

**MIFFLINBURG AREA SCHOOL DISTRICT**  
**MIFFLINBURG, PENNSYLVANIA**  
**FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT**  
**YEAR ENDED JUNE 30, 2018**

MIFFLINBURG AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2018

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**INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
Mifflinburg Area School District  
Mifflinburg, 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 the Mifflinburg Area School District (the "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**

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 the District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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### **Adoption of Governmental Accounting Standards Board Pronouncements**

As described in Note 1 to the financial statements, in 2018 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", Statement No. 81, "*Irrevocable Split-Interest Agreements*", certain provisions of Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No.68, and No.73*", Statement No. 85, "*Omnibus 2017*", and Statement No. 86, "*Certain Debt Extinguishment Issues*". Our opinion is not modified with respect to these matters.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of revenues, expenditures, and changes in fund balance - budget and actual – General Fund, the schedule of changes in the total OPEB liability and related ratios – district other postemployment benefits plan, the schedule of the district's proportionate share of the net OPEB liability – PSERS plan, the schedule of the district's contributions – PSERS plan, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions – pension plan on pages 4 through 11 and pages 58 through 63, respectively, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

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



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The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is 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 January 16, 2019, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Zelenkofske Axlerod LLC*

ZELENKOFKSKE AXELROD LLC

Harrisburg, Pennsylvania  
January 16, 2019

# Mifflinburg Area School District Management Discussion and Analysis for the Fiscal Year Ended June 30, 2018

(Unaudited)

The *Management, Discussion, and Analysis* (MD&A) of the Mifflinburg Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year that ended June 30, 2018. The purpose of the MD&A is to provide reader friendly insight into management's analysis of the financial statements. This MD&A looks at the District's financial performance as a whole, although readers should review the notes to the financial statements to augment their understanding of the District's financial performance. Please note there may be slight differences to the financial statements due to rounding.

## Background

The Mifflinburg Area School District's financial statements are required to meet the GASB 34 Accounting Standards. Where previous standards (pre GASB 34) required modified accrual (no receivables/accruals beyond 60 days), no capital asset depreciation and no reports of combined net position, GASB 34 requires fixed asset accounting, properly combining of multiple funds, and the realization of the depreciation expense as part of the Statement of Net Position and Statement of Activities. A condensed comparative analysis of financial statements to the previous year will be required and included under GASB 34 reporting requirements.

The various statements required under GASB 34 are:

### Government-Wide Financial Statements:

- ◆ Statement of Net Position
- ◆ Statement of Activities

### Fund Level Financial Statements:

- ◆ Balance Sheet of Governmental Funds
- ◆ Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
- ◆ Statement of Revenues, Expenditures, and Changes in Fund Balances
- ◆ Reconciliation of Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

**Figure A-1**

### Organization of Mifflinburg Area School District Annual Financial Report

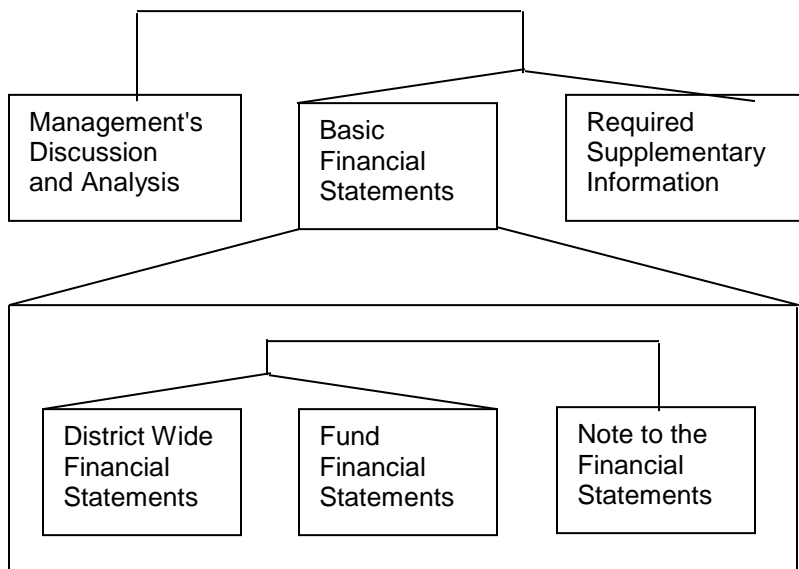


Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**

**Major Features of the District-Wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except, fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: 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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
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, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon there-after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; 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

**Government-Wide Financial Statements**

Government-wide financial statements present the financial position and changes in position for each fiscal year. The statements are prepared utilizing the accrual basis of accounting. The statements include both current and non-current assets and liabilities. The statements present information in two general categories:

**Governmental Activities-** All of the District's basic services are included under this category including instruction, administration, maintenance of facilities, transportation and student activities.

**Business-type Activities-** This category includes the District's food service operations including the charges for the services and the related costs of providing those services.

The Statement of Net Position provides a consolidation of all governmental funds into one statement of activities with current and non-current assets, deferred outflows of resources, current and non-current liabilities, direct inflows of resources, and displays the total net position of all governmental funds properly reconciled. It



also provides the same for those Business Activities run by the district. In the Mifflinburg Area School District, only the Food Service Fund is structured as a business activity, subject to a business activity classification.

The Statement of Activities intends to display expenses net of program revenues and classifies revenues into the two general categories of program and general operating revenue. It identifies program revenue as charges, operating grants, capital grants, and then allocates them to specific expense categories where appropriate.

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position reconciles the Governmental Funds Balance Sheet to the Combined Balance Sheet for Governmental Activities. This is accomplished by outlining the accounting changes necessary to properly record consolidation of funds and present the entity-wide statements using the full accrual method of accounting.

The Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities reconcile the change in fund balances of the governmental funds to the change in net position of all governmental activities.

The district has three kinds of funds:

- *Governmental Funds:* Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are fewer financial resources that can be spent in the near future to finance the district's programs
- *Proprietary Funds:* Services for which the district charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The district's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information.
- *Fiduciary Funds:* The district is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities fund. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

## Financial Highlights

### GENERAL FUND

- Total General Fund *Revenues* - \$31,091,755
- Total General Fund *Expenditures* - \$29,209,995
- Total General Fund Balance increased by \$1,731,339

### ENTERPRISE FUND (Food Service)

- Total Enterprise Fund *Operating Revenues* - \$381,308
- Total Enterprise Fund *Operating Expenditures* - \$1,058,016
- Total Enterprise Fund *Non-Operating Revenues* - \$624,797
- Change in Net Position - (\$43,468)

## Analysis of Overall Financial Position and Results of Operations over the Past Fiscal Year

**Net Position** - On June 30, 2018, the District had total net position from governmental activities of \$ (32,906,400) (Table 1)

Table 1 summarizes the assets, deferred outflows, liabilities, deferred inflows, and net position of the District at June 30, 2018.

**Table 1**  
**Net Position As of June 30, 2018 - (Government-Wide)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
<b>Assets</b>						
Current & Other Assets	\$11,282,814	\$13,065,837	\$81,386	\$57,008	\$11,364,200	\$13,122,845
Capital Assets	<u>\$27,933,025</u>	<u>\$26,073,961</u>	<u>\$92,414</u>	<u>\$79,960</u>	<u>\$28,025,439</u>	<u>\$26,153,921</u>
Total Assets	<u>\$39,215,839</u>	<u>\$39,139,798</u>	<u>\$173,800</u>	<u>\$136,968</u>	<u>\$39,389,639</u>	<u>\$39,276,766</u>
<b>Deferred Outflow of Resources</b>	<u>\$8,936,107</u>	<u>\$7,845,776</u>	<u>\$0</u>	<u>\$0</u>	<u>\$8,936,107</u>	<u>\$7,845,776</u>
<b>Liabilities</b>						
Current Liabilities	\$3,805,240	\$4,216,588	\$19,652	\$26,288	\$3,824,892	\$4,242,876
Long-Term Liabilities	<u>\$70,520,130</u>	<u>\$75,089,488</u>	<u>\$0</u>	<u>\$0</u>	<u>\$70,520,130</u>	<u>\$75,325,370</u>
Total Liabilities	<u>\$74,325,370</u>	<u>\$79,306,076</u>	<u>\$19,652</u>	<u>\$26,288</u>	<u>\$74,345,022</u>	<u>\$79,332,364</u>
<b>Deferred Inflow of Resources</b>	<u>\$606,000</u>	<u>\$585,898</u>	<u>\$0</u>	<u>\$0</u>	<u>\$606,000</u>	<u>\$585,898</u>
<b>Net Position</b>						
Net Investment in Capital Assets	\$4,359,914	\$3,287,850	\$92,414	\$79,960	\$4,452,328	\$3,367,810
Unrestricted	<u>(\$31,139,338)</u>	<u>(\$36,194,250)</u>	<u>\$ 61,734</u>	<u>\$ 30,720</u>	<u>(\$31,077,604)</u>	<u>(\$36,163,530)</u>
Total Net Position	<u>(\$26,779,424)</u>	<u>(\$32,906,400)</u>	<u>\$154,148</u>	<u>\$110,680</u>	<u>(\$26,625,276)</u>	<u>(\$32,795,720)</u>

**Balance Sheet/Fund Balances** – Total fund balance of Governmental funds equaled \$9,292,646. These balances consist of:

- ◆ General Fund - fund balance equaled \$8,644,972
- ◆ Capital Projects – fund balance equaled \$647,674

The District has committed \$2.65 million from the General Fund balance to be used in future budgets to offset the anticipated increase in some expenses as well as future capital projects.

(Table 2) summarizes the revenues, expenses, and changes in net position of the District for the year ended June 30, 2018.

**Table 2**  
**Changes in Net Position**  
**For the Year Ended June 30, 2018**  
**(Government-wide)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>
<b>Program Revenues:</b>						
Charges for services	\$124,748	\$208,892	\$381,235	\$381,308	\$505,983	\$590,200
Operating grants and contributions	6,879,780	6,559,025	625,880	624,761	7,505,660	7,183,786
<b>General Revenues:</b>						
Property taxes	9,808,513	10,587,646	0	0	9,808,513	10,587,646
Taxes levied for specific purposes	4,849,794	4,865,555	0	0	4,819,794	4,865,555
Grants and entitlements	8,416,919	8,489,442	0	0	8,416,919	8,489,442
Investment earnings	76,655	192,034	47	36	76,702	192,070
Other	108,714	181,970	0	0	108,714	181,970
Sale of Capital Assets	2,800	58,022	0	0	2,800	58,022
Transfers	21,077	(8,443)	(21,077)	8,443	0	0
<b>Total Revenues</b>	<b>\$30,289,000</b>	<b>\$31,134,143</b>	<b>\$986,085</b>	<b>\$986,085</b>	<b>\$31,275,085</b>	<b>\$32,148,691</b>
<b>Program Expenses:</b>						
Instruction	\$19,253,056	\$19,341,591	\$0	\$0	\$19,253,056	\$19,341,591
Instructional Student Support	3,272,210	3,262,686	0	0	3,272,210	3,262,686
Admin and Financial Support Svcs.	3,562,310	3,536,392	0	0	3,562,310	3,536,392
Operation and Maintenance	2,534,888	2,502,455	0	0	2,534,888	2,502,455
Pupil Transportation	1,777,733	1,831,414	0	0	1,777,733	1,831,414
Student Activities	583,658	620,174	0	0	583,658	620,174
Community Services	5,637	392	0	0	5,637	392
Interest and Fiscal Charges	826,616	810,571	0	0	826,616	810,571
Food Service	0	0	1,033,595	1,058,016	1,033,595	1,058,016
<b>Total Expenses</b>	<b>\$31,616,108</b>	<b>\$31,905,675</b>	<b>\$1,033,595</b>	<b>\$1,058,016</b>	<b>\$32,849,703</b>	<b>\$32,963,691</b>
<b>Change in Net Position</b>	<b>\$(1,527,108)</b>	<b>\$(771,532)</b>	<b>\$(47,510)</b>	<b>\$(43,468)</b>	<b>\$(1,574,618)</b>	<b>\$(815,000)</b>

**Changes in net position.** (see Table 2)

The District's total *revenues* were \$32,148,691 for the year ended June 30, 2018. This reflects an increase of \$873,606 from June 30, 2017. Property taxes and other taxes levied for general purposes continue to account for approximately 48% of the district's total revenue. Another 26% or \$8,489,442

came from state formula aid, which includes basic education, special education, and transportation subsidies. Approximately 22% or \$7,183,786 came from operating grants and contributions, with the remainder or 3% coming from fees charged for services and investment earnings.

The District's total **expenses** of all programs and services was \$32,963,691. The District's costs related to educating and servicing students were \$25,055,865 or 77% of total expenses (Instruction, Instructional Student support, Pupil transportation, Student Activities). Administrative costs accounted for 11% of total expenses or \$3,536,392 and operation of the District's facilities accounted for 8% of total expenses or \$2,502,847. Finally, food service costs made up 3.0% of total costs or \$1,058,016 and all other expenses (including interest on long term debt) accounted for 2% or \$810,571.

Total expenses exceeded revenues, decreasing net position by \$815,000.

### **“General Fund” Budgetary Variances**

- ♦ **REVENUES** – Overall, Total General Fund Revenues were greater than projected by \$132,541
  - Estimated Revenue differed in the following areas:
    - Local revenues** – Greater than projection by \$190k. The majority of the positive variance was due to better than expected current year earned income tax collection, real estate transfer tax collection, and interest earnings.
    - State Revenues** – Greater than projection by \$121k. The majority of the positive variance was due to better than expected current year investment earnings.
    - Federal Revenues** – Less than projection by \$179k. The variance was mainly due to a reduction in Title I and Title II funding allocations.
    - Other Financing Sources** – Greater than projected by \$58k. The variance was due to the sale of unused surplus district equipment and supplies.

**EXPENDITURES** - Total General Fund Budgeted Expenditures were 29.2 million. The total expenditures were less than budgeted expenditures by approximately 581k. The variance was due to a better than expected Health Insurance expenditures due to our consortium arrangement. Whereby, the district benefited from a “payment holiday”. Professional personnel changes resulted in lower salary and benefit costs.

- Estimated Expenditures differed in the following areas:
  - Instructional Expense** – Less than projected by \$716K
  - Support Expense** – Greater than projected by \$146K
  - Non-Instruction Expense** – Less than projected by \$11K
  - Other Financing Uses** – Transfers greater than projected by \$208k.

**FUND BALANCE** The District continues to maintain a healthy fund balance for future projected deficit situations. Due to fortunate increases in revenue and less than expected expenses, the district increased its overall fund balance. General fund balance was \$8,644,972 at June 30, 2018

**The district fund balance is appropriated as follows as of June 30, 2018:**

Nonspendable	\$40,000
Committed:	
Future Pension Costs	\$1,350,000
Future OPEB	\$1,300,000
Capital Projects	\$4,547,674
Unassigned	\$2,054,972

## **CAPITAL ASSETS**

The District has invested \$54,841,643 in a broad range of capital assets, including land, buildings, facilities, moveable fixtures and equipment, vehicles, library resources, and computer and audio-visual equipment

Accumulated depreciation expenses year to date June 30, 2018 totaled \$28,687,722.

## **LONG-TERM LIABILITIES**

- General Obligation Bonds - \$24,060,000
- Compensated Absences - \$946,485
- OPEB - \$5,858,411
- Net Pension Liability - \$45,042,000

## **Future Plans**

The District will continue to focus its attention on existing facilities and buildings to create a better efficient and cost effective learning environment for its students. The district approved a preliminary study and submitted a project to the Department of Education to renovate the Mifflinburg Middle School. Due to a shortage of capital reserve dollars, the district needs to look for alternative financing options. One option the district could choose would be a renovations project financed by a bond issue with a Dept of Education approval. Another option could be that the district partners with an Energy Savings Company. An Energy Savings Company will try to achieve the districts goals through a Performance Contract. The performance contract will be financed through the savings of the districts energy expenses.

## **Summary**

The district will face many financial challenges in the upcoming school year, as well as into the future.

The passage of Act 1, The Tax Payer Relief Act will continue to greatly limit school districts ability to raise taxes to generate the revenue to fund its educational programs. Any increases in Real Estate taxes the administration sees necessary, will be based upon an index that is provided by the Dept of Education. The index is currently showing a slight increase. However, a full index increase only provides the district with an approximate \$300k increase to its local revenue.

The Funding of the Commonwealth Retirement system (PSERS) shows a steep incline in the funding percentage that school districts are mandated to contribute. The funding percentage is set by the legislature and mandates school districts to contribute to the plan based on actual annual salaries and wages paid to employees who are eligible to participate. The funding level is currently at 33.43% and is projected to increase to over 36% in just the next few years.

The Commonwealth of Pennsylvania provides a “Basic Education Subsidy” that is distributed to school districts. The subsidy is based on a wealth calculation. The Mifflinburg area school district relies on the state aide funding to provide approx. 50% of its total revenue. It is probable, that future Basic Education subsidies will be reduced. Any type of reduction in this funding could result in financial burden on the school district local taxpayers.

Due to anticipated future budget shortfalls and the districts inability to generate additional local revenue, the district may be forced to restructure its curriculum in order to reduce operating costs. The district has already made significant cuts in programs and staffing in an attempt to balance its budget. Although the district was able to operate without utilizing fund balance reserves for this year, it is probable that it will need to utilize fund balance reserves in the future in order to balance budgets. Although this trend is not advisable, it seems inevitable. The district is undoubtedly likely to see more programmatic changes and reductions in staffing in the years to come. The district does maintain a five-year fiscal plan that deals with these factors by using a combination of revenue projections, expenditure reductions, and the utilization of fund balance reserves.

## **Contacting the District Financial Management**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Thomas R. Caruso, Business Administrator, Mifflinburg Area School District, 178 Maple Street, Mifflinburg, PA 17844.

## **BASIC FINANCIAL STATEMENTS**

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION  
JUNE 30, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Current assets:			
Cash and Cash Equivalents	\$ 9,257,336	\$ 14,010	\$ 9,271,346
Restricted Cash	205,674	-	205,674
Investments	1,391,032	-	1,391,032
Restricted Investments	442,000	-	442,000
Taxes Receivable, net	514,096	-	514,096
Due from Other Governments	1,070,875	-	1,070,875
Other Receivables	153,267	481	153,748
Internal Balances	(8,443)	8,443	-
Inventories	40,000	34,074	74,074
Total Current Assets	13,065,837	57,008	13,122,845
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation			
Land and Site Improvements	726,639	-	726,639
Buildings and Building Improvements	24,650,489	-	24,650,489
Furniture, Equipment, and Vehicles	696,833	79,960	776,793
Total Noncurrent Assets	26,073,961	79,960	26,153,921
TOTAL ASSETS	39,139,798	136,968	39,276,766
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Amounts Related to Pensions	6,957,046	-	6,957,046
Deferred Amounts Related to Other Postemployment Benefits	314,923	-	314,923
Deferred Loss on Refunding	573,807	-	573,807
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,845,776	-	7,845,776
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	481,451	1,393	482,844
Current Portion of Long-Term Debt	765,000	-	765,000
Accrued Salaries and Benefits	2,848,121	-	2,848,121
Payroll Deductions and Withholdings	70,303	-	70,303
Accrued Interest Payable	50,567	-	50,567
Other Current Liabilities	-	3,047	3,047
Unearned Revenue	1,146	21,848	22,994
Total Current Liabilities	4,216,588	26,288	4,242,876
Noncurrent Liabilities:			
Bonds and Notes Payable, net	23,242,592	-	23,242,592
Other Postemployment Benefits Liability	5,858,411	-	5,858,411
Net Pension Liability	45,042,000	-	45,042,000
Compensated Absence Liability	946,485	-	946,485
Total Noncurrent Liabilities	75,089,488	-	75,089,488
TOTAL LIABILITIES	79,306,076	26,288	79,332,364
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Amounts Related to Pensions	461,000	-	461,000
Deferred Amounts Related to Other Postemployment Benefits	124,898	-	124,898
TOTAL DEFERRED INFLOWS OF RESOURCES	585,898	-	585,898
<u>NET POSITION</u>			
Net Investment in Capital Assets	3,287,850	79,960	3,367,810
Unrestricted	(36,194,250)	30,720	(36,163,530)
TOTAL NET POSITION	\$ (32,906,400)	\$ 110,680	\$ (32,795,720)

See Notes to Financial Statements



MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Function/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:						
Instruction	\$ 19,341,591	\$ 82,830	\$ 4,389,300	\$ (14,889,461)	\$ -	\$ (14,889,461)
Instructional Student Support	3,262,686	-	302,322	(2,960,364)	-	(2,960,364)
Administrative and Financial Support Services	3,536,392	-	520,316	(3,016,076)	-	(3,016,076)
Operation and Maintenance of Plant Services	2,418,404	34,930	285,797	(2,117,677)	-	(2,117,677)
Pupil Transportation	1,831,414	-	1,051,272	(780,142)	-	(780,142)
Student Activities	620,174	91,132	49,986	(479,056)	-	(479,056)
Community Services	392	-	32	(360)	-	(360)
Interest and Fiscal Charges	810,571	-	-	(810,571)	-	(810,571)
Total Governmental Activities	31,821,624	208,892	6,559,025	(25,053,707)	-	(25,053,707)
Business-type Activities:						
Food service	1,058,016	381,308	624,761	-	(51,947)	(51,947)
Total Business-type Activities	1,058,016	381,308	624,761	-	(51,947)	(51,947)
Total	\$ 32,879,640	\$ 590,200	\$ 7,183,786	(25,053,707)	(51,947)	(25,105,654)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				10,587,646	-	10,587,646
Public Utility Realty and Earned Income Taxes, Levied for General Purposes, net				4,865,555	-	4,865,555
Unrestricted Grants, Subsidies, and Contributions				8,489,442	-	8,489,442
Investment Earnings				192,034	36	192,070
Transfers				(8,443)	8,443	-
Miscellaneous Income				181,970	-	181,970
Sale of Capital Assets				(26,029)	-	(26,029)
Total General Revenues				24,282,175	8,479	24,290,654
Changes in Net Position				(771,532)	(43,468)	(815,000)
Net Position - Beginning, as restated (See Note 16)				(32,134,868)	154,148	(31,980,720)
Net Position - Ending				(32,906,400)	110,680	(32,795,720)

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 9,257,336	\$ -	\$ 9,257,336
Restricted Cash	-	205,674	205,674
Investments	1,391,032	-	1,391,032
Restricted Investments	-	442,000	442,000
Taxes Receivable, net	514,096	-	514,096
Due From Other Governments	1,070,875	-	1,070,875
Other Receivables	153,267	-	153,267
Inventories	40,000	-	40,000
Total Assets	<u>\$ 12,426,606</u>	<u>\$ 647,674</u>	<u>\$ 13,074,280</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	\$ 481,451	\$ -	\$ 481,451
Due to Other Funds	8,443	-	8,443
Accrued Salaries and Benefits	2,848,121	-	2,848,121
Payroll Withholdings and Deductions	70,303	-	70,303
Unearned Revenues	1,146	-	1,146
Total Liabilities	<u>3,409,464</u>	<u>-</u>	<u>3,409,464</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable Tax Revenue - Property Taxes	<u>372,170</u>	<u>-</u>	<u>372,170</u>
Total Deferred Inflows of Resources	<u>372,170</u>	<u>-</u>	<u>372,170</u>
<b>FUND BALANCES:</b>			
Nonspendable:			
Inventories	40,000	-	40,000
Committed For:			
Future Pension Costs	1,350,000	-	1,350,000
Other Post Employment Benefits	1,300,000	-	1,300,000
Capital Projects	3,900,000	647,674	4,547,674
Unassigned	<u>2,054,972</u>	<u>-</u>	<u>2,054,972</u>
Total Fund Balances	<u>8,644,972</u>	<u>647,674</u>	<u>9,292,646</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,426,606</u>	<u>\$ 647,674</u>	<u>\$ 13,074,280</u>

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018

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TOTAL FUND BALANCES, GOVERNMENTAL FUNDS	\$	9,292,646
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Amounts reported for governmental activities in the statement  
of net position is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$54,230,224 and the accumulated depreciation is \$28,156,263	26,073,961
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The funds record only the tax revenue received through a period of 60 days subsequent to year end. The statement of net position includes a receivable for the District's anticipated collections on the levy	372,170
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Deferred inflows and outflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds:	
Deferred Outflows	7,271,969
Deferred Inflows	(585,898)

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds and Notes Payable	(24,007,592)
Deferred Loss on Refunding	573,807
Accrued Interest on Bonds and Notes	(50,567)
Compensated Absences	(946,485)
Net Pension Liability	(45,042,000)
Other Postemployment Benefits	(5,858,411)

TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES	\$	<u>(32,906,400)</u>
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See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local Sources	\$ 16,413,325	\$ 6,883	\$ 16,420,208
State Sources	14,095,132	-	14,095,132
Federal Sources	583,298	-	583,298
Total Revenues	31,091,755	6,883	31,098,638
EXPENDITURES:			
Instruction	17,688,294	-	17,688,294
Support Services	9,427,180	-	9,427,180
Operation of Noninstructional Services	567,210	-	567,210
Facilities Acquisition, Construction and Improvement Services	-	534,548	534,548
Debt Service			
Principal	745,000	-	745,000
Interest	780,311	-	780,311
Other Fees	2,000	-	2,000
Other	-	-	-
Total Expenditures	29,209,995	534,548	29,744,543
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,881,760	(527,665)	1,354,095
OTHER FINANCING SOURCES (USES):			
Transfers In		200,000	200,000
Transfers Out	(208,443)	-	(208,443)
Sale of Capital Assets	58,022	-	58,022
Total Other Financing Sources/(Uses)	(150,421)	200,000	49,579
NET CHANGE IN FUND BALANCES	1,731,339	(327,665)	1,403,674
FUND BALANCE, BEGINNING	6,913,633	975,339	7,888,972
FUND BALANCE , ENDING	\$ 8,644,972	\$ 647,674	\$ 9,292,646

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT  
OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

NET CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS	\$	1,403,674
Amounts reports for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		
Capital Outlays		879,305
Disposals		-
Depreciation		(2,654,318)
Revenues in the statement of activities that do not provide current financial resources are not reposted as revenues in the funds. This amount is the net change in revenues accrued between the prior and current year:		
Property Taxes		(14,074)
Repayment of the principal of long-term obligations consumes the current financial resources of governmental funds		
Bond principal payments		745,000
Governmental funds report the effect of discounts and premiums, when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities		
Bond discount, net		(2,481)
Deferred loss on refundings, net		(27,854)
Change in accrued interest on bonds and notes payable		2,075
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Decrease in compensated absences		98,857
Increase in other postemployment benefits		(88,265)
Increase in pension expense		(1,029,400)
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(687,481)</u>

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION  
 PROPRIETARY FUND TYPES  
 JUNE 30, 2018

	FOOD SERVICE
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 14,010
Other Receivables	481
Inventories	34,074
Due From Other Funds	<u>8,443</u>
Total Current Assets	57,008
Noncurrent Assets:	
Furniture and Equipment, net	<u>79,960</u>
TOTAL ASSETS	<u><u>\$ 136,968</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	\$ 1,393
Unearned Revenues	21,848
Other Current Liabilities	<u>3,047</u>
Total Current Liabilities	<u>26,288</u>
Total Liabilities	<u>26,288</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	79,960
Unrestricted	<u>30,720</u>
Total Net Position	<u>110,680</u>
TOTAL NET POSITION AND LIABILITIES	<u><u>\$ 136,968</u></u>

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION  
 PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2018

	FOOD SERVICE
OPERATING REVENUES:	
Food Service Revenue	\$ 381,308
Total Operating Revenues	381,308
OPERATING EXPENSES:	
Salaries	368,871
Employee Benefits	180,735
Purchased Professional and Technical Service	19,404
Food and Supplies Consumed	466,559
Equipment and Depreciation	12,455
Other Expenses	9,992
Total Operating Expenses	1,058,016
OPERATING (LOSS)	(676,708)
NONOPERATING REVENUES:	
Earnings on Investments	36
State Sources	112,722
Federal Sources	512,039
Total Nonoperating Revenues	624,797
LOSS BEFORE TRANSFERS	(51,911)
TRANSFER IN	8,443
TOTAL TRANSFERS	8,443
CHANGE IN NET POSITION	(43,468)
NET POSITION, Beginning of year	154,148
NET POSITION, End of year	\$ 110,680

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2018

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Users	\$ 383,023
Cash Payments to Employees for Services	(586,252)
Cash Payments to Suppliers for Goods and Services	(480,513)
Cash Payments for Other Operating Expenses	<u>(9,992)</u>
Net Cash Used by Operating Activities	<u>(693,734)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating Transfers In	8,443
Federal Subsidies	512,039
State Subsidies	<u>112,722</u>
Net Cash Provided by Noncapital Financing Activities	<u>633,204</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:	
Earnings on Investments	<u>36</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(60,494)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>74,504</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 14,010</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:	
Donated Commodities	<u>\$ 74,946</u>
RECONCILIATION OF OPERATING (LOSS)/INCOME TO NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (676,708)
Adjustment to reconcile operating (loss)/income to net cash (used in)/provided by operating activities:	
Depreciation	12,454
Increase or Decrease in Assets and Liabilities	
Receivables	(481)
Inventories	4,057
Accounts Payable	1,393
Due From Other Funds	(8,443)
Due To Other funds	(28,202)
Unearned Revenue	<u>2,196</u>
Total Adjustments	<u>(17,026)</u>
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	<u>\$ (693,734)</u>

See Notes to Financial Statements



MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2018

	PRIVATE PURPOSE TRUST FUND	AGENCY FUND
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 180,527	\$ 176,371
Investments	117,222	-
Total Assets	<u>\$ 297,749</u>	<u>\$ 176,371</u>
<u>LIABILITIES AND NET POSITION</u>		
LIABILITIES:		
Due to Student Groups		<u>\$ 176,371</u>
NET POSITION:		
Restricted for Student Scholarships	<u>\$ 297,749</u>	

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

	PRIVATE PURPOSE TRUST FUND
ADDITIONS:	
Contributions	\$ 29,508
Earnings on Investment	7,938
Total additions	37,446
DEDUCTIONS:	
Scholarships Awarded	32,415
Change in Market Value	1,601
Other Deductions	1,266
Total Deductions	35,282
INCREASE IN NET POSITION	2,164
NET POSITION, BEGINNING	295,585
NET POSITION, ENDING	\$ 297,749

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

The Mifflinburg Area School District (the "District") provides public education to the residents of six townships and three boroughs with one elementary school, one intermediate school, one middle school, and one high school in Union County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine member Board, which has responsibility and control over all activities related to public school education within the District.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

Governmental Accounting Standards Board ("GASB") Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"* established the criteria used by the District to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. Based on the foregoing criteria, the District has no component units that are required to be included in the District's financial statements.

C. Joint Venture

The District participates in the SUN Area Technical Institute (SUN ATI) located in New Berlin, Pennsylvania. This joint venture does not meet the criteria for inclusion within the reporting entity because the SUN ATI is separately chartered from the school districts it serves; its joint operating committee controls the employment of personnel; its joint operating committee has the power to approve all operating expenditures of the SUN ATI; and the SUN ATI is maintained in a separate operating unit.

The District has one member on the joint operating committee which governs the SUN ATI. The committee is comprised of one member from each of the member school districts who are appointed annually. The SUN ATI provides vocational and technical education for students of the member school districts. Each member school district pays tuition to the SUN ATI based upon its enrollment percentage. At the end of each fiscal year, actual expenditures are divided among the member districts based upon the prior year's enrollment percentage. The excess of tuition paid over allocated expenditures is refundable by the SUN ATI to the member districts. If allocable expenditures exceed the tuition paid by any member school district, the school district will pay the additional amount due to the SUN ATI. The member school districts approve the budget of the SUN ATI.

Audited financial statements for the year ended June 30, 2018 for the SUN ATI are available at its business office.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D. Intermediate Unit

The District is a participating member of the Central Susquehanna Intermediate Unit #16 (CSIU) located in Montandon, Pennsylvania. The CSIU is a self-sustaining organization that provides services for fees to participating districts. Through their membership, the District is able to secure various special services including federal program assistance and special education services.

E. Measurement Focus, Basis of Accounting

The basic financial statements of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements which incorporates noncurrent assets as well as long term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

1. Government-wide Financial Statements (Continued)

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the District are reported as a reduction of the related liability, rather than an expenditure.

2. Fund Financial Statements

The operations of the District are organized and are recorded in individual funds. Each fund is a separate accounting entity, with self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses, as appropriate.

**Governmental Funds**

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 180 days of the end of the current fiscal period with the exception of taxes which must be received within 60 days of year end to be deemed available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the District.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

**Proprietary Funds**

The District's Food Service Fund is a proprietary fund. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary fund is presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position.

The proprietary fund's operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

**Fiduciary Funds**

The District's Fiduciary Funds are presented in the fund financial statements as a Private Purpose Trust Fund and an Agency Fund. Since, by definition, the assets of these funds are held for the benefit of a third party (individuals, private organizations, and/or other governments) and cannot be used to satisfy obligations of the District, these funds are not incorporated into the government-wide financial statements. The District's fiduciary funds are presented on the accrual basis of accounting.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

F. Basis of Presentation

The following are the District's major funds:

Governmental Fund Types

- The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for financial resources to be used in acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

Proprietary Fund Type

- The Food Service Fund is used to account for the operations of the District's food service operations. Operating Revenues consist of charges for food served. Operating expenses consist mainly of food, food preparation costs, supplies, and other direct costs. All other revenues and expenses are reported as non-operating.

Additionally the District reports the following funds:

- The Private Purpose Trust Funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and therefore not available to support the District's own programs.
- Agency Funds are custodial in nature and account for assets held by the District as an agent for various student activities.

G. Assets, Liabilities, Net Position or Fund Balance

1. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, and pooled fund investments subject to daily withdrawal.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

2. Investments

The Pennsylvania School Code and the District's investment policy establish criteria for the type of investments that can be held by the District. Investments held by the District are reported at their fair market value, except for investments in external investment pools, which are valued at amortized cost.

3. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding for goods or services rendered at the end of the fiscal year are referred to as "due to/from other funds."

4. Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The cost of governmental fund inventories are recorded as expenditures when purchased rather than when consumed. Food Service fund inventory consisted of expendable supplies valued at cost on a first-in, first-out basis, and federal government donated commodities received from the U.S. Department of Agriculture (USDA) recorded at estimated fair values provided by the USDA. Inventory in the Food Service Fund is recorded as an expense when consumed.

5. Prepaid Expenses

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.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the governmental or business-type activity column in the government-wide and the proprietary fund financial statements. The District defines capital assets with an initial, individual cost of more than: \$1,500 and an estimated useful life in excess of one year. Capital assets are recorded at historical costs or estimated historical costs if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

Major outlays for capital assets and improvements are capitalized as projects are completed.



MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

6. Capital Assets (Continued)

Capital assets of the District are depreciated using the straight line method over the following intended useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Building Improvements	20 years
Site Improvements	15 years
Furniture	20 years
Vehicles	4 years
Equipment	5-15 years

7. Compensated Absences

Compensated absences are those for which employees receive pay. A liability is recorded through the use of estimates, which apply historical data to current factors. The District maintains records of unused absences and applies current and/or contracted compensation rates to the various types of compensated absences using the termination method.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount and issuance costs are expensed.

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

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

9. Unearned Revenues

Revenues that are received but not yet earned are recorded as unearned revenue in the District's financial statements. In the District's governmental funds, unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the governmental funds' balance sheet and revenue is recognized.

10. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted fund balance – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of School Directors. These amounts cannot be used for any other purpose unless the Board of School Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.
- Assigned fund balance – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. The Board of School Directors delegated this responsibility to the Business Administrator.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

C. Assets, Liabilities, Net Position or Fund Balance (Continued)

10. Fund Balance (Continued)

- Unassigned fund balance – This classification represents amounts that are available for any purpose. The District strives to maintain an unassigned general fund balance of not less than six percent (6%) of the annual operating budget.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

11. Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- *Net Investment in capital assets* – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the School District, not restricted for any project or other purpose.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

12. Accounting Estimates

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

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

G. Assets, Liabilities, Net Position or Fund Balance (Continued)

13. Interfund Transactions

Quasi-external transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund, and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

14. Deferred Inflows/Outflows of Resources

The Statements of Net Position report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The District has four items that qualify for reporting in these categories: deferred outflows and inflows related to pensions, deferred outflows and inflows related to other postemployment benefits, deferred loss on refunding and unavailable tax revenue.

Deferred outflows and inflows of resources related to pensions are described further in Note 10 and deferred outflows and inflows related to other postemployment benefits are described further in Note 11. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension or other postemployment benefits ("OPEB") expense over a closed period, which reflects the weighted average remaining service life of all PSERS members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on PSERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year). *Deferred loss of refunding* is the result of differences 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. *Unavailable tax revenue*, which arises under the modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

15. PSERS Pension and OPEB

For purposes of measuring net pension liability and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, information about the fiduciary net position of the Public School Employee's 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 benefit terms. Investments are reported at fair value.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

H. Adoption of Governmental Accounting Standards Board Statements

The District adopted the provisions of GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". The adoption of this statement resulted in a restatement of net position (see Note 16) and additional disclosures (see Note 11).

The District adopted the provisions of GASB Statement No. 81, "*Irrevocable Split-Interest Agreements*". The adoption of this statement had no effect on previously reported amounts.

The District adopted certain provisions of GASB Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 85, "*Omnibus 2017*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 86, "*Certain Debt Extinguishment Issues*". The adoption of this statement resulted in additional disclosures (see Note 8).

I. Pending Changes in Accounting Principles

In November 2016, the GASB issued Statement No. 83, "*Certain Asset Retirement Obligations*". The District is required to adopt the provisions of statement No. 83 for its fiscal year 2019 financial statements.

In January 2017, the GASB issued Statement No. 84, "*Fiduciary Activities*". The District is required to adopt the provisions of statement No. 84 for its fiscal year 2020 financial statements.

In June 2017, the GASB issued Statement No. 87, "*Leases*". The District is required to adopt the provisions of Statement No. 87 for its fiscal year 2021 financial statements.

In April 2018, the GASB issued Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*". The District is required to adopt the provisions of Statement No. 88 for its fiscal year 2019 financial statements.

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*". The District is required to adopt the provisions of Statement No. 89 for its fiscal year 2021 financial statements.

In August 2018, the GASB issued Statement No. 90, "*Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*". The District is required to adopt the provisions of Statement No. 90 for its fiscal year 2020 financial statements.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 1: NATURE OF ENTITY SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

I. Pending Changes in Accounting Principles (Continued)

The District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

NOTE 2: BUDGETS AND BUDGETARY ACCOUNTING

The budget is adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the general fund. Project-length financial plans are used for capital projects funds. All unencumbered budget appropriations, except capital projects, lapse at the end of each fiscal year.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the school board, budgetary transfers between funds accounts can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all transfers.

NOTE 3: DEPOSIT AND INVESTMENT RISK

The District's investment policy is in accordance with the Public School Code of 1949, Section 440.1 which requires monies to be invested in the following types of investments: U.S. Treasury bills, short-term obligations of the U.S. government or its agencies or instrumentalities, savings or time accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent 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, obligations of the United States of America or any of its agencies or instrumentalities, obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities, or obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

*Custodial Credit Risk* – For deposits, 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 deposits or collateral securities that are in the possession of an outside party. As of June 30, 2018, the District's cash balances for its governmental activities, business-type activities and fiduciary funds were \$9,628,925 and its bank balances were \$9,930,476. Of these bank balances, \$9,437,823 were exposed to custodial credit risk and they were collateralized by the pledging of pooled assets held by the pledging financial institutions and uninsured.

At June 30, 2018, the District had investments classified as cash equivalents in money market holdings and other short-term investments through the Pennsylvania School District Liquid Asset Fund ("PSDLAF") of \$42,252 and the Pennsylvania Local Government Investment Trust ("PLGIT") of \$162,741. PSDLAF and PLGIT were established to enable school districts and other local government agencies to pool funds for investments in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

*Participation in External Investment Pools.* Investment Pool investments are multiple investment portfolios with PSDLAF similar to a money market fund. The portfolio investments are valued at amortized costs, which approximates market value. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees. The pool is audited annually by CliftonLarsonAllen LLP. The pool is rated AAA by Standard & Poor's. PSDLAF issues separate financial statements available at [www.psdlaf.org](http://www.psdlaf.org).

The Pennsylvania Local Government Trust ("PLGIT") I-Class is a 2a7-like pool. The District's investment in PLGIT is reported at amortized cost, which approximates fair value. The District has no regulatory oversight for the pool, which is governed by the Board of Trustees and is administered by PFM Asset Management, LLC. The pool is audited annually Ernst & Young, LLP. The pool is rated AAA by Standard & Poor's. issues separate financial statements available at [www.plgit.com](http://www.plgit.com).

*Restrictions on Qualified Investment Pool Withdrawals.* The District is limited to two withdrawals per calendar month from the PLGIT account.

*Investments*— District investments consists of negotiable certificates of deposit held in the General Fund, investment pool deposits held in the General Fund and Capital Projects Fund, and equities held in the Private Purpose Trust Fund. Investments are measured at fair value on a recurring basis in accordance with the framework established by GASB Statement No. 72, "Fair Value Measurement and Application". That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as below:

Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets or inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of June 30, 2018 the District's investment in the publically traded equities is valued at \$117,222 using quoted market prices (Level 1 inputs) and the negotiable certificates of deposit are valued at \$546,032 using quoted market prices (Level 1 inputs). Investments in the investment pool of \$1,287,000 are valued at the net asset value (NAV).

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

Investment Type	Fair Value	Investment Maturity Less than 1 Year
Certificates of Deposit	\$ 546,032	\$ 546,032
Investment Pool	1,287,000	1,287,000
Total	<u>\$ 1,833,032</u>	<u>\$ 1,833,032</u>

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Interest Rate Risk – The District does not have a formal policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Credit Risk – The District does not have a formal investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2018 the certificates of deposit were not rated. Investment pool investments are held by PSDLAF and are rated AAA in accordance with the portfolio.

NOTE 4: RESTRICTED CASH AND INVESTMENTS

Assets whose use is limited to a specific purpose have been classified as “restricted” in the balance sheet. Restricted assets are composed of the following:

Governmental Funds

Restricted Cash and Investments

Cash and investments restricted for future capital projects	\$647,674
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NOTE 5: TAXES ASSESSED

Real estate taxes are assessed on July 1, of each year and become due and payable on that date. For the 2017-2018 year the tax rate was 12.1377 mills levied upon assessed valuations provided by Union County of approximately \$877,687,160. Taxpayers are given a two percent discount if they pay their taxes by September 30. All taxes levied on July 1, become delinquent on December 1, and are charged a ten percent penalty. On December 31, of the following year, all delinquent taxpayers are turned over to the Union County Tax Claim Bureau for collection. Uncollected real estate taxes attach as an enforceable lien on property when recorded.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. Delinquent taxes receivable at June 30, 2018 were \$514,096.

Taxes receivable also include estimated earned income taxes, real estate transfer taxes, and per capita taxes due to the District at June 30, with the amount not collected within 60 days after year end being deferred in the general fund.



**MIFFLINBURG AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

**NOTE 6: DUE FROM OTHER GOVERNMENTS**

The following table summarizes the amounts due from other governments at June 30, 2018 as related to the District's governmental activities:

Governmental Activities:	
Commonwealth of Pennsylvania	
Federal Sources	\$ 59,028
State Sources	1,006,492
Central Susquehanna Intermediate Unit	
Federal Sources	5,355
Total	<u>\$ 1,070,875</u>

**NOTE 7: CAPITAL ASSETS**

Capital Assets are recorded as expenditures at the time of purchase. The amounts recorded for land and site improvements, buildings and improvements, and furniture and equipment represent primarily estimates of historical cost prepared by an independent appraiser. During the fiscal year ended June 30, 2008 and June 30, 2018, a fixed asset appraisal of assets held was performed and through the use of alternative methods, an estimate of historical cost was developed. In the absence of actual acquisition costs provided by the District, methods used to determine acquisition costs for building structures involve the deflation of estimated replacement costs back to the year of construction using a combination of appropriate indices available in well known and accepted construction manuals such as Means, Marshall-Swift, Engineering News Records, etc., government CPI indexes, and the appraiser's own compilation of experience. Acquisition costs for the items of equipment inventory are also determined by the deflation indexing with appropriate indices. Depreciation, where applicable, is straight line over the useful life of the asset. Property additions made subsequent to the appraisal are recorded at cost.

A summary of Capital Asset transactions for the year ended June 30, 2018 is as follows:

<b>GOVERNMENTAL ACTIVITIES</b>	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2018</u>
Land and Site Improvements	\$ 2,056,752	\$ -	\$ (881,805)	\$ 1,174,947
Building and Building Improvements	46,396,201	553,249	-	46,949,450
Furniture, Equipment, and Vehicles	<u>5,839,636</u>	<u>326,056</u>	<u>(59,865)</u>	<u>6,105,827</u>
Total at Cost	54,292,589	879,305	(941,670)	54,230,224
Land and Site Improvements	(1,231,343)	(19,904)	802,939	(448,308)
Building and Building Improvements	(19,968,815)	(2,330,146)	-	(22,298,961)
Furniture, Equipment, and Vehicles	<u>(5,159,406)</u>	<u>(304,268)</u>	<u>54,680</u>	<u>(5,408,994)</u>
Total Accumulated Depreciation	(26,359,564)	(2,654,318)	857,619	(28,156,263)
Governmental Activities Capital Assets, Net	<u>\$ 27,933,025</u>	<u>\$ (1,775,013)</u>	<u>\$ (84,051)</u>	<u>\$ 26,073,961</u>

**MIFFLINBURG AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2018**

**NOTE 7: CAPITAL ASSETS (CONTINUED)**

<b>BUSINESS-TYPE ACTIVITIES</b>	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Furniture and Equipment	\$ 620,171	\$ -	\$ (8,752)	\$ 611,419
Less: Accumulated Depreciation	(527,757)	(12,454)	8,752	(531,459)
Business-Type Activities Capital Assets, Net	<u>\$ 92,414</u>	<u>\$ (12,454)</u>	<u>\$ -</u>	<u>\$ 79,960</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities:**

Instruction	\$ 1,663,889
Instructional Student Support	280,524
Administrative and Financial Support Service	215,550
Operation and Maintenance of Plant Service	283,535
Pupil Transportation	157,464
Student Activities	53,322
Community Services	34
Total Depreciation Expense	<u>\$ 2,654,318</u>

**NOTE 8: LONG TERM OBLIGATIONS**

As of June 30, 2018, the District's long-term debt consisted of the following:

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 24,805,000	-	\$ (745,000)	\$ 24,060,000	\$ 765,000
Less: Bond Premium/(Discount)	(54,889)	-	2,481	(52,408)	-
Compensated Absences	1,045,342	-	(98,857)	946,485	-
Other Postemployment Benefits *	5,958,900	278,290	(378,779)	5,858,411	-
Net Pension Liability	45,245,000	-	(203,000)	45,042,000	-
Total Long Term Obligations	<u>\$ 76,999,353</u>	<u>\$ 278,290</u>	<u>\$ (1,423,155)</u>	<u>\$ 75,854,488</u>	<u>\$ 765,000</u>

\* See Note 16 for a description of the effect of adopting GASB 75 for Other Postemployment Benefits

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

Pertinent information regarding long-term debt obligations outstanding is presented below:

Issue	Amount of Original Issue	Purpose	Amounts Outstanding
Series of 2012	6,485,000	In 2014, the District issued General Obligation Bonds Series of 2012 for the purpose of refunding the General Obligation Bonds Series of 2008. The bonds mature serially through 4/15/2028 with an interest rate of 2.00% to 3.00%.	4,295,000
Series of 2014	9,995,000	In 2014, the District issued General Obligation Bonds Series of 2014 for the purpose of (1) advance refunding a portion of the General Obligation Bonds, Series of 2010, and (2) paying issuance costs and expense of issuing the bonds. The bonds mature serially through 6/15/2040 with interest rates of 0.90% to 4.00%.	9,925,000
Series of 2015	10,000,000	In 2015, the District issued General Obligation Bonds Series of 2015 for the purpose of (1) currently refunding a portion of the General Obligation Bonds, Series of 2010, and (2) paying the issuance costs and expense of issuing the bonds. The bonds mature serially through 6/15/2034 with interest rates of 0.80% to 3.25%.	9,840,000
Total			<u>\$ 24,060,000</u>

The following summarized the District's estimated future debt service requirements on these bonds and notes as of June 30, 2018:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	765,000	763,711	1,528,711
2020	775,000	748,411	1,523,411
2021	795,000	732,367	1,527,367
2022	815,000	714,199	1,529,199
2023	835,000	695,486	1,530,486
2024-2028	4,590,000	3,157,581	7,747,581
2029-2033	5,700,000	2,428,725	8,128,725
2034-3038	6,725,000	1,410,164	8,135,164
2039-2040	3,060,000	184,500	3,244,500
	<u>24,060,000</u>	<u>10,835,144</u>	<u>34,895,144</u>

**MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018**

**NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)**

Refunded Bond Issues

The District has advance-refunded various issues by creating separate irrevocable trust funds containing U.S. government securities or securities collateralized by U.S. government securities. There has been no substitution of essentially risk-free monetary assets. The securities and earnings thereon are considered sufficient to fully service the debt until they are called or mature. For financial reporting purposes, the debt is considered defeased and the liability for the debt has been removed from the statement of net position. At June 30, 2018, the amount of defeased debt outstanding but removed from the statement of net position for a portion of the Series of 2010 General Obligation Bonds equaled \$9,170,000.

**NOTE 9: COMPENSATED ABSENCES**

The District's Administrative Compensation Policy and current Collective Bargaining Contracts provides for an unlimited accumulation of sick leave. Employees forfeit accumulated sick leave upon termination or retirement, except as follows. Each administrative and professional employee with twenty-five (25) years of service in the PA Public School Employees' Retirement System (PSERS) and fifteen (15) years of service in the Mifflinburg Area School District, upon retirement, shall be entitled to \$40 per day for each unused accumulated sick leave day.

Each classified employee is entitled to a sick day payout based on their year of service with the District as follows:

Years of Service	5	15	20
Payout per Day	\$15	\$20	\$25

The payment for each sick days is not additional compensation. The payment is calculated and the employee is given the choice of either an employer contribution to a district sponsored 403B or district sponsored Health Retirement Account (HRA).

Administrative and professional employees are also entitled to a retirement longevity benefit based on the years of service with PSERS as follows:

PSERS Service Years	25	30	35
Benefit	\$15,000	\$30,000	\$40,000

**NOTE 10: PENSION BENEFITS**

**General Information about the Pension Plan**

Plan Description

The Pennsylvania Public School Employees' Retirement System ("PSERS") is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 10: PENSION BENEFITS (CONTINUED)

**General Information about the Pension Plan (Continued)**

Plan Description (Continued)

The administrative staff of PSERS administers the plan. The control and management of PSERS, including the investment of its assets, is vested in the Board of Trustees (Board). The Board consists of 15 members: the Secretary of Education, ex officio; the State Treasurer, ex officio; two Senators; two members of the House of Representatives; the executive secretary of the Pennsylvania School Boards Association, ex officio; two Governor appointees, at least one of whom shall not be a school employee or an officer or employee of the State of Pennsylvania; three who are elected by the active professional members of PSERS from among their number; one who is elected by annuitants from among their number; one who is elected by the active nonprofessional members of PSERS from among their number; and one who is elected by members of Pennsylvania public school boards from among their number. The chairman of the Board is elected by the Board members. Each ex officio member of the Board and each legislative member of the Board may appoint a duly authorized designee to act in their stead.

PSERS was established on July 18, 1917 under the provisions of Pamphlet Law, No. 343. Benefit payments to members and contribution provision by employers and employees are specified in the Pennsylvania Public School Employees' Retirement Code ("Code"). The Commonwealth General Assembly has the authority to amend the benefit terms of the PSERS by passing a bill in the Senate and House of Representatives and sending the bills to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Benefits Provided

PSERS provides retirement, disability, and death benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, 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) preserved the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and T-F members, the right to benefits is vested after ten years of service.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 10: PENSION BENEFITS (CONTINUED)

**General Information about the Pension Plan (Continued)**

Benefits Provided (Continued)

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

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

All members are fully vested in their individual balance in the Members' Saving Account. All non-vested members may receive a refund of their individual balance of member contributions and interest from the Members' Savings Account upon termination of public school employment. Vested members who enrolled prior to July 1, 2011 may elect to receive a return of their accumulated contributions and interest upon their retirement which results in a reduced monthly annuity. Vested Class T-E and T-F members cannot withdraw their accumulated contributions and interest from the Members' Savings Account upon their retirement.

Contributions

Employer Contributions:

The contribution policy is set by the Code. The District's contractually required contribution rate for 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 \$3,771,046 for the year ended June 30, 2018.

Member Contributions:

Member contribution rates are set by law (redefined with the provisions of act 9 of 2001 and Act 120) and are dependent upon membership class. Member contribution rate are as follows:

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

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

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 10: PENSION BENEFITS (CONTINUED)

**General Information about the Pension Plan (Continued)**

Contributions (Continued)

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%.

**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 \$45,042,000 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, 2017, the District's proportion was 0.0912 percent, which was a decrease of 0.0001 from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$4,759,000. 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
Net difference between projected and actual investment earnings	\$ 1,044,000	\$ -
Changes in assumptions	1,224,000	-
Changes in proportion	448,000	189,000
Difference between expected and actual experience	470,000	272,000
Contributions subsequent to the measurement date	3,771,046	-
Total	\$ 6,957,046	\$ 461,000

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 10: PENSION BENEFITS (CONTINUED)

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

\$3.771 million reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	\$ 689,000
2019	1,274,000
2020	916,000
2021	(154,000)

Actuarial Assumptions

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

Changes in assumptions used in the Total Pension Liability beginning June 30, 2016

- Investment rate of return was 7.25%
- The inflation assumption was 2.75%
- Salary growth changed from an effective range of 5.50%, which was comprised of inflation 3.0%, real wage growth and for merit or seniority increases of 2.50%, to an 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 the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the 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.



MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 10: PENSION BENEFITS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 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.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of 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:

(in Thousands)	1% Decrease 6.25%	Current discount rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 55,443	\$ 45,042	\$ 36,261

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 10: PENSION BENEFITS (CONTINUED)

Pension plan fiduciary net position

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

At June 30, 2018, the District reported a payable of \$1,077,391 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN

Plan Description

*Plan Administration.* The District School Board of Directors administers a single-employer defined benefit postemployment benefit (OPEB) plan (the "Plan") that is used to provide healthcare retirement benefits for teachers and administrative employees who retire under the qualifications of the Pennsylvania School Employee's Retirement System. Plan provisions are established based on bargaining agreements negotiated by the District. The plan is unfunded and no financial report is prepared.

*Plan Membership.* As of June 30, 2018 the Plan's membership consisted of the following:

Active Participants	217
Retired Participants	<u>32</u>
Total	<u>249</u>

*Benefits Provided.* The Plan provides healthcare benefits to eligible retirees (teachers and administrators) and for eligible retirees retired prior to 2007, their spouses. For eligible retirees who retired prior to 2007, the District pays premiums, less a \$100 supplement paid by the member, for medical and prescription drug coverage. For eligible retirees who retired before 2011 with 30 years of PSERS service and 15 years of District service, the District will pay \$10,000 to an HRA and an additional \$10,000 for each additional year of PSERS service up to 35 years. For eligible employees who retired before 2014 with 25 years of PSERS service and 15 years of District service, the District will pay \$10,000 to an HRA for 3 years with 25-34 years of PSERS service or \$10,000 to an HRA for 5 years if the employee has more than 35 years of PSERS service. For eligible employees who retire after 2014 with 25 years of PSERS service and 15 years of District service, the District make a payment to an HRA based on the following: \$15,000 for 1 year with 25-29 years of PSERS service, \$30,000 for 1 year with 30-34 years of PSERS service, and \$10,000 for 4 years with more than 35 years of PSERS service. The School Board of Directors has the authority to periodically negotiate the benefit terms established in the bargaining agreements.

*Contributions.* The contribution requirements of plan members and the District are established and may be amended by the School Board of Directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations from the General Fund. Retiree contribution rates and amounts vary depending on classification and years of service with the District.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**District Specific Plan (Continued)**

Total OPEB Liability

The District's total OPEB liability of \$4,000,411 was measured as of July 1, 2016 and was rolled forward using actuarial assumptions to the valuation date of July 1, 2017.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	3.50% average, including inflation
Discount Rate	3.13%
Healthcare Cost Trend Rates	6.00% for 2017, decreasing to an ultimate rate of 3.9% by 2075

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index at 7/1/2017.

Mortality rates are assumed using the rates assumed in the PSERS defined benefit pension plan actuarial valuation with projections incorporated based on the Buck Modified 2016 projection scale to reflect mortality improvement.

The actuarial assumptions used in the July 1, 2017 valuation were based on historical results, as a recent experience study was not completed.

Changes in the District's total OPEB liability for the plan for the fiscal year ended June 30, 2018 was as follows:

	Total OPEB Liability
Balance at 7/1/2016	\$ 3,991,900
Service Cost	227,632
Interest	101,292
Changes in Assumptions	(40,588)
Benefit Payments	(279,825)
Net Changes	8,511
Balance at 7/1/2017	<u>\$ 4,000,411</u>

Changes in assumptions reflect a change in the discount rate from 2.49% to 3.13%, an update of trend assumptions, and an update of assumptions for salary, mortality, and retirement based on the new PSERS assumptions.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**District Specific Plan (Continued)**

Total OPEB Liability (Continued)

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (5.0%) or 1-percentage higher (7.0%) than the current discount rate:

	<b>1% Decrease 5.0%</b>	<b>Current discount rate 6.0%</b>	<b>1% Increase 7.0%</b>
District's total OPEB liability	\$ 3,720,796	\$ 4,000,411	\$ 4,331,042

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage higher (4.13%) than the current discount rate:

	<b>1% Decrease 2.13%</b>	<b>Current discount rate 3.13%</b>	<b>1% Increase 4.13%</b>
District's total OPEB liability	\$ 4,328,032	\$ 4,000,411	\$ 3,772,390

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$325,234. At June 30, 2018 the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ -	\$ 36,898
Contributions subsequent to the measurement date	214,310	-
Total	<b>\$ 214,310</b>	<b>\$ 36,898</b>

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**District Specific Plan (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows Related to OPEB (Continued)**

\$214,310 is reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30:**

2019	\$ (3,690)
2020	(3,690)
2021	(3,690)
2022	(3,690)
2023	(3,690)
Thereafter	(18,448)

**PSERS Healthcare Insurance Premium Assistance Plan**

**Plan Description**

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

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

**Premium Assistance Eligibility Criteria**

Retirees of the System can participate in the PSERS Plan 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 services and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan (Continued)**

**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.

*Employer Contributions.* The school districts' contractually required contribution rate for fiscal year ended June 30, 2018 was 0.83% of covered payroll, an actuarially determined 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 PSERS Plan from the District were \$98,613 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$1,858,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll of all School Districts in the PSERS Plan. At June 30, 2018, the District's proportion was 0.0912 percent, which was a decrease of 0.0001 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of \$79,000. 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
Net difference between projected and actual investment earnings	\$ 2,000	\$ -
Changes in assumptions	-	86,000
Changes in proportion	-	2,000
Contributions subsequent to the measurement date	98,613	-
Total	\$ 100,613	\$ 88,000

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan (Continued)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows or Resources Related to OPEB (Continued)**

\$98,613 is reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year ended June 30:**

2019	\$ (14,000)
2020	(14,000)
2021	(14,000)
2022	(14,000)
2023	(15,000)
Thereafter	(15,000)

*Actuarial Assumptions.* The total OPEB liability as of June 30, 2017 was determined by rolling forward the System's total OPEB liability as of the June 30, 2016 actuarial valuation to June 30, 2017 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

The 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.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan (Continued)**

*Actuarial Assumptions (Continued)*

- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits).

A recent actuarial experience study was not performed.

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the Program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. The Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017 were:

<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%
Total	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total OPEB liability 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.



MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

**PSERS Healthcare Insurance Premium Assistance Plan (Continued)**

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2016, 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 liability as well as what the District's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	<b>1% Decrease (4% to 7%)</b>	<b>Current discount rate (5% to 8%)</b>	<b>1% Increase (6% to 9%)</b>
District's proportionate share of the net OPEB liability	\$ 1,858,000	\$ 1,858,000	\$ 1,859,000

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

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.13 percent) or higher (4.13 percent) than the current discount rate:

	<b>1% Decrease 2.13%</b>	<b>Current discount rate 3.13%</b>	<b>1% Increase 4.13%</b>
District's proportionate share of net OPEB liability	\$ 2,112,000	\$ 1,858,000	\$ 1,647,000

**OPEB Plan Fiduciary Net Position**

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

At June 30, 2018 the District reported a payable of \$28,174 for the outstanding amount of contributions to the OPEB plan.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 12: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District provides for these risks through the purchase of commercial insurance coverage.

The District is a participant of the Central Susquehanna Region School Employees' Health and Welfare Trust, a local consortium of schools participating in self-insurance and health maintenance programs for staff medical, dental, and vision benefits, life insurance coverage, and a wellness program. The Trust is organized as consortium of participants in order to offer rate consistency regardless of claims.

NOTE 13: CONTINGENT LIABILITIES

The District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the District.

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulation governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund balances at June 30, 2018 are as follows:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	\$ -	\$ 8,443	\$ -	\$ 208,443
Capital Projects Fund	-	-	200,000	-
Food Service Fund	8,443	-	8,443	-
Total	<u>\$ 8,443</u>	<u>\$ 8,443</u>	<u>\$ 208,443</u>	<u>\$ 208,443</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) reimbursable expenditures occur and (3) payments between funds are made.

Transfers within the District are substantially for the purposes of subsidizing operating functions, or funding capital projects and asset acquisitions. Resources are accumulated in funds to support and simplify the administration of various projects or programs.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2018

NOTE 15: LEASES

The District leases its copiers under several lease agreements. It is the procedure of the District to regularly upgrade this equipment before the lease term expires. These continually revolving leases are classified as operating leases. Future minimum lease payments under the various leases are as follows:

2019	21,257
2020	21,257
2021	5,316
Total	<u>\$ 47,830</u>

The rental expense for these leases at June 30, 2018 was \$21,257.

NOTE 16: RESTATEMENT OF NET POSITION

The following restatement was necessary to reflect the adoption of the provisions of GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" in which the District changed its manner of accounting for other postemployment benefits.

	Governmental Activities
Net Position, beginning of year as previously stated	<u>\$ (26,779,424)</u>
Understatement of OPEB liability due to GASB 75	<u>(5,355,444)</u>
Net Position, beginning of year as restated	<u><u>\$ (32,134,868)</u></u>

## **REQUIRED SUPPLEMENTAL INFORMATION**

MIFFLINBURG AREA SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	\$ 16,223,068	\$ 16,223,068	\$ 16,413,325	\$ 190,257
State Sources	13,973,646	13,973,646	14,095,132	121,486
Federal Sources	762,500	762,500	583,298	(179,202)
Total Revenues	30,959,214	30,959,214	31,091,755	132,541
EXPENDITURES:				
Instruction:				
Regular Programs	13,205,302	13,205,302	12,671,192	534,110
Special Programs	3,374,732	3,374,732	3,336,923	37,809
Vocational Educational Programs	1,622,663	1,622,663	1,525,269	97,394
Other Instructional Programs	199,580	199,580	151,619	47,961
Pre-Kindergarten Programs	2,753	2,753	3,291	(538)
Total Instruction	18,405,030	18,405,030	17,688,294	716,736
Support services:				
Pupil Personnel	900,353	900,353	953,058	(52,705)
Instructional Staff	1,403,800	1,403,800	1,766,515	(362,715)
Administration	1,940,931	1,940,931	1,871,137	69,794
Pupil Health	239,115	239,115	262,589	(23,474)
Business	370,776	370,776	407,816	(37,040)
Operation and Maintenance of Plant Services	2,735,932	2,735,932	2,479,626	256,306
Student Transportation Services	1,690,238	1,690,238	1,673,950	16,288
Central and Other Support Services	-	-	12,489	(12,489)
Total Support Services	9,281,145	9,281,145	9,427,180	(146,035)
Operation of Noninstructional Services:				
Student Activities	575,716	575,716	566,852	8,864
Community Services	3,000	3,000	358	2,642
Total Operation of Noninstructional Services	578,716	578,716	567,210	11,506
Debt Service	1,526,311	1,526,311	1,527,311	(1,000)
Total Expenditures	29,791,202	29,791,202	29,209,995	581,207
EXCESS OF REVENUES OVER EXPENDITURES	1,168,012	1,168,012	1,881,760	713,748
OTHER FINANCING SOURCES (USES):				
Transfers Out	-	-	(208,443)	(208,443)
Sale of Capital Assets	-	-	58,022	58,022
Total Other Financing Sources/(Uses)	-	-	(150,421)	(150,421)
NET CHANGE IN FUND BALANCE	\$ 1,168,012	\$ 1,168,012	\$ 1,731,339	\$ 563,327

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS -DISTRICT OTHER POSTEMPLOYMENT BENEFITS PLAN  
 JUNE 30, 2018

	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ 227,632
Interest	101,292
Changes of assumptions	(40,588)
Benefit payments	<u>(279,825)</u>
Net change in total OPEB liability	8,511
Total OPEB liability - beginning	<u>3,991,900</u>
Total OPEB liability - ending	<u><u>\$ 4,000,411</u></u>
 <b>Covered payroll</b>	 \$ 10,328,606
 <b>District's total OPEB liability as a percentage of covered payroll</b>	 38.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.  
 This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

MIFFLINBURG AREA SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - PSERS PLAN  
JUNE 30, 2018

	<u>2017</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.0913%	0.0912%
District's proportionate share of the net OPEB liability	\$ 1,967,000	\$ 1,858,000
District's covered payroll	\$ 11,821,224	\$ 12,139,708
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	17%	15%
Plan fiduciary net position as a percentage of the total OPEB liability	5%	6%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.  
This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

MIFFLINBURG AREA SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS PLAN  
JUNE 30, 2018

	<u>2017</u>	<u>2018</u>
Contractually determined contribution	\$ 98,954	\$ 98,613
Contributions in relation to the contractually determined contribution	<u>98,954</u>	<u>98,613</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 12,139,708	\$ 12,068,873
Contributions as a percentage of covered payroll	0.8%	0.8%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.  
This schedule will accumulate each year until sufficient information to present a ten-year trend is available.



Mifflinburg Area School District

Schedule of the District's Proportionate Share of the Net Pension Liability - Last 10 Years

Measurement Period	2014	2015	2016	2017	2018
District's proportion of the net pension liability	0.0899%	0.0908%	0.0899%	0.0913%	0.0912%
District's proportionate share of the net pension liability	\$ 36,802,000	\$ 35,939,000	\$ 38,941,000	\$ 45,245,000	\$ 45,042,000
District's covered payroll	\$ 11,541,645	\$ 11,589,244	\$ 11,564,315	\$ 11,821,224	\$ 12,139,708
District's proportionate share of the net pension liability as a percentage of its covered payroll	319%	310%	337%	383%	371%
Plan fiduciary net position as a percentage of the total pension liability	54%	57%	54%	50%	52%

The District adopted GASB 68 on a prospective basis; therefore information is presented only for those years for which information is available.

Mifflinburg Area School District

Schedule of District Contributions for the Net Pension Liability - Last 10 Years

Fiscal Year End	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 1,854,279	\$ 2,309,330	\$ 2,959,096	\$ 3,481,271	\$ 3,771,046
Contributions in relation to the contractually required contribution	1,854,279	2,309,330	2,959,096	3,481,271	3,771,046
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	11,589,244	11,564,315	11,821,224	12,139,708	12,068,873
Contributions as a percentage of covered payroll	16%	20%	25%	29%	31%

The District adopted GASB 68 on a prospective basis; therefore information is presented for those years only for which information is available.

The covered-employee payroll has been revised from prior year presentation to reflect adjustments processed by PSERS after the fiscal year end.

## **OTHER SUPPLEMENTAL INFORMATION**

**MIFFLINBURG AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/ Pass Through Grantor/ Program Title	Source Code	Federal CFDA Number	Pass Through Grantors' Number	Program or Award Amount	Grant Period Beginning/Ending Date	Total Received For Year	Accrued Or (Deferred) Revenue July 1, 2017	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2018	Subrecipient Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>											
<b>Passed Through State Department of Education:</b>											
NCLB Title I	(I)	84.010	013-170252	\$ 491,148	7/1/16 - 9/30/17	\$ 95,584	\$ 95,584	\$ -	\$ -	\$ -	\$ -
NCLB Title I	(I)	84.010	077-160252	50,000	8/29/16 - 9/30/17	10,714	(8,631)	19,345	19,345	-	-
NCLB Title I	(I)	84.010	013-180252	470,080	7/1/17 - 9/30/18	436,712	-	470,080	470,080	33,368	-
Total NCLB Title I						543,010	86,953	489,425	489,425	33,368	-
NCLB Title II Part A Improving Teacher Quality	(I)	84.367	020-170252	145,919	7/1/15 - 9/30/17	38,748	38,748	-	-	-	-
NCLB Title II Part A Improving Teacher Quality	(I)	84.367	020-180252	145,919	7/1/16 - 9/30/18	64,246	-	89,906	89,906	25,660	-
Total NCLB Title II Part A Improving Teacher Quality						102,994	38,748	89,906	89,906	25,660	-
NCLB Title IV	(I)	84.424	144-180252	3,806	7/1/16- 9/30/18	3,806	-	2,390	2,390	(1,416)	-
Total State Department of Education				1,306,872		649,810	125,701	581,721	581,721	57,612	-
<b>Passed Through Intermediate Units</b>											
Special Education-Grants to States:											
<b>CENTRAL SUSQUEHANNA INTERMEDIATE UNIT</b>											
IDEA B	(I)	84.027	062-180016	359,684	7/1/17 - 6/30/18	359,684	-	359,684	359,684	-	-
IDEA 619	(I)	84.173	131-170016	6,872	7/1/16 - 6/30/17	6,872	6,872	-	-	-	-
IDEA 619	(I)	84.173	131-180016	5,355	7/1/17 - 6/30/18	5,355	-	5,355	5,355	-	-
Total Special Education Cluster				371,911		371,911	6,872	365,039	365,039	-	-
Title III	(I)	84.365	N/A	5,355	7/1/17 - 6/30/18	-	-	5,355	5,355	5,355	-
<b>TOTAL DEPARTMENT OF EDUCATION</b>				1,684,138		1,021,721	132,573	952,115	952,115	62,967	-
<b>U.S. DEPARTMENT OF AGRICULTURE</b>											
<b>Passed Through State Department of Education:</b>											
National School Lunch	(I)	10.555	362	N/A	7/1/17- 6/30/18	373,971	-	373,971	373,971	-	-
National School Lunch	(S)	N/A	N/A	N/A	7/1/17- 6/30/18	25,990	-	25,990	25,990	-	-
School Breakfast	(I)	10.553	365	N/A	7/1/17- 6/30/18	63,122	-	63,122	63,122	-	-
School Breakfast	(S)	N/A	N/A	N/A	7/1/17- 6/30/18	4,621	-	4,621	4,621	-	-
Total State Department of Education						467,704	-	467,704	467,704	-	-
<b>PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE:</b>											
National School Lunch Program	(I)	10.555	N/A	N/A	7/1/17- 6/30/18	(A) 74,946	(B) -	74,946	(C) 74,946	(D) -	-
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>						542,650	-	542,650	542,650	-	-
<b>LESS: STATE FUNDS</b>				-		30,611	-	30,611	30,611	-	-
Total Child Nutrition Cluster						512,039	-	512,039	512,039	*	-
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				\$ 1,684,138		\$ 1,533,760	\$ 132,573	\$ 1,464,154	\$ 1,464,154	\$ 62,967	\$ -

**Source Code Legend:**

(I) Indicates indirect funding  
(S) Indicates State matching funding.

\*Denotes tested as a major program

**Other Code Legend:**

(A) Indicates total commodities received.  
(B) Indicates beginning commodity inventory  
(C) Indicates commodities used.  
(D) Indicates ending commodity inventory

See notes to Schedule of Expenditures of Federal Awards  
which are an integral part of this statement.

MIFFLINBURG AREA SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018

NOTE 1: REPORTING ENTITY

Mifflinburg Area School District (the "District") is the reporting entity for financial reporting purposes as defined in Note 1A to the District's basic financial statements. For purposes of preparing the schedules of expenditures of federal awards, the District's reporting entity is the same that was used for financial reporting.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the District and is presented using the accrual basis of accounting, which is described in Note 1C to the District's basic financial statements. The District did not use the 10% de minimis indirect cost rate.

NOTE 3: RISK-BASED AUDIT APPROACH

The 2018 threshold for determining Type A and Type B programs is \$750,000. The School District had no type A programs.

The following Type B program was audited as major for coverage:

Child Nutrition Cluster

The amount expended under the program audited as a major federal program for the year ended June 30, 2018, totaled \$512,039 or 34.9% of total federal awards expended.

NOTE 4: CLUSTER PROGRAMS

The following CFDA's have been deemed a cluster programs by the Office of Management and Budget, and therefore are treated as one program in determining the major programs to be audited:

Child Nutrition Cluster		Special Education Cluster (IDEA)	
CFDA #	Expenditures	CFDA #	Expenditures
10.553	\$ 63,122	84.027	\$ 359,684
10.555	448,917	84.173	5,355
Total	<u>\$ 512,039</u>	Total	<u>\$ 365,039</u>

NOTE 5: MEDICAL ASSISTANCE

Access reimbursement received under CFDA #93.778, Revenue Code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purpose of the Schedule of Expenditures of Federal Awards.



**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**

**INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
Mifflinburg Area School District  
Mifflinburg, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mifflinburg Area School District (the "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 and have issued our report thereon dated January 16, 2019.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Zelenkofske Axelrod LLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

*Experience. Expertise. Accountability.*

Board of School Directors  
Mifflinburg Area School District

**Purpose of this Report**

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

*Zelenkofske Axelrod LLC*

Zelenkofske Axelrod LLC

Harrisburg, PA  
January 16, 2019



**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE**

**INDEPENDENT AUDITOR'S REPORT**

Board of School Directors  
Mifflinburg Area School District  
Mifflinburg, Pennsylvania

**Report on Compliance for Each Major Federal Program**

We have audited the Mifflinburg Area School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Opinion on Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

**Report on Internal Control Over Compliance**

Management of the 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the District's internal control over compliance.





Board of School Directors  
Mifflinburg Area School District

*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 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.

*Zelenkofske Axlerod LLC*

Zelenkofske Axlerod LLC

Harrisburg, Pennsylvania  
January 16, 2019

MIFFLINBURG AREA 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: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_ yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?  
\_\_\_\_ yes X none reported

Noncompliance material to financial statements noted? \_\_\_\_ yes X no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_ yes X no
- Significant Deficiency(s) identified that are not considered to be material weaknesses?  
\_\_\_\_ yes X none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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10.553/10.555	Child Nutrition Cluster
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes \_\_\_\_ no

MIFFLINBURG AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS

None noted.

MIFFLINBURG AREA SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018

<u>Program</u>	<u>Prior Year Finding</u>	<u>Description</u>	<u>Current Year Status</u>
None noted.			