



GOVERNOR MIFFLIN SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2018

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Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors
Governor Mifflin School District
Shillington, Pennsylvania**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Governor Mifflin School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, each major fund, and the aggregate remaining fund information of Governor Mifflin School District, as of June 30, 2018, 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.

Change in Accounting Principle

As described in Note 15 to the financial statements, effective July 1, 2017, the Governor Mifflin School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 80 through 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Governor Mifflin School District's basic financial statements. The individual 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* 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 individual fund financial statements and the schedule of expenditures of federal awards are 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 individual 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 12, 2018, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
November 12, 2018**

Management's Discussion and Analysis (MD&A)

The following is a discussion and analysis of the Governor Mifflin School District's annual financial performance during the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

- District-wide revenue of \$71.9 million exceeded expenditures of \$71.7 million by \$.2 million. General revenues in the form of property and other taxes along with state subsidies and investment earnings accounted for \$56.2 million or 78% of all revenues. Program specific revenues in the form of charges for services, grants and contributions totaled \$15.7 million or 22% of total revenues. Instruction, instructional student support, and student transportation expenses accounted for \$51.3 million or 72% of total expenses. Operation and maintenance of plant, administrative, financial support and other services totaled \$20.4 million or 28% of total expenses.
- The Taxpayer Relief Act of 2006, or more commonly referred to as Act 1, subjects Pennsylvania Public Schools to a real estate property base tax cap, or adjusted tax cap, if applicable, annually. For fiscal year 2017-18, the District's adjusted tax cap was 3%, or 0.81 mills. The District increased millage by .5 to 27.6 mills and therefore did not need to include any exceptions approved by the Pennsylvania Department of Education.
- Under the provisions of the Homestead Property Exclusion Program Act and the Taxpayer Relief Act, the School Board passed the 2017-18 Homestead and Farmstead Exclusion Resolution in June 2017 whereby County approved homestead and farmstead property taxpayers received an assessment reduction on the July 1, 2017 real estate tax bills of \$4,198 each, which resulted in a \$116 tax reduction per homestead and farmstead. This property tax reduction was the result of the District's allocation of gambling tax funds as well as Philadelphia tax credit reimbursement funds totaling \$864,001.
- Act 1 also requires each school district to offer homestead and farmstead property owners the option of paying the flat rate of their real estate taxes in installments. Act 25 of 2011 broadened the mandatory real estate tax installment option to include small business owners. The District allows all District property owners to choose the installment option, in which three equal installments are due July 31, September 15, and October 31. Approximately 5.2% of District real estate homestead/farmstead eligible properties elected the installment method for the 2017-18 fiscal year.

- As a member of the Berks County School District Health Trust, the District experienced a 1.5% increase in health insurance premiums over the prior year.
- Salary increases during the 2017-18 school year were as follows: Governor Mifflin Education Association, 2.6%; Act 93 Professionals, 2.5%, Act 93 Support, 2.5%, and AFSCME Support, \$.45/hr.
- The required District contribution to the Pennsylvania School Employees Retirement System (PSERS) increased from 30.03% to 32.57% for 2017-18, with additional rate increases projected in future years. As of June 30, 2018, \$1.25 million of the general fund balance is committed by the School Board to be used toward future PSERS contribution increases.
- Effective July 1, 2017, the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, to be in conformity with generally accepted accounting principles. Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for other postemployment benefit plans. The implementation of the standard resulted in the District restating net position as of July 1, 2017 by (\$7,231,528), as described in Note 15. At June 30, 2018, the District reported deferred outflows of resources of \$576,988, deferred inflows of resources of \$311,000 and a liability of \$8,853,008 related to other postemployment benefit plans. The District does not fund this liability, but rather pays for benefits as they become due.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, adopted by the District a prior year, establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting for pensions by governments and establishes standards for recording and reporting contributions made to a defined benefit plan after the measurement date of the government's net pension liability. Pension expense recognized in the Statement of Activities for the year ended June 30, 2018 totaled \$11.4 million, with a District-wide net pension liability of \$109.3 million as of June 30, 2018 in the Statement of Net Position. Deferred outflows of resources of \$18 million and deferred inflows of resources of \$3 million as of June 30, 2018 related to the pension calculation in accordance with these GASB statements.

Overview of the Financial Statements

This annual report consists of three parts: (1) management’s discussion and analysis, (2) the basic financial statements, and (3) required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements include two district-wide financial statements that provide both short-term and long-term information about the District’s overall financial status. The remaining statements are the fund financial statements that focus on individual parts of the District – reporting the District’s operations in more detail than the district-wide statements. The governmental fund statements indicate how basic services such as regular and special education were financed in the short term as well as indicate future spending plans. Proprietary fund statements offer short-term and long-term financial information about the activities the District operates like a business, such as food services. Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and scholarship funds.

The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure 1 shows how the various parts of this annual report are arranged and related to one another.

Figure 1
Organization of the Governor Mifflin School District Annual Financial Report

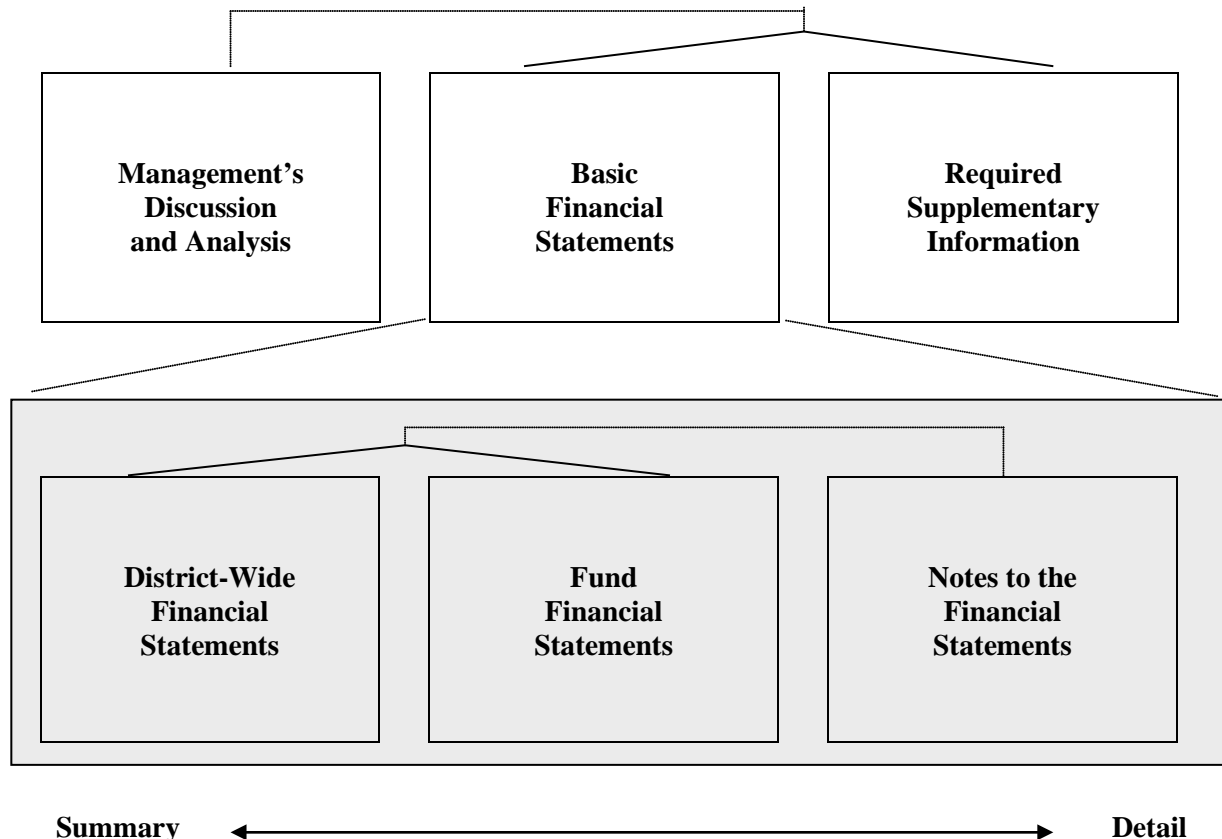


Figure 2 summarizes the major features of the District’s financial statements including the portion of the District activity they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Figure 2

<u>Major Features of the District-Wide and Fund Financial Statements</u>				
	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects	Activities the District operates similar to private businesses, such as food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of net position • Statement of changes in net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, current and noncurrent, and deferred inflows and outflows of resources	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or noncurrent liabilities included	All assets and liabilities, both financial and capital, current and noncurrent	All assets and liabilities, both current and noncurrent; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position presents all of the District's assets and liabilities, deferred inflows and outflows of resources with the difference reported as "net position." Over time, increases and decreases in net position measure whether the District's financial condition is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some events that will result in cash flows in future periods: uncollected taxes, accrued interest expense, retirement incentives, and unused sick leave.

Both statements report two activities:

- **Governmental Activities** – Most of the District's basic services such as regular and special education, maintenance and operation of plant services are reported under this category. Taxes, state subsidies, and state and federal grants generally finance these programs.
- **Business-Type Activities** – The District charges fees to cover the costs of business-type services it provides. For food service operations these consist of charges for meal purchases, federal and state subsidies and in-district catering.

Fund Financial Statements

The fund financial statements provide more detailed information about the major individual funds of the District. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to keep track of specific sources of funding and spending for particular programs. The District's funds are divided into three categories – (1) governmental, (2) proprietary, and (3) fiduciary.

- **Governmental Funds** – Most of the District's basic services are included in governmental funds that focus on how money flows into and out of these funds and the balances left at the year-end for future spending. The governmental fund financial statements provide a detailed short-term view of the general operations and the basic services provided and provide some direction as to whether there will be more or fewer resources that can be spent in the near future to finance the District's programs.

Because this information does not encompass the additional long-term focus of the district-wide statements, an explanation of the relationship (and differences) between the fund statements and district-wide statements is provided on the reconciliations following the fund statements.

- **Proprietary Funds (Enterprise)** – Services for which the District charges a fee are generally reported in the proprietary fund and utilize the accrual accounting method – the same method used by private sector businesses.

- Fiduciary Funds – The District acts as a trustee or fiduciary for assets that belong to others, such as scholarship funds or student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for the intended purposes and by those to whom the assets belong. These activities are excluded from the District-wide financial statements since these assets cannot be used to finance the District’s operations.

Financial Analysis of the District as a Whole

The Statement of Net Position contains information about what the District owns, owes, i.e., assets, liabilities, deferred inflows and outflows of resources and the remaining financial position. Figure 3 shows a comparative summary of the District’s net position for the fiscal years ended June 30, 2017 and June 30, 2018.

Figure 3
Condensed Statements of Net Position

	Fiscal Years Ended June 30, 2017 and June 30, 2018					
	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 22,845,889	\$ 24,514,761	\$ 384,983	\$ 462,377	\$ 23,230,872	\$ 24,977,138
Capital assets	78,866,536	75,484,417	195,082	192,818	79,061,618	75,677,235
Total Assets	101,712,425	99,999,178	580,065	655,195	102,292,490	100,654,373
Deferred Outflows of Resources	21,056,391	18,405,700	534,674	458,852	21,591,065	18,864,552
Current liabilities	12,019,391	12,813,111	47,428	49,358	12,066,819	12,862,469
Noncurrent liabilities	171,586,241	171,423,569	2,933,510	2,920,910	174,519,751	174,344,479
Total Liabilities	183,605,632	184,236,680	2,980,938	2,970,268	186,586,570	187,206,948
Deferred Inflows of Resources	1,267,526	3,129,467	24,474	226,020	1,292,000	3,355,487
Net Investment in Capital Assets	14,558,801	20,368,705	195,082	192,818	14,753,883	20,561,523
Restricted for Capital Projects	7,341,109	8,347,533	-	-	7,341,109	8,347,533
Unrestricted (Deficit)	(84,004,252)	(97,677,507)	(2,085,755)	(2,275,059)	(86,090,007)	(99,952,566)
Total Net Position (Deficit)	\$ (62,104,342)	\$ (68,961,269)	\$ (1,890,673)	\$ (2,082,241)	\$ (63,995,015)	\$ (71,043,510)

Total assets decreased by \$1.6 million from the prior year primarily due to the increase of cash and investments of \$1.3 million and the increase of receivables of \$.5 million less a \$3.4 million decrease of net capital assets. Deferred outflows of resources decreased by \$2.7 million due to a \$3.3 million decrease in deferred pension and an increase in deferred outflows for other postemployment benefits of \$.6 million. The overall increase in liabilities of \$.6 million is primarily the result of a \$3.1 million decrease in net pension liability related to GASB Statements No. 68 and No. 71, a \$7.5 million increase in postemployment benefit other than pension obligations related to GASB Statement No. 75, \$1 million of net increase in other current liabilities, and a net decrease of bond and notes payable of \$4.8 million. Deferred inflows of resources increased over the prior year by \$2 million related to an increase of \$1.7 million for pension and an increase of \$.3 million for postemployment benefits.

District-wide revenue exceeded expenses by \$.2 million, which effectively decreased the net deficit for the year ended June 30, 2018. Governmental activities' net deficit decreased by \$0.1 million from the combined result of a \$.6 million increase in expenses net of a \$1.8 million increase in revenue generated from increases in real estate taxes and other taxes and operating grants and contributions. Net deficit in business-type activities decreased by \$0.04 million from the prior year, as a result of the net income of the food service fund.

The results of operations for the fiscal year ended June 30, 2018 as a whole are reported in the Statement of Activities. Figure 4 is a comparative summary of changes in net position for the years ending June 30, 2017 and June 30, 2018.

Revenues are defined as either program or general revenues. Program revenues are generated by the services themselves or provided externally for use in a particular function. Program revenues reduce the net expense to the public. Program revenues are categorized as charges for services, operating grants and contributions and capital grants and contributions. General revenues include the basic education subsidy provided by the State of Pennsylvania, local taxes assessed to community taxpayers, and other general revenues the District uses to finance the total net cost of programs. District-wide revenues totaled \$71.9 million, an increase of \$1.9 million or 3% over the prior year, of which governmental activities' revenue increased by \$1.8 million while business-type activities' revenue increased by \$0.1 million. Figure 5 depicts the 2017-18 sources of revenues as of percentage of district-wide revenues.

District-wide expenses are categorized into six major activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. Figure 6 presents these categories of expenditures as a percentage of 2017-18 district-wide expenses. District-wide expenses totaled \$71.7 million, an increase of \$0.5 million or 0.7% over the prior year, primarily due to salary increases.

Figure 4
Changes in Net Position from Operating Results

Fiscal Years Ended June 30, 2017 and June 30, 2018

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Revenues						
Program Revenues						
Charges for services	\$ 384,333	\$ 481,450	\$ 999,155	\$ 995,860	\$ 1,383,488	\$ 1,477,310
Operating grants and contributions	10,885,125	11,418,788	1,392,809	1,481,458	12,277,934	12,900,246
Capital grants and contributions	974,245	1,306,515	-	-	974,245	1,306,515
General Revenues						
Property taxes and other taxes levied for general purposes	48,737,332	49,259,686	-	-	48,737,332	49,259,686
Grants, Subsidies, and Contributions Not Restricted	6,329,884	6,380,640	-	-	6,329,884	6,380,640
Other	337,259	577,031	2,428	4,676	339,687	581,707
Total Revenues	67,648,178	69,424,110	2,394,392	2,481,994	70,042,570	71,906,104
Expenses						
Instruction	42,450,232	42,709,496	-	-	42,450,232	42,709,496
Instructional student support	6,123,746	6,156,777	-	-	6,123,746	6,156,777
Administrative and financial support services	5,618,628	5,505,129	-	-	5,618,628	5,505,129
Operation and maintenance of plant services	8,270,100	8,284,731	-	-	8,270,100	8,284,731
Pupil transportation	2,351,326	2,459,744	-	-	2,351,326	2,459,744
Other	3,868,254	4,168,956	2,519,697	2,438,238	6,387,951	6,607,194
Total Expense	68,682,286	69,284,833	2,519,697	2,438,238	71,201,983	71,723,071
Change in Net Position	(1,034,108)	139,277	(125,305)	43,756	(1,159,413)	183,033
Beginning Net Position	(61,070,234)	(69,100,546)	(1,765,368)	(2,125,997)	(62,835,602)	(71,226,543)
Restatement of Net Position Related to GASB No. 75	(6,996,204)	-	(235,324)	-	(7,231,528)	-
Ending Net Position	\$ (69,100,546)	\$ (68,961,269)	\$ (2,125,997)	\$ (2,082,241)	\$ (71,226,543)	\$ (71,043,510)

Figure 5
Sources of District-Wide Revenues for Fiscal Year 2018

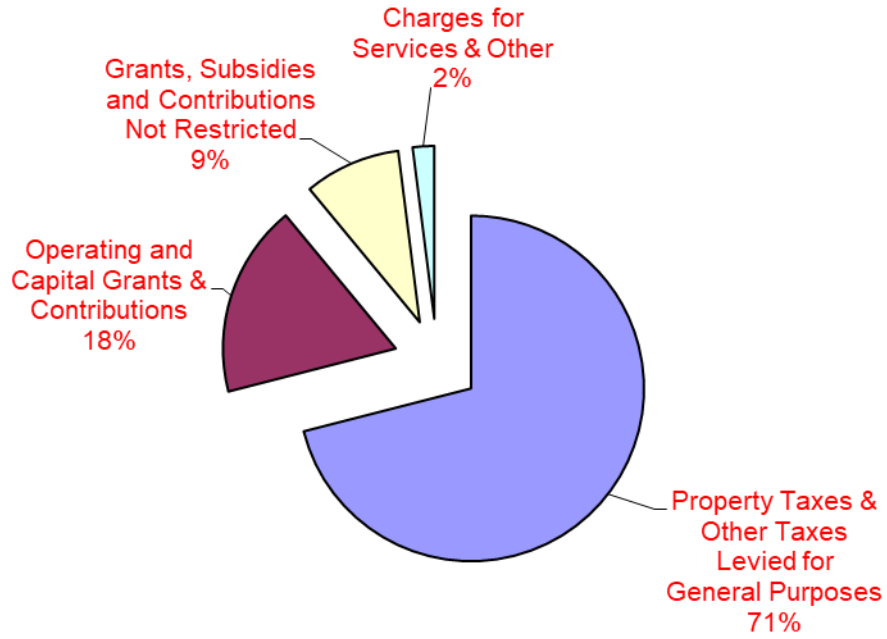


Figure 6
District-Wide Expenses for Fiscal Year 2018

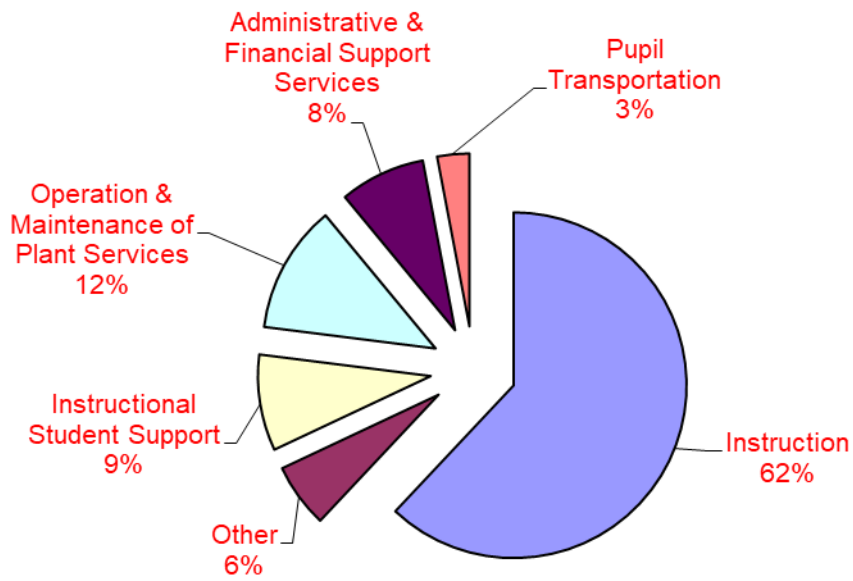


Figure 7 represents the cost of six major District governmental activities: instruction, instructional student support, administrative and financial support services, operation and maintenance of plant services, pupil transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). For the year ended, June 30, 2018, general revenue supported 81% of governmental activities' costs, and program revenue supported 19% of governmental activities' costs.

Figure 7
Net Cost of Governmental Activities

	Fiscal Years Ended June 30, 2017 and June 30, 2018			
	Total Cost of Services		Net Cost of Services	
	2017	2018	2017	2018
Instruction	\$42,450,232	\$42,709,496	\$34,226,834	\$33,998,518
Instructional Student Support	6,123,746	6,156,777	5,637,861	5,645,874
Administrative and Financial Support Services	5,618,628	5,505,129	5,026,221	4,891,964
Operation and Maintenance of Plant Services	8,270,100	8,284,731	7,667,762	7,651,542
Pupil Transportation	2,351,326	2,459,744	1,373,789	1,476,903
Other	3,868,254	4,168,956	2,506,116	2,413,279
Total	<u>\$68,682,286</u>	<u>\$69,284,833</u>	<u>\$56,438,583</u>	<u>\$56,078,080</u>

Figure 8 represents the total cost and net cost (income) of services in the District's business-type activities. Program revenue supported 103% of food services activities for the year ended June 30, 2018.

Figure 8
Net Cost (Income) of Business-Type Activities

	Fiscal Years Ended June 30, 2017 and June 30, 2018			
	Total Cost of Services		Net Cost (Income) of Services	
	2017	2018	2017	2018
Food Services	<u>\$ 2,495,787</u>	<u>\$ 2,414,699</u>	<u>\$ 103,823</u>	<u>\$ (62,619)</u>

Financial Analysis of the District's Funds

The District's governmental funds include the general fund, capital projects fund, and debt service fund. Figure 9 details the current and prior year end fund balances and change therein for the fiscal year ended June 30, 2018.

**Figure 9
Fund Balances**

	For Fiscal Years Ended June 30, 2017 and June 30, 2018		
	Fund Balance		Increase (Decrease)
	2017	2018	
General Fund	\$ 7,088,076	\$ 7,088,076	\$ -
Capital Projects Fund	7,341,109	8,347,533	1,006,424
Debt Service Fund	-	-	-
Total	\$ 14,429,185	\$ 15,435,609	\$ 1,006,424

The District's governmental funds reported combined fund balances as of June 30, 2018 of \$15.4 million. The increase of \$1 million compared to the prior year is due primarily to excess revenue in the general fund that was then transferred to the capital projects fund.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be classified into the following categories—nonspendable, restricted, committed, assigned and unassigned. As of June 30, 2018, general fund balance of \$7.09 million consisted of \$1.25 million in committed fund balance for anticipated increases in PSERS contributions, \$0.79 million in assigned fund balance which represents the 2018-19 budgeted deficit, \$.02 in nonspendable fund balance which represents prepaid expenses, and unassigned fund balance of \$5.03 million. The capital projects fund had \$8.4 million in restricted fund balance, consisting primarily of reserve funds for capital expenditures.

Governmental Funds' Revenues and Expenditures

In the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds, for the year ended June 30, 2018, total revenues of \$69.4 million are comprised of local revenues of 72% with state and federal revenues contributing 27% and 1%, respectively. Expenditures of governmental funds totaling \$68.4 million are categorized as current (instructional, support and operation of noninstructional services) representing 91% of the total, with debt service comprising 9% of total expenditures. Other Financing Sources (Uses) of \$0.02 million consists of net transfers in. Figures 10 and 11 depict the percentages of total governmental revenue and expenditure categories for the fiscal year 2017-18.

Figure 10
Sources of Governmental Funds' Revenues for Fiscal Year 2018

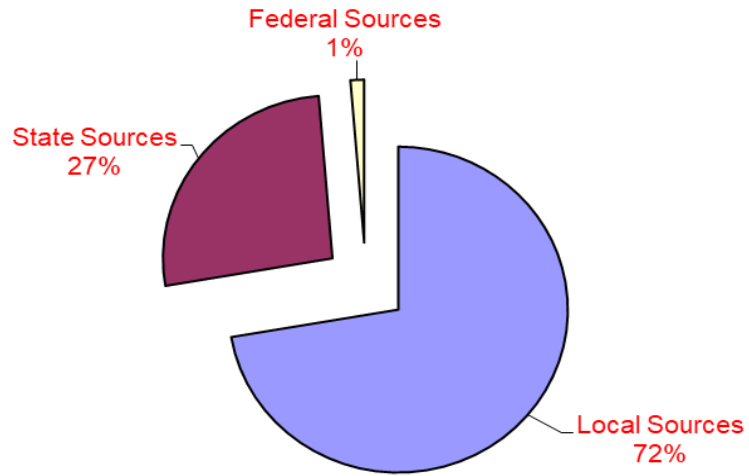
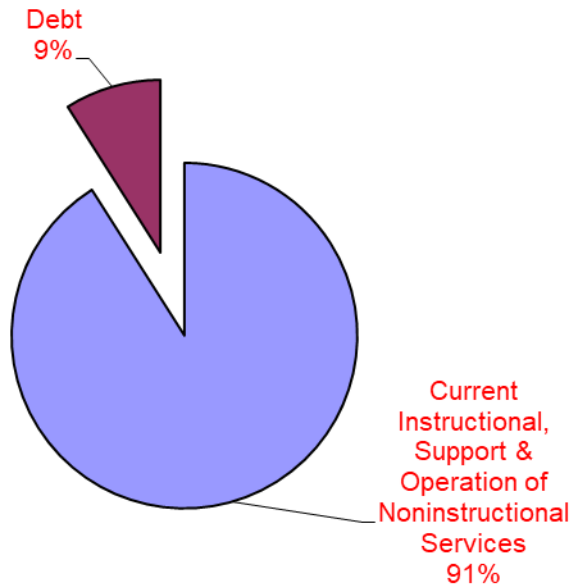


Figure 11
Governmental Funds' Expenditures for Fiscal Year 2018



Capital Assets and Debt Administration

Capital Assets

In total, net capital assets decreased \$3.4 million as a result of \$.5 million of net capital additions related to land improvements, building improvements, and new machinery and equipment, and current year depreciation of \$3.9 million.

Figure 12
Capital Assets (net of depreciation)

	Fiscal Years Ended June 30, 2017 and June 30, 2018					
	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Land	\$ 14,780,338	\$ 14,780,338	\$ -	\$ -	\$ 14,780,338	\$ 14,780,338
Site Improvements	1,264,312	1,018,541	-	-	1,264,312	1,018,541
Building and Building Improvements	59,603,053	56,884,237	-	-	59,603,053	56,884,237
Machinery and Equipment	3,218,833	2,801,301	195,082	192,818	3,413,915	2,994,119
Total	\$ 78,866,536	\$ 75,484,417	\$ 195,082	\$ 192,818	\$ 79,061,618	\$ 75,677,235

Long-term Debt

Outstanding long-term debt totaling \$60.0 million as of June 30, 2018, consists of general obligation bonds of \$56.7 million with varying maturities through year 2029, bond premiums of \$3.3 million. Principal payments totaled \$4.3 million during the fiscal year, with interest payments totaling \$1.8 million.

Figure 13
Outstanding Long-Term Debt

	For Fiscal Years Ended June 30, 2017 and June 30, 2018		
	Total		Change
	2017	2018	
General Obligation Bonds & Notes	\$ 60,940,000	\$ 56,680,000	\$ (4,260,000)
Bond Premiums	3,616,724	3,268,864	(347,860)
Total	\$ 64,556,724	\$ 59,948,864	\$ (4,607,860)

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that may affect its future financial growth.

- Under Act 1, Pennsylvania Public Schools are subject to a real estate property base tax cap of 2.4% for fiscal years 2018-19 and 2.3% for 2019-20. Due to the District's aid ratio exceeding 0.4 for both the 2018-19 and the 2019-20 fiscal years, the District's millage is limited to a 2.9% and a 2.8% increase, respectively. The District's 2018-19 millage of 28.1 represented a 1.8% increase. The District's 2019-20 millage is limited to 28.89 mills. If the District anticipates the need to exceed the cap, it must have exceptions approved through the courts or the Pennsylvania Department of Education or seek voter approval. The adoption of the preliminary budget or a resolution stating that the District will not raise the millage by more than the Act 1 index is due in February 2019.
- The District's collective bargaining agreement with the Governor Mifflin Education Association expires June 30, 2019 and the District will begin mandatory bargaining in January 2019.
- The District's collective bargaining agreement with AFSCME for support personnel is effective for July 1, 2018 through June 30, 2021.
- The required District contribution to the Pennsylvania School Employees Retirement System increased from 32.57% to 33.43% for 2018-19 with rate increases projected in future years. The District has committed approximately \$1.25 million of fund balance as of June 30, 2018 in the General Fund for future retirement contribution increases, with approximately \$500 thousand budgeted to be used to balance the 2018-19 budget.
- Health Trust insurance premiums for 2018-19 increased by 9.25% over the prior year.
- The District will be required to implement the following new GASB Statements in future fiscal years: Statement No. 84, *Fiduciary Activities*, and Statement No. 87, *Leases*. The District has not yet completed the analysis necessary to estimate the financial statement impact of these new pronouncements.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Office of the Chief Financial Officer, Governor Mifflin School District, 10 S. Waverly St, Shillington PA 19607.

GOVERNOR MIFFLIN SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and Investments	\$ 19,807,164	\$ 386,355	\$ 20,193,519
Taxes Receivable, Net	1,729,900	-	1,729,900
Internal Balances	(3,277)	3,277	-
Intergovernmental Receivables	2,860,042	35,729	2,895,771
Other Receivables	103,353	942	104,295
Inventories	-	36,074	36,074
Prepaid Expenses	17,579	-	17,579
Capital Assets Not Being Depreciated	14,780,338	-	14,780,338
Capital Assets, Net of Accumulated Depreciation	60,704,079	192,818	60,896,897
TOTAL ASSETS	99,999,178	655,195	100,654,373
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Bond Refunding	223,152	-	223,152
Deferred Outflows of Resources for Pension	17,618,997	445,415	18,064,412
Deferred Outflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	246,391	5,845	252,236
Deferred Outflows of Resources for Other Postemployment Benefits - District Plan	317,160	7,592	324,752
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,405,700	458,852	18,864,552
LIABILITIES			
Accounts Payable	1,034,453	1,822	1,036,275
Accrued Interest	446,285	-	446,285
Accrued Salaries and Benefits	6,669,069	2,729	6,671,798
Unearned Revenues	23,119	44,807	67,926
Noncurrent Liabilities Due Within One Year	4,640,185	-	4,640,185
Noncurrent Liabilities:			
Bonds and Notes Payable, Net	55,483,864	-	55,483,864
Long-Term Portion of Compensated Absences	538,035	-	538,035
Long-Term Portion of Retirement Severances	167,572	-	167,572
Long-Term Portion of Early Retirement Incentives	5,000	-	5,000
Net Pension Liability	106,619,223	2,677,777	109,297,000
Net Other Postemployment Benefit Obligation - Health Insurance Premium Assistance Program	4,370,123	138,877	4,509,000
Total Other Postemployment Benefit Obligation - District Plan	4,239,752	104,256	4,344,008
TOTAL LIABILITIES	184,236,680	2,970,268	187,206,948
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources for Pension	2,828,046	216,441	3,044,487
Deferred Inflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	301,421	9,579	311,000
TOTAL DEFERRED INFLOWS OF RESOURCES	3,129,467	226,020	3,355,487
NET POSITION			
Net Investment in Capital Assets	20,368,705	192,818	20,561,523
Restricted for Capital Projects	8,347,533	-	8,347,533
Unrestricted (Deficit)	(97,677,507)	(2,275,059)	(99,952,566)
TOTAL NET POSITION (DEFICIT)	\$ (68,961,269)	\$ (2,082,241)	\$ (71,043,510)

See accompanying notes.

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GOVERNOR MIFFLIN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instructional Services:							
Regular Programs - Elementary/Secondary	\$ 28,894,529	\$ -	\$ 4,292,903	\$ -	\$ (24,601,626)	\$ -	\$ (24,601,626)
Special Programs - Elementary/Secondary	11,599,898	-	4,062,294	-	(7,537,604)	-	(7,537,604)
Vocational Education	1,943,504	-	78,448	-	(1,865,056)	-	(1,865,056)
Other Instructional Programs - Elementary/Secondary	79,405	87,083	3,902	-	11,580	-	11,580
Nonpublic School Programs	18,971	-	12,733	-	(6,238)	-	(6,238)
Pre-Kindergarten	173,189	-	173,615	-	426	-	426
Total Instructional Services	42,709,496	87,083	8,623,895	-	(33,998,518)	-	(33,998,518)
Support Services:							
Students	2,373,929	-	268,425	-	(2,105,504)	-	(2,105,504)
Instructional Staff	3,782,848	-	242,478	-	(3,540,370)	-	(3,540,370)
Administration	3,773,823	-	388,925	-	(3,384,898)	-	(3,384,898)
Pupil Health	558,022	-	127,204	-	(430,818)	-	(430,818)
Business	1,173,284	-	97,036	-	(1,076,248)	-	(1,076,248)
Operation and Maintenance of Plant Services	8,284,731	203,834	429,355	-	(7,651,542)	-	(7,651,542)
Student Transportation Services	2,459,744	-	982,841	-	(1,476,903)	-	(1,476,903)
Central	754,131	-	74,360	-	(679,771)	-	(679,771)
Other Support Services	56,088	-	-	-	(56,088)	-	(56,088)
Total Support Services	23,216,600	203,834	2,610,624	-	(20,402,142)	-	(20,402,142)
Operation of Noninstructional Services:							
Student Activities	1,670,025	190,533	175,866	-	(1,303,626)	-	(1,303,626)
Community Services	183,386	-	8,403	-	(174,983)	-	(174,983)
Interest on Long-Term Debt	1,505,326	-	-	1,306,515	(198,811)	-	(198,811)
Total Noninstructional Services	3,358,737	190,533	184,269	1,306,515	(1,677,420)	-	(1,677,420)
Total Governmental Activities	69,284,833	481,450	11,418,788	1,306,515	(56,078,080)	-	(56,078,080)
Business-Type Activities:							
Food Services	2,414,699	995,860	1,481,458	-	-	62,619	62,619
Total Primary Government	\$ 71,699,532	\$ 1,477,310	\$ 12,900,246	\$ 1,306,515	(56,078,080)	62,619	(56,015,461)
General Revenues							
Taxes:							
Property Taxes					43,708,136	-	43,708,136
Public Utility Realty, Earned Income, and Mercantile Tax					5,551,550	-	5,551,550
Grants, Subsidies, and Contributions Not Restricted for a Specific Program					6,380,640	-	6,380,640
Investment Earnings					500,904	4,676	505,580
Miscellaneous Revenue					52,588	-	52,588
Transfers					23,539	(23,539)	-
Total General Revenues and Transfers					56,217,357	(18,863)	56,198,494
Change in Net Position					139,277	43,756	183,033
Net Position (Deficit) - Beginning of Year - Restated					(69,100,546)	(2,125,997)	(71,226,543)
Net Position (Deficit) - End of Year					\$ (68,961,269)	\$ (2,082,241)	\$ (71,043,510)

See accompanying notes.

GOVERNOR MIFFLIN SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2018

	General	Capital Projects	Debt Service	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 12,826,050	\$ 6,981,114	\$ -	\$ 19,807,164
Taxes Receivable	1,753,927	-	-	1,753,927
Interfund Receivables	-	1,371,449	-	1,371,449
Intergovernmental Receivables	2,860,042	-	-	2,860,042
Other Receivables	103,353	-	-	103,353
Prepaid Expenditures	17,579	-	-	17,579
TOTAL ASSETS	\$ 17,560,951	\$ 8,352,563	\$ -	\$ 25,913,514
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Interfund Payables	\$ 1,374,787	\$ -	\$ -	\$ 1,374,787
Accounts Payable	1,029,362	5,030	-	1,034,392
Accrued Salaries and Benefits	6,844,254	-	-	6,844,254
Unearned Revenues	23,119	-	-	23,119
TOTAL LIABILITIES	9,271,522	5,030	-	9,276,552
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	1,201,353	-	-	1,201,353
FUND BALANCES				
Nonspendable	17,579	-	-	17,579
Restricted	-	8,347,533	-	8,347,533
Committed for:				
Retirement	1,250,000	-	-	1,250,000
Assigned	793,960	-	-	793,960
Unassigned	5,026,537	-	-	5,026,537
TOTAL FUND BALANCES	7,088,076	8,347,533	-	15,435,609
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 17,560,951	\$ 8,352,563	\$ -	\$ 25,913,514

GOVERNOR MIFFLIN SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION**

June 30, 2018

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS		\$ 15,435,609
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 \$135,046,664 and the accumulated depreciation is \$59,562,247.		75,484,417
Property and other taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts.		1,177,326
The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.		(91,828,272)
The other postemployment benefit obligations and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.		(8,347,745)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds and Notes Payable	\$ (56,680,000)	
Accrued Interest on Bonds	(446,285)	
Unamortized Bond Premium	(3,268,864)	
Deferred Charge on Bond Refunding	223,152	
Long-Term Portion of Compensated Absences	(538,035)	
Long-Term Portion of Retirement Severances	(167,572)	
Long-Term Portion of Early Retirement Incentives	(5,000)	
	(60,882,604)	(60,882,604)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES		\$ (68,961,269)

GOVERNOR MIFFLIN SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2018

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Local Sources	\$ 50,080,554	\$ 111,925	\$ -	\$ 50,192,479
State Sources	18,289,514	-	-	18,289,514
Federal Sources	887,456	-	-	887,456
TOTAL REVENUES	69,257,524	111,925	-	69,369,449
EXPENDITURES				
Current:				
Instructional Services	40,879,622	-	-	40,879,622
Support Services	19,137,734	476,950	-	19,614,684
Operation of Noninstructional Services	1,745,593	-	-	1,745,593
Debt Service:				
Principal	-	-	4,260,000	4,260,000
Interest	-	-	1,870,125	1,870,125
Capital Outlay	14,430	-	-	14,430
Refund of Prior Year Revenue	2,280	-	-	2,280
TOTAL EXPENDITURES	61,779,659	476,950	6,130,125	68,386,734
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,477,865	(365,025)	(6,130,125)	982,715
OTHER FINANCING SOURCES (USES)				
Transfers In	23,539	1,371,449	6,130,125	7,525,113
Transfers Out	(7,501,574)	-	-	(7,501,574)
Sale of Capital Assets	170	-	-	170
TOTAL OTHER FINANCING SOURCES (USES)	(7,477,865)	1,371,449	6,130,125	23,709
NET CHANGE IN FUND BALANCES	-	1,006,424	-	1,006,424
FUND BALANCES - BEGINNING OF YEAR	7,088,076	7,341,109	-	14,429,185
FUND BALANCES - END OF YEAR	\$ 7,088,076	\$ 8,347,533	\$ -	\$ 15,435,609

See accompanying notes.

GOVERNOR MIFFLIN SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2018

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 1,006,424
<p>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.</p>		
Capital Outlays	\$ 518,809	
Less: Depreciation Expense	(3,900,144)	
Less: Loss on Transfer and Disposal	<u>(784)</u>	(3,382,119)
<p>Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds.</p>		
		30,952
<p>Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.</p>		
Repayment of Bond and Note Principal	4,260,000	
Amortization of Bond Premium	347,860	
Amortization of Deferred Charge on Bond Refunding	<u>(25,837)</u>	4,582,023
<p>Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources.</p>		
		42,776
<p>In the statement of activities, certain operating expenses - compensated absences (vacations and sick days), retirement severance, and early retirement incentives are measured by the amounts earned during the year.</p>		
		(157,106)
<p>The change in net pension liability and related deferred outflows and inflows of resources for pension are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements.</p>		
		(1,906,658)
<p>The change in other postemployment benefit obligations and related deferred outflows and inflows of resources for other postemployment benefits are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements.</p>		
		<u>(77,015)</u>
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 139,277</u></u>

GOVERNOR MIFFLIN SCHOOL DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUND

June 30, 2018

	Enterprise Fund Food Service
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 386,355
Interfund Receivables	3,277
Intergovernmental Receivables	35,729
Other Receivables	942
Inventories	36,074
TOTAL CURRENT ASSETS	462,377
NONCURRENT ASSETS	
Machinery and Equipment, Net	192,818
TOTAL ASSETS	655,195
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources for Pension	445,415
Deferred Outflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	5,845
Deferred Outflows of Resources for Other Postemployment Benefits - District Plan	7,592
TOTAL DEFERRED OUTFLOWS OF RESOURCES	458,852
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	1,822
Accrued Salaries and Benefits	2,729
Unearned Revenues	44,807
TOTAL CURRENT LIABILITIES	49,358
NONCURRENT LIABILITIES	
Net Pension Liability	2,677,777
Net Other Postemployment Benefits Obligation - Health Insurance Premium Assistance Program	138,877
Total Other Postemployment Benefits Obligation - District Plan	104,256
TOTAL LIABILITIES	2,970,268
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources for Pension	216,441
Deferred Inflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	9,579
TOTAL DEFERRED INFLOWS OF RESOURCES	226,020
NET POSITION	
Investment in Capital Assets	192,818
Unrestricted (Deficit)	(2,275,059)
TOTAL NET POSITION (DEFICIT)	\$ (2,082,241)

See accompanying notes.

GOVERNOR MIFFLIN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND

For the Year Ended June 30, 2018

	Enterprise Fund Food Service
OPERATING REVENUES	
Food Service Revenue	\$ 995,860
TOTAL OPERATING REVENUES	995,860
OPERATING EXPENSES	
Salaries	700,299
Employee Benefits	406,880
GASB Statements No. 68 and No. 71 - Pension Expense	25,493
GASB Statement No. 75 - Other Postemployment Benefits Expense	3,951
Purchased Professional Services	5,515
Purchased Property Services	33,334
Other Purchased Services	4,123
Supplies	1,205,310
Depreciation	29,321
Other Operating Expenses	473
TOTAL OPERATING EXPENSES	2,414,699
OPERATING LOSS	(1,418,839)
NONOPERATING REVENUES	
Earnings on Investments	4,676
State Sources	205,661
Federal Sources	1,275,797
TOTAL NONOPERATING REVENUES	1,486,134
INCOME BEFORE OPERATING TRANSFERS	67,295
TRANSFERS OUT	(23,539)
CHANGE IN NET POSITION	43,756
NET POSITION (DEFICIT) - BEGINNING OF YEAR - RESTATED	(2,125,997)
NET POSITION (DEFICIT) - END OF YEAR	\$ (2,082,241)

GOVERNOR MIFFLIN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2018

	<u>Enterprise Fund Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Users	\$ 998,456
Payments to Employees for Services	(1,105,389)
Payments to Suppliers for Goods and Services	<u>(1,074,872)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(1,181,805)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to Other Funds	(23,539)
State Sources	205,315
Federal Sources	<u>1,099,053</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,280,829
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Equipment	<u>(18,339)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>4,676</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	85,361
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>300,994</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 386,355</u></u>

GOVERNOR MIFFLIN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND

For the Year Ended June 30, 2018

	<u>Enterprise Fund</u> <u>Food Service</u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used For Operating Activities:</u>	
Operating Loss	\$ (1,418,839)
Adjustments to Reconcile Operating Loss to Net Cash	
Used for Operating Activities:	
Depreciation	29,321
Donated Commodities Used	163,682
Restatement of Capital Assets	(8,718)
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
Interfund Receivables	3,414
Other Receivables	755
Inventories	17,206
Deferred Outflows of Resources for Pension	89,259
Deferred Outflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	1,939
Deferred Outflows of Resources for Other Postemployment Benefits - District Plan	(3,060)
Accounts Payable	1,713
Accrued Salaries and Benefits	1,790
Unearned Revenues	(1,573)
Net Pension Liability	(255,733)
Net Other Postemployment Benefits Obligation - Health Insurance Premium Assistance Program	(11,581)
Total Other Postemployment Benefits Obligations - District Plan	7,074
Deferred Inflows of Resources for Pension	191,967
Deferred Inflows of Resources for Other Postemployment Benefits - Health Insurance Premium Assistance Program	9,579
Total Adjustments	<u>237,034</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u><u>\$ (1,181,805)</u></u>

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$163,682 of commodities from the U.S. Department of Agriculture.

GOVERNOR MIFFLIN SCHOOL DISTRICT

**STATEMENT OF NET POSITION
FIDUCIARY FUND**

June 30, 2018

	Private Purpose Trust Funds	Agency Funds (Student Activities)
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 48,221	\$ 222,661
Interfund Receivable	-	61
	48,221	\$ 222,722
TOTAL ASSETS		
	48,221	<u>\$ 222,722</u>
LIABILITIES		
CURRENT LIABILITIES		
Other Current Liabilities	-	\$ 222,722
	-	\$ 222,722
TOTAL LIABILITIES		
	-	<u>\$ 222,722</u>
NET POSITION HELD IN TRUST	\$ 48,221	

GOVERNOR MIFFLIN SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND

For the Year Ended June 30, 2018

	Private Purpose Trust Funds
ADDITIONS	
Investment Earnings	\$ 146
DEDUCTIONS	
Scholarships and Fees	3,384
CHANGE IN NET POSITION	(3,238)
NET POSITION - BEGINNING OF YEAR	51,459
NET POSITION - END OF YEAR	\$ 48,221

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

Governor Mifflin School District ("School District" or the "District") is located in Berks County, Pennsylvania. The District tax base consists of Brecknock Township, Cumru Township, Kenhorst Borough, Mohnton Borough, and Shillington Borough. The Governor Mifflin School District is governed by a board of nine school directors who are residents of the School District and who are elected every two years, on a staggered basis, for a four-year term.

The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district between the ages of 6 and 21 years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any school herein provided, or to pay any school indebtedness which the School District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the School District, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual state appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Governor Mifflin School District have been prepared in accordance with accounting principles generally accepted in the United States of America (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 principles are as follows:

A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District and its component units.

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and organizations for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that organization should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

Based on the foregoing criteria, the District has determined it has no component units.

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. The District has one of each of these relationships:

Joint Venture: The District is a participating member of the Berks Career & Technology Center. See Note 12 for details of involvement and financial information of the joint venture.

Jointly Governed Organizations: The District is a participating member of the Berks County Intermediate Unit (BCIU). BCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of school directors of each participating district must approve BCIU's annual operating budget.

BCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in the BCIU. BCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

B. Basis of Presentation - Government-Wide Financial Statements

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements - continued

The statement of activities demonstrates the degree to which the direct expenses of a given function to the District are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items properly not included in program revenues are reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the contributions made to any component units from the District's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District Reports the Following Major Governmental Funds:

General Fund: This fund is established to account for resources devoted to financing the general services that the District performs. Intergovernmental revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

Capital Projects Fund: This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by proprietary funds).

Debt Service Fund: This fund is established to account for the accumulation of resources for, and the payment of long-term debt principal, interest, and related costs.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The District has the Following Major Enterprise Fund:

Food Service Fund: This fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is the District's only major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

Additionally, the District Reports the Following Fund Type:

Fiduciary Funds: The District's fiduciary funds are trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. The District's only trust funds are private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's student activity fund is an agency fund.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables and payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. If time-eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The trust fund is reported using the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process

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

In accordance with Act 1 of 2006, the board shall annually, but not later than 110 days before the primary election, decide the budget option to be used for the following fiscal year. The board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

Accelerated Budget Process Option

Under this option, a preliminary budget must be adopted 90 days prior to the primary election. Under this option, the preliminary budget must be available for public inspection at least 20 days prior to the budget adoption. The board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption.

If the primary budget exceeds the increase authorized by the Index, an application for an exception may be filed with the Pennsylvania Department of Education and made available for public inspection. The board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase, in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The board shall annually adopt the final budget by a majority vote of all members of the board prior to June 30.

Board Resolution Option

Under the Board Resolution Option, the board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The board shall annually adopt the final budget by a majority vote of all members of the board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the school board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the board approving the transfer. 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.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process- continued

Board Resolution Option - continued

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2017/2018 budget transfers.

F. Financial Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly-liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments are stated at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized cost if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

3. Interfund Transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "interfund receivables/payables." Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

4. Inventories and Prepaid Items

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.

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, are not valued since it is the policy of the District to charge these items to expense upon acquisition.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

4. Inventories and Prepaid Items - continued

Inventories of the enterprise fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2018, consist of the following:

Purchased food	\$ 14,892
Supplies	11,862
Donated commodities	<u>9,320</u>
	<u>\$ 36,074</u>

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

5. Capital Assets, Depreciation, and Amortization

The District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

The District generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than \$2,500 as composite groups for financial reporting purposes. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. Interest incurred during the construction phase of the business-type activities is included in the capitalized value of the assets constructed. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization - continued

Estimated useful lives, in years, for depreciable assets are as follows:

Assets	Years
Building and building improvements	20 - 50
Land improvements	5 - 10
Machinery and equipment	3 - 20

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 (expenses) until then. The District has three items that qualify for reporting in this category:

A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred outflows of resources for pension relate to the District's net pension liability and pension expense and arise from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

6. Deferred Outflows/Inflows of Resources - continued

Deferred outflows of resources for other postemployment benefit obligations relate to the District's obligation for postemployment benefits other than pensions and related expenses and arise from the changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the net other postemployment benefit obligation between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions or benefit payments made subsequent to the measurement date and prior to the District's year end. These payments will be recognized as a reduction to the net other postemployment benefit obligation in the following year.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category.

Unavailable revenue arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source - property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows of resources for pensions relate to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

6. Deferred Outflows/Inflows of Resources - continued

Deferred inflows of resources for other postemployment benefit obligations relate to the District's obligation for postemployment benefits other than pensions and related expenses and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the plan, or changes in the internal allocation of the other postemployment benefit obligation between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

7. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide and fund financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statements and revenue is recognized.

8. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in the capital assets component of net position is comprised of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

The District applies restricted resources first when an expense is incurred for purposes for which both the restricted and unrestricted components of net position are available.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

9. Fund Balance Policies and Flow Assumptions

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The restricted fund balance classification represents funds that are limited in use due to constraints for a specific purpose through restrictions by external parties, grant agreements, or enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of school directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The finance committee or business manager may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The District will strive to maintain an unassigned general fund balance of not less than 5%.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. The District's policy states that committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts for unrestricted fund balances used. However, the District reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expense

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions (including special assessments) that are restricted to meeting the operations or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Compensated Absences

Vacation Leave

Unused vacation can be accumulated by administrators and support staff within certain limits. Upon retirement or termination, unused vacation days are paid out based on an agreed-upon formula with cumulative days over 40 paid out at per diem salary. The District maintains records of all employees' accumulated vacation and personal days. Vacation leave earned of \$538,035 is recorded as a long-term liability in the governmental-activities column of the government-wide statement of net position and the current portion of \$135,010 is recorded in the fund statements with accrued salaries and benefits.

Retirement Severance

Administrators, professional staff, and support staff are entitled to a retirement severance based on years of service with the District. The District maintains records of the retirement severances earned. Retirement severances earned of \$167,572 is recorded as a long-term liability in the governmental-activities column of the government-wide statement of net position, and the current portion of \$20,175 is recorded in the fund statements with accrued salaries and benefits.

Early Retirement Incentive

The District offers an early retirement incentive plan for teaching-level professional employees. In order to obtain the benefit, the employee must apply on or before January 31st of the current school year, qualify for retirement in accordance with the provisions of the Public School Employees Retirement System (PSERS), and have 25 years of PSERS eligibility prior to the effective date of retirement. The early retirement incentive is a one-time district-funded payment that varies according to years of service as recognized by PSERS. The District has reported a liability of \$5,000 in the governmental-activities column of the government-wide statement of net position for the early retirement incentives approved as of June 30, 2018. The current portion of \$20,000 is recorded in the fund statements with accrued salaries and benefits.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expense - continued

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charges to customers for sales and services provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. Use of 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.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

The District has no material violations of finance related legal and contractual provisions.

B. Deficit Fund Balance or Net Position of Individual Funds

Deficit Net Position - Proprietary Fund (Food Service Fund)

For the year ended June 30, 2018, the implementation of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, created a deficiency in net position at year end of \$2,082,241. The District will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at a statutory rate and future benefit payments.

C. Excess of Expenditures Over Appropriations in Individual Funds

No individual fund, which had a legally adopted budget, had an excess of expenditures over appropriations.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - CONTINUED

D. Budgetary Compliance

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2018. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

NOTE 3 - CASH AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore, shall be pledged by the depository.

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

The deposit and investment policy of the District adheres to state statutes. There were no deposits or investment transactions during the year that were in violation of either the state statutes or the policy of the District.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

The breakdown of total cash and investments at June 30, 2018, is as follows:

Petty cash	\$	2,827
Cash		7,920,229
Pooled cash and investments		12,541,345
	\$	20,464,401

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. The District does have a policy for custodial credit risk on deposits. At June 30, 2018, the carrying amount of the District's deposits was \$7,920,229 and the bank balance was \$8,353,134. Of the bank balance, \$270,765 was covered by federal depository insurance, and \$8,082,369 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly.

Investments

As of June 30, 2018, the District had the following pooled cash and investments:

	Maturities	Fair Value	Carrying Value	Level
Pooled Cash:				
PA Local Government Investment Trust (PLGIT)				
PLGIT/I - Class		\$ 523,031	\$ 523,031	N/A
PA School District Liquid Asset Fund (PSDLAF):				
Full Flex Pool	< 1 year	7,660,000	7,660,000	N/A
Certificate of Deposit	< 2 years	3,899,000	3,899,000	N/A
MAX Account Balance		431,858	431,858	N/A
Investments:				
Duncan - Williams Inc.:				
U.S. Treasuries	< 6 years	11,899	11,899	2
Certificate of Deposit	< 6 years	7,672	7,672	N/A
Wells Fargo:				
Certificate of Deposit	< 4 years	7,885	7,885	N/A
Total Pooled Cash and Investments			\$ 12,541,345	

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Investments - continued

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include \$523,031 (PLGIT) and \$11,990,858 (PSDLAF) at amortized cost. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

PLGIT invests primarily in U.S. Treasury and federal agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money-market funds as contained in Rule 2a-7 of the Investment Company Act of 1940.

PLGIT/I - Class Shares are an option in which the shares are invested and redeemed by the investor only through PLGIT's Easy Online Network ("EON"), the Trust's online account system. This option requires a minimum initial investment of \$50,000 and limits redemptions and exchanges to two per calendar month. However, there is no minimum investment period.

The PSDLAF Full Flex Pool, as part of the Fixed-Term Series at PSDLAF, are fixed-term investments collateralized in accordance with Act 72 and invest in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed-Term Series are fixed-term investment vehicles with maturities depending upon the maturity date of each particular Fixed-Term Series. All investments in a Fixed-Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed-Term Series; however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed-Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed-Term Series are invested is registered in the name of that particular Fixed-Term Series.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

As of June 30, 2018, the entire PLGIT and PSDLAF book balance of \$12,513,889 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

The District's U.S. Treasury securities are valued using quoted market prices for similar assets (level 2 input).

Interest Rate Risk

The District does not 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.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2018, the District's investments were rated as:

<u>Investment</u>	<u>Standard & Poor's</u>
PLGIT	AAA
PSDLAF	AAA
U.S. Treasuries	AAA

Concentration of Credit Risk

The District does not have a policy that would limit the amount they may invest in any one issue.

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 certificates of deposit noted are covered by federal depository insurance. The District has no other investment subject to custodial credit risk.

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District has five independently elected tax collectors who are responsible for the collection of real estate taxes. Assessed values are established by the County Board of Assessment. All taxable real property was assessed at \$1,604,535,000. In accordance with Act 1 of 2006, the District received \$864,001 in property tax reduction funds for the 2017/2018 fiscal year. The District tax rate for the year ended June 30, 2018, was 27.60 mills (\$27.60 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:

July 1	Levy date
July 1 - August 31	2% discount period
September 1 - October 31	Face payment period
November 1 - January 14	10% penalty period
January 15	Lien date

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE - CONTINUED

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by 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 unavailable in the fund financial statements.

The balances at June 30, 2018, are as follows:

	<u>Gross Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net Estimated to be Collectible</u>	<u>Tax Revenue Recognized</u>	<u>Unavailable Revenue</u>
Real estate tax	\$ 1,400,826	\$ 24,027	\$ 1,376,799	\$ 199,473	\$ 1,201,353
Earned income tax	311,645	-	311,645	311,645	-
Transfer tax	41,456	-	41,456	41,456	-
	<u>\$ 1,753,927</u>	<u>\$ 24,027</u>	<u>\$ 1,729,900</u>	<u>\$ 552,574</u>	<u>\$ 1,201,353</u>

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

The following schedule represents intergovernmental receivables at June 30, 2018:

<u>Name of Government Unit</u>	<u>General Fund</u>	<u>Enterprise Food Service</u>
Commonwealth of Pennsylvania:		
Retirement	\$ 1,665,420	\$ -
Social Security	409,886	-
Rental Subsidy	153,772	-
Transportation Subsidy	115,687	-
School Lunch Program	-	1,727
Berks County Intermediate Unit - Special Education	378,877	-
Intermediate Unit 1 - Special Education	29,216	-
Other	51,487	-
Federal Subsidies:		
Title I Grants to Local Education Agencies	43,187	-
Student Support and Academic Enrichment Program	4,986	-
Medical Assistance Program	7,524	-
School Lunch and Summer Food Programs	-	34,002
TOTAL	<u>\$ 2,860,042</u>	<u>\$ 35,729</u>

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

Governmental Activities

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 14,780,338	\$ -	\$ -	\$ 14,780,338
Totals not being depreciated	14,780,338	-	-	14,780,338
Capital assets being depreciated:				
Buildings and building improvements	98,473,611	64,419	-	98,538,030
Land improvements	6,143,224	93,633	-	6,236,857
Machinery and equipment	15,162,154	360,757	(31,472)	15,491,439
Totals being depreciated	119,778,989	518,809	(31,472)	120,266,326
Less accumulated depreciation for:				
Buildings and building improvements	38,870,558	2,783,235	-	41,653,793
Land improvements	4,878,912	339,404	-	5,218,316
Machinery and equipment	11,943,321	777,505	(30,688)	12,690,138
Total accumulated depreciation	55,692,791	3,900,144	(30,688)	59,562,247
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>64,086,198</u>	<u>(3,381,335)</u>	<u>(784)</u>	<u>60,704,079</u>
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 78,866,536</u>	<u>\$ (3,381,335)</u>	<u>\$ (784)</u>	<u>\$ 75,484,417</u>

Business-Type Activities

Capital assets being depreciated:				
Machinery and equipment	\$ 1,095,697	\$ 18,339	\$ 44,712	\$ 1,158,748
Less accumulated depreciation for:				
Machinery and equipment	900,615	29,321	35,994	965,930
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 195,082</u>	<u>\$ (10,982)</u>	<u>\$ 8,718</u>	<u>\$ 192,818</u>

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 6 - CHANGES IN CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions/program of the governmental activities of the primary government as follows:

Instructional Services:	
Regular Programs - Elementary/Secondary	\$ 435,427
Special Programs - Elementary/Secondary	6,717
Pre-Kindergarten	<u>2,616</u>
	444,760
Support Services:	
Administration	423,685
Business	26,819
Operation and Maintenance of Plant Services	<u>2,944,781</u>
	3,395,285
Noninstructional Services	<u>60,099</u>
TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,900,144</u></u>

NOTE 7 - LONG-TERM LIABILITIES

Bonds and notes payable are as follows at June 30, 2018:

General Obligation Bonds - Series A of 2012:

The District is liable for general obligation bonds dated December 20, 2012, in the original principal amount of \$33,725,000. Principal maturities occur on April 1, 2013 through the year 2029. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 0.35% to 4.00%. The proceeds of this issuance were used to currently refund the outstanding balance on the School District's General Obligation Bonds, Series of 2007, 2008, and 2010, as well as pay debt issuance costs.

\$ 33,560,000

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

General Obligation Bonds - Series B of 2012:

The District is liable for general obligation bonds dated December 20, 2012, in the original principal amount of \$10,405,000. Principal maturities occur on April 1, 2013 through the year 2029. Interest is payable semi-annually on April 1 and October 1. Interest rates vary from 0.35% to 4.00%. The proceeds of this issuance were used to pay the cost of termination of three interest rate swap agreements related to the refunding of General Obligation Bonds, Series of 2007, 2008 and 2010, and pay debt issuance costs.

4,610,000

General Obligation Bonds - Series of 2015:

The District is liable for general obligation bonds dated April 21, 2015, in the original principal amount of \$9,950,000. Principal maturities occur on March 15, 2016 through the year 2024. Interest is payable semi-annually on March 15 and September 15. Interest rates vary from 0.50% to 4.00%. The proceeds of this issuance were used to advance refund a portion of the School District's outstanding General Obligation Bonds, Series A of 2006 and pay debt issuance costs. The District realized a present value savings of approximately \$545,000 as a result of the refunding.

9,580,000

General Obligation Note - Series of 2016:

The District is liable for general obligation note dated June 20, 2016, in the original principal amount of \$10,000,000. Principal maturities occur on March 15, 2018 through the year 2021. Interest is payable semi-annually on March 15 and September 15 at a fixed rate of 1.99%. The proceeds of this bond were used to advance refund a portion of the School District's outstanding General Obligation Bonds, Series of A of 2006, as well as to pay debt issuance costs. The District realized a present value savings of approximately \$550,000 as a result of the refunding.

8,930,000

Total Bonds and Notes Payable

\$ 56,680,000

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

The future annual payments required to amortize all bonds and notes payable for the years ending June 30 are as follows:

	General Obligation Bonds, Series A of 2012	General Obligation Bonds, Series B of 2012	General Obligation Bonds, Series of 2015
2019	\$ 620,000	\$ 465,000	\$ 165,000
2020	625,000	665,000	175,000
2021	650,000	710,000	1,040,000
2022	835,000	610,000	3,540,000
2023	1,130,000	420,000	3,590,000
2024-2028	23,845,000	1,705,000	1,070,000
2029	5,855,000	35,000	-
	<u>\$ 33,560,000</u>	<u>\$ 4,610,000</u>	<u>\$ 9,580,000</u>
	General Obligation Note, Series of 2016	Total General Long-Term Debt	Total Interest
2019	\$ 3,215,000	\$ 4,465,000	\$ 1,720,632
2020	3,265,000	4,730,000	1,628,354
2021	2,450,000	4,850,000	1,504,780
2022	-	4,985,000	1,380,825
2023	-	5,140,000	1,252,225
2024-2028	-	26,620,000	3,635,795
2029	-	5,890,000	176,700
	<u>\$ 8,930,000</u>	<u>\$ 56,680,000</u>	<u>\$ 11,299,311</u>

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balance and activity, except for the net pension liability and other postemployment benefit obligations, for the year ended June 30, 2018, was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable	\$ 60,940,000	\$ -	\$ 4,260,000	\$ 56,680,000	\$ 4,465,000
Premiums	3,616,724	-	347,860	3,268,864	-
Total Payable	<u>64,556,724</u>	<u>-</u>	<u>4,607,860</u>	<u>59,948,864</u>	<u>4,465,000</u>
Compensated Absences	616,495	56,550	-	673,045	135,010
Retirement Severance	-	187,747	-	187,747	20,175
Early Retirement Incentive	-	25,000	-	25,000	20,000
Total Governmental Long-term Liabilities	<u>\$ 65,173,219</u>	<u>\$ 269,297</u>	<u>\$ 4,607,860</u>	<u>\$ 60,834,656</u>	<u>\$ 4,640,185</u>

Payments on bonds and notes payable are made by the general fund via transfer to the debt service fund. The compensated absence, retirement severance, and early retirement incentive liabilities will be liquidated by the general fund. Total interest paid during the year ended June 30, 2018, was \$1,870,125.

NOTE 8 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pension Plan

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

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

General Information About the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24 Part IV of the Pennsylvania General Assembly. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

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 2.0% 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 5 years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions

The contribution policy is set by state statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania.

Member Contributions:

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

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

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

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

Employer Contributions:

The School District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$9,454,544 for the year ended June 30, 2018.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Employer Contributions: - continued:

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare (OPEB). This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net pension liability and related pension expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2018, for pension and OPEB benefits was \$4,852,731.

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

At June 30, 2018, the District reported a liability of \$109,297,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.2213%, which was a decrease of 0.0055% from its proportion measured as of June 30, 2017. The net pension liability will be liquidated through future contributions to PSERS at the statutory rates. Contributions will be made from the general and the food service funds.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

For the year ended June 30, 2018, the District recognized pension expense of \$11,386,695. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,140,000	\$ 660,000
Changes in assumptions	2,969,000	-
Net difference between projected and actual investment earnings	2,533,000	-
Changes in proportion - plan level	1,824,000	2,236,000
Changes in proportion - internal	143,868	143,868
Difference between employer contributions and proportionate share of total contributions	-	4,619
Contributions made subsequent to the measurement date	9,454,544	-
	\$ 18,064,412	\$ 3,044,487

The \$9,454,544 reported as deferred outflows of resources resulting from District pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2019	\$ 1,529,745
2020	2,919,745
2021	1,976,745
2022	(860,854)
	\$ 5,565,381

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Actuarial Assumptions

The total pension liability at June 30, 2017, was determined by rolling forward the System's total pension liability at June 30, 2016 to June 30, 2017 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 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.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	(20.0%)	1.1%
	<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, 2017.

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.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 134,535,000	\$ 109,297,000	\$ 87,989,000

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.

Payables to the Pension Plan

At June 30, 2018, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$2,392,349. This amount represents the District's contractually obligated contributions for wages earned in April 2018 through June 2018. The balance was paid in September 2018.

403(b) Tax Shelter Plan

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. The District does not contribute to the Plan.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

Employee Defined Benefit Other Postemployment Benefits Plan

The Health Insurance Premium Assistance Program (HIPAP) is a cost-sharing, multiple-employer, employee defined benefit other postemployment benefits plan administered through PSERS.

Summary of Significant Accounting Policies

Other Postemployment Benefits

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

General Information About the Health Insurance Premium Assistance Program

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 (HOP). As of June 30, 2017 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

Retirees of the System can participate in the HIPAP 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 program.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the Health Insurance Premium Assistance Program - continued

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Contributions:

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The School District's contractually required contribution rate for the fiscal year ended June 30, 2018 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 \$247,236 for the year ended June 30, 2018.

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net HIPAP obligation and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2018, for pension and OPEB benefits was \$4,852,731.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported an obligation of \$4,509,000 for its proportionate share of the net OPEB obligation. The net OPEB obligation was measured as of June 30, 2017, and the total OPEB obligation used to calculate the net OPEB obligation was determined by rolling forward the System's total OPEB obligation as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB obligation 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, 2018, the District's proportion was 0.2213%, which was a decrease of 0.0055% from its proportion measured as of June 30, 2017. The net OPEB obligation will be liquidated through future contributions to PSERS at statutory rates. Contributions will be made from the general and food service funds.

For the year ended June 30, 2018, the District recognized OPEB expense of \$169,356. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 209,000
Net difference between projected and actual investment earnings	5,000	-
Changes in proportion	-	102,000
Contributions made subsequent to the measurement date	247,236	-
	\$ 252,236	\$ 311,000

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

The \$247,236 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB obligation in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2019	\$ (51,000)
2020	(51,000)
2021	(51,000)
2022	(51,000)
2023	(51,000)
Thereafter	<u>(51,000)</u>
Total	<u>\$ (306,000)</u>

Actuarial Assumptions

The total OPEB obligation as of June 30, 2017, was determined by rolling forward the System's total OPEB obligation as of June 30, 2016 to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 3.13% - 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 is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post-age 65 at 70%

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for 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 PSERS Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	76.4%	0.6%
Fixed income	23.6%	1.5%
	<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, 2017.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

Discount Rate

The discount rate used to measure the total OPEB obligation was 3.13%. 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 3.13% which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the District’s Proportionate Share of the Net OPEB Obligation to Changes in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District’s proportionate share of the net OPEB obligation for the June 30, 2017 measurement date, calculated using current Healthcare cost trends as well as what the District’s proportionate share of the net OPEB obligation would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	1% Decrease (Between 4% to 7%)	Current Trend Rate (Between 5% to 8%)	1% Increase (Between 6% to 9%)
District's proportionate share of the net OPEB obligation	\$ 4,508,000	\$ 4,509,000	\$ 4,510,000

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

HIPAP OPEB Obligation, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

Sensitivity of the District's Proportionate Share of the Net OPEB Obligation to Changes in the Discount Rate

The following presents the net OPEB obligation, calculated using the discount rate of 3.13%, as well as what the net OPEB obligation would be if it were calculated using a discount rate that is one-percentage point lower (2.13%) or one-percentage point higher (4.13%) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District's proportionate share of the net OPEB obligation	\$ 5,125,000	\$ 4,509,000	\$ 3,997,000

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.

Payables Related to the Plan

At June 30, 2018, the District had an accrued balance due to PSERS of \$2,392,349, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2018 through June 2018. The balance was paid in September 2018.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan

Plan Description

Governor Mifflin School District administers a single-employer defined benefit healthcare plan (the OPEB Plan). The District OPEB Plan provides medical and prescription drug insurance for eligible retirees through the District's health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the District and the unions representing the District's employees. The OPEB Plan does not issue a publicly available financial report and no assets are accumulated in a trust that meets the criteria in Government Accounting Standards Board Statement No. 75 to pay related benefits.

Benefits Provided

The District classifies employees in the following categories: Administrators, Teachers, Non-Professional Union and Non-Professional Nonunion. Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

Administrators, Teachers, Non-Professional Union, and Non-Professional Nonunion:

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Must be eligible for PSERS retirement	<u>Coverage</u> Medical and Prescription Drug <u>Premium Sharing</u> Member and spouse must pay full premium for coverage <u>Dependents</u> Spouse and Family included	<ul style="list-style-type: none"> • Member is covered until Medicare age • Spouse is covered until the earlier of member reaches Medicare age or spouse reached Medicare age

* Pennsylvania Act 110 of 1988 and Act 43 of 1989 require school employers in Pennsylvania to give retirees and their dependents the right to continue coverage in the group health plan to which they belonged as employees. To be eligible for this benefit, retirees must have taken superannuation retirement on or after age 65, retired with 30 years of service, or receive PSERS disability benefits.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

General Information About the OPEB Plan - continued

PSERS Retirement:

- 1) For individuals who are members of PSERS prior to July 1, 2011, an employee is eligible for PSERS retirement if he or she is eligible for either: a) PSERS early retirement with under 62 with 5 years of PSERS service or b) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 years of PSERS service regardless of age.
- 2) For individuals who became members of PSERS on or after July 1, 2011, an employee is eligible for PSERS retirement if he or she is eligible for either: a) PSERS early retirement while under 65 with 10 years of PSERS service or b) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of a total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service.
- 3) All individuals are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service.

Employees Covered by Benefit Terms

At July 1, 2016, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	410
Retired participants	<u>34</u>
Total	<u><u>444</u></u>

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB obligation as of July 1, 2017, was determined by rolling forward the District's total OPEB obligation as of July 1, 2016 to July 1, 2017, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate - 3.13% - based on the Standards & Poors Municipal Bond 20 Year High Grade Rate Index at 7/1/17.
- Mortality rates - Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
- Healthcare cost trend rates - 6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 60% of employees are assumed to elect coverage.

The actuarial assumptions were selected using input from the District based on actual experience.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

Changes in the Total OPEB Liability

	Total OPEB Obligation
Balance at July 1, 2017	\$ 4,049,258
Changes for the year:	
Service cost	269,782
Interest	104,997
Changes of assumptions or other inputs	108,819
Benefit payments	(188,848)
Net changes	294,750
Balance at June 30, 2018	\$ 4,344,008

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 2.49% to 3.13%; (2) the trend assumption was updated; (3) assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Sensitivity of the Total OPEB Obligation to Changes in the Discount Rate

The following presents the total OPEB obligation of the District, as well as what the District's total OPEB obligation would be if it were calculated using a discount rate that is one-percentage point lower (2.13%) or one-percentage point higher (4.13%) than the current discount rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
OPEB Plan - Total OPEB Obligation	\$ 4,667,388	\$ 4,344,008	\$ 4,038,188

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 10 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

Employee Defined Benefit Other Postemployment Benefits Plan - continued

Changes in the Total OPEB Liability - continued

Sensitivity of the Total OPEB Obligation to Changes in the Healthcare Cost Trend Rates

The following presents total OPEB obligation of the District, as well as what the District's total OPEB obligation would be if it were calculated using healthcare cost trend rates that are one-percentage point lower or one-percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
OPEB Plan - Total OPEB Obligation	\$ 3,825,647	\$ 4,344,008	\$ 4,960,285

At June 30, 2018, the District reported an OPEB obligation of \$4,344,008 related to the OPEB Plan. The net OPEB obligation was measured as of July 1, 2017, and was determined by rolling forward an actuarial valuation performed as of July 1, 2016 to July 1, 2017. The liability will be liquidated through future payments from the general and food service funds.

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$383,150. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 100,448	\$ -
Benefit payments made subsequent to the measurement date	224,304	-
	\$ 324,752	\$ -

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 10 - DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN - CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

The \$224,304 reported as deferred outflows of resources related to OPEB obligations resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB obligation in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2019	\$	8,371
2020		8,371
2021		8,371
2022		8,371
2023		8,371
Thereafter		<u>58,593</u>
Total	\$	<u><u>100,448</u></u>

NOTE 11 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2018:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 1,374,787
Capital Projects	1,371,449	-
Food Service Fund	3,277	-
Student Activities Fund	<u>61</u>	<u>-</u>
	<u>\$ 1,374,787</u>	<u>\$ 1,374,787</u>

Interfund receivables and payables exist as a result of a time lag between dates when payments between funds are made and to fund future capital needs. All will be paid within one year.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 11 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS - CONTINUED

Interfund transfers are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 23,539	\$ 7,501,574
Capital Projects Fund	1,371,449	-
Debt Service Fund	6,130,125	-
Food Service Fund	-	23,539
	<u>\$ 7,525,113</u>	<u>\$ 7,525,113</u>

Transfers were made to pay debt service, to fund current and future capital needs, and to cover food service doubtful accounts receivable. Transfers from the food service fund to the general fund were made to cover indirect costs.

NOTE 12 - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of the Berks Career & Technology Center operations is the responsibility of the joint board. The District's share of annual operating and capital costs for the Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2017/2018 year was \$1,067,928.

During the year ended June 30, 1998, Berks Career Vocational Technical School Authority issued \$34,850,000 of General Obligation Bonds and lent the proceeds to the Berks Career & Technology Center. The proceeds were used to renovate and build an addition to the Berks Career & Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of the taxable real estate of all participating school districts. The District's share for the 2017/2018 year was \$216,031.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 12 - JOINT VENTURE - CONTINUED

Summary financial information as of June 30, 2017 (the most recent information available) is as follows:

<u>Berks Career & Technology Center (Governmental Activities)</u>	
Total Assets and Deferred Outflows of Resources	\$ 33,405,464
Total Liabilities and Deferred Inflows of Resources	<u>32,156,625</u>
Total Net Position	<u>\$ 1,248,839</u>

Separate financial statements of the Berks Career & Technology Center have been prepared and are available.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. The District's Workmen's Compensation policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance carrier. For insured programs, there were no significant reductions in insurance coverages for the 2017/2018 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 - CONTINGENT LIABILITIES

The District receives federal, state, and local funding through a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 15 - RESTATEMENT OF BEGINNING NET POSITION

Restatement of Beginning Net Position

Effective July 1, 2017, the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, to be in conformity with generally accepted accounting principles.

Statement No. 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures in order to improve accounting and financial reporting by governments for other postemployment benefit plans. The statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to actuarial present value, and attribute that present value to periods of employee service. The statement also enhances note disclosure and required supplementary information for these plans.

The adoption of this standard resulted in the District restating beginning net position as of July 1, 2017, as follows:

	Governmental Activities	Business-Type Activities Food Service Fund	Total
Net Position (Deficit) at June 30, 2017	\$ (62,104,342)	\$ (1,890,673)	\$ (63,995,015)
Restatement for:			
Deferred Outflow - HIPAP contributions made subsequent to the measurement date	231,572	7,784	239,356
Other postemployment benefit obligation - HIPAP	(4,734,542)	(150,458)	(4,885,000)
Deferred Outflow - District plan benefit payments made subsequent to the measurement date	184,316	4,532	188,848
Other postemployment benefit obligation - District Plan	<u>(2,677,550)</u>	<u>(97,182)</u>	<u>(2,774,732)</u>
Net Position (Deficit) at July 1, 2017 - restated	<u>\$ (69,100,546)</u>	<u>\$ (2,125,997)</u>	<u>\$ (71,226,543)</u>

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 16 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2018, were as follows:

General Fund

The general fund has nonspendable funds of \$17,579, committed funds of \$1,250,000 for retirement rate increases, assigned funds of \$793,960 appropriated for the 2018/2019 budget, and unassigned fund balance of \$5,026,537. The commitment was authorized by the board of school directors' motion to set aside resources to fund anticipated increases in PSERS contributions.

Capital Projects Fund

The capital projects fund has restricted funds of \$8,347,533 comprised of surplus monies transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

NOTE 17 - NEW ACCOUNTING PRONOUNCEMENTS

The Government Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 84, *Fiduciary Activities* - This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for the District's fiscal year ending June 30, 2020.
- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the District's fiscal year ending June 30, 2021.
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, have been issued to enhance reporting and disclosures for specific debt transactions. Statement No. 88 is effective for the District's fiscal year ending June 30, 2019.

The District has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.

REQUIRED SUPPLEMENTARY INFORMATION

GOVERNOR MIFFLIN SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2018

	BUDGET		ACTUAL (GAAP Basis)	VARIANCE Final to Actual
	Original	Final		
REVENUES				
Local Sources	\$ 49,641,918	\$ 49,641,918	\$ 50,080,554	\$ 438,636
State Sources	17,984,579	17,984,579	18,289,514	304,935
Federal Sources	786,868	786,868	887,456	100,588
TOTAL REVENUES	68,413,365	68,413,365	69,257,524	844,159
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular Programs - Elementary/Secondary	27,778,046	27,751,400	27,531,082	220,318
Special Programs - Elementary/Secondary	11,107,847	11,111,847	11,187,711	(75,864)
Vocational Education	1,898,500	1,898,500	1,914,978	(16,478)
Other Instructional Programs - Elementary/Secondary	98,428	98,428	75,079	23,349
Nonpublic School Programs	16,500	16,500	18,971	(2,471)
Pre-Kindergarten	170,000	170,000	151,801	18,199
TOTAL INSTRUCTIONAL SERVICES	41,069,321	41,046,675	40,879,622	167,053
SUPPORT SERVICES:				
Students	2,252,833	2,245,905	2,260,446	(14,541)
Instructional Staff	3,364,239	3,437,127	3,233,403	203,724
Administration	3,629,049	3,556,039	3,600,822	(44,783)
Pupil Health	500,385	500,385	529,196	(28,811)
Business	1,145,879	1,145,879	1,102,349	43,530
Operation and Maintenance of Plant Services	5,306,305	5,306,305	5,167,741	138,564
Pupil Transportation Services	2,392,200	2,392,200	2,455,453	(63,253)
Central	699,701	729,701	732,236	(2,535)
Other Support Services	56,500	56,500	56,088	412
TOTAL SUPPORT SERVICES	19,347,091	19,370,041	19,137,734	232,307
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Student Activities	1,580,376	1,580,072	1,567,300	12,772
Community Services	228,595	228,595	178,293	50,302
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	1,808,971	1,808,667	1,745,593	63,074
CAPITAL OUTLAY	-	-	14,430	(14,430)
REFUND OF PRIOR YEAR REVENUE	-	-	2,280	(2,280)
TOTAL EXPENDITURES	62,225,383	62,225,383	61,779,659	445,724
EXCESS OF REVENUES OVER EXPENDITURES	6,187,982	6,187,982	7,477,865	1,289,883
OTHER FINANCING SOURCES (USES)				
Transfers In	25,000	25,000	23,539	(1,461)
Sale of Capital Assets	-	-	170	170
Transfers Out	(6,462,982)	(6,462,982)	(7,501,574)	(1,038,592)
Budgetary Reserve	(500,000)	(500,000)	-	500,000
TOTAL OTHER FINANCING SOURCES (USES)	(6,937,982)	(6,937,982)	(7,477,865)	(539,883)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (750,000)	\$ (750,000)	-	\$ 750,000
FUND BALANCE - BEGINNING OF YEAR			7,088,076	
FUND BALANCE - END OF YEAR			\$ 7,088,076	

See note to required supplementary information.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

BUDGETARY DATA

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

GOVERNOR MIFFLIN SCHOOL DISTRICT

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS - PENSION PLAN**

LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014
District's proportion of the collective net pension liability	0.2213%	0.2268%	0.2207%	0.2221%	0.2196%
District's proportionate share of the collective net pension liability	\$ 109,297,000	\$ 112,395,000	\$ 95,597,000	\$ 87,909,000	\$ 89,896,000
District's covered employee payroll	\$ 29,466,062	\$ 29,376,144	\$ 28,392,397	\$ 28,336,379	\$ 28,179,341
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	370.93%	382.61%	336.70%	310.23%	319.01%
Plan fiduciary net position as a percentage of the total pension liability	51.84%	50.14%	54.36%	57.24%	54.50%

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2017, 2016, 2015, 2014, and 2013).

NOTES TO SCHEDULE

Changes of Benefit Terms

With the passage of Act 5 class T-E and T-F members are now permitted to elect a lump-sum payment of member contributions upon retirement.

Changes of Assumptions

None.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

GOVERNOR MIFFLIN SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 9,454,544	\$ 8,420,726	\$ 7,509,949	\$ 5,889,211	\$ 4,593,178	\$ 3,323,126	\$ 2,337,177	\$ 1,461,918
Contributions in relation to the contractually required contribution	<u>9,454,544</u>	<u>8,420,726</u>	<u>7,509,949</u>	<u>5,889,211</u>	<u>4,593,178</u>	<u>3,323,126</u>	<u>2,337,177</u>	<u>1,461,918</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 29,681,874	\$ 29,466,062	\$ 29,376,144	\$ 28,392,397	\$ 28,336,379	\$ 28,179,341		
Contributions as a percentage of covered employee payroll	31.85%	28.58%	25.56%	20.74%	16.21%	11.79%		

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

GOVERNOR MIFFLIN SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB OBLIGATION
AND RELATED RATIOS - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (HIPAP)

LAST TEN FISCAL YEARS

	2018	2017
District's proportion of the collective HIPAP obligation	0.2213%	0.2268%
District's proportionate share of the collective net HIPAP obligation	\$ 4,509,000	\$ 4,885,000
District's covered employee payroll	\$ 29,466,062	\$ 29,376,144
District's proportionate share of the net HIPAP obligation as a percentage of its covered employee payroll	15.30%	16.63%
Plan fiduciary net position as a percentage of the total HIPAP obligation	5.73%	5.47%

The District's covered employee payroll noted above is as of the measurement date of the net HIPAP obligation (June 30, 2017 and 2016).

NOTES TO SCHEDULE

Changes of Benefit Terms

None.

Changes of Assumptions

Significant changes of assumptions for the June 30, 2017 measurement date are as follows:

- The discount rate changed from 2.71% to 3.13%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

GOVERNOR MIFFLIN SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

LAST TEN FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 247,236	\$ 239,356	\$ 252,334	\$ 258,551	\$ 266,978	\$ 248,512	\$ 189,896	\$ 187,125
Contributions in relation to the contractually required contribution	<u>247,236</u>	<u>239,356</u>	<u>252,334</u>	<u>258,551</u>	<u>266,978</u>	<u>248,512</u>	<u>189,896</u>	<u>187,125</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 29,681,874	\$ 29,466,062	\$ 29,376,144	\$ 28,392,397	\$ 28,336,379	\$ 28,179,341		
Contributions as a percentage of covered employee payroll	0.83%	0.81%	0.86%	0.91%	0.94%	0.88%		

NOTE: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

GOVERNOR MIFFLIN SCHOOL DISTRICT

**SCHEDULE OF CHANGES OF TOTAL OPEB OBLIGATION AND RELATED RATIOS -
DISTRICT OPEB PLAN**

LAST TEN FISCAL YEARS

	2018
Total OPEB Obligation	
Service cost	\$ 269,782
Interest	104,997
Changes in assumptions	108,819
Benefit payments	(188,848)
Net change in total OPEB obligation	294,750
Total OPEB obligation, beginning	4,049,258
Total OPEB obligation, ending	\$ 4,344,008
 Covered Employee Payroll	 \$ 24,952,172
Total OPEB Obligation as a Percentage of Covered Employee Payroll	17.41%

NOTES TO SCHEDULE

Changes of Benefit Terms

None

Changes of Assumptions

Significant changes of assumptions for the July 1, 2017 measurement date are as follows:

- The discount rate changed from 2.49% to 3.13%
- The trend assumption was updated.
- Assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years available is shown.

GOVERNOR MIFFLIN SCHOOL DISTRICT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2018

6000 Revenues from Local Sources		Budget	Actual	Variance
<u>Taxes</u>				
6111	Taxes, Current Real Estate	\$ 41,584,530	\$ 41,709,148	\$ 124,618
6112	Taxes, Interim Real Estate	70,000	60,558	(9,442)
6113	Public Utility Realty Tax	51,370	48,230	(3,140)
6114	Taxes, Current, Payments in Lieu of Taxes	1,471	1,471	-
6120	Current Per Capita Taxes, Section 679	95,000	95,870	870
6141	Current Act 511 Per Capita Taxes	95,000	94,280	(720)
6142	Current Act 511 Occupation Taxes	82,000	86,139	4,139
6143	Current Act 511 Local Services Taxes	52,000	57,949	5,949
6151	Current Act 511 Earned Income Taxes	4,627,000	4,584,570	(42,430)
6153	Current Act 511 Real Estate Transfer Taxes	600,000	547,192	(52,808)
6400	Delinquent Taxes (All Levies)	1,070,000	1,079,326	9,326
	Total	48,328,371	48,364,733	36,362
<u>Other</u>				
6510	Earnings from Temporary Deposits and Investments	170,000	388,979	218,979
6700	Admissions and Fees	160,000	190,532	30,532
6830	Revenue from I.U. - Federal	773,547	792,971	19,424
6910	Rent from School and Other Facilities	190,000	203,837	13,837
6920	Contributions	-	26,329	26,329
6940	Receipts Other LEA's in PA - Education	20,000	87,083	67,083
6990	Miscellaneous Revenue	-	26,090	26,090
	Total	1,313,547	1,715,821	402,274
	TOTAL REVENUES FROM LOCAL SOURCES	49,641,918	50,080,554	438,636
7000 Revenues from State Sources				
7110	Basic Instructional Subsidy	6,233,569	6,219,406	(14,163)
7160	Tuition/Court Placed Institutions	200,000	161,234	(38,766)
7250	Migratory Children	-	80	80
7270	Special Education of Exceptional Pupils	2,105,421	2,245,331	139,910
7290	Alternative Education Subsidy	-	2,193	2,193
7292	Pre-K Counts Grant	170,000	151,801	(18,199)
7310	Transportation	980,000	982,841	2,841
7320	Rentals and Sinking Fund Payments	966,461	1,306,515	340,054
7330	Medical and Dental Services	75,000	76,030	1,030
7340	Property Tax Relief	864,001	864,001	-
7360	Safe Schools	40,000	40,000	-
7503	Career Readiness Grant	-	5,000	5,000
7505	Ready to Learn Block Grant	436,905	436,905	-
7800	Social Security	1,145,878	1,056,931	(88,947)
7850	Retirement	4,767,344	4,741,246	(26,098)
	TOTAL REVENUES FROM STATE SOURCES	17,984,579	18,289,514	304,935

GOVERNOR MIFFLIN SCHOOL DISTRICT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED**

For the Year Ended June 30, 2018

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
8000 Revenues from Federal Sources				
8513	Title I	546,603	570,418	23,815
8516	Title II	75,058	127,101	52,043
8517	Title IV	-	12,963	12,963
8519	Title III	15,207	16,085	878
8810	Access Medical Assistance Reimbursement	150,000	150,000	-
8820	Access Medical Assistance Reimbursement - Admin	-	10,889	10,889
TOTAL REVENUES FROM FEDERAL SOURCES		<u>786,868</u>	<u>887,456</u>	<u>100,588</u>
9000 Other Financing Sources				
9350	Transfers In	25,000	23,539	(1,461)
9400	Sale of Capital Assets	-	170	170
TOTAL OTHER FINANCING SOURCES		<u>25,000</u>	<u>23,709</u>	<u>(1,291)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES		<u><u>\$ 68,438,365</u></u>	<u><u>\$ 69,281,233</u></u>	<u><u>\$ 842,868</u></u>

GOVERNOR MIFFLIN SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2018

	Budget	Actual	Variance
1000 Instructional Services			
1100 Regular Programs - Elementary/Secondary	\$ 27,751,400	\$ 27,531,082	\$ 220,318
1200 Special Programs - Elementary/Secondary	11,111,847	11,187,711	(75,864)
1300 Vocational Education	1,898,500	1,914,978	(16,478)
1400 Other Instructional Programs - Elementary/Secondary	98,428	75,079	23,349
1500 Nonpublic School Programs	16,500	18,971	(2,471)
1800 Pre-Kindergarten	170,000	151,801	18,199
Total Instructional Services	41,046,675	40,879,622	167,053
2000 Support Services			
2100 Students	2,245,905	2,260,446	(14,541)
2200 Instructional Staff	3,437,127	3,233,403	203,724
2300 Administration	3,556,039	3,600,822	(44,783)
2400 Pupil Health	500,385	529,196	(28,811)
2500 Business	1,145,879	1,102,349	43,530
2600 Operation and Maintenance of Plant Services	5,306,305	5,167,741	138,564
2700 Pupil Transportation Services	2,392,200	2,455,453	(63,253)
2800 Central	729,701	732,236	(2,535)
2900 Other Support Services	56,500	56,088	412
Total Support Services	19,370,041	19,137,734	232,307
3000 Operation of Noninstructional Services			
3200 Student Activities	1,580,072	1,567,300	12,772
3300 Community Services	228,595	178,293	50,302
Total Operation of Noninstructional Services	1,808,667	1,745,593	63,074
4000 Capital Outlay			
4000 Capital Outlay	-	14,430	(14,430)
5000 Other Expenditures and Financing Uses			
5100 Refund of Prior Year Revenues	-	2,280	(2,280)
5200 Fund Transfers	6,462,982	7,501,574	(1,038,592)
5900 Budgetary Reserve	500,000	-	500,000
Total Other Financing Uses	6,962,982	7,503,854	(540,872)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 69,188,365	\$ 69,281,233	\$ (92,868)

SUPPLEMENTARY INFORMATION

GOVERNOR MIFFLIN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Receipts for the Year	Accrued/ (Unearned) Revenue at June 30, 2017	Revenue Recognized	Expenditures	Accrued/ (Unearned) Revenue at June 30, 2018
U.S. Department of Education										
Passed through Commonwealth of Pennsylvania Department of Education										
Title I Grants to Local Education Agencies	I	84.010	013-18-0167	07/01/17-09/30/18	\$ 570,418	\$ 527,231	\$ -	\$ 570,418	\$ 570,418	\$ 43,187
Supporting Effective Instruction State Grant	I	84.367	020-18-0167	07/01/17-09/30/18	127,101	127,101	-	127,101	127,101	-
English Language Acquisition State Grants	I	84.365	010-18-0167	07/01/17-09/30/18	16,085	16,085	-	16,085	16,085	-
Student Support and Academic Enrichment Program	I	84.424	144-18-0167	07/01/17-09/30/18	12,963	7,977	-	12,963	12,963	4,986
Passed through Berks County Intermediate Unit:										
Special Education Cluster (IDEA)										
Special Education- Grants to States	I	84.027	N/A	07/01/16-06/30/17	773,547	386,773	386,773	-	-	-
Special Education- Grants to States	I	84.027	N/A	07/01/17-06/30/18	757,755	378,878	-	757,755	757,755	378,877
Special Education - Preschool Grants	I	84.173	N/A	07/01/17-06/30/18	6,000	6,000	-	6,000	6,000	-
Passed through Intermediate Unit 1:										
Special Education- Grants to States	I	84.027	062-17-0032	07/01/16-06/30/17	60,000	20,590	20,590	-	-	-
Special Education- Grants to States	I	84.027	062-18-0032	07/01/17-06/30/18	30,000	-	-	29,216	29,216	29,216
Total Special Education Cluster (IDEA)						<u>792,241</u>	<u>407,363</u>	<u>792,971</u>	<u>792,971</u>	<u>408,093</u>
TOTAL U.S. DEPARTMENT OF EDUCATION						1,470,635	407,363	1,519,538	1,519,538	456,266
U.S. Department of Health and Human Services										
Passed through Pennsylvania Department of Health and Human Services										
Medicaid Cluster										
Medical Assistance Program	I	93.778	N/A	07/01/16-06/30/17	N/A	4,854	4,854	-	-	-
Medical Assistance Program	I	93.778	N/A	07/01/17-06/30/18	N/A	3,365	-	10,889	10,889	7,524
TOTAL MEDICAID CLUSTER AND U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						8,219	4,854	10,889	10,889	7,524
U.S. Department of Agriculture										
Child Nutrition Cluster										
Passed through Commonwealth of Pennsylvania Department of Education										
National School Lunch Program	I	10.553	N/A	07/01/16-06/30/17	N/A	16,546	16,546	-	-	-
National School Lunch Program	I	10.553	N/A	07/01/17-06/30/18	N/A	875,121	-	896,544	896,544	21,423
School Breakfast Program	I	10.555	N/A	07/01/16-06/30/17	N/A	4,394	4,394	-	-	-
School Breakfast Program	I	10.555	N/A	07/01/17-06/30/18	N/A	202,992	-	209,519	209,519	6,527
Summer Food Program	I	10.559	N/A	07/01/17-06/30/18	N/A	-	-	6,052	6,052	6,052
Passed through Commonwealth of Pennsylvania Department of Agriculture										
National School Lunch Program	I	10.555	N/A	07/01/17-06/30/18	N/A	162,209	(10,793)	163,682	163,682	(9,320)
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE						1,261,262	10,147	1,275,797	1,275,797	24,682
TOTAL FEDERAL AWARDS						<u>\$ 2,740,116</u>	<u>\$ 422,364</u>	<u>\$ 2,806,224</u>	<u>\$ 2,806,224</u>	<u>\$ 488,472</u>

Source Code: I = Indirect

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2018.

GOVERNOR MIFFLIN SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures and federal awards (the Schedule) includes the federal award activity of the Governor Mifflin School District under programs of the federal government for the year ended June 30, 2018. 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 the Governor Mifflin School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Governor Mifflin School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

The District did not elect to use the de minimis rate for indirect costs.

NOTE 4 - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2018, the District had \$9,320 of food commodity inventory.



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

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

**To the Board of School Directors
Governor Mifflin School District
Shillington, Pennsylvania**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Governor Mifflin School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Governor Mifflin School District's basic financial statements, and have issued our report thereon dated November 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Governor Mifflin 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 Governor Mifflin School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Governor Mifflin School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 Governor Mifflin 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Herbein + Company, Inc.

Reading, Pennsylvania
November 12, 2018



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of School Directors
Governor Mifflin School District
Shillington, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Governor Mifflin 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 Governor Mifflin School District's major federal programs for the year ended June 30, 2018. Governor Mifflin 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Governor Mifflin 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 Governor Mifflin 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 a legal determination of Governor Mifflin School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Governor Mifflin 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, 2018.

Report on Internal Control Over Compliance

Management of Governor Mifflin School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Governor Mifflin School District's internal control over compliance with the types of 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 Governor Mifflin School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 a 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 purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Herbein + Company, Inc.

Reading, Pennsylvania
November 12, 2018

GOVERNOR MIFFLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes <u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u> X </u> no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes <u> X </u> none reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	_____ yes <u> X </u> no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>Child Nutrition Cluster</u>	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program

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

Auditee qualified as low-risk auditee? X yes _____ no

GOVERNOR MIFFLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

Section II - Financial Statement Findings

There were no financial statement findings reported.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs reported.

10 South Waverly Street
Shillington, PA 19607-2642
T: 610-775-1461 F: 610-775-6586
www.GovernorMifflinSD.org
An equal opportunity educational institution



Governor Mifflin School District

Steven M. Gerhard, Ed.D.
Superintendent
Elizabeth A. Lambi, Ed.D.
Assistant Superintendent, Secondary Education
William L. McKay
Assistant Superintendent, Elementary Education
Diane J. Richards, CPA
Chief Financial Officer

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

Section II - Financial Statement Findings

There were no financial statement findings reported for the year ended June 30, 2017.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs reported for the year ended June 30, 2017.