>1,268,829</u>	<u>359,550</u>
<u>Other Financing Sources</u>				
Refund of prior years' expenditures	-	-	14,189	14,189
<u>Total Other Financing Sources</u>	<u>-</u>	<u>-</u>	<u>14,189</u>	<u>14,189</u>
<u>Total Revenues and Other Financing Sources</u>	<u>\$ 32,708,800</u>	<u>\$ 32,708,800</u>	<u>\$ 33,751,681</u>	<u>\$ 1,042,881</u>

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
COMPARED WITH BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Expenditures	Variance Positive (Negative)
<u>Expenditures</u>				
Regular Programs	\$ 14,103,137	\$ 14,103,137	\$ 13,731,671	\$ 371,466
Special Programs	4,269,270	4,269,270	3,901,898	367,372
Vocational Programs	1,401,440	1,401,440	1,381,045	20,395
Other Instructional Programs	633,396	633,396	606,912	26,484
Pupil Personnel Services	1,186,495	1,186,495	1,166,461	20,034
Instructional Staff Services	1,515,178	1,515,178	1,440,987	74,191
Administrative Services	2,253,202	2,253,202	2,121,309	131,893
Pupil Health	474,499	474,499	463,978	10,521
Business Services	405,665	405,665	378,355	27,310
Operation & Maintenance of Plant Services	3,014,625	3,014,625	2,766,880	247,745
Student Transportation Services	2,248,295	2,248,295	2,138,927	109,368
Other Support Services	56,500	56,500	51,784	4,716
Student Activities	985,629	985,629	945,631	39,998
Other expenditures	-	-	5,512	(5,512)
<u>Total Expenditures</u>	32,547,331	32,547,331	31,101,350	1,445,981
<u>Other Financing Uses</u>				
Interfund Transfers	2,150,000	2,150,000	2,005,000	145,000
Contributed Capital - Food Service	-	-	43,141	(43,141)
Budgetary Reserves	150,000	150,000	345	149,655
<u>Total Other Financing Uses</u>	2,300,000	2,300,000	2,048,486	251,514
<u>Total Expenditures and Other Financing Uses</u>	\$ 34,847,331	\$ 34,847,331	\$ 33,149,836	\$ 1,697,495

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
JUNE 30, 2019

	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.1142%	0.1132%	0.1121%	0.1139%	0.1102%
District's proportionate share of the net pension liability	\$ 56,402,000	\$ 56,098,000	\$ 48,557,000	\$ 45,083,000	\$ 45,112,000
District's covered payroll	\$ 15,198,899	\$ 14,656,367	\$ 14,421,684	\$ 14,539,279	\$ 14,147,278
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	371.0927%	382.7552%	336.6944%	310.0773%	318.8741%
Plan fiduciary net position as a percentage of the total pension liability	54.00%	51.84%	50.14%	54.36%	57.24%

GENERAL MCLANE SCHOOL DISTRICT
DISTRICT CONTRIBUTIONS
DISTRICT PENSION PLAN
JUNE 30, 2019

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 5,143,834	\$ 4,487,963	\$ 3,718,577	\$ 3,118,467	\$ 2,963,250
Contributions in relation to the Contractually required contribution	<u>5,143,834</u>	<u>4,487,963</u>	<u>3,718,577</u>	<u>3,118,467</u>	<u>2,963,250</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's covered payroll	 \$ 15,198,899	 \$ 14,656,367	 \$ 14,421,684	 \$ 14,539,279	 \$ 14,147,278
Contributions as a percentage of covered employee payroll	33.84%	30.62%	25.78%	21.45%	20.95%

OTHER SUPPLEMENTAL INFORMATION

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, TRANSFERS
AND CHANGES IN FUND BALANCES - ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Revenues</u> <u>Collected</u> <u>& Transfers</u>	<u>Expenditures</u> <u>Paid</u> <u>& Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
General McLane High School				
Class of 2018	\$ 1,412	\$ -	\$ 200	\$ 1,212
Class of 2019	6,101	728	14,029	(7,200)
Class of 2020	5,046	-	7,190	(2,144)
Class of 2021	1,110	6,078	3,046	4,142
Class of 2022	-	255	155	100
Chemistry Club	1,026	-	-	1,026
French Club	2,642	-	-	2,642
Future Business Leader of America	854	1,528	918	1,464
Key Club	1,459	510	549	1,420
National Honor Society	173	396	723	(154)
Newspaper	2,228	1,131	904	2,455
Patient Actor Medical Club	140	-	-	140
The General's Store	2,585	1,284	1,681	2,188
Spanish Club	64	-	-	64
The Caring Club	372	1,048	1,037	383
Student Council	1,240	8,233	8,358	1,115
McLane's	-	254	-	254
Wellness	338	-	165	173
Yearbook	1,917	12,162	13,970	109
	<u>28,707</u>	<u>33,607</u>	<u>52,925</u>	<u>9,389</u>

GENERAL MCLANE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, TRANSFERS
AND CHANGES IN FUND BALANCES - ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Revenues</u> <u>Collected</u> <u>& Transfers</u>	<u>Expenditures</u> <u>Paid</u> <u>& Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
James W. Parker Middle School				
8th Grade Advisors	\$ -	\$ 1,772	\$ 1,772	\$ -
Bank Fees	-	499	530	(31)
Bowling	(158)	1,864	1,657	49
BoxTops	2,590	157	40	2,707
Class of 2021	54	-	54	-
Class of 2022	(155)	155	-	-
Class of 2023	36	1,352	1,274	114
Class of 2024	3,755	16,884	19,610	1,029
Class of 2025	2,435	12,993	13,224	2,204
Class of 2026	-	28,583	28,441	142
DC Fund	593	84,453	83,830	1,216
Exploratory Band	5,310	1,180	-	6,490
Jeans Day	-	390	76	314
Mini-Golf	298	-	-	298
Newspaper	1,331	-	360	971
PBIS	391	324	174	541
Rollerskating	959	3,260	3,030	1,189
Ski Club	124	17,762	17,754	132
Student Council	4,871	5,893	5,476	5,288
Track and Field	200	-	-	200
Vocal Muscial	14,127	7,136	6,171	15,092
Yearbook	8,677	6,732	5,992	9,417
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Totals:</u>	45,438	191,389	189,465	47,362
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Total Revenues Collected and</u> <u>Expenditures Paid</u>	<u>\$ 74,145</u>	<u>\$ 224,996</u>	<u>\$ 242,390</u>	<u>\$ 56,751</u>

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS -
RETIREES HEALTH PLAN
JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 182,672	\$ 275,610
Interest	52,197	49,441
Change in assumptions or other inputs	12,092	(49,010)
Difference between expected and actual experience	-	259,991
Benefit payments	<u>(375,775)</u>	<u>(407,387)</u>
Net Change in total OPEB Liability	(128,814)	128,645
Total OPEB Liability - beginning	<u>1,287,506</u>	<u>1,158,861</u>
Total OPEB Liability - ending	<u>\$ 1,158,692</u>	<u>\$ 1,287,506</u>
Covered-employee payroll	13,741,855	13,311,342
Total OPEB liability as a percentage of Covered-Employee Payroll	8.43%	9.67%

Notes to Schedule:

Changes of benefit terms - Each year's loss or gain is recognized over a closed period, using the average of the expected remaining service lives of all active and inactive employees that are currently receiving a benefit or may be eligible to receive a benefit in the future.

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS - PSERS
JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.1146%	0.1142%
District's proportionate share of the net OPEB liability	\$ 2,389,000	\$ 2,327,000
District's covered payroll	15,433,570	15,198,899
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15%	15%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%	5.47%

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF SCHOOL'S OPEB CONTRIBUTIONS - PSERS PLAN
JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 128,000	\$ 126,000
Contributions in relation to the contractually required contribution	<u>128,000</u>	<u>126,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 15,433,570	\$ 15,198,899
Contributions as a percentage of covered employee payroll	0.83%	0.83%

SINGLE AUDIT SECTION

GENERAL MCLANE SCHOOL DISTRICT
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	Grant Period Beginning/ Ending Date
<u>U.S. Department of Education</u>				
Passed through the Pennsylvania Dept of Education				
Title I - Improving Basic Programs	I	84.010	013-190163	07/01/18-09/30/20
Title I - Improving Basic Programs	I	84.010	013-180163	07/01/17-09/30/18
Title II - Improving Teacher Quality	I	84.367	020-190163	07/01/18-09/30/20
Title II - Improving Teacher Quality	I	84.367	020-180163	07/01/17-09/30/19
Title IV - Student Support & Academic Enrichment	I	84.424	144-190163	07/01/18-09/30/19
Title IV - Student Support & Academic Enrichment	I	84.424	144-180163	07/01/17-09/30/18
Passed through the Northwest Intermediate Unit #5				
IDEA	I	84.027	062-190005	07/01/18-06/30/19
IDEA - Section 619	I	84.027	062-190005	07/01/18-06/30/19
<u>Total Department of Education</u>				
<u>U.S. Department of Health and Human Services</u>				
Passed through the Pennsylvania Dept of Public Welfare				
Medical Assistance - Access - Admin	I	93.778	44-007163	07/01/18-06/30/19
<u>Total Department of Health and Human Services</u>				
<u>U.S. Department of Agriculture</u>				
Passed through the Pennsylvania Dept of Education				
National School Lunch Program	I	10.555	N/A	07/01/18-06/30/19
National School Lunch Program	I	10.553	N/A	07/01/18-06/30/19
Food Nutrition Service	I	N/A	N/A	07/01/18-06/30/19
Passed through the Pennsylvania Dept of Agriculture				
Value of USDA Donated Comm.	I	10.555	N/A	07/01/18-06/30/19
<u>Total Department of Agriculture</u>				
<u>Total Federal Awards</u>				

Source Codes:

I-Indirect Funding
D-Direct Funding
F-Federal Share
S-State Share

Footnotes:

a) Total amount of commodities received
from Department of Agriculture
b) Beginning inventory at July 1, 2018
c) Total amount of commodities used
d) Ending inventory at June 30, 2019

GENERAL MCLANE SCHOOL DISTRICT
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Program or Award Amount	Total Received For the Year	Accrued or (Deferred) Revenue at July 1, 2018	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at June 30, 2019
\$ 322,750	\$ 237,099	\$ 2,078	\$ 320,672	\$ 320,672	\$ 85,651
314,117	20,664	20,664	-	-	-
67,523	18,044	-	40,511	40,511	22,467
68,883	45,804	22,817	22,987	22,987	-
23,470	15,647	-	23,470	23,470	7,823
10,000	1,333	1,333	-	-	-
406,934	-	-	406,934	406,934	406,934
3,924	-	-	3,924	3,924	3,924
	338,591	46,892	818,498	818,498	526,799
-	13,277	-	13,277	13,277	-
	13,277	-	13,277	13,277	-
N/A F	387,736	49,205	343,290	343,290	4,759
N/A F	74,053	11,519	63,782	63,782	1,248
N/A S	25,605	3,340	22,597	22,597	332
N/A	59,184 (a)	4,279 (b)	59,424	59,424 (c)	4,519 (d)
	546,578	68,343	489,093	489,093	10,858
	\$ 898,446	\$ 115,235	\$ 1,320,868	\$ 1,320,868	\$ 537,657

Identification of Major Program Rule:

Total Expenditures	\$ 1,320,868
Less State Exp - Food Nutrition	22,597
Total Federal Expenditures	\$ 1,298,271
Programs selected for testing:	
Title I	\$ 320,672 = 25%

The accompanying notes are an integral part of this statement.

GENERAL MCLANE SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of General McLane School District under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of General McLane School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of General McLane School District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) where in 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 amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the School has not elected to use the 10% de minimis cost rate.

NOTE 3 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2019, the organization had food commodities totaling \$4,519 in inventory.



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Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards

Board of Directors
General McLane School District
Edinboro, PA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of General McLane School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise General McLane School District's basic financial statements, and have issued our report there on dated November 14, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2019-001 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 weakness or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the General McLane School 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-001.

General McLane School District's Response to Findings

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

Purpose of this Report

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

Buseck, Barger, Bleil & Co. Inc.

Certified Public Accountants
Erie, Pennsylvania

November 14, 2019



Buseck · Barger · Bleil & Co. Inc.

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Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance

Board of Directors
General McLane School District
Edinboro, PA

Report on Compliance for Each Major Federal Program

We have audited General McLane School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of General McLane School District's major federal programs for the year ended June 30, 2019. General McLane School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Title I

As described in the accompanying schedule of findings and questioned costs, the General McLane School District did not comply with requirements regarding filing Title I quarterly cash on hand reports as described, CFDA 84.010 Title I, Part A, as described in finding number 2019-001. Compliance with such requirements is necessary, in our opinion, for the General McLane School District to comply with the requirements applicable to that program.

Qualified Opinion on Title I

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the General McLane School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.010 Title I, Part A for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-001 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

General McLane School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. General McLane School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Buseck, Barger, Bleil & Co. Inc.

Certified Public Accountants
Erie, Pennsylvania

November 14, 2018

GENERAL MCLANE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes _____ No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: qualified

Any findings disclosed that are required to be reported in accordance with the Uniform Guidance? X Yes _____ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I

Dollar threshold used to distinguish between type A and B programs: \$ 750,000

- Auditee qualified as low-risk auditee? X Yes _____ No
- Were there prior year audit findings? _____ Yes X No

Findings Related to the Financial Statements

There were no findings which were required to be reported for the years ended June 30, 2018 and 2019.



Findings and Questioned Costs for Major Federal Award Programs Audit

Department of Education

2019-001 Title I CFDA No 84.010 – Year Ended June 30, 2019

Condition: Quarterly cash on hand reports for Title I were not filed for the quarters ended March 31, 2019 and June 30, 2019. This resulted in delinquent reporting status for the District with the Pennsylvania Department of Education.

Criteria: Quarterly cash on hand reports for Title I are required to be filed for each quarter. These reports show how Title I funds are being used and if any excess cash exists.

Cause: Due to staff turnover, the third and fourth quarter reports were never filed. The key employee responsible for filing the reports was no longer with the District, and the employee's responsibilities were not passed on to someone else.

Effect: The District did not file its cash on hand reports in a timely manner, and this resulted in a delinquent reporting status with the Pennsylvania Department of Education.

Context: The auditor noticed that quarterly reports stopped after December 31, 2018. Upon inquiry, the Director of Business informed the auditor that the cash on hand reports had not been filed for the third and fourth quarters.

Recommendation: William Fendya, Director of Business, should ensure that reports are being filed in a timely manner and delegate the filing of reports to a capable employee. When an employee leaves their responsibilities for the Federal programs need to be delegated to another employee.

Planned Corrective Action: William Fendya agrees with the recommendation and will implement the recommendations by March 1, 2020. The District is currently in the process of resolving the issue with the Pennsylvania Department of Education.