

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT
For the year ended June 30, 2016

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
For The Year Ended June 30, 2016

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MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
For The Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To The Members of the Board of Directors
of the 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, Mifflinburg, Pennsylvania as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Mifflinburg Area School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mifflinburg Area School District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages MD&A-1 through MD&A-7 and the budgetary comparison information, the schedule of funding progress for postemployment benefits other than pensions, schedule of the district's proportionate share of the net pension liability, and schedule of district contributions on pages 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards and certain state grants 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 statement 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 and certain state grants 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 a report dated February 2, 2017 on our consideration of the Mifflinburg Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mifflinburg Area School District's internal control over financial reporting and compliance.

Forgett & Kerstetter, P.C.

FORGETT & KERSTETTER, P.C.
Selinsgrove, Pennsylvania
February 2, 2017

REQUIRED SUPPLEMENTARY INFORMATION

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)**

Mifflinburg Area School District Management Discussion and Analysis for the Fiscal Year Ended June 30, 2016 (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, 2016. The purpose of the MD&A is to provide reader friendly insight into management's analysis of the audit. This MD&A looks at the District's financial performance as a whole, although readers should review the independent Auditor's transmittal letter and 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
- ◆ Statement of Revenues, Expenditures and Changes in Fund equity – Budget vs. Actual – General Fund

Figure A-1

Organization of Mifflinburg Area School District Annual Financial Report

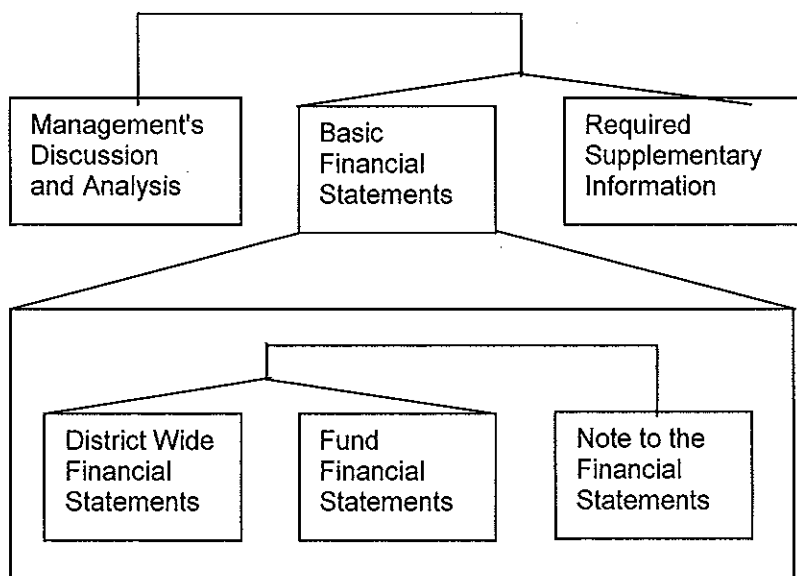


Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

Figure A-2
Major Features of the District-Wide and Fund Financial Statements

| | District-wide Statements | Fund Financial Statements | | |
|--|--|---|--|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire district (except, fiduciary funds) | The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance | Activities the district operates similar to private businesses: food services | Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies |
| Required financial statements | <ul style="list-style-type: none"> Statement of net position Statement of activities | <ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances | <ul style="list-style-type: none"> Statement of net position Statement of cash flows | <ul style="list-style-type: none"> 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, current and non-current liabilities, 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* - \$28,848,246
- Total General Fund *Expenditures* - \$28,520,995
- Total General Fund Balance increased by \$327,251

ENTERPRISE FUND (Food Service)

- Total Enterprise Fund *Operating Revenues* - \$387,980
- Total Enterprise Fund *Operating Expenditures* - \$1,054,833
- Total Enterprise Fund *Non-Operating Expenditures* - \$629,936
- Change in Net Position - (\$36,917)

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

Net Position - On June 30, 2016, the District had total net position from governmental activities of \$ (25,939,201) (Table 1)

Table 1 summarizes the assets, liabilities, and net position of the District at June 30, 2016.

Table 1
Net Position As of June 30, 2016 - (Government-Wide)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|----------------------------|-----------------------|-----------------------------|------------------|-----------------------|-----------------------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Assets | | | | | | |
| Current & Other Assets | \$9,850,195 | \$9,701,159 | \$118,183 | \$105,727 | \$9,968,378 | \$9,806,886 |
| Capital Assets | <u>\$29,429,208</u> | <u>\$29,406,538</u> | <u>\$136,271</u> | <u>\$113,195</u> | <u>\$29,565,479</u> | <u>\$29,519,733</u> |
| Total Assets | <u>\$39,279,403</u> | <u>\$39,107,697</u> | <u>\$254,454</u> | <u>\$218,922</u> | <u>\$39,533,857</u> | <u>\$39,326,619</u> |
| Deferred Outflow of Resources | <u>\$2,651,609</u> | <u>\$3,233,781</u> | <u>\$0</u> | <u>\$0</u> | <u>\$2,651,609</u> | <u>\$3,233,781</u> |
| Liabilities | | | | | | |
| Current Liabilities | \$3,073,955 | \$3,467,189 | \$15,879 | \$17,264 | \$3,089,834 | \$3,484,453 |
| Long-Term Liabilities | <u>\$61,956,031</u> | <u>\$64,268,490</u> | <u>\$0</u> | <u>\$0</u> | <u>\$61,956,031</u> | <u>\$64,268,490</u> |
| Total Liabilities | <u>\$65,029,986</u> | <u>\$67,735,679</u> | <u>\$15,879</u> | <u>\$17,264</u> | <u>\$65,045,865</u> | <u>\$67,752,943</u> |
| Deferred Inflow of Resources | <u>\$2,569,000</u> | <u>\$545,000</u> | <u>\$0</u> | <u>\$0</u> | <u>\$2,569,000</u> | <u>\$545,000</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | \$3,439,208 | \$3,866,538 | \$136,271 | \$113,195 | \$3,575,479 | \$3,979,733 |
| Restricted | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Unrestricted | <u>(\$29,107,182)</u> | <u>(\$29,805,739)</u> | <u>\$102,304</u> | <u>\$ 88,463</u> | <u>(\$29,004,878)</u> | <u>(\$29,717,276)</u> |
| Total Net Position | <u>(\$25,667,974)</u> | <u>(\$25,939,201)</u> | <u>\$238,575</u> | <u>\$201,658</u> | <u>(\$25,429,399)</u> | <u>(\$25,737,543)</u> |

Balance Sheet/Fund Balances – Total fund equity of Governmental funds equaled \$6,598,598. These balances consist of:

- ◆ General Fund - fund equity equaled \$5,873,824
- ◆ Capital Projects – fund equity equaled \$724,774

The District has designated \$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, 2016.

Table 2
Changes in Net Position
For the Year Ended June 30, 2016
(Government-wide)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|------------------------------------|-------------------|-------------------------------------|------------------|-------------------|-------------------|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Program Revenues: | | | | | | |
| Charges for services | 127,544 | 115,361 | 360,436 | 383,753 | 487,980 | 499,114 |
| Operating grants and contributions | 6,460,636 | 5,965,706 | 580,520 | 629,790 | 7,041,156 | 6,595,496 |
| Capital grants and contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | 0 | 0 |
| | | | | | 0 | 0 |
| General Revenues: | | | | | | |
| Property taxes | 9,149,449 | 9,419,931 | | | 9,149,449 | 9,419,931 |
| Taxes levied for specific purposes | 4,601,893 | 4,711,868 | | | 4,601,893 | 4,711,868 |
| Grants and entitlements | 8,095,227 | 8,235,500 | | | 8,095,227 | 8,235,500 |
| Investment earnings | 33,999 | 38,884 | 54 | 43 | 34,053 | 38,927 |
| Other | 108,063 | 270,253 | 4,302 | 4,227 | 112,365 | 274,480 |
| Disposal of Capital Assets/transfers | -8,060 | 733,253 | 8060 | 103 | 0 | 733,356 |
| Total Revenues | 28,568,751 | 29,490,756 | 953,372 | 1,017,916 | 29,522,123 | 30,508,672 |
| Program Expenses: | | | | | | |
| Instruction | 17,973,126 | 19,117,298 | | | 17,973,126 | 19,117,298 |
| Instructional Student Support | 2,650,604 | 2,651,083 | | | 2,650,604 | 2,651,083 |
| Admin and Financial Support Svcs. | 3,015,816 | 2,440,575 | | | 3,015,816 | 2,440,575 |
| Operation and Maintenance | 2,381,652 | 2,595,135 | | | 2,381,652 | 2,595,135 |
| Pupil Transportation | 1,758,047 | 1,571,411 | | | 1,758,047 | 1,571,411 |
| Student Activities | 536,598 | 571,720 | | | 536,598 | 571,720 |
| Community Services | 11,818 | 10,161 | | | 11,818 | 10,161 |
| Facilities Improvements | 0 | 0 | | | 0 | 0 |
| Refund of Prior Year Receipts | 0 | 0 | | | 0 | 0 |
| Interest and Fiscal Charges | 1,469,903 | 804,599 | | | 1,469,903 | 804,599 |
| Food Service | | | 1,011,642 | 1,054,833 | 1,011,642 | 1,054,833 |
| Total Expenses | 29,797,564 | 29,761,983 | 1,011,642 | 1,054,833 | 30,809,206 | 30,816,815 |
| Change in Net Position | -1,228,813 | -271,227 | -58,270 | -36,917 | -1,287,083 | -308,144 |

General Fund Budgetary Variances

♦ **REVENUES** – Overall, Total General Fund Revenues were greater than projected by \$763,349

- Estimated Revenue differed in the following areas:

Local revenues – Greater than projection by \$417k. The variance was due to better than expected current year earned income tax collection and delinquent tax collection.

State Revenues – Less than projection by \$78k. The variance was mainly due to PDE not funding any school district construction reimbursement payments for the 2015-16 school year.

Federal Revenues – Greater than projection by \$100k. The variance was mainly due to a slight increase in Medical Assistance reimbursement and some additional Title I funding.

Other Financing Sources – Greater than projected by \$167k. The variance was due to the sale of unused surplus district buses plus the sale of an unoccupied former elementary school.

EXPENDITURES - Total General Fund Expenditures were 28.5 million. The total expenditures exceeded budgeted expenditures by approximately 250k. The increase was mainly due to an unbudgeted expense to our affiliated Career and Technical school for capital and maintenance projects.

- Estimated Expenditures differed in the following areas:

Instructional Expense – Less than projected by \$466K

Support Expense – Greater than projected by \$198K

Non-Instruction Expense – Greater than projected by \$28K

Other Financing – Less than projected by \$11k

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 30.03% and is projected to increase to over 34% in just the next few years.

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

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.

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
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF NET POSITION

June 30, 2016

| ASSETS | GOVERNMENTAL | BUSINESS-TYPE | |
|--|------------------------|----------------------|------------------------|
| | ACTIVITIES | ACTIVITIES | TOTAL |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 7,253,386 | \$ 64,297 | \$ 7,317,683 |
| Investments | 1,099,000 | 0 | 1,099,000 |
| Taxes Receivable, Net | 425,047 | 0 | 425,047 |
| Due From Other Governments | 883,726 | 0 | 883,726 |
| Other Receivables | 9,668 | 0 | 9,668 |
| Internal Balances | (9,668) | 9,668 | 0 |
| Inventories | 40,000 | 31,762 | 71,762 |
| Total Current Assets | 9,701,159 | 105,727 | 9,806,886 |
| Noncurrent Assets | | | |
| Capital Assets, Net of Accumulated Depreciation | | | |
| Land and Site Improvements | 870,449 | 0 | 870,449 |
| Building and Building Improvements | 26,791,579 | 0 | 26,791,579 |
| Construction in Progress | 1,055,317 | 0 | 1,055,317 |
| Furniture and Equipment | 689,193 | 113,195 | 802,388 |
| Total Noncurrent Assets | 29,406,538 | 113,195 | 29,519,733 |
| TOTAL ASSETS | 39,107,697 | 218,922 | 39,326,619 |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Deferred Amounts Related to Pensions | 3,233,781 | 0 | 3,233,781 |
| TOTAL DEFERRED OUTFLOW OF RESOURCES | 3,233,781 | 0 | 3,233,781 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Accounts Payable | 154,849 | 0 | 154,849 |
| Current Portion of Long-Term Debt | 735,000 | 0 | 735,000 |
| Accrued Salaries and Benefits | 2,459,984 | 0 | 2,459,984 |
| Payroll Withholdings and Deductions | 62,681 | 0 | 62,681 |
| Other Current Liabilities | 54,675 | 0 | 54,675 |
| Unearned Revenues | 0 | 17,264 | 17,264 |
| Total Current Liabilities | 3,467,189 | 17,264 | 3,484,453 |
| Noncurrent Liabilities | | | |
| Bonds Payable | 24,805,000 | 0 | 24,805,000 |
| Other Postemployment Benefits (OPEB) | 187,070 | 0 | 187,070 |
| Compensated Absences | 335,420 | 0 | 335,420 |
| Net Pension Liability | 38,941,000 | 0 | 38,941,000 |
| Total Noncurrent Liabilities | 64,268,490 | 0 | 64,268,490 |
| TOTAL LIABILITIES | 67,735,679 | 17,264 | 67,752,943 |
| DEFERRED INFLOW OF RESOURCES | | | |
| Deferred Amounts Related to Pensions | 545,000 | 0 | 545,000 |
| TOTAL DEFERRED INFLOW OF RESOURCES | 545,000 | 0 | 545,000 |
| NET POSITION (DEFICIT) | | | |
| Net Investment in Capital Assets | 3,866,538 | 113,195 | 3,979,733 |
| Restricted | 0 | 0 | 0 |
| Unrestricted | (29,805,739) | 88,463 | (29,717,276) |
| TOTAL NET POSITION (DEFICIT) | \$ (25,939,201) | \$ 201,658 | \$ (25,737,543) |

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|-------------------------|--|--|--|-----------------------------|------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| Instruction | \$ 19,117,299 | \$ 8,482 | \$ 4,364,720 | \$ 0 | \$ (14,744,097) | \$ 0 | \$ (14,744,097) |
| Instructional Student Support | 2,651,083 | 0 | 230,620 | 0 | (2,420,463) | 0 | (2,420,463) |
| Administrative and Financial Support Services | 2,440,575 | 0 | 147,726 | 0 | (2,292,849) | 0 | (2,292,849) |
| Operation and Maintenance of Plant Services | 2,595,135 | 36,733 | 248,438 | 0 | (2,309,964) | 0 | (2,309,964) |
| Pupil Transportation | 1,571,411 | 0 | 932,163 | 0 | (639,248) | 0 | (639,248) |
| Student Activities | 571,720 | 70,146 | 41,305 | 0 | (460,269) | 0 | (460,269) |
| Community Services | 10,161 | 0 | 734 | 0 | (9,427) | 0 | (9,427) |
| Interest and Fiscal Charges | 804,599 | 0 | 0 | 0 | (804,599) | 0 | (804,599) |
| Total Governmental Activities | \$ 29,761,983 | \$ 115,361 | \$ 5,965,706 | \$ 0 | \$ (23,680,916) | \$ 0 | \$ (23,680,916) |
| Business-type activities: | | | | | | | |
| Food Service | 1,054,833 | 383,753 | 629,790 | 0 | 0 | (41,290) | (41,290) |
| Total primary government | \$ 30,816,816 | \$ 499,114 | \$ 6,595,496 | \$ 0 | \$ (23,680,916) | \$ (41,290) | \$ (23,722,206) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes, net | | \$ 9,419,931 | \$ | | \$ 9,419,931 | \$ 0 | \$ 9,419,931 |
| Other taxes levied for general purposes | | 4,711,868 | | | 4,711,868 | 0 | 4,711,868 |
| Grants, subsidies, & contributions not restricted | | 8,235,500 | | | 8,235,500 | 0 | 8,235,500 |
| Investment Earnings | | 38,884 | | | 38,884 | 43 | 38,927 |
| Miscellaneous Income | | 270,253 | | | 270,253 | 4,227 | 274,480 |
| Gain/Loss on Disposal of Assets | | 734,861 | | | 734,861 | (1,505) | 733,356 |
| Transfers | | (1,608) | | | (1,608) | 1,608 | 0 |
| Total general revenues, special items, extraordinary items and transfers | | 23,409,689 | | | 23,409,689 | 4,373 | 23,414,062 |
| Change in Net Position | | (271,227) | | | (271,227) | (36,917) | (308,144) |
| Net Position (Deficit) - July 1, 2015 | | (25,667,974) | | | (25,667,974) | 238,575 | (25,429,399) |
| Net Position (Deficit) - June 30, 2016 | | \$ (25,939,201) | | | \$ (25,939,201) | \$ 201,658 | \$ (25,737,543) |

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

| | <u>GENERAL FUND</u> | <u>CAPITAL PROJECTS FUND</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|---|-------------------------|--------------------------------------|---|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 6,528,612 | \$ 724,774 | \$ 7,253,386 |
| Investments | 1,099,000 | 0 | 1,099,000 |
| Taxes Receivable, Net | 425,047 | 0 | 425,047 |
| Due From Other Governments | 883,726 | 0 | 883,726 |
| Other Receivables | 9,668 | 0 | 9,668 |
| Inventories | 40,000 | 0 | 40,000 |
| TOTAL ASSETS | <u>\$ 8,986,053</u> | <u>\$ 724,774</u> | <u>\$ 9,710,827</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 154,849 | \$ 0 | \$ 154,849 |
| Due to Other Funds | 9,668 | 0 | 9,668 |
| Accrued Salaries and Benefits | 2,459,984 | 0 | 2,459,984 |
| Payroll Withholdings and Deductions | 62,681 | 0 | 62,681 |
| TOTAL LIABILITIES | <u>2,687,182</u> | <u>0</u> | <u>2,687,182</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenues - Delinquent Taxes | 425,047 | 0 | 425,047 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>425,047</u> | <u>0</u> | <u>425,047</u> |
| FUND BALANCES | | | |
| Nonspendable | 40,000 | 0 | 40,000 |
| Restricted for Debt Service | 0 | 0 | 0 |
| Committed For: | | | |
| Capital Purposes | 1,100,000 | 0 | 1,100,000 |
| Future Pension Costs | 1,550,000 | 0 | 1,550,000 |
| Other Postemployment Benefits | 1,400,000 | 0 | 1,400,000 |
| Assigned For: | | | |
| Capital Purposes | 1,000,000 | 0 | 1,000,000 |
| Capital Reserve | 0 | 724,774 | 724,774 |
| Unassigned | 783,824 | 0 | 783,824 |
| TOTAL FUND BALANCES | <u>5,873,824</u> | <u>724,774</u> | <u>6,598,598</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | <u>\$ 8,986,053</u> | <u>\$ 724,774</u> | <u>\$ 9,710,827</u> |

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
For The Year Ended June 30, 2016

Total Fund Balances - Governmental Funds **\$ 6,598,598**

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$ 54,142,769 and the accumulated depreciation is \$ 24,736,231. 29,406,538

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are classified as a deferred inflow of resources. 425,047

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

| | |
|--|-----------|
| Deferred outflows of resources related to pensions | 3,233,781 |
| Deferred inflows of resources related to pensions | (545,000) |

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/Notes payable | \$ (25,540,000) | |
| Accrued Interest on Bonds/Notes | \$ (54,675) | |
| Other Postemployment Benefits | \$ (187,070) | |
| Compensated Absences | \$ (335,420) | |
| Net Pension Liability | \$ (38,941,000) | (65,058,165) |

Total Net Position - Governmental Funds **\$ (25,939,201)**

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2016

| | <u>GENERAL</u> <u>FUND</u> | <u>CAPITAL</u> <u>PROJECTS</u> <u>FUND</u> | <u>DEBT</u> <u>SERVICE</u> <u>FUND</u> | <u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u> |
|--|-------------------------------|--|--|---|
| REVENUES | | | | |
| Local Sources | \$ 14,857,580 | \$ 1,378 | \$ 153 | \$ 14,859,111 |
| State Sources | 13,063,393 | 0 | 0 | 13,063,393 |
| Federal Sources | 790,090 | 0 | 0 | 790,090 |
| TOTAL REVENUES | <u>28,711,063</u> | <u>1,378</u> | <u>153</u> | <u>28,712,594</u> |
| EXPENDITURES | | | | |
| Instruction | 17,923,724 | 0 | 0 | 17,923,724 |
| Support Services | 8,410,221 | 0 | 0 | 8,410,221 |
| Noninstructional Services | 548,312 | 0 | 0 | 548,312 |
| Facilities Acquisition, Construction and Improvement Services | 0 | 876,309 | 0 | 876,309 |
| Debt Service | 1,254,590 | 0 | 1,735 | 1,256,325 |
| Refund of Prior Year Receipts | 0 | 0 | 0 | 0 |
| TOTAL EXPENDITURES | <u>28,136,847</u> | <u>876,309</u> | <u>1,735</u> | <u>29,014,891</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 574,216 | (874,931) | (1,582) | (302,297) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale/Compensation for Fixed Assets | 137,183 | 0 | 0 | 137,183 |
| Interfund Transfers | (384,148) | 382,540 | 0 | (1,608) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(246,965)</u> | <u>382,540</u> | <u>0</u> | <u>135,575</u> |
| Net Change in Fund Balances | 327,251 | (492,391) | (1,582) | (166,722) |
| Fund Balance - July 1, 2015 | <u>5,546,573</u> | <u>1,217,165</u> | <u>1,582</u> | <u>6,765,320</u> |
| Fund Balance - June 30, 2016 | <u>\$ 5,873,824</u> | <u>\$ 724,774</u> | <u>0</u> | <u>\$ 6,598,598</u> |

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
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, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (166,722)

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

Capital outlays are reported in governmental funds 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 depreciation exceeds capital outlays in the period.

| | | |
|----------------------------|-------------------|----------|
| Depreciation | \$ (1,613,208) | |
| Gain on Disposal of Assets | \$ 734,861 | |
| Capital outlays | \$ <u>855,677</u> | (22,670) |

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. (92,274)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Accrued interest decreased by this amount this year. 1,726

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and differences between the District's contributions and its proportionate share of the total contributions to the pension system.

| | | |
|--|-----------------------|------------------|
| Increase in Deferred Outflow Related to Pensions | \$ 582,172 | |
| Decrease in Deferred Inflow Related to Pensions | \$ 2,024,000 | |
| Increase in Net Pension Liability | \$ <u>(3,002,000)</u> | <u>(395,828)</u> |

Issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position. The effect of these transactions in the statement of activities is shown below:

| | | |
|---|------------------|----------------|
| Repayment of Debt Principal | \$ 450,000 | |
| Increase in Other Postemployment Benefits | \$ (58,776) | |
| Decrease in Compensated Absences | \$ <u>13,317</u> | <u>404,541</u> |

Change in Net Position of Governmental Activities \$ (271,227)

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016

| | <u>ENTERPRISE FUND</u> |
|---|----------------------------|
| | <u>FOOD SERVICE</u> |
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalents | \$ 64,297 |
| Due From Other Funds | 9,668 |
| Inventories | <u>31,762</u> |
| Total Current Assets | <u>105,727</u> |
| Noncurrent Assets | |
| Capital Assets, Net of Accumulated Depreciation | <u>113,195</u> |
| Total Noncurrent Assets | <u>113,195</u> |
| TOTAL ASSETS | <u>\$ 218,922</u> |
| LIABILITIES | |
| Current Liabilities | |
| Unearned Revenue | \$ <u>17,264</u> |
| Total Current Liabilities | <u>17,264</u> |
| Noncurrent Liabilities | <u>0</u> |
| TOTAL LIABILITIES | <u>17,264</u> |
| NET POSITION | |
| Net Investment In Capital Assets | 113,195 |
| Unrestricted | <u>88,463</u> |
| TOTAL NET POSITION | <u>201,658</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 218,922</u> |

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION
PROPRIETARY FUND
For The Year Ended June 30, 2016

| | <u>ENTERPRISE FUND</u> |
|---|----------------------------|
| | <u>FOOD SERVICE</u> |
| OPERATING REVENUES | |
| Food Service Revenue | \$ 383,753 |
| Other Revenue | 4,227 |
| Total Operating Revenues | <u>387,980</u> |
| OPERATING EXPENSES | |
| Salaries | 360,419 |
| Employee Benefits | 157,744 |
| Purchased Professional and Technical Services | 20 |
| Purchased Property Services | 22,986 |
| Other Purchased Services | 808 |
| Supplies | 489,325 |
| Property and Equipment | 21,570 |
| Other Operating Expenses | 1,961 |
| Total Operating Expenses | <u>1,054,833</u> |
| OPERATING INCOME (LOSS) | (666,853) |
| NONOPERATING REVENUES (EXPENSES) | |
| Earnings On Investments | 43 |
| Interfund Transfer | 1,608 |
| Loss on Disposal of Assets | (1,505) |
| State Sources | 93,545 |
| Federal Sources | 536,245 |
| Total Nonoperating Revenues (Expenses) | <u>629,936</u> |
| CHANGE IN NET POSITION | (36,917) |
| NET POSITION - JULY 1, 2015 | <u>238,575</u> |
| NET POSITION - JUNE 30, 2016 | \$ <u>201,658</u> |

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For The Year Ended June 30, 2016

| | <u>ENTERPRISE FUND</u> |
|--|----------------------------|
| | <u>FOOD SERVICE</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from Users | \$ 389,365 |
| Cash Payments to Employees for Services | (518,163) |
| Cash Payments to Suppliers of Goods and Services | (443,108) |
| Cash Payments for Other Operating Expenses | (1,961) |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | <u>(573,867)</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| State Sources (G.F. Transfers SS & Ret Reimb) | 93,545 |
| Federal Sources | 457,591 |
| NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES | <u>551,136</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Equipment Purchases, Net of Disposals | 0 |
| NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES | <u>0</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Earnings on Investments | 43 |
| NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES | <u>43</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (22,688) |
| CASH AND CASH EQUIVALENTS - JULY 1, 2015 | <u>86,985</u> |
| CASH AND CASH EQUIVALENTS - JUNE 30, 2016 | <u>\$ 64,297</u> |
| <hr/> | |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES - | |
| Net Income (Loss) from Operations | \$ (666,853) |
| Depreciation | 21,570 |
| Donated Commodities | 78,655 |
| (Increase)/Decrease in Inventory | (8,624) |
| Increase/(Decrease) in Unearned Revenue | 1,385 |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | <u>\$ (573,867)</u> |

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016

| | <u>PRIVATE PURPOSE TRUST FUND</u> | <u>AGENCY FUND</u> | <u>TOTALS FIDUCIARY FUNDS</u> |
|---|---|------------------------|---------------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 160,662 | \$ 265,628 | \$ 426,290 |
| TOTAL ASSETS | <u>\$ 160,662</u> | <u>\$ 265,628</u> | <u>\$ 426,290</u> |
| LIABILITIES | | | |
| Due to Student Groups | - | 181,722 | 181,722 |
| Other Liabilities | <u>-</u> | <u>83,906</u> | <u>83,906</u> |
| TOTAL LIABILITIES | <u>-</u> | <u>265,628</u> | <u>265,628</u> |
| NET POSITION | | | |
| Restricted For Scholarships | <u>160,662</u> | <u>0</u> | <u>160,662</u> |
| TOTAL NET POSITION | <u>160,662</u> | <u>0</u> | <u>160,662</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 160,662</u> | <u>\$ 265,628</u> | <u>\$ 426,290</u> |

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For The Year Ended June 30, 2016

| | | PRIVATE PURPOSE TRUST FUND |
|-------------------------------------|----|---|
| ADDITIONS | | |
| Gifts and Contributions | \$ | 23,642 |
| Earnings on Investments | | <u>220</u> |
| Total Additions | | 23,862 |
| DEDUCTIONS | | |
| Scholarships Awarded/Deductions | | <u>18,189</u> |
| CHANGE IN NET POSITION | | 5,673 |
| NET POSITION - JULY 1, 2015 | | <u>154,989</u> |
| NET POSITION - JUNE 30, 2016 | \$ | <u><u>160,662</u></u> |

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the District

The Mifflinburg Area School District provides public education to the residents of three boroughs and six townships 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 form of government.

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

The Reporting Entity

The Mifflinburg Area School District Board of Education is the basic level of government which has financial accountability and control over all activities related to the public school education in the Boroughs of Hartleton, New Berlin, and Mifflinburg as well as the townships of Lewis, Hartley, Limestone, Buffalo, West Buffalo, and Union. The Board receives funding from local, state, and federal government sources and must comply with the accompanying requirements of these funding source entities.

Governmental Accounting Standards Board (GASB) Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*", an amendment of GASB Statement No. 14, "*The Financial Reporting Entity*" established the criteria for determining the activities, organizations and functions of School Districts to be included in the financial statements of the reporting entity. GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No 34*" modifies certain requirements for inclusion of component units as if they were part of the financial reporting entity. In evaluating the School District as a reporting entity, management has addressed all potential component units, which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability, fiscal dependency with a financial benefit or burden relationship, and the nature and significance of the relationship. This report includes all of the funds of the Mifflinburg Area School District based on these criteria.

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 as 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 allocable expenditures is refundable by the SUN ATI to the member school 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, 2016 for the SUN ATI are available at its business office.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intermediate Unit

The Mifflinburg Area School 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, Mifflinburg Area School District is able to secure various special services including federal program assistance and special education services.

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provides a more detailed level of financial information.

Government-Wide Financial Statements

The Government-Wide financial statements display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activity. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a single column on the governmental fund financial statements. Nonmajor funds by category are summarized into a single column. Fiduciary funds are reported by type.

Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following represents the School Districts major governmental funds:

General Fund – The General Fund constitutes the primary operating fund of the School District in that it includes all revenues and expenditures not required by law to be accounted for in other funds. The General Fund is always reported as a major fund.

Capital Projects Fund – The Capital Projects Fund is utilized to account for and report financial resources to be used for capital outlays including the acquisition or construction of major capital facilities and other capital assets. Capital Reserve Funds are included as part of the Capital Projects Fund. This fund is reported as a major fund.

Debt Service Fund – The Debt Service Fund is provided to account for the accumulation of resources to be used for the redemption of principal and interest on general long-term debt and to account for bond refunding proceeds and payments to escrow agents for bond refunding. This fund is reported as a major fund.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the School District's proprietary fund:

Enterprise Fund – The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods and services.

Food Service - The Food Service enterprise fund accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support school district programs. The reporting focus is on net position and changes in net position.

The fiduciary fund category is split into two classifications: private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

Measurement Focus and Basis of Accounting

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) is recorded as deferred inflows of resources. Revenue from federal, state and other grants designated for payment of specific school district expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing food services, including charges for meals and costs of food, salaries and benefits, depreciation, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are appropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying financial statements.

Cash and Cash Equivalents

The School District has limited authority as to the types of allowable investments. 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.

Investments

The Pennsylvania School Code and the School 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 value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

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

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. The inventories in the General Fund are equally offset by a nonspendable equity classification as they do not constitute "available spendable resources". The General Fund is the only governmental fund that has material inventory balances as of June 30, 2016.

The Food Service Fund inventory consisted of expendable supplies valued at cost, and federal government donated commodities received from the U.S. Department of Agriculture (USDA) recorded at estimated values provided by the USDA. Inventory in the Food Service Fund is recorded as an expense when consumed.

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.

Capital Assets

Capital assets, which includes property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 40 |
| Building Improvements | 20 |
| Land Improvements | 15 |
| Furniture | 20 |
| Vehicle | 4 |
| Equipment | 5 to 15 |

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. This item is related to pensions reported in the district-wide Statement of Net Position. Deferred amounts related to pensions represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportion share of the total contributions to the pension system not included in pension expense and the District's contribution to the pension system subsequent to the measurement date.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. One item is related to pensions reported in the district-wide Statement of Net Position. Deferred amounts related to pensions represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportion share of the total contributions to the pension system not included in pension expense. The other item is related to tax revenues and arises only under a modified accrual basis of accounting. Accordingly, this item of unavailable revenue is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available. The governmental funds report unavailable revenues from property tax.

Unearned Revenues

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position.

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 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 services expenditures.

Equity Classifications

In the governmental environment, management often commits or assigns resources to be used for specific purposes, indicating that those amounts are not considered to be available for general operations. Because different measurement focuses and bases of accounting are used in the government-wide statement of net position and in governmental fund statements, amounts reported as *restricted fund balances* in governmental funds may be different from amounts reported as *restricted net position* in the statement of net position.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide and proprietary fund net position is classified as follows:

Net Investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – net position is considered restricted if its use is constrained externally to a particular purpose.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the school district.

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes by external parties, or by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes determined by a formal action by the District's highest level of decision-making authority, the Board of Education. Committed fund balance may also include resources that have been specifically committed for use in satisfying contractual requirements. A fund balance commitment may be established, modified, or rescinded by a resolution of the Board of Education.

Assigned – Amounts that are constrained by the school district's intent to be used for specific purposes, but is not restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

The District would typically use restricted fund balance first, followed by committed resources, and then assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned.

Use of Estimates

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

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

Under Section 440.1 of the Public School Code of 1949, as amended, the District provides for an authorized investment program for School District Funds. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of one year or less. Cash and cash equivalents consist of demand deposits at various financial institutions, a money market fund, investment in Pennsylvania Local Government Investment Trust (PLGIT), certificates of deposit, and the Pennsylvania School District Liquid Asset Fund (PSDLAF). The market values of deposits are equal to the cost of the deposits.

The District invests in Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF) as authorized by the Board. PLGIT and PSDLAF were established to enable school districts to pool funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have characteristics of open-end mutual funds and are not subject to credit risk classification.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

At June 30, 2016, the carrying amount of the School District's cash and cash equivalents and investments is \$8,842,973. The depository balances throughout the year were covered by federal depository insurance up to \$250,000 per bank or by collateral held by the pledging banks trust department. These amounts are secured by the pledging of pooled assets as collateral in accordance with the Act of August 6, 1971 (P.L. 281, No. 72), relating to pledges of assets to secure deposits of pledged funds.

CASH AND CASH EQUIVALENTS:

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The District has an investment policy that addresses credit risk in general terms. As of June 30, 2016, \$6,645,603 of the District's bank balance of \$6,895,604 was exposed to custodial credit risk as:

| | |
|---|---------------------|
| Uninsured and uncollateralized | \$ 0 |
| Uninsured and collateral held by the pledging bank's trust department not in the District's name | <u>6,645,603</u> |
| Total | <u>\$ 6,645,603</u> |

Reconciliation to Financial Statements

| | |
|---|---------------------|
| Collateralized Amount Above | \$ 6,645,603 |
| Plus: Insured Amount | 250,000 |
| Plus: Deposits in Transit | 88 |
| Less: Outstanding Checks | <u>(352,611)</u> |
| Carrying Amount – Bank balances | 6,543,080 |
| Plus: Deposits in Investment Pools and Money Market Funds Considered Cash Equivalents | <u>1,200,893</u> |
| Total Cash and Cash Equivalents Per Financial Statements | <u>\$ 7,743,973</u> |

INVESTMENTS:

As of June 30, 2016, the School District had the following investments:

| <u>Investment</u> | <u>Maturities</u> | <u>Fair Value</u> | <u>Carrying Value</u> |
|--|-------------------|---------------------|-----------------------|
| Certificates of Deposit | 1-36 Months | \$ 1,749,000 | \$ 1,749,000 |
| U.S. Treasury Obligation Money Market Fund | | 178,219 | 178,219 |
| PA Local Government Investment Trust | | 160,662 | 160,662 |
| PA School District Liquid Asset Fund | | <u>212,012</u> | <u>212,012</u> |
| Total | | <u>\$ 2,299,893</u> | <u>\$ 2,299,893</u> |

Custodial Credit Risk - Investments

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

Reconciliations to Financial Statements

| | |
|---|---------------------|
| Total Investments Above | \$ 2,299,893 |
| Less: Deposits in Investment Pools and Money Market Funds Considered Cash Equivalents | <u>(1,200,893)</u> |
| Total Investments Per Financial Statements | <u>\$ 1,099,000</u> |

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk

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

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2016, the District investments were rated as:

| <u>Investment</u> | <u>Standard & Poor's</u> |
|--------------------------------------|------------------------------|
| PA Local Government Investment Trust | AAAm |
| PA School District Liquid Asset Fund | AAAm |
| U.S. Treasury Obligations | AAA |

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in PA Local Government Investment Trust, PA School District Liquid Asset Fund, Certificates of Deposit and U.S. Treasury Obligations. These investments are 6.99%, 9.22%, 76.05% and 7.75%, respectively, of the District's total investments.

For the General Fund, more than 5% of the investments are in Certificates of Deposit, PA School District Liquid Asset Fund, and U.S. Treasury Obligations. These Investments are 77.70%, and 9.70%, and 12.61%, respectively, of the General Fund's total investments.

For the Capital Projects Fund, 100% of the investments are in PA School District Liquid Asset Fund.

For the Fiduciary Fund, 100% of the investments are in PA Local Government Investment Trust.

NOTE 3 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the school district. At June 30, 2016, the following amounts are due from other governmental units.

| | <u>General Fund</u> |
|----------------------------|---------------------|
| Federal Pass Through Funds | \$ 141,959 |
| State Funds | 558,953 |
| Local Funds | <u>182,814</u> |
| Total | \$ <u>883,726</u> |

NOTE 4 - PROPERTY TAXES

The School District's property tax is levied each July 1, based upon assessed valuations provided by the county (approximately \$869,879,980 for 2015-16). The municipal tax collector bills and collects property taxes on behalf of the School District. The tax rate for all expenditures in 2015-16 is 11.3877 mills (\$11.3877 per \$1,000 assessed valuation). The schedule for property taxes levied for 2015-16 is as follows:

| | |
|---|---------------------|
| August 1, 2015 through September 30, 2015 | 2% discount period |
| October 1, 2015 through November 30, 2015 | face payment period |
| Beginning December 1, 2015 | 10% penalty period |

Taxes become delinquent by December 31, 2015. Delinquent Property Taxes Receivable at June 30, 2016 is \$425,047.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

NOTE 5- CAPITAL ASSETS

Capital Assets are recorded as expenditures in the General Fund at the time of purchase. The amounts recorded for land, buildings, and furniture and equipment in the Statement of Net Position 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 alternate methods, an estimate of historical cost was developed. In the absence of actual acquisition costs provided by the Mifflinburg Area School District, methods used to determine acquisition costs for building structures involve the deflation of estimated replacement costs back to the year of construction using a combination of appropriate indices available in well known and accepted construction manuals such as Means, Marshall-Swift, Engineering News Record, 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 asset. Property additions made subsequent to the appraisal are recorded at cost.

A summary of Capital Asset transactions for the year ended June 30, 2016 is as follows:

| | Balance at <u>July 1, 2015</u> | <u>Additions</u> | <u>Deletions</u> | Balance at <u>June 30, 2016</u> |
|---------------------------------|-----------------------------------|-------------------|-------------------|------------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Land and Site Improvements | \$ 2,362,157 | 0 | (305,405) | 2,056,752 |
| Building and Improvements | 45,362,656 | 0 | (117,253) | 45,245,403 |
| Construction in Progress | 211,708 | 843,609 | (0) | 1,055,317 |
| Furniture and Equipment | <u>5,929,596</u> | <u>12,068</u> | <u>(156,367)</u> | <u>5,785,297</u> |
| Total at Cost | 53,866,117 | 855,677 | (579,025) | 54,142,769 |
| Less: Accumulated Depreciation: | | | | |
| Land and Site Improvements | (1,227,405) | (45,610) | 86,712 | (1,186,303) |
| Building and Improvements | (18,015,720) | (1,486,227) | 1,048,123 | (18,453,824) |
| Furniture and Equipment | <u>(5,193,784)</u> | <u>(81,371)</u> | <u>179,051</u> | <u>(5,096,104)</u> |
| Total Accum. Depreciation | (24,436,909) | (1,613,208) | 1,313,886 | (24,736,231) |
| Governmental Activities | | | | |
| Capital Assets, Net | <u>\$29,429,208</u> | <u>(757,531)</u> | <u>734,861</u> | <u>29,406,538</u> |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Furniture and Equipment | \$ 638,913 | 0 | (18,742) | 620,171 |
| Less: Accumulated Depreciation: | <u>(502,643)</u> | <u>(21,570)</u> | <u>17,237</u> | <u>(506,976)</u> |
| Business-Type Activities | | | | |
| Capital Assets, Net | <u>\$ 136,270</u> | <u>(21,570)</u> | <u>(1,505)</u> | <u>113,195</u> |

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

| | |
|--|---------------------|
| Government Activities: | |
| Instruction | \$ 1,100,708 |
| Instructional Student Support | 152,907 |
| Administrative and Financial Support Service | 117,935 |
| Operation and Maintenance of Plant Service | 198,337 |
| Pupil Transportation | 9,760 |
| Student Activities | 32,975 |
| Community Services | 586 |
| Total Depreciation Expense – Governmental Activities | <u>\$ 1,613,208</u> |

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES

General Obligation Bond Series of 2010

During the fiscal year ended June 30, 2011, the School District issued General Obligation Bonds, Series of 2010 in the amount of \$20,590,000 dated July 15, 2010. Proceeds of the Bonds will be used to provide funds to construct additions and renovations to the Mifflinburg High School, make capital improvements to or acquire other school district facilities, currently refund the General Obligation Note of 2009, and to pay the costs and expenses of issuing the Bonds. During the fiscal year ended June 30, 2015, \$19,225,000 of these Bonds was refunded with General Obligations Bonds Series of 2014 and 2015. Interest on the bonds is due and payable semi-annually on June 15 and December 15. A schedule of the remaining Series 2010 Bonds outstanding as of June 30, 2016 is as follows:

| <u>Date</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-------------------|-------------|-------------------|------------------|---------------------------|
| December 15, 2016 | | \$ | \$ 6,194 | \$ 6,194 |
| June 15, 2017 | 2.750% | 265,000 | 6,194 | 271,194 |
| December 15, 2017 | | | 2,550 | 2,550 |
| June 15, 2018 | 3.000% | <u>170,000</u> | <u>2,550</u> | <u>172,550</u> |
| | | \$ <u>435,000</u> | \$ <u>17,488</u> | \$ <u>452,488</u> |

General Obligation Bond Series of 2012

During the fiscal year ended June 30, 2004, the School District borrowed \$7,070,000 known as the General Obligation Bond Series of 2003. Proceeds of the bonds will be used to plan, design, acquire, construct, furnish and equip a new Elementary School and to pay the costs of issuing and insuring the Bonds. During the fiscal year ended June 30, 2008, the School District refunded the Bond Series of 2003 and the Note Series of 2004 with General Obligation Bonds, Series of 2008 in the amount of \$7,275,000. During the fiscal year ended June 30, 2012, this Bond Series of 2008 was refunded with the issuance of General Obligation Bond Series of 2012 in the amount of \$6,485,000. A schedule of Series 2012 Bonds outstanding as of June 30, 2016 is as follows:

| <u>Date</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|------------------|-------------|---------------------|-------------------|---------------------------|
| October 15, 2016 | | \$ | \$ 64,487 | \$ 64,487 |
| April 15, 2017 | 2.000% | 410,000 | 64,487 | 474,487 |
| October 15, 2017 | | | 60,387 | 60,387 |
| April 15, 2018 | 2.000% | 415,000 | 60,387 | 475,387 |
| October 15, 2018 | | | 56,237 | 56,237 |
| April 15, 2019 | 2.000% | 430,000 | 56,237 | 486,237 |
| October 15, 2019 | | | 51,937 | 51,937 |
| April 15, 2020 | 2.125% | 435,000 | 51,937 | 486,937 |
| October 15, 2020 | | | 47,315 | 47,315 |
| April 15, 2021 | 2.500% | 445,000 | 47,315 | 492,315 |
| October 15, 2021 | | | 41,752 | 41,752 |
| April 15, 2022 | 2.500% | 460,000 | 41,753 | 501,753 |
| October 15, 2022 | | | 36,002 | 36,002 |
| April 15, 2023 | 2.600% | 435,000 | 36,003 | 471,003 |
| October 15, 2023 | | | 30,347 | 30,347 |
| April 15, 2024 | 2.700% | 395,000 | 30,347 | 425,347 |
| October 15, 2024 | | | 25,015 | 25,015 |
| April 15, 2025 | 2.800% | 410,000 | 25,015 | 435,015 |
| October 15, 2025 | | | 19,275 | 19,275 |
| April 15, 2026 | 3.000% | 415,000 | 19,275 | 434,275 |
| October 15, 2026 | | | 13,050 | 13,050 |
| April 15, 2027 | 3.000% | 430,000 | 13,050 | 443,050 |
| October 15, 2027 | | | 6,600 | 6,600 |
| April 15, 2028 | 3.000% | <u>440,000</u> | <u>6,600</u> | <u>446,600</u> |
| Total | | \$ <u>5,120,000</u> | \$ <u>904,810</u> | \$ <u>6,024,810</u> |

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES (Continued)

General Obligation Bond Series of 2014

During the fiscal year ended June 30, 2015, the School District issued General Obligation Bonds, Series of 2014 in the amount of \$9,995,000 dated December 18, 2014. The proceeds of the Bonds will be used to: (1) refund, on an advance refunding basis, \$9,645,000 aggregate principal amount of the School District's General Obligation Bonds, Series of 2010, consisting of all of the bonds, \$250,000 maturing June 15, 2015, \$225,000 principal amount of the bonds maturing June 15, 2016, \$2,040,000 principal amount of the bonds maturing June 15, 2035 and all of the bonds, \$7,310,000 maturing June 15, 2040 (the "Series of 2010 Refunded Bonds") and; (2) pay the costs and expenses of issuing the Bonds. Interest on the bonds is due and payable semi-annually on June 15 and December 15. A schedule of Series 2014 Bonds outstanding as of June 30, 2016 is as follows:

| <u>Date</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-------------------|-------------|------------------|-----------------|---------------------------|
| December 15, 2016 | | \$ | \$ 191,273 | \$ 191,273 |
| June 15, 2017 | 0.900% | 35,000 | 191,273 | 226,273 |
| December 15, 2017 | | | 191,116 | 191,116 |
| June 15, 2018 | 2.000% | 30,000 | 191,116 | 221,116 |
| December 15, 2018 | | | 190,816 | 190,816 |
| June 15, 2019 | 2.000% | 30,000 | 190,816 | 220,816 |
| December 15, 2019 | | | 190,516 | 190,516 |
| June 15, 2020 | 2.000% | 30,000 | 190,516 | 220,516 |
| December 15, 2020 | | | 190,216 | 190,216 |
| June 15, 2021 | 2.125% | 35,000 | 190,216 | 225,216 |
| December 15, 2021 | | | 189,844 | 189,844 |
| June 15, 2022 | 2.375% | 30,000 | 189,844 | 219,844 |
| December 15, 2022 | | | 189,488 | 189,488 |
| June 15, 2023 | 2.500% | 35,000 | 189,488 | 224,488 |
| December 15, 2023 | | | 189,050 | 189,050 |
| June 15, 2024 | 2.625% | 35,000 | 189,050 | 224,050 |
| December 15, 2024 | | | 188,591 | 188,591 |
| June 15, 2025 | 2.750% | 35,000 | 188,591 | 223,591 |
| December 15, 2025 | | | 188,109 | 188,109 |
| June 15, 2026 | 3.000% | 35,000 | 188,109 | 223,109 |
| December 15, 2026 | | | 187,584 | 187,584 |
| June 15, 2027 | 3.000% | 40,000 | 187,584 | 227,584 |
| December 15, 2027 | | | 186,984 | 186,984 |
| June 15, 2028 | 3.000% | 35,000 | 186,984 | 221,984 |
| December 15, 2028 | | | 186,459 | 186,459 |
| June 15, 2029 | 3.500% | 40,000 | 186,459 | 226,459 |
| December 15, 2029 | | | 185,759 | 185,759 |
| June 15, 2030 | 3.500% | 45,000 | 185,759 | 230,759 |
| December 15, 2030 | | | 184,972 | 184,972 |
| June 15, 2031 | 3.500% | 40,000 | 184,972 | 224,972 |
| December 15, 2031 | | | 184,272 | 184,272 |
| June 15, 2032 | 3.500% | 45,000 | 184,272 | 229,272 |
| December 15, 2032 | | | 183,484 | 183,484 |
| June 15, 2033 | 3.500% | 135,000 | 183,484 | 318,484 |
| December 15, 2033 | | | 181,122 | 181,122 |
| June 15, 2034 | 3.500% | 745,000 | 181,122 | 926,122 |
| December 15, 2034 | | | 168,084 | 168,084 |
| June 15, 2035 | 4.000% | 1,295,000 | 168,084 | 1,463,084 |
| December 15, 2035 | | | 142,184 | 142,184 |
| June 15, 2036 | 4.000% | 1,340,000 | 142,184 | 1,482,184 |
| December 15, 2036 | | | 115,384 | 115,384 |
| June 15, 2037 | 3.625% | 1,395,000 | 115,385 | 1,510,385 |
| December 15, 2037 | | | 90,100 | 90,100 |
| June 15, 2038 | 4.000% | 1,445,000 | 90,100 | 1,535,100 |
| December 15, 2038 | | | 61,200 | 61,200 |
| June 15, 2039 | 4.000% | 1,505,000 | 61,200 | 1,566,200 |
| December 15, 2039 | | | 31,100 | 31,100 |
| June 15, 2040 | 4.000% | 1,555,000 | 31,100 | 1,586,100 |
| Total | | \$ 9,990,000 | \$ 7,975,415 | \$ 17,965,415 |

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES (Continued)

General Obligation Bond Series of 2015

During the fiscal year ended June 30, 2015, the School District issued General Obligation Bonds, Series of 2015 in the amount of \$10,000,000. The proceeds of the Bonds will be used to: (1) refund, on a current refunding basis, a \$9,580,000 portion of the School District's General Obligation Bonds, Series of 2010 that remain outstanding (not previously defeased), consisting of \$105,000 principal amount of the bonds maturing June 15, 2018; and all of the bonds maturing June 15, 2019 through and including June 15, 2026, June 15, 2030 and June 30, 2034 (the "2010 Refunded Bonds") and; (2) pay the costs and expenses of issuing the Bonds. Interest on the Bonds is due and payable semi-annually on June 15 and December 15. A schedule of Series 2015 Bonds outstanding as of June 30, 2016 is as follows:

| <u>Date</u> | <u>Rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|-------------------|-------------|------------------|-----------------|---------------------------|
| December 15, 2016 | | \$ | \$ 136,203 | \$ 136,203 |
| June 15, 2017 | 0.800% | 25,000 | 136,203 | 161,203 |
| December 15, 2017 | | | 136,103 | 136,103 |
| June 15, 2018 | 2.000% | 130,000 | 136,103 | 266,103 |
| December 15, 2018 | | | 134,803 | 134,803 |
| June 15, 2019 | 2.000% | 305,000 | 134,803 | 439,803 |
| December 15, 2019 | | | 131,753 | 131,753 |
| June 15, 2020 | 2.000% | 310,000 | 131,753 | 441,753 |
| December 15, 2020 | | | 128,653 | 128,653 |
| June 15, 2021 | 2.000% | 315,000 | 128,653 | 443,653 |
| December 15, 2021 | | | 125,503 | 125,503 |
| June 15, 2022 | 2.000% | 325,000 | 125,503 | 450,503 |
| December 15, 2022 | | | 122,253 | 122,253 |
| June 15, 2023 | 2.000% | 365,000 | 122,253 | 487,253 |
| December 15, 2023 | | | 118,603 | 118,603 |
| June 15, 2024 | 2.125% | 425,000 | 118,603 | 543,603 |
| December 15, 2024 | | | 114,088 | 114,088 |
| June 15, 2025 | 2.250% | 430,000 | 114,088 | 544,088 |
| December 15, 2025 | | | 109,250 | 109,250 |
| June 15, 2026 | 2.375% | 445,000 | 109,250 | 554,250 |
| December 15, 2026 | | | 103,966 | 103,966 |
| June 15, 2027 | 2.500% | 455,000 | 103,966 | 558,966 |
| December 15, 2027 | | | 98,278 | 98,278 |
| June 15, 2028 | 3.000% | 565,000 | 98,278 | 663,278 |
| December 15, 2028 | | | 89,803 | 89,803 |
| June 15, 2029 | 3.000% | 1,035,000 | 89,803 | 1,124,803 |
| December 15, 2029 | | | 74,278 | 74,278 |
| June 15, 2030 | 3.000% | 1,060,000 | 74,278 | 1,134,278 |
| December 15, 2030 | | | 58,378 | 58,378 |
| June 15, 2031 | 3.000% | 1,095,000 | 58,378 | 1,153,378 |
| December 15, 2031 | | | 41,953 | 41,953 |
| June 15, 2032 | 3.000% | 1,130,000 | 41,953 | 1,171,953 |
| December 15, 2032 | | | 25,003 | 25,003 |
| June 15, 2033 | 3.125% | 1,075,000 | 25,003 | 1,100,003 |
| December 15, 2033 | | | 8,207 | 8,207 |
| June 15, 2034 | 3.250% | 505,000 | 8,207 | 513,207 |
| Total | | \$ 9,995,000 | \$ 3,514,156 | \$ 13,509,156 |

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 – LONG-TERM LIABILITIES (Continued)

The following is a summary of changes in bonds payable for the year ended June 30, 2016:

| | Balance <u>July 1, 2015</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2016</u> |
|---|--------------------------------|------------------|-------------------|---------------------------------|
| General Obligation Bonds, Series of 2010 \$ | 470,000 | 0 | (35,000) | 435,000 |
| General Obligation Bonds, Series of 2012 | 5,525,000 | 0 | (405,000) | 5,120,000 |
| General Obligation Bonds, Series of 2014 | 9,995,000 | 0 | (5,000) | 9,990,000 |
| General Obligation Bonds, Series of 2015 | <u>10,000,000</u> | <u>0</u> | <u>(5,000)</u> | <u>9,995,000</u> |
| Total Bonds Payable \$ | <u>25,990,000</u> | <u>0</u> | <u>(450,000)</u> | <u>25,540,000</u> |

Summary of debt service requirements to maturity on the outstanding Bonds as of June 30, 2016 is as follows:

| <u>Year Ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|----------------------|----------------------|---------------------|
| 2016 | \$ 735,000 | \$ 796,314 | \$ 1,531,314 |
| 2017 | 745,000 | 780,312 | 1,525,312 |
| 2018 | 765,000 | 763,712 | 1,528,712 |
| 2019 | 775,000 | 748,412 | 1,523,412 |
| 2020 | 795,000 | 732,368 | 1,527,368 |
| 2021 – 2025 | 4,275,000 | 3,374,342 | 7,649,342 |
| 2026 – 2030 | 5,280,000 | 2,752,222 | 8,032,222 |
| 2031 – 2035 | 6,270,000 | 1,868,618 | 8,138,618 |
| 2036 – 2040 | <u>5,900,000</u> | <u>595,569</u> | <u>6,495,569</u> |
| Totals | \$ <u>25,540,000</u> | \$ <u>12,411,869</u> | <u>\$37,951,869</u> |

A summary of changes in Other Long-Term Liabilities for the year ended June 30, 2016 is as follows:

| | Balance <u>July 1, 2015</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2016</u> |
|-----------------------------------|--------------------------------|------------------|-------------------|---------------------------------|
| Other Post Employment Benefits \$ | <u>128,294</u> | <u>58,776</u> | <u>(0)</u> | \$ <u>187,070</u> |
| Compensated Absences \$ | <u>348,737</u> | <u>0</u> | <u>(13,317)</u> | \$ <u>335,420</u> |
| Net Pension Liability \$ | <u>35,939,000</u> | <u>3,002,000</u> | <u>(0)</u> | \$ <u>38,941,000</u> |

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description. In addition to providing pension benefits, the District provides other post employment benefits to all teachers and certain others who retire from full or part-time status under qualifications of the Pennsylvania School Employees' Retirement System. The School District funds all School District contributions on a pay-as-you-go basis. Such benefits are primarily funded through annual appropriations from the School District's General Fund. Other postemployment benefits provided by the Mifflinburg Area School District include a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees and their spouses through the School District's group health insurance plan, which covers both active and retired members. Employer contribution rates for retirees vary based on the type of retirement, years of service, and type of coverage.

Funding Policy. The School District's contribution is based on projected pay-as-you-go financing requirements. The School 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 service and 15 years of service with the 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 service and 15 years of service with the 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 but not 35 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 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. |

Annual OPEB Cost. The School District's annual OPEB cost (expense) for the plan 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 to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events for 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 annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections for benefits for financial reporting proposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The following table shows the components of the School Districts annual OPEB cost for the year, the amount actually contributed to the Plans, and changes in the School District's net OPEB obligations, as well as the assumptions used to calculate the net OPEB obligation:

| | |
|---|--|
| Annual required contribution | \$ 357,494 |
| Estimated Interest on net OPEB obligation | 5,773 |
| Estimated Adjustment to annual required contribution | <u>(9,863)</u> |
| Annual OPEB cost | 353,404 |
| Contributions made (Estimated) | <u>(294,628)</u> |
| Estimated Increase (decrease) in net OPEB obligation | 58,776 |
| Estimated Net OPEB obligation (asset) beginning of year | <u>128,294</u> |
| Estimated Net OPEB obligation (asset) end of year | <u>\$ 187,070</u> |
| Actuarial valuation date | 1/1/2014 |
| Actuarial cost method | Entry Age, Normal |
| Amortization method | Level dollar |
| Asset valuation method | N/A – the plans are unfunded |
| Remaining amortization period | 30 years |
| Actuarial assumptions: | |
| Investment rate of return | 4.50% |
| Projected salary increases | 2.50% Cost of Living Adjustment 1.00% real wage growth 2.75% to 0.25% merit increase (varies by age) for teachers and administrators |
| Health care inflation rate | 6.5% in 2014, decreasing .5% per year to 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. |

For the Actuarial Valuation report dated 1/1/14, the actuarial value of assets is zero, the actuarial accrued liability is \$3.041 million for a funded ratio of zero.

Three-Year Trend Information

| <u>Year Ending</u> | <u>Annual OPEB Cost (AOC)</u> | <u>Percentage of AOC Contributed</u> | <u>Net OPEB Obligation (Asset)</u> |
|--------------------|-------------------------------|--------------------------------------|------------------------------------|
| June 30, 2016 | \$ 353,404 | 83.37% | \$ 187,070 |
| June 30, 2015 | \$ 351,719 | 115.03% | \$ 128,294 |
| June 30, 2014 | \$ 379,203 | 89.49% | \$ 181,156 |

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 8 - COMPENSATED ABSENCES

ADMINISTRATIVE and PROFESSIONAL EMPLOYEES

The District's Administrative Compensation Policy and current Professional Teacher Collective Bargaining Contract provides for an unlimited accumulation of sick leave. Employees forfeit accumulated sick leave upon termination and retirement, except as noted in the following paragraph. The District has no obligation for accumulated sick leave until it is actually taken; therefore a liability was only recognized for those employees who are eligible to retire as of June 30, 2016.

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 \$40.00 per day for each unused accumulated sick leave day. The payment for each sick day 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).

The estimated liability for such compensated absences has been reflected in the government-wide financial statements.

NOTE 9 - PENSION PLAN

Public School Employees' Retirement System Plan

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

General Information about the Pension Plan

Plan description

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. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits provided

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 - PENSION PLAN (Continued)

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% of 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 the 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.

Contributions

Member Contributions:

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

Employer Contributions:

The school districts' contractually required contribution rate for fiscal year ended June 30, 2016 was 25.00% 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 \$2,959,096 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$38,941,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 to June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was .0899 percent, which was a decrease of .0009 percent from its proportion measured as of June 30, 2014.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 - PENSION PLAN (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$2,959,096. At June 30, 2016, 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 |
|--|-----------------------------------|----------------------------------|
| Changes in proportions | \$ 225,000 | \$ 305,000 |
| Net difference between projected and actual investment earnings | 0 | 79,000 |
| Difference between expected and actual experience | 0 | 161,000 |
| Difference between employer contributions and proportionate share of total contributions | 49,685 | 0 |
| Contributions subsequent to the measurement date | 2,959,096 | 0 |
| | <u>\$ 3,233,781</u> | <u>\$ 545,000</u> |

\$3,233,781 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2016. 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: | |
| 2016 | (224,000) |
| 2017 | (224,000) |
| 2018 | (224,000) |
| 2019 | 351,000 |

Actuarial assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. 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.

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 9 - PENSION PLAN (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|--------------------------|---|
| Public markets global equity | 22.5% | 4.8% |
| Private markets (equity) | 15.0% | 6.6% |
| Private real estate | 12.0% | 4.5% |
| Global fixed income | 7.5% | 2.4% |
| U.S. long treasuries | 3.0% | 1.4% |
| TIPS | 12.0% | 1.1% |
| High yield bonds | 6.0% | 3.3% |
| Cash | 3.0% | 0.7% |
| Absolute return | 10.0% | 4.9% |
| Risk parity | 10.0% | 3.7% |
| MLPs/Infrastructure | 5.0% | 5.2% |
| Commodities | 8.0% | 3.1% |
| Financing (LIBOR) | (14.0%) | 1.1% |
| | <u>100%</u> | |

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. 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 District's proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

| | <u>1% Decrease 6.50%</u> | <u>Current Discount Rate 7.50%</u> | <u>1% Increase 8.50%</u> |
|--|------------------------------|--|------------------------------|
| District's proportionate share of the net pension liability | \$ 47,998,000 | \$ 38,941,000 | \$ 31,328,000 |

Pension plan fiduciary net position

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

Payables to the Pension Plan

At June 30, 2016, the School District had an outstanding balance due to PSERS in the amount of \$756,055 which represents the School District's legally required employer pension contributions.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 10 - OPERATING LEASES

The School District leases copiers under several lease agreements all having terms of four to five years. It is the procedure of the School District to regularly upgrade the copiers before lease terms expire. The continually revolving copier leases are classified as operating leases. Current year rental costs approximate \$78,000. Future annual lease payments are estimated for the next five years at approximately \$80,000 per year.

NOTE 11 - INTERFUND ACTIVITIES

Internal Balances:

Due to/from Other Funds balances as of June 30, 2016 are as follows:

| | <u>Due From Other Fund</u> | <u>Due to Other Funds</u> |
|-----------------|--------------------------------|-------------------------------|
| General Fund | \$ 0 | \$ 9,668 |
| Enterprise Fund | 9,668 | 0 |
| | <u>\$ 9,668</u> | <u>\$ 9,668</u> |

All interfund balances resulted from time lags between the dates that (1) interfund goods and services were provided or expenditures/expenses were reimbursed, (2) transactions were recorded in the accounting system, and (3) payments between funds were made. All balances are expected to be repaid within the following year.

Interfund Transfers:

| | <u>Transfer To Other Funds</u> | <u>Transfer from Other Funds</u> |
|------------------------|------------------------------------|--------------------------------------|
| General Fund | \$ 384,148 | \$ 0 |
| Capital Projects Funds | 0 | 382,540 |
| Enterprise Fund | 0 | 1,608 |
| | <u>\$ 384,148</u> | <u>\$ 384,148</u> |

Transfers and payments within the School District are substantially for 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 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2016 and the three previous fiscal years, no settlements exceeded insurance coverage.

The School District is a participant in 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 a consortium of participants in order to offer rate consistency regardless of claims.

NOTE 13 - CONTINGENT LIABILITIES

Grant Programs

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 13 - CONTINGENT LIABILITIES (Continued)

Tax Revenue

The School 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 School 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 School District.

NOTE 14 - CHANGES IN GOVERNMENTAL ACCOUNTING STANDARDS

In February 2015, the GASB issued Statement No. 72, *"Fair Value Measurement and Application."* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School District adopted Statement No. 72 for its fiscal year ended June 30, 2016 financial statements as required.

In June 2015, the GASB issued Statement No. 73, *"Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68."* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The District adopted Statement No. 73 for its June 30, 2016 financial statements as required.

In June 2015, the GASB issued Statement No. 76, *"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments."* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The School District adopted Statement No. 76 for its fiscal year ended June 30, 2016 financial statements as required.

In December 2015, the GASB issued Statement No. 79, *"Certain External Investment Pools and Pool Participants."* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The School District adopted Statement No. 79 for its fiscal year ended June 30, 2016 financial statements as required.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

NOTE 15 – FUTURE CHANGES IN GOVERNMENTAL ACCOUNTING STANDARDS

In June 2015, the GASB issued Statement No. 74, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.”* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. To the extent applicable, the District is required to adopt Statement No. 74 for its June 30, 2017 financial statements.

In June 2015, the GASB issued Statement 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.”* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. To the extent applicable, the District is required to adopt Statement No. 75 for its June 30, 2018 financial statements.

In August 2015, the GASB issued Statement No. 77, *“Tax Abatement Disclosures.”* Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. Tax abatements are widely used by state and local governments, particularly to encourage economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenues. To the extent applicable, the School District is required to adopt Statement No. 77 for its fiscal year ended June 30, 2017 financial statements.

In December 2015, the GASB issued Statement No. 78, *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.”* This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. To the extent applicable, the School District is required to adopt Statement No. 78 for its fiscal year ended June 30, 2017 financial statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2016

NOTE 15 – FUTURE CHANGES IN GOVERNMENTAL ACCOUNTING STANDARDS (Continued)

In January 2016, the GASB issued Statement No. 80, "*Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14.*" The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. To the extent applicable, the School District is required to adopt Statement No. 80 for its fiscal year ended June 30, 2017 financial statements.

In March 2016, the GASB issued Statement No. 81, "*Irrevocable Split-Interest Agreements.*" This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. To the extent applicable, the School District is required to adopt Statement No. 81 for its fiscal year ended June 30, 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 objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. To the extent applicable, the School District is required to adopt Statement No. 82 for its fiscal year ended June 30, 2017 financial statements.

District management is in the process of analyzing these pending changes in accounting standards and the impact they will have on the financial reporting process.

NOTE 16 – SUBSEQUENT EVENTS

The District has evaluated all events subsequent to the financial statement date of June 30, 2016 through February 2, 2017, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended June 30, 2016

| | Budgeted Amounts | | Actual | Variance with |
|---|--------------------|--------------------|---------------------|--|
| | Original | Final | (Budgetary Basis) | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Local Revenues | 14,458,856 | 14,440,035 | 14,857,580 | 417,545 |
| State Program Revenues | 12,985,132 | 12,985,132 | 13,063,393 | 78,261 |
| Federal Program Revenues | 690,000 | 690,000 | 790,090 | 100,090 |
| TOTAL REVENUES | 28,133,988 | 28,115,167 | 28,711,063 | 595,896 |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Regular Programs | 12,748,799 | 12,369,999 | 12,336,418 | 33,581 |
| Special Programs | 3,033,656 | 2,910,956 | 2,935,783 | (24,827) |
| Vocational Education | 1,447,373 | 1,928,773 | 2,498,972 | (570,199) |
| Other Instructional Programs | 304,780 | 304,780 | 148,636 | 156,144 |
| Higher Education | 2,650 | 2,650 | 3,915 | (1,265) |
| Support Services | | | | |
| Pupil Personnel | 933,839 | 933,839 | 914,670 | 19,169 |
| Instructional Staff | 1,367,725 | 1,316,725 | 1,421,062 | (104,337) |
| Administration | 1,705,918 | 1,697,918 | 1,598,394 | 99,524 |
| Pupil Health | 250,912 | 250,912 | 221,925 | 28,987 |
| Business | 344,876 | 327,576 | 326,466 | 1,110 |
| Operation and Maintenance of Plant Services | 2,641,731 | 2,509,431 | 2,364,100 | 145,331 |
| Student Transportation Services | 1,502,702 | 1,502,702 | 1,561,652 | (58,950) |
| Central and Other Support Services | 10,293 | 10,293 | 1,952 | 8,341 |
| Operation of Noninstructional Services | | | | |
| Food Services | 0 | 9,000 | 0 | 9,000 |
| Student Activities | 521,724 | 561,724 | 538,746 | 22,978 |
| Community Services | 6,000 | 6,000 | 9,566 | (3,566) |
| Capital Outlay | 0 | 0 | 0 | 0 |
| TOTAL EXPENDITURES | 26,822,978 | 26,643,278 | 26,882,257 | (238,979) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,311,010 | 1,471,889 | 1,828,806 | 356,917 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale/Compensation for Capital Assets | 0 | 0 | 137,183 | 137,183 |
| Debt Service | (1,208,079) | (1,243,079) | (1,254,590) | (11,511) |
| Refund of Prior Year Receipts | 0 | 0 | 0 | 0 |
| Interfund Transfers In (Out) | (200,000) | (384,700) | (384,148) | 552 |
| Budgetary Reserve | 0 | 0 | 0 | 0 |
| TOTAL OTHER FINANCING SOURCES (USES) | (1,408,079) | (1,627,779) | (1,501,555) | 126,224 |
| Net Change in Fund Balances | \$ (97,069) | (155,890) | 327,251 | 483,141 |
| FUND BALANCE - JULY 1, 2015 | | | 5,546,573 | |
| FUND BALANCE - JUNE 30, 2016 | | | \$ 5,873,824 | |

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
 For The Year Ended June 30, 2016

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] |
|--------------------------------|--|--|-----------------------------------|----------------------------|-----------------------------|--|
| 1/1/14 | \$0 | \$3,040,759 | \$3,040,759 | 0.0% | \$10,117,234 | 30.06% |
| 1/1/12 | \$0 | \$3,032,664 | \$3,032,664 | 0.0% | \$9,991,039 | 30.35% |
| 1/1/10 | \$0 | \$3,064,111 | \$3,064,111 | 0.0% | \$10,824,358 | 28.31% |

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY

Last 10 Fiscal Years¹

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|--|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability | 0.0899% | 0.0908% | 0.0899% |
| District's proportionate share of the net pension liability | \$ 38,941,000 | \$ 35,939,000 | \$ 36,802,000 |
| District's covered-employee payroll ² | \$ 11,564,315 | \$ 11,589,244 | \$ 11,541,645 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 336.73% | 310.11% | 318.86% |
| Plan fiduciary net position as a percentage of the total pension liability | 54.36% | 57.24% | 54.49% |

¹ The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is complete, the School District is presenting information for those years only for which information is available.

² The covered-employee payroll amount reported for 2016 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2016.

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
PENSION PLAN

Last 10 Fiscal Years¹

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> | <u>June 30, 2014</u> |
|--|----------------------|----------------------|----------------------|
| Contractually required contribution | \$ 2,959,096 | \$ 2,309,330 | \$ 1,854,279 |
| Contributions in relation to the contractually required contribution | <u>(2,959,096)</u> | <u>(2,309,330)</u> | <u>(1,854,279)</u> |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - |
| District's covered-employee payroll ² | \$ 11,836,384 | \$ 11,564,315 | \$ 11,589,244 |
| Contributions as a percentage of covered-employee payroll | 25.00% | 20.50% | 16.00% |

¹ The amounts presented for each fiscal year were determined as of the fiscal year end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is complete, the School District is presenting information for those years only for which information is available.

² The covered-employee payroll amount reported for 2015 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2016.

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2016

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the General Fund. This is the only fund for which a budget is legally required and for which taxes may be levied.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to prepare a proposed budget at least thirty days prior to the adoption of the annual budget. Final action shall not be taken on the proposed budget until after ten days' public notice. The proposed budget shall be printed, or otherwise made available for public inspection at least twenty days prior to the date set for the adoption of the budget.

Once a budget is approved, the Board may authorize the transfer of any unencumbered balance, or any portion thereof, from one class of expenditure or item, to another, by approval of a two-thirds vote of the members of the Board. Individual amendments during the year were not material in relation to the original appropriations. The Public School Code allows the School Board to authorize budget transfer amendments only during the last nine months of the fiscal year.

The budget data reflected in the financial statements includes the effect of such School Board approved budget transfer amendments and supplemental budgetary appropriations and, for comparative purposes; the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function and object. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditures such as salaries or supplies.

The School Board authorizes any application for grant funding. Upon application for funding, a project budget is submitted which is approved or rejected by the agency awarding the grant funds. Funds thus obtained are subject to the project budget, which supersedes local budgetary action and is excludable from budgetary operations by Section 609 of the school laws of Pennsylvania. The budget amounts reflected in the financial statements are the local budget increased by the individual project budgets.

NOTE 2 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

The information presented in this required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information for the other postemployment benefit obligation, latest actuarial valuation and actuarial assumptions and methods can be found in the notes to the financial statements.

NOTE 3 – PENSION DATA

The amounts reported in the schedule of the district's proportionate share of the net pension liability are determined as of June 30, 2015 by The Commonwealth of Pennsylvania Public School Employees' Retirement System (the cost-sharing plan). There were no changes in benefit terms and no changes in assumptions.

**SINGLE AUDIT
SECTION**

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

For The Year Ended June 30, 2016

| Federal Program Title | Source Code | Federal CFDA Number | PASS Through Grants Number | Grant Period | Program or Award Amount | Total Received | Accrued <Unearned> Revenue at July 1, 2015 | Receipts Recognized | Expenditures | Accrued <Unearned> Revenue at June 30, 2016 |
|---|-------------|---------------------|----------------------------|--------------|-------------------------|----------------|---|---------------------|--------------|---|
| U.S. DEPARTMENT OF EDUCATION | | | | | | | | | | |
| PASSED THROUGH PA DEPT. OF EDUCATION | | | | | | | | | | |
| TITLE I Improving Basic Programs | I | 84.010 | 013-160252 | 15-16 | \$ 507,923 | \$ 337,081 | \$ 0 | \$ 424,517 | \$ 424,517 | \$ 87,436 |
| TITLE I Improving Basic Programs | I | 84.010 | 013-150252 | 14-15 | \$ 603,757 | \$ 273,678 | \$ 125,192 | \$ 148,486 | \$ 148,486 | \$ 0 |
| Total - Title I Improving Basic Programs | | | | | | \$ 610,759 | \$ 125,192 | \$ 573,003 | \$ 573,003 | \$ 87,436 |
| TITLE II Improving Teacher Quality | I | 84.367 | 020-160252 | 15-16 | \$ 148,298 | \$ 99,023 | \$ 0 | \$ 148,298 | \$ 148,298 | \$ 49,275 |
| TITLE II Improving Teacher Quality | I | 84.367 | 020-150252 | 14-15 | \$ 148,654 | \$ 63,642 | \$ 47,455 | \$ 16,187 | \$ 16,187 | \$ 0 |
| Total - PA Department of Education | | | | | | \$ 773,424 | \$ 172,647 | \$ 737,488 | \$ 737,488 | \$ 136,711 |
| PASSED THROUGH INTERMEDIATE UNITS | | | | | | | | | | |
| SPECIAL EDUCATION CLUSTER | | | | | | | | | | |
| CENTRAL SUSQUEHANNA INTERMEDIATE UNIT #16 | | | | | | | | | | |
| Special Education - IDEA 611 | I | 84.027 | 062-160016 | 15-16 | \$ 343,625 | \$ 343,625 | \$ 0 | \$ 343,625 | \$ 343,625 | \$ 0 |
| Special Education - Preschool - IDEA 619 | I | 84.173 | 131-140016 | 14-15 | \$ 8,180 | \$ 8,180 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Special Education - Preschool - IDEA 619 | I | 84.173 | 131-150016 | 15-16 | \$ 4,098 | \$ 0 | \$ 0 | \$ 4,098 | \$ 4,098 | \$ 4,098 |
| Total - Special Education Cluster | | | | | | \$ 351,805 | \$ 8,180 | \$ 347,723 | \$ 347,723 | \$ 4,098 |
| Total U.S. Department of Education | | | | | | \$ 1,125,229 | \$ 180,827 | \$ 1,085,211 | \$ 1,085,211 | \$ 140,809 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | | | | | | | | |
| PASSED THROUGH PA DEPT. OF PUBLIC WELFARE | | | | | | | | | | |
| Medical Assistance Program | I | 93.778 | N/A | 15-16 | \$ 2,652 | \$ 1,502 | \$ 0 | \$ 2,652 | \$ 2,652 | \$ 1,150 |
| Total - U.S. Department of Health and Human Services | | | | | | \$ 1,502 | \$ 0 | \$ 2,652 | \$ 2,652 | \$ 1,150 |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | | | | | |
| CHILD NUTRITION CLUSTER | | | | | | | | | | |
| PASSED THROUGH PA DEPT. OF EDUCATION | | | | | | | | | | |
| School Breakfast Program | I | 10.553 | 365/367 | 15-16 | N/A | \$ 70,219 | \$ 0 | \$ 70,219 | \$ 70,219 | \$ 0 |
| National School Lunch Program | I | 10.555 | 362 | 15-16 | N/A | \$ 387,372 | \$ 0 | \$ 387,372 | \$ 387,372 | \$ 0 |
| PASSED THROUGH PA DEPT. OF AGRICULTURE | | | | | | | | | | |
| NSLP - Donated Commodities | I | 10.555 | N/A | 15-16 | N/A | \$ 78,655 | \$ 0 | \$ 78,655 | \$ 78,655 | \$ 0 |
| Total - Child Nutrition Cluster | | | | | | \$ 536,246 | \$ 0 | \$ 536,246 | \$ 536,246 | \$ 0 |
| TOTAL FEDERAL AWARDS | | | | | | \$ 1,662,977 | \$ 180,827 | \$ 1,624,109 | \$ 1,624,109 | \$ 141,959 |
| STATE SOURCES | | | | | | | | | | |
| Food Nutrition | S | N/A | 510-513 | 15-16 | N/A | \$ 33,461 | \$ 0 | \$ 33,461 | \$ 33,461 | \$ 0 |
| Source Codes: | | | | | | | | | | |
| | | | | | | | Major Program Determination | | | |
| | | | | | | | Total Federal Expenditures \$ 1,624,109 | | | |
| | | | | | | | Programs Selected for Testing: | | | |
| | | | | | | | Special Education Cluster \$ 347,723 / 1,624,109 21.41% | | | |

The Accompanying Notes Are An Integral Part Of These Financial Statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS
For the Year Ended June 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and certain state grants includes the federal grant activity and certain state grant activity of the Mifflinburg Area School District for the year ended June 30, 2016. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, certain amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule is presented using the accrual basis of accounting. Expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) where in certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – ADDITIONAL INFORMATION

The School District did not have any subrecipients or pass through any funds to subrecipients.

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – UNEARNED REVENUES

Unearned Revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Federal funds received before the eligibility requirements are met are recorded as unearned revenue.

NOTE E – MEDICAL ASSISTANCE – ACCESS ADMINISTRATIVE REIMBURSEMENTS

Access reimbursements received under CFDA No. 93.778, Revenue Code 8810 are classified as fee-for-service revenues and are not recognized as federal awards for the purposes of the Schedule of Expenditures of Federal Awards and Certain State Grants.

NOTE F – PROGRAM DISCLOSURES

Special Education Cluster

- The Special Education – Grants to States Program (IDEA, Part B / CFDA No. 84.027) and Special Education -- Preschool Grants Program (IDEA 619, Preschool / CFDA No. 84.173) are reported as the cluster program "Special Education Cluster" in accordance with the *OMB Compliance Supplement*.

Child Nutrition Cluster

- The School Breakfast Program (CFDA No. 10.553) and National School Lunch Programs (CFDA No.'s 10.555) are reported as the cluster program "Child Nutrition Cluster" in accordance with the *OMB Compliance Supplement*.
- Non-monetary assistance received from the U.S. Department of Agriculture is in the form of donated commodities. These commodities are reported in the schedule at the fair market value of the commodities received and disbursed under CFDA number 10.555 titled National School Lunch Program. Donated commodities are recognized as revenue when received and not deferred.
- State matching funds for the National School Lunch Program are included on the Schedule of Expenditure of Federal Awards and Certain State Grants at the request of the Pennsylvania Department of Education.

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FORGETT & KERSTETTER, P.C.

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

To The Members of the Board of Directors
of the Mifflinburg Area School District
Mifflinburg, Pennsylvania:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller general of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mifflinburg Area School District, Mifflinburg, Pennsylvania as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Mifflinburg Area School District's basic financial statements, and have issued our report thereon dated February 2, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mifflinburg Area School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Forgett & Kerstetter, P.C.

FORGETT & KERSTETTER, P.C.

Selinsgrove, Pennsylvania

February 2, 2017

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

To The Members of the Board of Directors
of the Mifflinburg Area School District
Mifflinburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Mifflinburg Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mifflinburg Area School District's major federal programs for the year ended June 30, 2016. Mifflinburg Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Mifflinburg Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Forgett & Kerstetter, P.C.

FORGETT & KERSTETTER, P.C.

Selinsgrove, Pennsylvania

February 2, 2017

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2016

I. SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditors report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? No

Major program identification:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 84.027; 84.173 | Special Education Cluster |

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

Auditee qualified as low-risk auditee? Yes

II. FINANCIAL STATEMENT FINDINGS:

None reported

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

None reported

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
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For The Year Ended June 30, 2016

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