MIFFLINBURG AREA SCHOOL DISTRICT

MIFFLINBURG, PENNSYLVANIA

FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2017

MIFFLINBURG AREA SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2017

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Zelenkofske Axelrod LLC

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, 2017, 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, 2017, 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.

Harrisburg	***Philadelphia***	***Pittsburgh***	***Greensburg***
830 Sir Thomas Court, Suite 100	*2370 York Road, Suite A-5*	*3800 McKnight E. Drive, Suite 3805*	*210 Tollgate Hill Road*
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717.561.9200 Fax 717.561.9202	*215.918.2277 Fax 215.918.2302*	*412.367.7102 Fax 412.367.7103*	*724.834.2151 Fax 724.834.5969*

Adoption of Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2017 the District adopted the provisions of Governmental Accounting Standards Board's Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", Statement No. 77, "*Tax Abatement Disclosures*", Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*", and certain provisions of Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". 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 statement of revenues, expenditures, and changes in fund balance budget and actual – General Fund, the schedule of funding progress for postemployment benefits other than pensions, 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 54 through 57 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.

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 February 6, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Axelrod LLC

ZELENKOFSKE AXELROD LLC

Harrisburg, Pennsylvania
February 6, 2018

Mifflinburg Area School District Management Discussion and Analysis for the Fiscal Year Ended June 30, 2017

(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, 2017. 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

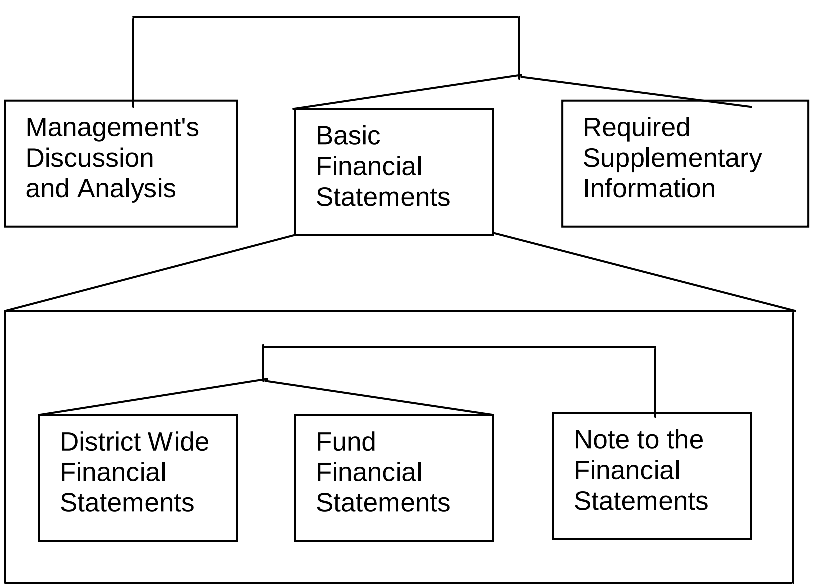

Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances	• Statement of net position • Statement of revenues, expenses, and changes in net position • Statement of cash flows	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ Liability information	All assets and liabilities, both financial and capital, 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* - $30,302,649
- Total General Fund *Expenditures* - $28,785,517
- Total General Fund Balance increased by $1,039,809

ENTERPRISE FUND (Food Service)

- Total Enterprise Fund *Operating Revenues* - $381,235
- Total Enterprise Fund *Operating Expenditures* - $1,033,595
- Total Enterprise Fund *Non-Operating Revenues* - $625,927
- Change in Net Positon – ($47,510)

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

Net Position **-** On June 30, 2017, the District had total net position from governmental activities of $ (26,779,424) (Table 1)

Table 1 summarizes the assets, deferred outflows, liabilities, deferred inflows, and net position of the District at June 30, 2017.

Table 1

Net Position As of June 30, 2017 - (Government-Wide)

	Governmental Activities		**Business-Type Activities**		**Total**	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
Assets						
Current & Other Assets	$9,701,159	$11,282,814	$105,727	$81,386	$9,806,886	$11,364,200
Capital Assets	$29,406,538	$27,933,025	$113,195	$92,414	$29,519,733	$28,025,439
Total Assets	$39,107,697	$39,215,839	$218,922	$173,800	$39,326,619	$39,389,639
Deferred Outflow of Resources	$3,233,781	$8,936,107	$0	$0	$3,233,781	$8,936,107
Liabilities						
Current Liabilities	$3,467,189	$3,805,240	$17,264	$19,652	$3,484,453	$3,824,892
Long-Term Liabilities	$64,268,490	$70,520,130	$0	$0	$64,268,490	$70,520,130
Total Liabilities	$67,735,679	$74,325,370	$17,264	$19,652	$67,752,943	$74,345,022
Deferred Inflow of Resources	$545,000	$606,000	$0	$0	$545,000	$606,000
Net Position						
Net Investment in Capital Assets	$3,866,538	$4,359,914	$113,195	$92,414	$3,979,733	$4,452,328
Restricted	$0	$0	$0	$0	$0	$0
Unrestricted	($29,805,739)	($31,139,338)	$ 88,463	$ 61,734	($29,717,276)	($31,077,604)
Total Net Position	($25,939,201)	($26,779,424)	$201,658	$154,148	($25,737,543)	($26,625,276)

Balance Sheet/Fund Balances **–** Total fund balance of Governmental funds equaled $7,888,972. These balances consist of:

- General Fund **-** fund balance equaled $6,913,633
- Capital Projects – fund balance equaled $975,339

The District has committed $4.05 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, 2017.

Table 2
Changes in Net Position
For the Year Ended June 30, 2017
(Government-wide)

	Governmental Activities		Business-Type Activities		Total	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
Program Revenues:						
Charges for services	$115,361	$124,748	$383,753	$381,235	$499,114	$505,983
Operating grants and contributions	5,965,706	6,879,780	629,790	625,880	6,595,496	7,505,660
General Revenues:						
Property taxes	9,419,931	9,808,513	0	0	9,419,931	9,808,513
Taxes levied for specific purposes	4,711,868	4,849,794	0	0	4,711,868	4,819,794
Grants and entitlements	8,235,500	8,416,919	0	0	8,235,500	8,416,919
Investment earnings	38,884	76,655	43	47	38,927	76,702
Other	270,253	108,714	4,227	0	274,480	108,714
Disposal of Capital Assets/transfers	733,253	23,877	103	(21,077)	733,356	2,800
Total Revenues	$29,490,756	$30,289,000	$1,017,916	$986,085	$30,508,672	$31,275,085
Program Expenses:						
Instruction	$19,117,298	$19,253,056	$0	$0	$19,117,299	$19,253,056
Instructional Student Support	2,651,083	3,272,210	0	0	2,651,083	3,272,210
Admin and Financial Support Svcs.	2,440,575	3,562,310	0	0	2,440,575	3,562,310
Operation and Maintenance	2,595,135	2,534,888	0	0	2,595,135	2,534,888
Pupil Transportation	1,571,411	1,777,733	0	0	1,571,411	1,777,733
Student Activities	571,720	583,658	0	0	571,720	583,658
Community Services	10,161	5,637	0	0	10,161	5,637
Interest and Fiscal Charges	804,599	826,616	0	0	804,599	826,616
Food Service			1,054,833	1,033,595	1,054,833	1,033,595
Total Expenses	$29,761,983	$31,616,108	$1,054,833	$1,033,595	$30,816,816	$32,849,703
Change in Net Position	$-271,227	$-1,527,108	$-36,917	$-47,510	$-308,144	$-1,574,618

Changes in net position. (see Table 2)
The District's total ***revenues*** were $31,275,085 for the year ended June 30, 2017. This reflects an increase of $766,413 from June 30, 2016. Property taxes and other taxes levied for general purposes continue to account for approximately 47% of the district's total revenue. Another 27% or $8,416,919 came from state formula aid, which includes basic education, special education, and transportation subsidies. Approximately 24% or $7,505,660 came from operating grants and contributions, with the remainder or 2% coming from fees charged for services and investment earnings.

The District's total ***expenses*** of all programs and services was $32,849,703. The District's costs related to educating and servicing students were $24,886,657 or 77% of total expenses (Instruction, Instructional Student support, Pupil transportation, Student Activities). Administrative costs accounted for 11% of total expenses or $3,562,310 and operation of the District's facilities accounted for 7% of total expenses or $2,534,888. Finally, food service costs made up 3.0% of total costs or $1,033,595 and all other expenses (including interest on long term debt) accounted for 2% or $832,253.

Total expenses exceeded revenues, decreasing net position by $1,574,618.

"General Fund" Budgetary Variances

- **REVENUES** – Overall, Total General Fund Revenues were greater than projected by $1,364,896
  - Estimated Revenue differed in the following areas:

    Local revenues – Greater than projection by $313k. 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 $966k. The variance was mainly due to no funding for any school district construction reimbursement payments for the 2015-16 school year. Thus, we received *two years* of construction reimbursement in 2016-17. ($317k for 16-17 & $284k for 15-16) In addition, due to the delay of finalizing the Commonwealth Budget, actual subsidy allocations were projected as flat with no increase and based on previous years funding levels. Ultimately, the majority of final subsidy allocations received were greater than projected by $618k

    Federal Revenues – Greater than projection by $73k. The variance was mainly due to an additional $50k Title I affiliated allocation the district was awarded.

    Other Financing Sources – Greater than projected by $23k. The variance was due to the sale of unused surplus district buses and transfers.

EXPENDITURES - Total General Fund Budgeted Expenditures were 29.2 million. The total expenditures were less than budgeted expenditures by approximately 363k. The variance was mainly due to a better than expected Health Insurance expenditures due to our consortium arrangement. Whereby, the district benefited from a one-month "payment holiday".

- Estimated Expenditures differed in the following areas:

  Instructional Expense – Less than projected by $289K

  Support Expense – Less than projected by $35K

  Non-Instruction Expense – Less than projected by $38K

  Other Uses Financing – Less than projected by $24k

FUND BALANCE The District continues to maintain a healthy fund balance for future projected deficit situations. Due to fortune increases in revenue and less than expected expenses, the district increased its overall fund balance by $1mill. General fund balance $6,913,633 at June 30, 2017

The district fund balance is appropriated as follows as of June 30, 2017:

Nonspendable	$40,000
Committed:	
Future Pension Costs	$1,550,000
Future OPEB	$1,400,000
Capital Projects	$1,100,000
Unassigned	$2,823,633

CAPITAL ASSETS

The District has invested $54,912,760 in a broad range of capital assets, including land, school buildings, athletic facilities, library resources, and computer and audio-visual equipment Accumulated depreciation as of June 30, 2017 totaled $26,887,321.

LONG-TERM LIABILITIES

At year-end, the District had $24,805,00 in debt principal outstanding and $1,270,018 of accrued compensated absences and other post-employment benefits (OPEB), an increase of $15k from the previous year.

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 32.57% 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 subsides 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, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current assets:			
Cash and Cash Equivalents	$ 8,288,973	$ 74,504	$ 8,363,477
Restricted Cash	575,339	-	575,339
Investments	448,710	-	448,710
Restricted Investments	400,000	-	400,000
Taxes Receivable, net	386,244	-	386,244
Due from Other Governments	1,100,891	-	1,100,891
Other Receivables	11,408	-	11,408
Internal Balances	31,249	(31,249)	-
Inventories	40,000	38,131	78,131
Total Current Assets	11,282,814	81,386	11,364,200
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation			
Land and Site Improvements	825,409	-	825,409
Buildings and Building Improvements	26,427,386	-	26,427,386
Furniture, Equipment, and Vehicles	680,230	92,414	772,644
Total Noncurrent Assets	27,933,025	92,414	28,025,439
TOTAL ASSETS	39,215,839	173,800	39,389,639
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions	8,334,446	-	8,334,446
Deferred Loss on Refunding	601,661	-	601,661
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,936,107	-	8,936,107
LIABILITIES			
Current Liabilities:			
Accounts Payable	361,998	-	361,998
Current Portion of Long-Term Debt	745,000	-	745,000
Accrued Salaries and Benefits	2,565,902	-	2,565,902
Payroll Deductions and Withholdings	71,067	-	71,067
Accrued Interest Payable	52,642	-	52,642
Unearned Revenue	8,631	19,652	28,283
Total Current Liabilities	3,805,240	19,652	3,824,892
Noncurrent Liabilities:			
Bonds and Notes Payable, net	24,005,111	-	24,005,111
Other Postemployment Benefits Liability	224,677	-	224,677
Net Pension Liability	45,245,000	-	45,245,000
Compensated Absence Liability	1,045,342	-	1,045,342
Total Noncurrent Liabilities	70,520,130	-	70,520,130
TOTAL LIABILITIES	74,325,370	19,652	74,345,022
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts Related to Pensions	606,000	-	606,000
TOTAL DEFERRED INFLOWS OF RESOURCES	606,000	-	606,000
NET POSITION			
Net Investment in Capital Assets	4,359,914	92,414	4,452,328
Unrestricted	(31,139,338)	61,734	(31,077,604)
TOTAL NET POSITION	$ (26,779,424)	$ 154,148	$ (26,625,276)

See Notes to Financial Statements

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Function/Programs	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: GOVERNMENTAL ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION: BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:						
Instruction	$ 19,253,056	$ 12,915	$ 4,480,660	$ (14,759,481)	$ -	$ (14,759,481)
Instructional Student Support	3,272,210	-	303,969	(2,968,241)	-	(2,968,241)
Administrative and Financial Support Services	3,562,310	-	787,494	(2,774,816)	-	(2,774,816)
Operation and Maintenance of Plant Services	2,534,888	33,390	217,577	(2,283,921)	-	(2,283,921)
Pupil Transportation	1,777,733	-	1,042,321	(735,412)	-	(735,412)
Student Activities	583,658	78,443	47,302	(457,913)	-	(457,913)
Community Services	5,637	-	457	(5,180)	-	(5,180)
Interest and Fiscal Charges	826,616	-	-	(826,616)	-	(826,616)
Total Governmental Activities	31,816,108	124,748	6,879,780	(24,811,580)	-	(24,811,580)
Business-type Activities:						
Food service	1,033,595	381,235	625,880	-	(26,480)	(26,480)
Total Business-type Activities	1,033,595	381,235	625,880	-	(26,480)	(26,480)
Total	$ 32,849,703	$ 505,983	$ 7,505,660	(24,811,580)	(26,480)	(24,838,060)
General Revenues:						
Taxes:						
Property taxes, levied for general purposes, net				9,808,513	-	9,808,513
Public utility realty and earned income taxes, levied for general purposes, net				4,849,794	-	4,849,794
Unrestricted Grants, Subsidies, and Contributions				8,416,919	-	8,416,919
Investment Earnings				76,655	47	76,702
Transfers				21,077	(21,077)	-
Miscellaneous Income				108,714	-	108,714
Sale of Capital Assets				2,800	-	2,800
Total General Revenues				23,284,472	(21,030)	23,263,442
Changes in Net Position				(1,527,108)	(47,510)	(1,574,618)
Net Position - Beginning, as restated (See Note 16)				(25,252,316)	201,658	(25,050,658)
Net Position - Ending				$ (26,779,424)	$ 154,148	$ (26,625,276)

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
ASSETS:			
Cash and Cash Equivalents	$ 8,288,973	-	$ 8,288,973
Restricted Cash	-	575,339	575,339
Investments	448,710	-	448,710
Restricted Investments	-	400,000	400,000
Taxes Receivable, net	386,244	-	386,244
Due From Other Governments	1,100,891	-	1,100,891
Due From Other Funds	31,249	-	31,249
Other Receivables	11,408	-	11,408
Inventories	40,000		40,000
Total Assets	$ 10,307,475	$ 975,339	$ 11,282,814
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	361,998	-	$ 361,998
Accrued Salaries and Benefits	2,565,902	-	2,565,902
Payroll Withholdings and Deductions	71,067	-	71,067
Unearned Revenues	8,631	-	8,631
Total Liabilities	3,007,598	-	3,007,598
DEFERRED INFLOWS OF RESOURCES:			
Unavailable Tax Revenue - Property Taxes	386,244	-	386,244
Total Deferred Inflows of Resources	386,244	-	386,244
FUND BALANCES:			
Nonspendable:			
Inventories	40,000	-	40,000
Committed For:			
Future Pension Costs	1,550,000	-	1,550,000
Other Post Employment Benefits	1,400,000	-	1,400,000
Capital Projects	1,100,000	975,339	2,075,339
Unassigned	2,823,633	-	2,823,633
Total Fund Balances	6,913,633	975,339	7,888,972
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 10,307,475	$ 975,339	$ 11,282,814

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, 2017

TOTAL FUND BALANCES, GOVERNMENTAL FUNDS	$ 7,888,972
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 $54,292,589 and the accumulated depreciation is $26,359,564	27,933,025
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	386,244
Deferred inflows and outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred Outflows	8,334,446
Deferred Inflows	(606,000)
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	(24,750,111)
Deferred Loss on Refunding	601,661
Accrued Interest on Bonds and Notes	(52,642)
Compensated Absences	(1,045,342)
Net Pension Liability	(45,245,000)
Other Postemployment Benefits	(224,677)
TOTAL NET POSITION, GOVERNMENTAL ACTIVITIES	$ (26,779,424)

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, 2017

	GENERAL	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUES:			
Local Sources	$ 15,342,889	$ 2,478	$ 15,345,367
State Sources	14,186,758	-	14,186,758
Federal Sources	773,002	-	773,002
Total Revenues	30,302,649	2,478	30,305,127
EXPENDITURES:			
Instruction	17,474,177	-	17,474,177
Support Services	9,221,573	-	9,221,573
Operation of Noninstructional Services	556,453	-	556,453
Facilities Acquisition, Construction and Improvement Services	-	251,913	251,913
Debt Service			
Principal	735,000	-	735,000
Interest	796,314	-	796,314
Other Fees	2,000	-	2,000
Other	-	-	-
Total Expenditures	28,785,517	251,913	29,037,430
DEFICIENCY OF REVENUES OVER EXPENDITURES	1,517,132	(249,435)	1,267,697
OTHER FINANCING SOURCES (USES):			
Transfers In	21,077	500,000	521,077
Transfers Out	(500,000)	-	(500,000)
Sale of Capital Assets	1,600	-	1,600
Total Other Financing Sources/(Uses)	(477,323)	500,000	22,677
NET CHANGE IN FUND BALANCES	1,039,809	250,565	1,290,374
FUND BALANCE, BEGINNING	5,873,824	724,774	6,598,598
FUND BALANCE , ENDING	$ 6,913,633	$ 975,339	$ 7,888,972

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, 2017

NET CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS	$	1,290,374
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		149,820
Depreciation		(1,623,333)
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		(38,803)
Repayment of the principal of long-term obligations consumes the current financial resources of governmental funds		
Bond principal payments		735,000
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		(2,482)
Deferred loss on refundings, net		(27,853)
Change in accrued interest on bonds and notes payable		2,033
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		
Increase in compensated absences		(709,922)
Increase in other postemployment benefits		(37,607)
Increase in pension expense		(1,264,335)
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	(1,527,108)

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
JUNE 30, 2017

		FOOD SERVICE
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$	74,504
Inventories		38,131
Total Current Assets		112,635
Noncurrent Assets:		
Furniture and Equipment, net		92,414
TOTAL ASSETS	$	205,049
LIABILITIES:		
Current Liabilities:		
Unearned Revenues	$	19,652
Due to Other Funds		31,249
Total Current Liabilities		50,901
Total Liabilities		50,901
NET POSITION:		
Net Investment in Capital Assets		92,414
Unrestricted		61,734
Total Net Position		154,148
TOTAL NET POSITION AND LIABILITIES	$	205,049

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, 2017

	FOOD SERVICE
OPERATING REVENUES:	
Food Service Revenue	$ 381,235
Total Operating Revenues	381,235
OPERATING EXPENSES:	
Salaries	362,190
Employee Benefits	171,151
Purchased Professional and Technical Service	5,581
Food and Supplies Consumed	472,744
Equipment and Depreciation	20,781
Other Expenses	1,148
Total Operating Expenses	1,033,595
OPERATING (LOSS)/INCOME	(652,360)
NONOPERATING REVENUES:	
Earnings on Investments	47
State Sources	99,854
Federal Sources	526,026
Total Nonoperating Revenues	625,927
LOSS BEFORE TRANSFERS	(26,433)
TRANSFER OUT	(21,077)
TOTAL TRANSFERS	(21,077)
CHANGE IN NET POSITION	(47,510)
NET POSITION, Beginning of year	201,658
NET POSITION, End of year	$ 154,148

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017

		FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Users	$	383,623
Cash Payments to Employees for Services		(492,424)
Cash Payments to Suppliers for Goods and Services		(484,694)
Cash Payments for Other Operating Expenses		(1,148)
Net Cash Used by Operating Activities		(594,643)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating Transfers Out		(21,077)
Federal Subsidies		526,026
State Subsidies		99,854
Net Cash Provided by Noncapital Financing Activities		604,803
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:		
Earnings on Investments		47
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		10,207
CASH AND CASH EQUIVALENTS, BEGINNING		64,297
CASH AND CASH EQUIVALENTS, ENDING	$	74,504
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Donated Commodities	$	79,693
RECONCILIATION OF OPERATING (LOSS)/INCOME TO NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$	(652,360)
Adjustment to reconcile operating (loss)/income to net cash (used in)/provided by operating activities:		
Depreciation		20,781
Increase or Decrease in Assets and Liabilities		
Receivables		-
Inventories		(6,369)
Accounts Payable		-
Accrued Salaries and Benefits		-
Due From Other Funds		9,668
Due To Other funds		31,249
Compensated Absences		-
Unearned Revenue		2,388
Total Adjustments		57,717
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	$	(594,643)

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017

	PRIVATE PURPOSE TRUST FUND	AGENCY FUND
ASSETS		
Cash and Cash Equivalents	$ 181,226	$ 197,656
Investments	114,359	-
Total Assets	$ 295,585	$ 197,656
LIABILITIES AND NET POSITION		
LIABILITIES:		
Due to Student Groups		$ 197,656
NET POSITION:		
Restricted for Student Scholarships	$ 295,585	

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	PRIVATE PURPOSE TRUST FUND
ADDITIONS:	
Contributions	$ 26,792
Change in Market Value	1,872
Earnings on Investment	7,159
Total additions	35,823
DEDUCTIONS:	
Scholarships Awarded	29,699
Other Deductions	1,245
Total Deductions	30,944
INCREASE IN NET POSITION	4,879
NET POSITION, BEGINNING, as restated (see Note 16)	290,706
NET POSITION, ENDING	$ 295,585

See Notes to Financial Statements

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, 2017 for the SUN ATI are available at its business office.

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.

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.

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.

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.

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. 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 estimated fair value at the date of donation.

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.

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:

Description	Estimated Useful Lives
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.

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.

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.

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 three items that qualify for reporting in these categories: deferred outflows and inflows related to pensions, deferred loss on refunding and unavailable tax revenue.

Deferred outflows and inflows of resources related to pensions are described further in Note 10. 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 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. Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School 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.

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. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 77, "*Tax Abatement Disclosures*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*". The adoption of this statement had no effect on previously reported amounts.

The District adopted the provisions of GASB Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*". 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.

I. Pending Changes in Accounting Principles

In June 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".* The District is required to adopt Statement No. 75 for its fiscal year 2018 financial statements.

In March 2016, the GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreements*". The District is required to adopt Statement No. 81 for its fiscal year 2018 financial statements.

In March 2016, the GASB issued Statement No. 82, "*Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*". The District is required to adopt certain provisions of Statement No. 82 for its fiscal year 2017 and 2018 financial statements.

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 March 2017, the GASB issued Statement No. 85, "*Omnibus 2017*". The District is required to adopt the provisions of Statement No. 85 for its fiscal year 2018 financial statements.

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

I. Pending Changes in Accounting Principles (Continued)

In May 2017, the GASB issued Statement No. 86, "*Certain Debt Extinguishment Issues*". The District is required to adopt the provisions of Statement No. 86 for its fiscal year 2018 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.

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, 2017, the District's cash balances for its governmental activities, business-type activities and fiduciary funds were $9,317,698 and its bank balances were $9,741,355. Of these bank balances, $7,777,831 were exposed to custodial credit risk and they were collateralized by the pledging of pooled assets held by the pledging financial institutions and uninsured.

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

At June 30, 2017, 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 $1,421,066 and the Pennsylvania Local Government Investment Trust ("PLGIT") of $161,412. 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.

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.

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.

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

Investments– District investments consists of negotiable certificates of deposit held in the General Fund, investment pool deposits held in the General 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, 2017 the District's investment in the publically traded equities is valued at $114,359 using quoted market prices (Level 1 inputs) and the negotiable certificates of deposit are valued at $448,710 using quoted market prices (Level 1 inputs). Investments in the investment pool of $400,000 are valued at the net asset value (NAV).

NOTE 3: DEPOSIT AND INVESTMENT RISK (CONTINUED)

As of June 30, 2017 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturity Less than 1 Year
Certificates of Deposit	$ 448,710	$ 448,710
Investment Pool	400,000	400,000
Total	$ 848,710	$ 848,710

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, 2017 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

<u>Restricted Cash and Investments</u>

Cash and investments restricted for future capital projects	$975,339

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 2016-2017 year the tax rate was 11.75 mills levied upon assessed valuations provided by Union County of approximately $877,977,150. 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, 2017 were $473,628.

NOTE 5: TAXES ASSESSED (CONTINUED)

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.

NOTE 6: DUE FROM OTHER GOVERNMENTS

The following table summarizes the amounts due from other governments at June 30, 2017 as related to the District's governmental activities and business-type activities:

Governmental Activities:	
Commonwealth of Pennsylvania	
Local Sources	$ 134,697
State Sources	831,368
Federal Sources	134,826
Total	$ 1,100,891

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, 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 know 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.

NOTE 7: CAPITAL ASSETS (CONTINUED)

A summary of Capital Asset transactions for the year ended June 30, 2017 is as follows:

GOVERNMENTAL ACTIVITIES	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Land and Site Improvements	$ 2,056,752	$ -	$ -	$ 2,056,752
Building and Building Improvements	45,245,403	1,150,798	-	46,396,201
Construction in Progress	1,055,317	-	(1,055,317)	-
Furniture, Equipment, and Vehicles	5,785,297	54,339	-	5,839,636
Total at Cost	54,142,769	1,205,137	(1,055,317)	54,292,589
Land and Site Improvements	(1,186,303)	(45,040)	-	(1,231,343)
Building and Building Improvements	(18,453,824)	(1,514,991)	-	(19,968,815)
Furniture, Equipment, and Vehicles	(5,096,104)	(63,302)	-	(5,159,406)
Total Accumulated Depreciation	(24,736,231)	(1,623,333)	-	(26,359,564)
Governmental Activities Capital Assets, Net	$ 29,406,538	$ (418,196)	$ (1,055,317)	$ 27,933,025

BUSINESS-TYPE ACTIVITIES	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Furniture and Equipment	$ 620,171	$ -	$ -	$ 620,171
Less: Accumulated Deprection	(506,976)	(20,781)	-	(527,757)
Business-Type Activities Capital Assets, Net	$ 113,195	$ (20,781)	$ -	$ 92,414

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

Government Activities:	
Instruction	$ 1,031,351
Instructional Student Support	182,367
Administrative and Financial Support Service	128,071
Operation and Maintenance of Plan Service	149,624
Pupil Transportation	99,078
Student Activities	32,528
Community Services	314
Total Depreciation Expense	$ 1,623,333

NOTE 8: LONG TERM OBLIGATIONS

As of June 30, 2017, the District's long-term debt consisted of the following:

	* Restated Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 25,540,000	$ -	$ (735,000)	$ 24,805,000	$ 745,000
Less: Bond Premium/(Discount) *	(57,371)	-	2,482	(54,889)	-
Compensated Absences	335,420	755,702	(45,780)	1,045,342	-
Other Post Employment Benefits	187,070	385,597	(347,990)	224,677	-
Total Long Term Obligations	$ 26,005,119	$ 1,141,299	$ (1,126,288)	$ 26,020,130	$ 745,000

* See Note 16 for a description of the effect of amortizing bond premium on previously reported net position amounts.

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

Issue	Amount of Original Issue	Purpose	Amounts Outstanding
Series of 2010	$ 20,590,000	In 2010, the District issued General Obligation Bonds Series of 2010 for the purpose of (1) constructing additions and renovations to the Mifflinburg High School, (2) make capital improvements to or acquire other District facilities, (3) currently refund the General Obligation Note of 2009, and (4) paying issuance costs and expenses of issuing the bonds. The bonds mature serially through 6/15/18 with interest rates of 0.75% to 4.50%.	$ 170,000
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%.	4,710,000
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%.	9,955,000
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%.	9,970,000
Total			$ 24,805,000

NOTE 8: LONG TERM OBLIGATIONS (CONTINUED)

The following summarized the District's estimated future debt service requirements on these bonds and notes as of June 30, 2017:

	Principal	Interest	Total
2018	$ 745,000	$ 780,311	$ 1,525,311
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
2023-2027	4,385,000	3,269,342	7,654,342
2028-2032	5,530,000	2,595,475	8,125,475
2033-3037	6,490,000	1,646,939	8,136,939
2038-2040	4,505,000	364,700	4,869,700
	$ 24,805,000	$ 11,615,455	$ 36,420,455

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. 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, 2017, 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).

NOTE 9: COMPENSATED ABSENCES (CONTINUED)

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.

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.

NOTE 10: PENSION BENEFITS (CONTINUED)

General Information about the Pension Plan (Continued)

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.

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.

NOTE 10: PENSION BENEFITS (CONTINUED)

Contributions

Employer Contributions:

The contribution policy is set by the Code. The District's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% 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 $3,481,271 for the year ended June 30, 2017

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.

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, 2017, the District reported a liability of $45,245,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 to June 30, 2016. 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, 2016, the District's proportion was 0.0913 percent, which was an increase of 0.0014 from its proportion measured as of June 30, 2015.

NOTE 10: PENSION BENEFITS (CONTINUED)

For the fiscal year ended June 30, 2017, the District recognized pension expense of $4,706,000. At June 30, 2017, 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	$ 2,522,000	$ -
Changes in assumptions	1,633,000	-
Changes in proportion	642,000	229,000
Difference between expected and actual experience	-	377,000
Difference between employer contributions And proportionate share of contributions	56,175	-
Contributions subsequent to the measurement date	3,481,271	-
Total	$ 8,334,446	$ 606,000

$3.481 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, 2017. 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:	
2017	$ 862,472
2018	862,470
2019	1,440,192
2020	1,082,041

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 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 adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.0% to 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

NOTE 10: PENSION BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to 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. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to 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, 2016 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	(14.0%)	0.5%
	100.0%	

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, 2016.

NOTE 10: PENSION BENEFITS (CONTINUED)

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	$ 55,347	$ 45,245	$ 36,757

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.

At June 30, 2017, the District reported a payable of $965,080 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN

A. Plan Description

The District provides postretirement healthcare benefits for teachers and certain others who retire under the qualifications of the Pennsylvania School Employee’s Retirement System. Other postemployment benefits provided by the District include a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees and their spouses through the District’s group health insurance plan, which covers both active and retired members. Benefit provisions are based on bargaining agreements are negotiated from time to time. The plan is unfunded and no financial report is prepared.

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

B. Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the School Board. The plan is funded on a pay-as-you-go basis, i.e., premiums are paid annually to fund the health care benefits provided to current retirees. The District will contribute for the purpose of providing healthcare for teachers and administrators as follows:

Retire after July 1, 2007 but before July 1, 2011	35 Years of PSERS 15 Years District	District will contribute $10,000 a year for six years into an HRA for the purpose of providing healthcare.
Retire after July 1, 2011 but before July 1, 2014	25 Years of PSERS 15 Years District	If the member reaches 35 years of PSERS service and 15 years of service with the district, district will contribute $10,000 a year for five years into an HRA for the purpose of providing healthcare. If the member reaches 25 years of PSERS service and 15 years of service with the district, district will contribute $10,000 a year for three years into an HRA for the purpose of providing healthcare.
Retire after July 1, 2014	35 Years PSERS 15 Years District	District will contribute $10,000 a year for five years into an HRA for the purpose of providing healthcare.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

The following show the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	Governmental Activities
Annual required contribution (ARC)	$ 388,664
Interest on net OPEB obligation	8,418
Adjustment to ARC	(11,485)
Annual OPEB costs (expense)	385,597
Contributions made (Estimated)	(347,990)
Increase in net OPEB obligation	37,607
Net OPEB obligation - beginning of year	187,070
Net OPEB obligation - end of year	$ 224,677

The District's annual OPEB cost (estimated), the percentage of annual OPEB cost contributed to the plan (estimated), and the net OPEB obligation for June 30, 2017, 2016, and 2015 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net Obligation
June 30, 2017	$385,597	90%	$ 224,677
June 30, 2016	$353,404	83%	$ 187,070
June 30, 2015	$351,719	115%	$ 128,294

D. Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $3,557,991, and there were no assets, resulting in an unfunded actuarial accrued liability (UAAL) of $3,557,991. The actuarial value of assets as a percentage of the actuarial accrued liability was 0%. The covered payroll was $10,328,606, and the ratio of the UAAL to the covered payroll was 34.4%.

NOTE 11: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

D. Funded Status and Funding Progress (Continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Actuarial Methods and Assumptions

The calculations are based on the types of benefits provided under the terms of the District’s Retirement Benefits plan at the time of the valuation. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the efforts of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation, the Entry Age Normal Method was used. Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

The actuarial assumptions included a 4.5% investment rate of return, which is the expected rate to be earned on the District’s deposits and investments, and an annual healthcare cost trend rate of 6.5% initially, reduced by .5% to a rate of 6.0% in 2017 and 5.5% in 2018 through 2020. The rates decrease from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized as a level percentage of payroll over a thirty year period on an open basis.

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, 2017 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, 2017 are as follows:

	Interfund Receivable	Interfund Payable	Transfers In	Transfers Out
General Fund	$ 31,249	$ -	$ 21,077	$ 500,000
Capital Projects Fund	-	-	500,000	-
Food Service Fund	-	31,249	-	21,077
Total	$ 31,249	$ 31,249	$ 521,077	$ 521,077

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.

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:

2018	$ 21,257
2019	21,257
2020	21,257
2021	5,316
Total	$ 69,087

The rental expense for these leases at June 30, 2017 was $21,257.

NOTE 16: RESTATEMENT OF NET POSITION

The following restatement was necessary to reflect (1) the addition of trust funds, (2) the addition of bond premiums, discounts, and deferred loss on refunding, amounts of which are deferred and amortized into the statement of activities.

	Governmental Activities	Private Purpose Trust
Net Position, beginning of year as previously stated	$(25,939,201)	$ 160,662
Understatement due to additional trusts included in fund	-	130,044
Overstatement due to debt adjustments	686,885	-
Net Position, beginning of year as restated	$(25,252,316)	$ 290,706

REQUIRED SUPPLEMENTAL INFORMATION

MIFFLINBURG AREA SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	ORIGINAL	FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
REVENUES:				
Local Sources	$ 15,017,762	$ 15,017,762	$ 15,342,889	$ 325,127
State Sources	13,219,991	13,219,991	14,186,758	966,767
Federal Sources	700,000	700,000	773,002	73,002
Total Revenues	28,937,753	28,937,753	30,302,649	1,364,896
EXPENDITURES:				
Instruction:				
Regular Programs	13,297,587	12,888,191	12,876,976	11,215
Special Programs	3,133,391	3,283,391	3,135,286	148,105
Vocational Educational Programs	1,402,373	1,422,373	1,351,690	70,683
Other Instructional Programs	318,110	165,510	106,708	58,802
Pre-Kindergarden Programs	2,753	3,553	3,517	36
Total Instruction	18,154,214	17,763,018	17,474,177	288,841
Support services:				
Pupil Personnel	987,018	885,818	963,613	(77,795)
Instructional Staff	1,437,221	1,890,121	1,890,114	7
Administration	1,754,826	1,789,125	1,787,972	1,153
Pupil Health	222,815	236,116	236,116	-
Business	357,824	369,024	364,156	4,868
Operation and Maintenance of Plant Services	2,635,068	2,387,268	2,283,171	104,097
Student Transportation Services	1,735,086	1,679,086	1,678,655	431
Central and Other Support Services	3,300	19,800	17,776	2,024
Total Support Services	9,133,158	9,256,358	9,221,573	34,785
Operation of Noninstructional Services:				
Student Activities	596,216	588,912	551,130	37,782
Community Services	6,000	6,000	5,323	677
Total Operation of Noninstructional Services	602,216	594,912	556,453	38,459
Debt Service	1,532,313	1,533,413	1,533,314	99
Total Expenditures	29,421,901	29,147,701	28,785,517	362,184
EXCESS OF REVENUES OVER EXPENDITURES	(484,148)	(209,948)	1,517,132	1,727,080
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	21,077	21,077
Transfers Out	(200,000)	(476,200)	(500,000)	(23,800)
Sale of Capital Assets	-	-	1,600	1,600
Total Other Financing Sources/(Uses)	(200,000)	(476,200)	(477,323)	(1,123)
NET CHANGE IN FUND BALANCE	$ (684,148)	$ (686,148)	$ 1,039,809	$ 1,725,957

See Notes to Financial Statements

MIFFLINBURG AREA SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	$ -	$ 3,032,664	$ 3,032,664	0.0%	$ 9,991,039	30.4%
1/1/2014	$ -	$ 3,040,759	$ 3,040,759	0.0%	$ 10,117,234	30.1%
7/1/2016	$ -	$ 3,557,991	$ 3,557,991	0.0%	$ 10,328,606	34.4%

Mifflingburg Area School District

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

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

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

Mifflinburg Area School District

Schedule of District Contributions - Last 10 Years

Fiscal Year End	2014	2015	2016	2017
Contractually required contribution	$ 1,854,279	$ 2,309,330	$ 2,959,096	$ 3,481,271
Contributions in relation to the contractually required contribution	1,854,279	2,309,330	2,959,096	3,481,271
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered - employee payroll	11,589,244	11,564,315	11,821,224	12,168,831
Contributions as a percentage of covered - employee payroll	16%	20%	25%	29%

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

OTHER SUPPLEMENTAL INFORMATION

MIFFLINBURG AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

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, 2016	Revenue Recognized	Expenditures	Accrued Or (Deferred) Revenue June 30, 2017	Subrecipient Expenditures
U.S. DEPARTMENT OF EDUCATION											
Passed Through State Department of Education:											
NCLB Title I	**(I)**	84.010	013-160252	$ 507,923	7/1/15 - 9/30/16	$ 170,842	$ 87,436	$ 83,406	$ 83,406	$ -	$ -
NCLB Title I	**(I)**	84.010	013-170252	491,148	7/1/16 - 9/30/17	395,564	-	491,148	491,148	95,584	
NCLB Title I	**(I)**	84.010	077-160252	50,000	8/29/16 - 9/30/17	39,286	-	30,655	30,655	(8,631)	
Total NCLB Title I						605,692	87,436	605,209	605,209	86,953	-
NCLB Title II Part A Improving Teacher Quality	**(I)**	84.367	020-160227	148,298	7/1/15 - 9/30/16	49,275	49,275	-	-	-	-
NCLB Title II Part A Improving Teacher Quality	**(I)**	84.367	020-170252	145,919	7/1/15 - 9/30/17	107,171	-	145,919	145,919	38,748	-
Total NCLB Title II Part A Improving Teacher Quality						156,446	49,275	145,919	145,919	38,748	
Total State Department of Education				1,343,288		762,138	136,711	751,128	751,128	125,701	-
Passed Through Intermediate Units											
Special Education-Grants to States:											
CENTRAL SUSQUEHANNA INTERMEDIATE UNIT											
IDEA B	**(I)**	84.027	062-170016	327,603	7/1/16 - 6/30/17	327,603	327,603	327,603	327,603	(327,603)	-
IDEA 619	**(I)**	84.173	131-150016	4,098	7/1/15 - 6/30/16	4,098	4,098	-	-		
IDEA 619	**(I)**	84.173	131-170016	6,872	7/1/16 - 6/30/17	-	-	6,872	6,872	6,872	-
Total Special Education Cluster				338,573		331,701	331,701	334,475	334,475	(320,731)	-
Title III	**(I)**	84.365	N/A	2,464	7/1/16 - 6/30/17	2,464	-	2,464	2,464	-	-
TOTAL DEPARTMENT OF EDUCATION				1,684,325		1,096,303	468,412	1,088,067	1,088,067	(195,030)	-
U.S. DEPARTMENT OF AGRICULTURE											
Passed Through State Department of Education:											
National School Lunch	**(I)**	10.555	362	N/A	7/1/16- 6/30/17	380,469	-	380,469	380,469	-	-
National School Lunch	**(S)**	N/A	N/A	N/A	7/1/16- 6/30/18	27,086	-	27,086	27,086	-	-
School Breakfast	**(I)**	10.553	365	N/A	7/1/16- 6/30/19	65,864	-	65,864	65,864	-	-
School Breakfast	**(S)**	N/A	N/A	N/A	7/1/16- 6/30/20	4,970	-	4,970	4,970	-	-
Total State Department of Education						478,389	-	478,389	478,389	-	-
PASSED THROUGH STATE DEPARTMENT OF AGRICULTURE:											
National School Lunch Program	**(I)**	10.555	N/A	N/A	7/1/156- 6/30/17	(A) 79,693	(B) -	79,693	(C) 79,693	(D) -	-
TOTAL DEPARTMENT OF AGRICULTURE						558,082	-	558,082	558,082	-	-
LESS: STATE FUNDS						32,056	-	32,056	32,056	-	-
Total Child Nutrition Cluster						526,026	-	526,026	526,026	-	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				$ 1,684,325		$ 1,622,329	$ 468,412	$ 1,614,093	$ 1,614,093	$ (195,030)	-

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.

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 2017 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, 2017, totaled $526,026 or 32.5% of total federal awards expended.

NOTE 4: CLUSTER PROGRAMS

The following CFDAs 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	$	65,864	84.027	$	327,603
10.555		460,162	84.173		6,872
Total	$	526,026	Total	$	334,475

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.

Zelenkofske Axelrod LLC

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

Board of 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report theron dated February 6, 2018.

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.

Harrisburg	*Philadelphia*	*Pittsburgh*	*Greensburg*
830 Sir Thomas Court, Suite 100	*2370 York Road, Suite A-5*	*3800 McKnight E. Drive, Suite 3805*	*210 Tollgate Hill Road*
Harrisburg, PA 17109	*Jamison, PA 18929*	*Pittsburgh, PA 15237*	*Greensburg, PA 15601*
717.561.9200 Fax 717.561.9202	*215.918.2277 Fax 215.918.2302*	*412.367.7102 Fax 412.367.7103*	*724.834.2151 Fax 724.834.5969*

Zelenkofske Axelrod LLC

Board of School Directors
Mifflinburg Area School District

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*.

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
February 6, 2018

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

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, 2017. 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, 2017.

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.

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Zelenkofske Axelrod LLC

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 Axelrod LLC

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Harrisburg, Pennsylvania
February 6, 2018

MIFFLINBURG AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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:

CFDA Number(s)	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? __X__ yes ___ no

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2017-001 Expenditure Approval

None noted.

SECTION III – FEDERAL AWARD FINDINGS

None noted.

MIFFLINBURG AREA SCHOOL DISTRICT
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

Program	Prior Year Finding	Description	Current Year Status
None noted.			