

GENERAL MCLANE SCHOOL DISTRICT

Financial Statements

For the Year Ended June 30, 2020

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**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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 45-47 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 6, 2020, 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, Barger, 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, 2020**

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, 2020. 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**

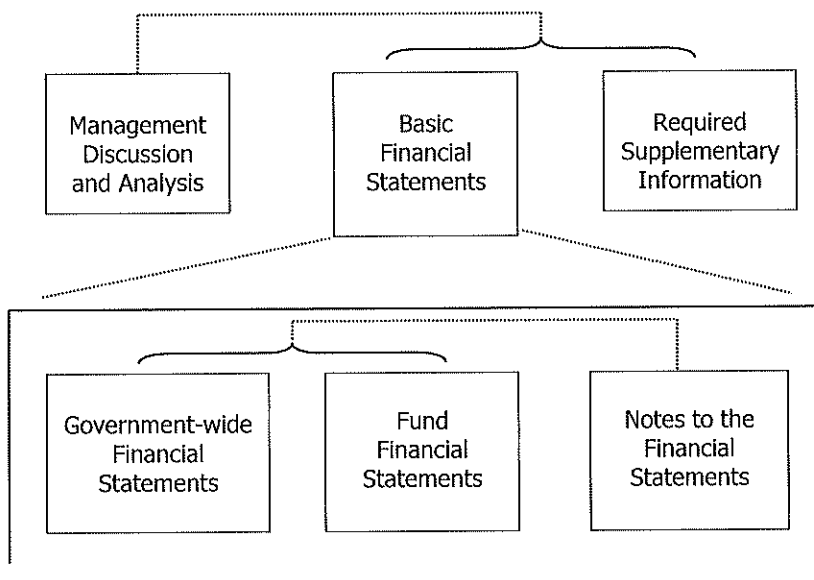
The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide the District's long-term and short-term financial information.

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 for which 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 position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements are used to report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, is one measure of the District's financial health or position. Over time, increases or decreases in the District's net position 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary funds** – These funds are used to account for the District 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 Position. 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, 2020  
 With Comparative Totals for June 30, 2019  
 Net Assets (in \$000)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>June 30, 2020 Total</u>	<u>June 30, 2019 Total</u>
Current and other assets	\$22,756	\$ 93	\$22,849	\$24,561
Capital assets	29,712	221	29,933	28,196
<b>Total Assets</b>	<b>52,468</b>	<b>314</b>	<b>52,782</b>	<b>52,757</b>
Deferred Outflows (OPEB & Pensions)	11,137	216	11,353	12,903
Current and other liabilities	5,186		5,186	5,063
Long-term Liabilities	57,671	1,203	58,874	60,147
<b>Total Liabilities</b>	<b>62,857</b>	<b>1,203</b>	<b>64,060</b>	<b>65,210</b>
Deferred Inflows (Pensions)	2,725	52	2,777	3,313
<b>Net Position</b>				
Invested in capital assets, net of related debt	27,031	221	27,252	28,195
Restricted	14,084		14,084	12,983
Unrestricted	(43,092)	(946)	(44,038)	(44,041)
<b>Total Net Position</b>	<b>(\$1,977)</b>	<b>(\$725)</b>	<b>(\$2,702)</b>	<b>(\$2,863)</b>

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 \$0.6 million decrease in revenues and a \$1.0 million decrease to expenditures from the prior year.



**Table A-2**  
Fiscal Year ended June 30, 2020  
With Comparative Totals for the Year ended June 30, 2019  
Changes in Net Assets (in \$000)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Year Ending June 30, 2020 Total</u>	<u>Year Ending June 30, 2019 Total</u>
<b>Revenues</b>				
Charges for services	\$398	\$235	\$633	\$752
Operating grants and contributions	7,753	646	8,399	9,034
Capital grants and contributions	--	--	--	-
General revenues:				
Property and other taxes	13,949	--	13,949	13,814
Grants, subsidies and contributions, unrestricted	10,731	--	10,731	10,619
Other	<u>487</u>	<u>--</u>	<u>487</u>	<u>552</u>
<b>Total revenues</b>	<b><u>\$33,318</u></b>	<b><u>\$881</u></b>	<b><u>\$34,199</u></b>	<b><u>\$34,771</u></b>
<b>Expenses</b>				
Instruction	\$21,705	--	\$21,705	\$21,997
Instructional student support	3,324	--	3,324	3,355
Administrative and financial support	2,544	--	2,544	2,719
Operation and maintenance of plant	2,762	--	2,762	2,874
Pupil transportation	1,956	--	1,956	2,149
Student activities	832	--	832	978
Loss on asset dispositions and other	8	--	8	68
Interest on long-term debt	--	--	--	--
Food Services	<u>--</u>	<u>908</u>	<u>908</u>	<u>908</u>
<b>Total expenses</b>	<b><u>\$33,131</u></b>	<b><u>\$908</u></b>	<b><u>\$34,039</u></b>	<b><u>\$35,048</u></b>
<b>Increase (decrease) in net assets</b>	<b><u>\$ 187</u></b>	<b><u>\$ (27)</u></b>	<b><u>\$160</u></b>	<b><u>\$(277)</u></b>

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, 2020  
Governmental Activities (in \$000)

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Instruction	\$21,705	\$15,369
Instructional student support	3,324	3,044
Administrative	2,544	2,266
Operation and maintenance	2,762	2,541
Pupil transportation	1,956	887
Student activities	832	716
Loss on asset dispositions and other	<u>8</u>	<u>7</u>
<b>Total governmental activities</b>	<b><u>\$33,131</u></b>	<b><u>\$24,830</u></b>
Less: Unrestricted grants, subsidies		<u>10,731</u>
<b>Total needed from Local Taxes &amp; Other Revenues</b>		<b><u>\$14,099</u></b>

## THE DISTRICT FUNDS

At June 30, 2020, the District governmental funds had a combined fund balance of \$20.1 million, which is an increase of \$1.1 million from the prior year.

### GENERAL FUND BUDGET

For the 2019-20 fiscal year, the Board increased real estate taxes by 0.13 mills over the previous year and budgeted a \$2.1 million use of fund balance. However, actual expenditures only exceeded revenues by \$0.1 million resulting in a much smaller use of 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, 2020  
General Fund Revenues and Expenditures Highlights (in \$000)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
<b><u>Revenues</u></b>				
Real estate taxes	\$12,090	\$12,099	\$ 9	0.0%
Earned income taxes	1,700	1,828	128	7.5
Other taxes	80	80	0	0.0
Other local revenues	591	685	94	15.9
State grants/subsidies	17,856	17,780	(76)	(0.4)
Federal grants/subsidies	<u>1,084</u>	<u>854</u>	<u>(230)</u>	<u>(21.2)</u>
<b>Total Revenues</b>	<b><u>\$33,401</u></b>	<b><u>\$33,326</u></b>	<b><u>\$ (75)</u></b>	<b><u>(0.2)%</u></b>
<b><u>Expenditures</u></b>				
Salaries & Benefits	26,853	25,528	1,325	4.9%
Purchased Services	2,286	2,359	(73)	(3.2)
Equipment & Supplies	2,096	1,938	158	7.5
Tuition	1,363	1,517	(154)	11.3
Utilities	555	433	122	22.0
Fund Transfers	2,057	1,580	477	23.2
Other	<u>244</u>	<u>35</u>	<u>209</u>	<u>85.6</u>
<b>Total Expenditures</b>	<b><u>35,454</u></b>	<b><u>33,390</u></b>	<b><u>2,064</u></b>	<b><u>5.8%</u></b>
<b>Fund Balance Change</b>	<b><u>(\$2,053)</u></b>	<b><u>\$ (64)</u></b>	<b><u>\$1,989</u></b>	

# CAPITAL ASSET AND DEBT ADMINISTRATION

## CAPITAL ASSETS

At June 30, 2020, 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)

	2020	2019
Land	\$ 516	\$ 516
Buildings	22,509	23,366
Furniture & Equipment	2,552	2,844

## DEBT ADMINISTRATION

The District had no outstanding bonds as of June 30, 2020.

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 \$35.5 million. This budget included costs to educate approximately 2,100 students in four buildings. The budget included a 0.13 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 realized 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 had 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, 2020**

	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Cash and Cash Equivalents	\$ 19,276,404	\$ 19,522	\$ 19,295,926
Taxes Receivable, Net	516,858	-	516,858
Due from Other Governments	2,476,832	36,248	2,513,080
Internal balances	127,069	(127,069)	-
Other Receivables	258,613	-	258,613
Inventories	-	37,010	37,010
Prepaid Expenses	227,031	-	227,031
Restricted Cash and Investments	2,681,904	-	2,681,904
Land and Site Improvements - Net	516,402	-	516,402
Building and Building Improvements - Net	22,508,726	-	22,508,726
Furniture and Equipment - Net	2,330,246	221,293	2,551,539
Vehicles - Net	1,675,240	-	1,675,240
<b>Total Assets</b>	<b>52,595,325</b>	<b>187,004</b>	<b>52,782,329</b>
<b><u>Deferred Outflows</u></b>			
OPEB	541,459	-	541,459
Pension	10,594,731	216,219	10,810,950
<b>Total Assets and Deferred Outflows</b>	<b>\$ 63,731,515</b>	<b>\$ 403,223</b>	<b>\$ 64,134,738</b>
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 664,123	\$ 1,197	\$ 665,320
Accrued Salaries and Benefits	3,036,108	-	3,036,108
Payroll Withholdings	1,438,088	-	1,438,088
Noncurrent liabilities:			
Current Portion of Compensated Absences	46,934	-	46,934
Portion due or payable after one year:			
Post employment benefits	3,602,692	-	3,602,692
Net Pension liability	52,677,940	1,075,060	53,753,000
Long-Term Portion of Compensated Absences	1,517,533	-	1,517,533
<b>Total Liabilities</b>	<b>62,983,418</b>	<b>1,076,257</b>	<b>64,059,675</b>
<b><u>Deferred Inflow of Resources</u></b>			
OPEB	181,980	-	181,980
Pension	2,543,296	51,904	2,595,200
<b>Total Deferred Inflow of Resources</b>	<b>2,725,276</b>	<b>51,904</b>	<b>2,777,180</b>
<b><u>Net Position</u></b>			
Net investment in Capital Assets	27,030,614	221,293	27,251,907
Restricted	14,019,666	-	14,019,666
Unrestricted	(43,027,459)	(946,231)	(43,973,690)
<b>Total Net Position</b>	<b>(1,977,179)</b>	<b>(724,938)</b>	<b>(2,702,117)</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 63,731,515</b>	<b>\$ 403,223</b>	<b>\$ 64,134,738</b>

**GENERAL MCLANE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b><u>Governmental Activities:</u></b>			
Instruction	\$ 21,705,669	\$ 316,628	\$ 6,019,594
Instructional Student Support	3,323,814	-	280,123
Admin and Financial Support Services	2,544,310	-	278,256
Op and Maintenance of Plant Services	2,762,342	48,392	172,970
Pupil Transportation	1,956,411	-	1,069,360
Student Activities	832,207	33,183	82,725
Other Expenditures	6,786	-	-
<b><u>Total Governmental Activities</u></b>	<u>33,131,539</u>	<u>398,203</u>	<u>7,903,028</u>
<b><u>Business-Type Activities:</u></b>			
Food Services	<u>907,602</u>	<u>234,776</u>	<u>495,826</u>
<b><u>Total Primary Government</u></b>	<u>\$ 34,039,141</u>	<u>\$ 632,979</u>	<u>\$ 8,398,854</u>

**General Revenues:**

- Taxes:
  - Property and Other Taxes
  - Grants, Subsidies and Contributions Not Restricted
- Receipts from Member Districts
  - Investment Earnings
  - Miscellaneous Income
  - Contributed Capital
  - Proceeds from Disposition of Capital Assets
  - Refund of Prior Year Expenses
- 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, 2020**

Net (Expense) Revenue and Changes in Net Assets			
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ -	\$ (15,369,447)	\$ -	\$ (15,369,447)
-	(3,043,691)	-	(3,043,691)
-	(2,266,054)	-	(2,266,054)
-	(2,540,980)	-	(2,540,980)
-	(887,051)	-	(887,051)
-	(716,298)	-	(716,298)
-	(6,786)	-	(6,786)
-	(24,830,307)	-	(24,830,307)
-	-	(177,000)	(177,000)
\$ -	(24,830,307)	(177,000)	(25,007,307)
	13,948,771	-	13,948,771
	10,730,653	-	10,730,653
	347,819	-	347,819
	16,314	-	16,314
	(150,000)	150,000	-
	97,847	-	97,847
	25,797	-	25,797
	25,017,201	150,000	25,167,201
	186,894	(27,000)	159,894
	(2,164,073)	(697,938)	(2,862,011)
	\$ (1,977,179)	\$ (724,938)	\$ (2,702,117)

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

**GENERAL MCLANE SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	<b>General</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b><u>Assets</u></b>			
Cash & Cash Equivalents	\$ 14,633,685	\$ 4,679,854	\$ 19,313,539
Investments	2,644,769	-	2,644,769
Taxes Receivable	550,632	-	550,632
Due from Other Governments	1,919,368	557,464	2,476,832
Other Receivables	385,682	-	385,682
Prepaid Expenses	227,031	-	227,031
<b><u>Total Assets</u></b>	<b><u>\$ 20,361,167</u></b>	<b><u>\$ 5,237,318</u></b>	<b><u>\$ 25,598,485</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b><u>Liabilities</u></b>			
Accounts payable	\$ 664,123	\$ -	\$ 664,123
Interfund payable	13,694	(13,694)	-
Accrued salaries and benefits	3,036,108	-	3,036,108
Payroll withholdings	1,438,088	-	1,438,088
<b><u>Total Liabilities</u></b>	<b><u>5,152,013</u></b>	<b><u>(13,694)</u></b>	<b><u>5,138,319</u></b>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred revenue	324,048	-	324,048
<b><u>Fund Balances</u></b>			
Nonspendable - prepaid expenses	227,031	-	227,031
Restricted - Capital Projects	-	5,251,012	5,251,012
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	37,189	-	37,189
Unassigned	5,889,421	-	5,889,421
<b><u>Total Fund Balances</u></b>	<b><u>14,885,106</u></b>	<b><u>5,251,012</u></b>	<b><u>20,136,118</u></b>
<b><u>Total Liabilities, Deferred Inflows and Fund Balances</u></b>	<b><u>\$ 20,361,167</u></b>	<b><u>\$ 5,237,318</u></b>	<b><u>\$ 25,598,485</u></b>



**GENERAL MCLANE SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

**Total Fund Balances - Governmental Funds** \$ 20,136,118

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 \$82,287,911 and the accumulated depreciation is \$55,257,297. 27,030,614

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. 290,274

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	\$	541,459	
Deferred inflows of resources related to OPEB		(181,980)	
Deferred outflows of resources related to pensions		10,594,731	
Deferred inflows of resources related to pensions		<u>(2,543,296)</u>	8,410,914

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	\$	(3,602,692)	
Pension liability		(52,677,940)	
Compensated absences (sick pay and vacations)		<u>(1,564,467)</u>	<u>(57,845,099)</u>

**Total Net Position - Governmental Activities** **\$ (1,977,179)**

**GENERAL MCLANE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>General</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b><u>Revenues</u></b>			
Local Sources	\$ 15,085,851	\$ 72,266	\$ 15,158,117
State Sources	17,820,081	-	17,820,081
Federal Sources	420,677	-	420,677
<b><u>Total Revenues</u></b>	<b><u>33,326,609</u></b>	<b><u>72,266</u></b>	<b><u>33,398,875</u></b>
<b><u>Expenditures</u></b>			
Regular Programs	13,980,439	-	13,980,439
Special Programs	4,385,786	-	4,385,786
Vocational Programs	1,277,609	-	1,277,609
Other Instructional Programs	746,712	-	746,712
Pupil Personnel Services	1,171,046	-	1,171,046
Instructional Staff Services	1,494,992	524,351	2,019,343
Administrative Services	2,085,048	-	2,085,048
Pupil Health	435,833	-	435,833
Business Services	378,824	-	378,824
Operation & Maintenance of Plant Services	2,858,704	-	2,858,704
Student Transportation Services	2,064,954	-	2,064,954
Other Support Services	52,407	-	52,407
Student Activities	871,243	-	871,243
Facilities Acquisition and Construction	-	-	-
Other Expenditures	6,786	-	6,786
<b><u>Total Expenditures</u></b>	<b><u>31,810,383</u></b>	<b><u>524,351</u></b>	<b><u>32,334,734</u></b>
<b><u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u></b>	<b>1,516,226</b>	<b>(452,085)</b>	<b>1,064,141</b>
<b><u>Other Financing Sources (Uses)</u></b>			
Refund of Prior Year Expenditures	-	25,797	25,797
Sale of Assets	-	97,847	97,847
Contributed Capital - Food Service	(150,000)	-	(150,000)
Interfund Transfers	(1,430,000)	1,430,000	-
<b><u>Total Other Financing Sources (Uses)</u></b>	<b><u>(1,580,000)</u></b>	<b><u>1,553,644</u></b>	<b><u>(26,356)</u></b>
<b><u>Net Change in Fund Balances</u></b>	<b>(63,774)</b>	<b>1,101,559</b>	<b>1,037,785</b>
<b><u>Fund Balance - July 1, 2019</u></b>	<b><u>14,948,880</u></b>	<b><u>4,149,453</u></b>	<b><u>19,098,333</u></b>
<b><u>Fund Balance - June 30, 2020</u></b>	<b><u>\$ 14,885,106</u></b>	<b><u>\$ 5,251,012</u></b>	<b><u>\$ 20,136,118</u></b>

**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, 2020**

**Net Change in Fund Balance - Governmental Funds**

\$ 1,037,785

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	\$ (2,145,591)	
Capital Outlays	1,162,236	(983,355)

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.

(54,087)

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.

21,047

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.

82,360

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	\$ 5,349,750	
Cost of benefits earned net of employee contributions	(5,266,606)	83,144

**Change in Net Position of Governmental Activities**

\$ 186,894

**GENERAL MCLANE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**AS OF JUNE 30, 2020**

	<b><u>Food Service</u></b>
<b><u>Assets</u></b>	
<b><u>Current Assets:</u></b>	
Cash	\$ 19,522
Due from Other Governments	36,248
Inventories	37,010
<b><u>Total Current Assets</u></b>	<b><u>92,780</u></b>
<b><u>Non-current Assets</u></b>	
Furniture and Equipment	1,067,285
Less Accumulated Depreciation	(845,992)
<b><u>Total Non-Current Assets</u></b>	<b><u>221,293</u></b>
<b><u>Deferred Outflows</u></b>	<b><u>216,219</u></b>
<b><u>Total Assets and Deferred Outflows</u></b>	<b><u>\$ 530,292</u></b>
<b><u>Liabilities</u></b>	
<b><u>Current Liabilities:</u></b>	
Accounts Payable	\$ 1,197
Due to Other Funds	127,069
<b><u>Total Current Liabilities</u></b>	<b><u>128,266</u></b>
<b><u>Long Term Liabilities</u></b>	
Net Pension Liability	1,075,060
<b><u>Total Liabilities</u></b>	<b><u>1,203,326</u></b>
<b><u>Deferred Inflows of Resources</u></b>	<b><u>51,904</u></b>
<b><u>Net Position</u></b>	
Invested in Capital Assets	221,293
Unrestricted	(946,231)
<b><u>Total Net Position</u></b>	<b><u>(724,938)</u></b>
<b><u>Total Liabilities and Net Position</u></b>	<b><u>\$ 530,292</u></b>

**GENERAL MCLANE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b><u>Food Service</u></b>
<b><u>Operating Revenues</u></b>	
Food Service Revenue	\$ 234,776
<b><u>Operating Expenses</u></b>	
Salaries, wages and benefits	531,590
Food and Milk	261,088
Donated commodities used	53,217
Repairs and Purchased Services	24,240
Supplies	24,636
Depreciation	12,831
	<hr/>
<b><u>Total Operating Expenses</u></b>	907,602
	<hr/>
Operating Income (Loss)	(672,826)
	<hr/>
<b><u>Non-Operating Revenues (Expenses)</u></b>	
Contributed capital	150,000
State Sources	102,207
Federal Sources	393,619
	<hr/>
<b><u>Total Non-Operating Revenues</u></b>	645,826
	<hr/>
<b><u>Change in Net Position</u></b>	(27,000)
	<hr/>
<b><u>Total Net Position - July 1, 2019</u></b>	(697,938)
	<hr/>
<b><u>Total Net Position - June 30, 2020</u></b>	\$ (724,938)
	<hr/> <hr/>

**GENERAL MCLANE SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b><u>Food Service</u></b>
<b><u>Cash Flows From Operating Activities</u></b>	
Cash Received from Users	\$ 234,776
Cash Payments to Employees for Services	(479,819)
Cash Payments to Suppliers for Goods and Services	(277,731)
Cash Payments for Other Operating Expenses	(24,240)
<b><u>Net Cash Provided (Used) By Operating Activities</u></b>	<b><u>(547,014)</u></b>
<b><u>Cash Flows From Non-Capital Financing Activities</u></b>	
Contributed capital	150,000
State Sources	101,192
Federal Sources	364,725
	<b><u>615,917</u></b>
<b><u>Cash Flows Used for Capital Financing Activities</u></b>	
Acquisition and diposal of equipment net	<b><u>(51,771)</u></b>
<b><u>Net Increase (Decrease) in Cash and Cash Equivalents</u></b>	<b>17,132</b>
<b><u>Cash and Cash Equivalents - July 1, 2019</u></b>	<b><u>2,390</u></b>
<b><u>Cash and Cash Equivalents - June 30, 2020</u></b>	<b><u>\$ 19,522</u></b>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities</u></b>	
<b><u>Operating Income(Loss)</u></b>	<b>\$ (672,826)</b>
<b><u>Adjustments to Reconcile Operating Income (Loss)</u></b>	
<b><u>to Net cash Provided (Used) in Operating Activities:</u></b>	
Depreciation	12,831
<b><u>Change in Assets and Liabilities:</u></b>	
(Increase) decrease in Accounts Receivable	29,317
(Increase) decrease in Inventories	(11,096)
Increase (decrease) in Accounts Payables and Accruals	94,700
<b><u>Total Adjustments</u></b>	<b><u>125,752</u></b>
<b><u>Cash Provided (Used) by Operating Activities</u></b>	<b><u>\$ (547,074)</u></b>

**Noncash Noncapital Financing Activities**

During the year, the district received \$58,174 of food commodities from the U.S. Department of Agriculture.

**GENERAL MCLANE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2020**

	<b>Elementary Trust</b>	<b>Student Activities</b>	<b>Foundation</b>
<b><u>Assets</u></b>			
Cash	\$ 10,175	\$ 94,047	\$ 338,969
Undivided interest in Foundation Assets	-	-	385,442
	<b><u>\$ 10,175</u></b>	<b><u>\$ 94,047</u></b>	<b><u>\$ 724,411</u></b>
<b><u>Liabilities</u></b>			
Due to Student groups	\$ 10,175	\$ 94,047	\$ -
Accounts Payable	-	-	-
	<b><u>10,175</u></b>	<b><u>94,047</u></b>	<b><u>-</u></b>
<b><u>Net Position</u></b>			
Held in Trust	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 724,411</u></b>

**GENERAL MCLANE SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b><u>Foundation</u></b>
<b><u>Additions</u></b>	
Fundraising Income and Contributions	\$ 127,744
Interest	15,532
	<hr/>
<b><u>Total Additions</u></b>	<b>143,276</b>
	<hr/>
<b><u>Deductions</u></b>	
Scholarships and Student Assistance	14,800
Professional Fees	2,500
Fundraising Expenses	10,466
	<hr/>
<b><u>Total Deductions</u></b>	<b>27,766</b>
	<hr/>
<b><u>Change in Net Position</u></b>	<b>115,510</b>
	<hr/>
<b><u>Total Net Position - July 1, 2019</u></b>	<b>608,901</b>
	<hr/>
<b><u>Total Net Position - June 30, 2020</u></b>	<b>\$ 724,411</b>
	<hr/> <hr/>



**GENERAL MCLANE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**

**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, 2020.

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, 2020. 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 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 consumption 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, 2020.

## **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, 2020, the District's total deposits were \$19,635,030; \$556,154 of this amount was insured by FDIC. The balance in the amount of \$19,078,876 was exposed to custodial credit risk as:

Reconciliation to Financial Statements

Bank Balance	\$ 19,635,030
Plus: Outstanding Deposits	19,361
Less: Outstanding Checks	<u>(321,430)</u>
Carrying Amount - Bank balances	19,332,961
Plus: Petty Cash	100
Less: Restricted cash for employee benefits	<u>(37,135)</u>
<b>Total Cash Per Financial Statement</b>	<b><u><u>\$ 19,295,926</u></u></b>

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>19,078,876</u>
<b>TOTAL</b>	<b><u><u>\$ 19,078,876</u></u></b>

Investments:

Investments

As of June 30, 2020, the District had the following investments:

	<u>Fair Value</u>
<u>Investments</u>	
<u>Restricted</u>	
CD's Cash Surrender Value Life Insurance - restricted	<u>\$ 2,644,769</u>
	<b><u><u>\$ 2,644,769</u></u></b>



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, 2020, the District’s PLGIT investments were classified as cash equivalents and these were rated as:

<u>Investment</u>	<u>Standard &amp; 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, 2020 was 1298 mills (\$12.98 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	\$420,429,339
Washington Township	\$373,108,740
McKean Township	\$296,751,850
Franklin Township	\$102,780,520
McKean Borough	\$28,473,660

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 consist of \$324,048 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, 2020, the District received real estate taxes totaling \$32,214 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      \$32,052

For fiscal year ended June 30, 2020 the District abated real estate taxes totaling \$67,424 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, 2020 the District abated real estate taxes totaling \$24,402 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      \$12,461
- 2. Middleboro Commons, LLC      \$ 8,826
- 3. Tractor Supply Company      \$ 3,115

**NOTE 5 – RECEIVABLES**

Receivables at June 30, 2020, consisted of the following:

**Interfund Balance**

	Due To	Due From
General Fund	\$ 127,069	\$ -
Enterprise Fund	-	127,069
	<u>\$ 127,069</u>	<u>\$ 127,069</u>

Interfund balances at June 30, 2020 consisted of the following individual fund receivables and payables:

	Transfer to Other Funds	Transfer from Other Funds
General Fund	\$ 1,430,000	\$ -
Capital Reserve Fund	-	1,430,000
	<u>\$ 1,430,000</u>	<u>\$ 1,430,000</u>

Interfund receivables and payables are temporary loans of cash between funds. The amounts are expected to be paid within the 2020-2021 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 \$150,000 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, 2020, was as follows:

	Balance 7/1/19	Additions	Deductions	Balance 6/30/20
<b>Governmental Activities</b>				
Capital Assets, not being depreciated				
Land	\$ 516,402	\$ -	\$ -	\$ 516,402
Capital Assets, being depreciated				
Building and improvements	60,852,301		-	60,852,301
Furniture and equipment	16,088,246	743,334	-	16,831,580
Vehicles	3,668,726	418,902	-	4,087,628
<b><u>Total Capital Assets Being Depreciated</u></b>	<b><u>80,609,273</u></b>	<b><u>1,162,236</u></b>	<b><u>-</u></b>	<b><u>81,771,509</u></b>
<i>Less</i> Accumulated Depreciation				
Building and improvements	(36,850,719)	(1,492,856)	-	(38,343,575)
Furniture and equipment	(14,136,320)	(365,014)	-	(14,501,334)
Vehicles	(2,124,667)	(287,721)	-	(2,412,388)
<b><u>Total Accumulated Depreciation</u></b>	<b><u>(53,111,706)</u></b>	<b><u>(2,145,591)</u></b>	<b><u>-</u></b>	<b><u>(55,257,297)</u></b>
<b><u>Capital Assets Being Depreciated, Net</u></b>	<b><u>27,497,567</u></b>	<b><u>(983,355)</u></b>	<b><u>-</u></b>	<b><u>26,514,212</u></b>
<b><u>Governmental Activities Capital Assets, Net</u></b>	<b><u>\$ 28,013,969</u></b>	<b><u>\$ (983,355)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 27,030,614</u></b>

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

<b>Governmental Activities</b>	
Instruction	\$ 1,544,826
Instructional Student Support	214,559
Administration & Financial Support	64,368
Operations & Maintenance Plant	42,912
Pupil Transportation	278,926
<b><u>Total Depreciation of Governmental Activities</u></b>	<b><u>\$ 2,145,591</u></b>
<b>Business-Type Activities</b>	
Food Service	\$ 12,831
<b><u>Total Depreciation &amp; Expense - Business-Type Activities</u></b>	<b><u>\$ 12,831</u></b>

**NOTE 7 – GENERAL LONG-TERM DEBT**

During the year ended June 30, 2020, general long-term debt changed as follows:

	Balance 6/30/2019	Additions	Deductions	Balance 6/30/2020	Due in One Year
<b><u>Other Liabilities</u></b>					
Post employment benefits	\$ 3,547,692	\$ 55,000	\$ -	\$ 3,602,692	\$ -
Pension Liability	55,014,000	-	(1,261,000)	53,753,000	-
Compensated Absences	1,585,514	-	(21,047)	1,564,467	46,934
<b><u>Governmental Activities, Long-Term Liabilities</u></b>	<b><u>\$ 60,147,206</u></b>	<b><u>\$ 55,000</u></b>	<b><u>\$ (1,282,047)</u></b>	<b><u>\$ 58,920,159</u></b>	<b><u>\$ 46,934</u></b>

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](http://www.psers.pa.gov).

### Benefits provided

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

Participants are eligible for disability retirement benefits, after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined 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, 2020 was 33.43% 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 \$5,349,750 for the year ended June 30, 2020.

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

At June 30, 2020, the School reported a liability of \$53,753,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The 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, 2020, the School's proportion was .1149%, which was an increase from their prior year proportion of .1146% measured at June 30, 2019.

For the year ended June 30, 2020, the School recognized pension expense of \$5,349,750 in the general fund and \$118,179 in the food service fund. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 2,044,000	\$ -
Net difference between projected and actual investment earnings	1,310,200	123,200
Difference between expected and actual experience	737,800	2,166,600
Changes in proportion	1,369,200	305,400
Contributions subsequent to the measurement date	5,349,750	-
	<u>\$ 10,810,950</u>	<u>\$ 2,595,200</u>

\$5,349,750 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2020	\$ 526,000
2021	(765,000)
2022	(505,000)
2023	95,000
Total	<u>\$ (649,000)</u>

#### Actuarial assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return - 7.25%, includes inflation 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 actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2015.

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Plan assets are managed with a long-term objective of achieving and 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%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	<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, 2019.

#### Discount Rate

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

#### Sensitivity of the 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:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
School's proportionate share of the net pension liability	\$ 66,956,000	\$ 53,753,000	\$ 42,574,000

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.pa.gov](http://www.psers.pa.gov).

**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 30<sup>th</sup> 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, 2020, the liability for compensated absences was \$ 1,564,467.

**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	24
	<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 \$2,644,769 as of June 30, 2020.

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, 2020. This amount is shown as restricted cash and investments on the government-wide statement of net assets.

## OPEB Liability

At June 30, 2020, 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, 2018 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, 2020, 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	\$	1,158,692

### 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, 2019, 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:

	1% Increase <u>4.50%</u>	Current Rate <u>3.50%</u>	1% Decrease <u>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**

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out of pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

### Premium Assistance Eligibility Criteria

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

- Have 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, 2019, 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 \$134,706 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$2,444,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019 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, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2020, the District's proportion was .1149% which was an increase of .0003 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the District recognized OPEB expense of \$7,640. At June 30, 2020, 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	\$ 24,999	\$ -
Changes of assumptions	104,726	140,818
Net Difference between expected and actual investment earning	6,908	-
Changes in proportion	40,636	-
District contributions subsequent to the measurement date	134,706	-
Total	<u>\$ 311,975</u>	<u>\$ 140,818</u>

\$134,706 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:

<b>Year ended June 30:</b>	
2021	\$ 6,000
2022	6,000
2023	5,000
2024	5,000
2025	19,000
Thereafter	9,000
	\$ 50,000

**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 – 2.79% - S&P 20 Year Municipal Bond Rate.
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- 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 results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for the fiscal year ended June 30, 2019.

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 2019.
- 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2%	0.2%
US Core Fixed Income	83.1%	1.0%
Non-US Developed Fixed	3.7%	0.0%
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 2.79%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.79%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

**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, 2019, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019,

1,077 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,443,000	\$ 2,444,000	\$ 2,444,000

**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 (1.79 percent) or higher (3.79 percent) than the current discount rate.

	1% Decrease (1.79%)	Discount Rate (2.79%)	1% Increase (3.79%)
District's proportionate share of net OPEB liability	\$2,784,000	\$2,444,000	\$2,162,000

**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](http://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, 2020, 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, 2019	\$ 432,100
Current year claims incurred	3,079,183
Claim payments	<u>(3,079,183)</u>
Claims liability - June 30, 2020	<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 \$557,464 for this project as of June 30, 2020.

**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 6, 2020, 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, 2020**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Revenue</b>	<b>Variance Positive (Negative)</b>
<b><u>Revenue from Local Sources</u></b>				
Current Real Estate Taxes	\$ 11,356,643	\$ 11,356,643	\$ 11,422,087	\$ 65,444
Interim Real Estate Taxes	42,500	42,500	49,666	7,166
Earned Income Taxes	1,699,800	1,699,800	1,828,267	128,467
Public Utility Realty Tax	15,300	15,300	12,428	(2,872)
Delinquent Taxes	530,000	530,000	423,987	(106,013)
Real Estate Transfer Tax	160,000	160,000	203,460	43,460
Occupational Privilege Tax	34,000	34,000	30,749	(3,251)
Payments in Lieu of Current Taxes	31,175	31,175	32,214	1,039
Revenue from IU - Federal funds	410,859	410,859	392,922	(17,937)
Tuition	293,289	293,289	316,628	23,339
Rentals	23,000	23,000	48,392	25,392
Interest on Investments	185,000	185,000	275,553	90,553
Gate receipts	45,950	45,950	33,183	(12,767)
Miscellaneous Revenue	43,840	43,840	16,315	(27,525)
<b><u>Total Revenue From Local Sources</u></b>	<u>14,871,356</u>	<u>14,871,356</u>	<u>15,085,851</u>	<u>214,495</u>
 <b><u>Revenue from State Sources</u></b>				
Basic Instructional Subsidy	11,063,919	11,063,919	10,730,653	(333,266)
Section 1305 and 1306	-	-	57,982	57,982
Special Education	1,530,189	1,530,189	1,529,952	(237)
Transportation	964,200	964,200	813,666	(150,534)
Health Services	40,500	40,500	39,469	(1,031)
State Property Tax Reduction Allocation	518,608	518,608	518,707	99
Social Security Payments	630,446	630,446	664,963	34,517
Ready to Learn Block Grant	-	-	329,440	329,440
Other PA Grants	-	-	40,000	40,000
Revenue for Retirement Payments	3,108,500	3,108,500	3,095,249	(13,251)
<b><u>Total Revenue From State Sources</u></b>	<u>17,856,362</u>	<u>17,856,362</u>	<u>17,820,081</u>	<u>(36,281)</u>

**GENERAL MCLANE SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**COMPARED WITH BUDGET - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Revenue</b>	<b>Variance Positive (Negative)</b>
<b><u>Revenue from Federal Sources</u></b>				
Title IV	10,000	10,000	25,013	15,013
Title II	68,336	68,336	63,222	(5,114)
Title I - Improving Basic Programs	324,761	324,761	316,125	(8,636)
Medical Assistance Reimbursement (ACCESS)	270,369	270,369	16,317	(254,052)
<b><u>Total Revenue From Federal Sources</u></b>	<b>673,466</b>	<b>673,466</b>	<b>420,677</b>	<b>(252,789)</b>
<b><u>Total Revenues and Other Financing Sources</u></b>	<b>\$ 33,401,184</b>	<b>\$ 33,401,184</b>	<b>\$ 33,326,609</b>	<b>\$ (74,575)</b>

**GENERAL MCLANE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**COMPARED WITH BUDGET - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Expenditures</b>	<b>Variance Positive (Negative)</b>
<b><u>Expenditures</u></b>				
Regular Programs	\$ 14,501,243	\$ 14,523,934	\$ 13,980,439	\$ 543,495
Special Programs	4,464,088	4,464,088	4,385,786	78,302
Vocational Programs	1,369,995	1,369,995	1,277,609	92,386
Other Instructional Programs	576,845	576,845	746,712	(169,867)
Pupil Personnel Services	1,215,625	1,215,625	1,171,046	44,579
Instructional Staff Services	1,583,855	1,584,499	1,494,992	89,507
Administrative Services	2,161,051	2,161,051	2,085,048	76,003
Pupil Health	456,885	456,885	435,833	21,052
Business Services	382,108	382,108	378,824	3,284
Operation & Maintenance of Plant Services	3,100,682	3,179,299	2,858,704	320,595
Student Transportation Services	2,360,983	2,360,983	2,064,954	296,029
Other Support Services	55,285	55,285	52,407	2,878
Student Activities	956,268	956,268	871,243	85,025
Other expenditures	-	-	6,786	(6,786)
<b><u>Total Expenditures</u></b>	<b>33,184,913</b>	<b>33,286,865</b>	<b>31,810,383</b>	<b>1,476,482</b>
<b><u>Other Financing Uses</u></b>				
Interfund Transfers	2,057,054	2,057,054	1,430,000	627,054
Contributed Capital - Food Service	-	-	150,000	(150,000)
Budgetary Reserves	211,573	109,621	-	109,621
<b><u>Total Other Financing Uses</u></b>	<b>2,268,627</b>	<b>2,166,675</b>	<b>1,580,000</b>	<b>586,675</b>
<b><u>Total Expenditures and Other Financing Uses</u></b>	<b>\$ 35,453,540</b>	<b>\$ 35,453,540</b>	<b>\$ 33,390,383</b>	<b>\$ 2,063,157</b>

**GENERAL MCLANE SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY**  
**JUNE 30, 2020**

	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.1149%	0.1146%	0.1142%	0.1132%	0.1121%	0.1139%	0.1102%
District's proportionate share of the net pension liability	\$ 53,753,000	\$ 55,014,000	\$ 56,402,000	\$ 56,098,000	\$ 48,557,000	\$ 45,083,000	\$ 45,112,000
District's covered payroll	\$ 15,851,114	\$ 15,433,570	\$ 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	339.11%	356.46%	371.09%	382.76%	336.69%	310.08%	318.87%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.50%

**Notes to Schedule:**

The data provided in this schedule is based as of the measurement date of PSERS' net pension liability, which is as of the beginning of the District's fiscal year.

**GENERAL MCLANE SCHOOL DISTRICT**  
**DISTRICT CONTRIBUTIONS**  
**DISTRICT PENSION PLAN**  
**JUNE 30, 2020**

	2020	2019	2018	2017	2016	2015	2014
Contractually required contributio	\$ 5,349,750	\$ 5,167,463	\$ 4,898,615	\$ 4,438,079	\$ 3,664,092	\$ 2,956,445	\$ 2,326,285
Contributions in relation to the Contractually required contributio	5,349,750	5,167,463	4,898,615	4,438,079	3,664,092	2,956,445	2,326,285
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 16,036,421	\$ 15,851,114	\$ 15,433,570	\$ 15,198,899	\$ 14,656,367	\$ 14,421,684	\$ 14,539,279
Contributions as a percentage of covered employee payroll	33.36%	32.60%	31.74%	29.20%	25.00%	20.50%	16.00%

The accompanying notes are an integral part of this statement.

**OTHER SUPPLEMENTAL INFORMATON**

**GENERAL MCLANE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, TRANSFERS**  
**AND CHANGES IN FUND BALANCES - ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Balance</u> <u>July 1, 2019</u>	<u>Revenues</u> <u>Collected</u> <u>&amp; Transfers</u>	<u>Expenditures</u> <u>Paid</u> <u>&amp; Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>General McLane High School</b>				
Caring Club	\$ 383	\$ 386	\$ 769	\$ -
Chemistry Club	1,026	-	-	1,026
Class of 2018	1,212	-	1,212	-
Class of 2019	(7,200)	7,330	130	-
Class of 2020	(2,144)	8,865	4,713	2,008
Class of 2021	4,142	-	806	3,336
Class of 2022	100	2,188	721	1,567
Class of 2023	-	114	-	114
Environmental Science Club	-	123	-	123
French Club	2,642	-	-	2,642
Future Business Leaders of America	1,464	965	899	1,530
GM Café	-	7,298	5,014	2,284
Key Club	1,420	836	935	1,321
McLane's	254	122	-	376
National Honor Society	(154)	2,350	1,607	589
Newspaper	2,455	1,980	1,790	2,645
Patient Actor Medical Club	140	-	140	-
RoboBots	-	1,065	632	433
Spanish Club	64	-	-	64
Student Council	1,115	8,324	6,366	3,073
The General's Store	2,188	2,272	2,098	2,362
Wellness	173	-	150	23
Yearbook	109	9,347	8,800	656
	<u>9,389</u>	<u>53,565</u>	<u>36,782</u>	<u>26,172</u>



**GENERAL MCLANE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, TRANSFERS**  
**AND CHANGES IN FUND BALANCES - ACTIVITY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Balance</u> <u>July 1, 2019</u>	<u>Revenues</u> <u>Collected</u> <u>&amp; Transfers</u>	<u>Expenditures</u> <u>Paid</u> <u>&amp; Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
<b>James W. Parker Middle School</b>				
8th Grade Advisors	\$ -	\$ 330	\$ 330	\$ -
Bank Fees	(31)	867	1,166	(330)
Bowling	49	1,225	1,145	129
Box Tops	2,707	266	-	2,973
Class of 2023	114	-	-	114
Class of 2024	1,029	28	1,058	(1)
Class of 2025	2,204	15,092	8,748	8,548
Class of 2026	142	15,295	9,434	6,003
Class of 2027	-	29,848	27,163	2,685
DC, Detroit & Achievers Trips	1,216	80,926	79,141	3,001
Exploratory Band	6,490	1,080	-	7,570
Jeans Day	314	48	48	314
Mini-Golf	298	-	-	298
Newspaper	971	-	400	571
PBIS	541	7,247	5,543	2,245
Rollerskating	1,189	2,156	2,027	1,318
Ski Club	132	5,680	5,305	507
Student Council	5,288	3,689	2,295	6,682
Track and Field	200	105	305	-
Vocal Muscial	15,092	5,831	5,092	15,831
Yearbook	9,417	-	-	9,417
<b>Totals:</b>	<u>47,362</u>	<u>169,713</u>	<u>149,200</u>	<u>67,875</u>
<b><u>Total Revenues Collected and</u></b> <b><u>Expenditures Paid</u></b>	<u>\$ 56,751</u>	<u>\$ 223,278</u>	<u>\$ 185,982</u>	<u>\$ 94,047</u>

**GENERAL MCLANE SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS -**  
**RETIREES HEALTH PLAN**  
**JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>
<b>Total OPEB Liability</b>		
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>
<b>Net Change in total OPEB Liability</b>	(128,814)	128,645
<b>Total OPEB Liability - beginning</b>	<u>1,287,506</u>	<u>1,158,861</u>
<b>Total OPEB Liability - ending</b>	<u>\$ 1,158,692</u>	<u>\$ 1,287,506</u>
<b>Covered-employee payroll</b>	13,741,855	13,311,342
<b>Total OPEB liability as a percentage of Covered-Employee Payroll</b>	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, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.1490%	0.1146%	0.1142%
District's proportionate share of the net OPEB liability	\$2,444,000	\$2,389,000	\$2,327,000
District's covered payroll	15,851,114	15,433,570	15,198,899
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15%	15%	15%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%	5.56%	5.47%

**GENERAL MCLANE SCHOOL DISTRICT**  
**SCHEDULE OF SCHOOL'S OPEB CONTRIBUTIONS - PSERS PLAN**  
**JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 134,706	\$ 131,564	\$ 128,099
Contributions in relation to the contractually required contribut	<u>134,706</u>	<u>131,564</u>	<u>128,099</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 16,036,421	\$ 15,851,114	\$ 15,433,570
Contributions as a percentage of covered employee payroll	0.84%	0.83%	0.83%

**SINGLE AUDIT SECTION**

**GENERAL MCLANE SCHOOL DISTRICT**  
**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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	013-200163	07/01/19-09/30/20
Title II - Improving Teacher Quality	I	84.367	020-190163	07/01/18-09/30/20
Title II - Improving Teacher Quality	I	84.367	020-200163	07/01/19-09/30/21
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	144-200163	07/01/19-09/30/20
Passed through the Northwest Intermediate Unit #5				
IDEA - B	I	84.027	062-200005	07/01/19-06/30/20
IDEA - Section 619	I	84.027	062-200005	07/01/19-06/30/20
IDEA - B	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 the Treasury</u>				
Passed through the Pennsylvania Commission on Crime and Delinquency				
Coronavirus Relief Fund - PCCD	I	21.019	34218	03/01/20-10/30/20
<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	07/01/19-06/30/20
<u>U.S. Department of Agriculture</u>				
Passed through the Pennsylvania Dept of Education				
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20
National School Lunch Program	I	10.553	N/A	07/01/19-06/30/20
Food Nutrition Service	I	N/A	N/A	07/01/19-06/30/20
Passed through the Pennsylvania Dept of Agriculture				
Value of USDA Donated Comm.	I	10.555	N/A	07/01/19-06/30/20
<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, 2019  
c) Total amount of commodities used  
d) Ending inventory at June 30, 2020 (a + b - c = d)

**GENERAL MCLANE SCHOOL DISTRICT**  
**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Program or Award Amount	Total Received For the Year	Accrued or (Deferred) Revenue at 1-Jul-19	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue at 30-Jun-20
\$ 322,750	\$ 85,651	\$ 85,651	\$ -	\$ -	\$ -
316,125	274,002	-	316,125	316,125	42,123
67,523	49,479	22,467	27,012	27,012	-
63,222	16,929	-	36,210	36,210	19,281
23,470	7,823	7,823	-	-	-
25,013	6,670	-	25,013	25,013	18,343
390,657	-	-	390,657	390,657	390,657
2,265	2,265	-	2,265	2,265	-
406,934	406,934	406,934	-	-	-
3,924	3,924	3,924	-	-	-
	<u>853,677</u>	<u>526,799</u>	<u>797,282</u>	<u>797,282</u>	<u>470,404</u>
203,535	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	<u>13,147</u>	<u>-</u>	<u>16,318</u>	<u>16,318</u>	<u>3,171</u>
N/A F	255,617	4,759	272,290	272,290	21,432
N/A F	50,935	1,248	63,157	63,157	13,470
N/A S	17,131	332	18,145	18,145	1,346
N/A	<u>58,174 (a)</u>	<u>4,519 (b)</u>	<u>53,217</u>	<u>53,217 (c)</u>	<u>9,476 (d)</u>
	<u>381,857</u>	<u>10,858</u>	<u>406,809</u>	<u>406,809</u>	<u>35,810</u>
	<u>\$ 1,248,681</u>	<u>\$ 537,657</u>	<u>\$ 1,220,409</u>	<u>\$ 1,220,409</u>	<u>\$ 509,385</u>

Identification of Major Program Rule:

Total Expenditures	\$ 1,220,409
Less State Exp - Food Nutrition	18,145
Total Federal Expenditures	<u>\$ 1,202,264</u>
Programs selected for testing:	
IDEA	\$ 392,922
National School Lunch Program	388,664
Total Programs Selected for testing:	<u>\$ 781,586 = 65%</u>

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, 2020**

**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, 2020. 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, 2020, the organization had food commodities totaling \$9,476 in inventory.

**NOTE 4 – FEDERAL REVENUE**

The funds passed through the Northwestern Tri-County Intermediate Unit are required to be reported as local revenue per Pennsylvania Department of Education Guidelines, and are reported as local on the Statement of Revenues, Expenditures and Changed in Fund Balances – Governmental Funds.

**NOTE 5 – SUBRECIPIENT FUNDS**

There were no funds passed through subrecipients from any of the federal programs.





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MEMBERS  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
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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, 2020, 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 6, 2020.

### **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.

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

Our consideration of internal control 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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



# 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, 2020. 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 opinion on compliance for each major federal program. However, our audit does not provide legal determination of General McLane School District's compliance.

## Opinion on Each Major Federal Program

In our opinion, 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 each of its major federal programs for the year ended June 30, 2020.

## 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.

*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. *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.

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

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 6, 2020

**GENERAL MCLANE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**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? \_\_\_\_\_ Yes  X  No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes  X  None reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027	IDEA
10.555 & 10.553	National School Lunch Program

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes  X  No

Were there prior year audit findings?  X  Yes \_\_\_\_\_ No

**Findings Related to the Financial Statements**

There were no findings which were required to be reported for the year ended June 30, 2020.

**Findings and Questioned Costs for Major Federal Award Programs Audit**

There were no findings which were required to be reported for the year ended June 30, 2020.

## SCHEDULE OF PRIOR AUDIT FINDINGS

### **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.

*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.

*Corrective Action:* William Fendya agrees with the recommendation and will implement the recommendations by March 1, 2020. Corrective action was fully taken by the aforementioned date.