

**MILTON AREA SCHOOL DISTRICT
MILTON, PENNSYLVANIA 17847**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

(WITH INDEPENDENT SINGLE AUDIT REPORTS THEREON)

**MILTON AREA SCHOOL DISTRICT
FINANCIAL STATEMENTS AND
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JUNE 30, 2018

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**Milton Area School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018**
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Our discussion and analysis of the Milton Area School District, "the District" and its financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements.

Financial Highlights:

- ❖ Total net position of Governmental Activities decreased by \$2,643,960 or 9.2%, and the Proprietary Fund / Business-Type Activity (Food Service) showed a decrease in net position of \$75,433 or 12.5%. These changes are detailed in the Statement of Activities included in the financial statements.
- ❖ The operations of the General Fund of the District finished the year with \$32,946,968 of revenue which was \$10,568 or 0.03% unfavorable as compared to final budget, and \$33,320,574 of expenditures was \$320,716 or 1.0% favorable to the final budgeted amount.
- ❖ The District's General Fund ended the year with a fund balance of \$5,634,686 which represents a decrease of \$374,406 or 6.23%, which is 45.3% favorable as compared to budgeted fund balance usage of \$684,554.

A Brief Guide to the Financial Statements:

The financial statements of the District include presentation on two levels-

- Government-wide statements
- Governmental fund statements

Government-wide Statements:

These statements present the District's financial information in an aggregated format split into two types of activities.

- Governmental activities
- Business-type activities

Most of the activities of the District are reported as governmental activities. The operations of the District's Food Service Fund, whose operations involve primarily the serving of meals to students during the school day, is the District's only business-type activity.

The presentation provided in these government-wide statements is primarily focused on presenting the financial position of the District and the change in financial position as a result of the activities that occurred during the fiscal year. The significant differences in these statements as compared to governmental fund statements are:

- Government-wide statements include fixed assets for governmental activities—government fund statements do not.

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- Government-wide statements include long-term debt and similar obligations, such as pension liabilities, for governmental activities—government fund statements do not.
- Government-wide statements are prepared utilizing the accrual basis of accounting—government fund statements are generally prepared utilizing a modified accrual basis of accounting. This results in differences in the timing of the recognition of certain revenues and expenses.
- Government-wide statements present in a format to highlight net position. Government fund statements deal with fund balance. Net position is a much broader financial measurement.

For a more detailed explanation of these financial statements, please review the notes to the financial statements.

Government Fund Statements:

This format is concerned primarily with the presentation of “the flow of funds” rather than with measuring financial position. This is the presentation format which is utilized for preparation of budgets and is presented on a more disaggregated format than the government-wide statements.

This format, as with the government-wide statements, presents information by firstly grouping funds by type. In the case of governmental funds the types are:

- Governmental funds
- Proprietary funds
- Fiduciary funds

These statements are presented by type and then utilizing criteria to identify “major funds” presenting information on a segregated basis for each of the major funds and then aggregating the information for all other funds within the fund type.

The District has the following “major funds” for government fund statement presentation-

- ✓ Governmental funds
 - General fund
 - Capital Reserve Fund
 - Scholarship Fund
 - Debt Service Fund
- ✓ Proprietary funds
 - Food service fund (This is the District's only proprietary fund)
- ✓ Fiduciary funds
 - Student activities fund (This is the District's only fiduciary fund)

For more information regarding the presentation of fund financial statements, please review the notes to the financial statements.

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Condensed Government-wide Financial Statements:

Condensed Statement of Net Position			
June 30, 2018			
	Governmental Activities	Business-type Activities	Total
Assets & Deferred Outflows of Resources:			
Current assets:			
Cash, cash equivalents and investments	\$ 7,788,863	\$ 267,467	\$ 8,056,330
Taxes receivable-net	1,521,282	-	1,521,282
Other current assets	2,132,916	167,921	2,300,837
Total current assets	<u>\$ 11,443,061</u>	<u>\$ 435,388</u>	<u>\$ 11,878,449</u>
Fixed assets-net	30,820,270	111,439	30,931,709
Deferred Outflows of Resources:	7,280,588	-	7,280,588
Total assets & deferred outflows	<u>\$ 49,543,919</u>	<u>\$ 546,827</u>	<u>\$ 50,090,746</u>
Liabilities and Deferred Inflows of Resources:			
Current liabilities:			
Accounts payable	629,539	-	629,539
Accrued salaries and benefits	3,794,762	-	3,794,762
Current portion of long-term debt	1,674,000	-	1,674,000
Other current liabilities	81,391	16,479	97,870
Total current liabilities	<u>6,179,692</u>	<u>16,479</u>	<u>6,196,171</u>
Bonds payable-net of current portion	12,047,800	-	12,047,800
Other non-current liabilities	-	-	-
Net pension & OPEB liabilities	62,403,966	-	62,403,966
Total liabilities	<u>80,631,458</u>	<u>16,479</u>	<u>80,647,937</u>
Deferred Inflows of Resources:	449,000	-	449,000
Total liabilities & deferred inflows	<u>81,080,458</u>	<u>16,479</u>	<u>81,096,937</u>
Net Position:			
Invested in capital assets-net of related debt	17,221,180	111,439	17,332,619
Restricted	5,198,097	222,923	5,421,020
Unrestricted	<u>(53,955,816)</u>	<u>195,986</u>	<u>(53,759,830)</u>
Total Net Position	<u>(31,536,539)</u>	<u>530,348</u>	<u>(31,006,191)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>49,543,919</u>	<u>546,827</u>	<u>50,090,746</u>

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**Comments regarding the condensed June 30, 2018 government-wide statements:
Statement of Net Position:**

- Cash, cash equivalents and investments are primarily held in the West Milton State Bank, Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT). PSDLAF and PLGIT are government investment pools.
- Taxes receivable include delinquent real estate, per capita and occupational taxes along with current income tax collections, primarily from the June 30, 2018 quarter.
- Fixed assets are presented net of depreciation and include the facilities and equipment of the District.
- Accrued salaries and benefits consists primarily of the amounts due teachers for salaries and benefits earned in the 2017-18 school year that are paid over a twelve-month period beginning when the District's academic year (approximately ten-months) begins in late August through the beginning of the following August (thereby breaking across two fiscal reporting periods). These are the remaining amounts which will be paid in July and August, 2018.
- The District reports its cost-sharing employer proportionate portion of the Pennsylvania School Employees' Retirement System (PSERS) Net Pension Liability in its Statement of Net Position based upon the requirements of Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions* (as amended; GASB No. 68). The District's year end proportionate share balance was \$56,352,000 as actuarially determined by PSERS. The District also recorded an adjustment to Pension expense to reflect the requirements of GASB No. 68 which reduced government-wide – governmental activities Change in Net Position by approximately \$2.3-million.
- The District also adopted GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) as of July 1, 2017. Consistent with GASB No. 75's adoption provisions, the District restated the opening balance of government-wide, governmental activities Net Position by a total of \$4,518,894, net, to record the beginning liability balances relative to its offering of covered benefits under the State-level (PSERS premium assistance, a proportionate share of the statewide plan similar to the PSERS pension, as above) and District-level other postemployment benefit (OPEB) plans. The year-end balances of the plans were \$2,325,000 for the PSERS, State-level plan and \$3,726,966 for the District-level plan (which was previously accounted for based upon the requirements of GASB No. 45 (also entitled *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*) (which GASB No. 75 replaced).

The notes to the financial statements provide additional detail on these and other items included in the Statement of Net Position.

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Management's Discussion and Analysis
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**Condensed Statement of Activities
Year Ended June 30, 2018**

Functions/Programs	Expenses	Charges for Services	Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		Total
				Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction	\$ 23,779,088	\$ 29,656	\$ 6,220,492	\$ (17,528,940)		\$ (17,528,940)
Instructional Student Support	2,368,400	-	310,158	(2,058,242)		\$ (2,058,242)
Admin. & Financial Support Services	3,737,428	-	300,043	(3,437,385)		\$ (3,437,385)
Operation & Maintenance of Facilities	2,966,100	61,037	202,354	(2,702,709)		\$ (2,702,709)
Pupil Transportation	1,562,383	-	731,123	(831,260)		\$ (831,260)
Student Activities	778,641	-	66,288	(712,353)		\$ (712,353)
Community Services	231	-	-	(231)		\$ (231)
Scholarships and Awards	30,165	-	24,546	(5,619)		\$ (5,619)
Interest on Long-Term debt	390,506	-	262,409	(128,097)		\$ (128,097)
Total Governmental Activities	\$35,612,942	\$ 90,693	\$ 8,117,413	\$ (27,404,836)		\$ (27,404,836)
Business-type activities:						
Food Service	1,571,141	446,124	1,049,584		(75,433)	\$ (75,433)
Total Primary Government	\$37,184,083	\$ 536,817	\$ 9,166,997	\$ (27,404,836)	\$ (75,433)	\$ (27,480,269)
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net				10,584,928	-	10,584,928
Taxes levied for specific purposes				4,214,725	-	4,214,725
Grants, subsidies, & contributions not restricted				9,848,374	-	9,848,374
Investment Earnings				93,401	-	93,401
Miscellaneous Income				19,448	-	19,448
Transfers				-	-	-
Total general revenues, special items, extraordinary items and transfers				24,760,876	-	24,760,876
Change in Net Assets				(2,643,960)	(75,433)	(2,719,393)
Net Position—beginning				(28,892,579)	605,781	(28,286,798)
Net Position—ending				\$ (31,536,539)	\$ 530,348	\$ (31,006,191)

Statement of Activities:

- Governmental activities operating grants include various subsidies including \$1.48-million of state funds for special education, \$694-thousand of federal Title I funds and other federal reading and math related grants to support academic achievement. Additional grants of approx., \$724-thousand, \$1.47-million and \$2.02-million, respectively, of state subsidies to support student transportation and for retirement and social security costs.
- General revenues include approx. \$10.05-million of real estate taxes, \$3.93-million of earned income taxes and a basic education funding subsidy from the state of \$9.23-million.

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The condensed Governmental Activities Statement of Net Position June 30, 2018 as compared to June 30, 2017 including the change in the elements of net position:

	Governmental Activities		
	June 30, 2018	2017	Inc. (Dec.) in Net Position
Assets:			
Current assets:			
Cash, cash equivalents and investments	\$ 7,788,863	\$ 8,052,558	\$ (263,695)
Taxes receivable-net	1,521,282	1,616,421	(95,139)
Other current assets	2,132,916	1,866,654	266,262
Total current assets	<u>11,443,061</u>	<u>11,535,633</u>	<u>(92,572)</u>
Fixed assets-net	30,820,270	32,195,925	(1,375,655)
Other non-current assets	-	-	-
Deferred Outflows of Resources:	7,280,588	7,419,815	(139,227)
Total assets & deferred outflows	<u>\$ 49,543,919</u>	<u>\$ 51,151,373</u>	<u>(1,607,454)</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 629,539	\$ 554,648	(74,891)
Accrued salaries and benefits	3,794,762	3,670,206	(124,556)
Current portion of long-term debt	1,674,000	1,647,000	(27,000)
Other current liabilities	81,391	100,753	19,362
Total current liabilities	<u>6,179,692</u>	<u>5,972,607</u>	<u>(207,085)</u>
Bonds payable-net of current portion	12,047,800	13,726,014	1,678,214
Net pension & OPEB liabilities	62,403,966	59,893,331	(2,510,635)
Total liabilities	<u>80,631,458</u>	<u>79,591,952</u>	<u>(1,039,506)</u>
Deferred Inflows of Resources:	449,000	452,000	3,000
Change in net position			<u>\$ (2,643,960)</u>
Net Position:			
Invested in capital assets-net of related debt	17,221,180	16,996,525	224,655
Restricted & unrestricted	<u>(48,757,719)</u>	<u>(45,889,104)</u>	<u>(2,868,615)</u>
Total Net Position	<u>(31,536,539)</u>	<u>(28,892,579)</u>	<u>\$ (2,643,960)</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 49,543,919</u>	<u>\$ 51,151,373</u>	

Analysis of the changes in the Governmental Activities Statement of Net Position:

- The decrease in cash is due primarily to the timing of payments with certain of the District's vendors and employees. The timing of cash receipts from State funding sources also contributed to the net cash decrease as compared to prior-year. Cash and equivalents were used to pay for fixed asset additions and to pay down the related bonds outstanding. The preceding net decreases were offset by the results of General Fund operations.
- Fixed assets decreased due primarily to current period depreciation expense of approx. \$2.9-million as offset by current period fixed asset additions. The most significant increases in fixed assets in recent fiscal years related to the project completion and placing into service of prior-years' in process project work related to the District's energy efficiency, HVAC and significant upgrade activity encompassed in the ESCO project (overall \$7.2-million over 2014-15 and 2015-16) and \$1.5-million and \$800-thousand in current and prior-year additions, predominantly for classroom technology and related infrastructure.
- The decrease in bonds payable reflects the District's ordinary course pay down of debt in the form of 2014 and 2015 Series of General Obligation Notes and a 2014 Series of General Obligation Bonds.
- Consistent with the provisions of GASB No. 68, the District reports its cost-sharing employer proportionate portion of the Pennsylvania School Employees' Retirement System (PSERS) Net Pension Liability in its Statement of Net Position. In addition to the aforementioned net pension liability recognition, the District also recorded an adjustment to government-wide Pension expense to reflect the full accrual expensing requirements of GASB No. 68 which reduced government-wide – governmental activities Change in Net Position by approximately \$2.3-million (as compared to a pre-GASB No. 68 calculated Pension Expense per the Governmental Funds statements).
- The District also adopted GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) as of July 1, 2017. Consistent with GASB No. 75's adoption provisions, the District restated the opening balance of government-wide, governmental activities Net Position by a total of \$4,518,894, net, to record the beginning liability balances relative to the District's OPEB plans (PSERS-level and District-Specific, which represented liabilities of \$2.3-million and \$3.7-million, respectively, at year-end). The District's full-accrual, government-wide activities reflect an additional approx. \$192-thousand of OPEB expense as compared the amounts recognized in the governmental fund statements which are reflected on a modified-accrual basis.
- Note: These adjustments, balances, and amounts are reflected in the government-wide financial statements only – there was no effect on the governmental fund financial statements related to GASB No. 68 nor GASB No. 75.

Additional information regarding these matters can be found in the accompanying financial statements and notes.

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The condensed Business-type Activities Statement of Net Position June 30, 2018 as compared to June 30, 2017 including the change in the elements of net position:

	Business-type Activities		
	June 30, 2018	2017	Inc. (Dec.) in Net Position
Assets:			
Current assets:			
Cash, cash equivalents and investments	\$ 267,467	\$ 466,058	\$ (198,591)
Other current assets	167,921	198,417	(30,496)
Total current assets	<u>435,388</u>	<u>664,475</u>	<u>(229,087)</u>
Fixed assets-net	111,439	99,864	11,575
Total assets	<u>\$ 546,827</u>	<u>\$ 764,339</u>	<u>(217,512)</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ -	\$ 4,834	4,834
Accrued salaries and benefits	-	-	-
Other current liabilities	16,479	153,724	137,245
Total current liabilities	<u>16,479</u>	<u>158,558</u>	<u>142,079</u>
Other non-current liabilities	-	-	-
Total liabilities	<u>16,479</u>	<u>158,558</u>	<u>142,079</u>
Change in net assets			<u>\$ (75,433)</u>
Net Position:			
Invested in capital assets-net of related debt	111,439	99,864	11,575
Restricted & unrestricted	418,909	505,917	(87,008)
Total Net Position	<u>530,348</u>	<u>605,781</u>	<u>\$ (75,433)</u>
Total Liabilities and Net Position	<u>\$ 546,827</u>	<u>\$ 764,339</u>	

Analysis of changes in Business-type activities Statement of Net Position:

- The decrease in cash is primarily a result of the impact of current period net income (loss) as offset by the relative realization of current assets (such as amounts receivable under State and Federal lunch subsidy programs) and the timing of payments with the primary government (General Fund) with used approx. \$131-thousand of cash. Cash was also used to fund enhancements to the overall food service program which translated to the net loss and use of the Fund's capital.
- The change in net position is due to the income from operations, which includes a depreciation charge of approximately \$17-thousand.

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A condensed Statement of Activities for the fiscal year ended June 30, 2018 as compared to the fiscal year ended June 30, 2017:

Functions/Programs	Net Revenue/Expense		Favorable (Unfavorable) Change	
	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017		
Expenses-				
Governmental activities:				
Instruction	\$ 23,779,088	\$ 22,491,346	\$ (1,287,742)	5.7%
Instructional Student Support	2,368,400	2,242,896	(125,504)	5.6%
Admin. & Financial Support Services	3,737,428	3,042,234	(695,194)	22.9%
Operation & Maintenance of Facilities	2,966,100	2,836,838	(129,262)	4.6%
Pupil Transportation	1,562,383	1,478,979	(83,404)	5.6%
Student Activities	778,641	757,309	(21,332)	2.8%
Community Services	231	3,476	3,245	-93.4%
Scholarships and Awards	30,165	39,208	9,043	-23.1%
Interest on Long-Term debt	390,506	384,790	(5,716)	1.5%
Total Governmental Activities	35,612,942	33,277,076	(2,335,866)	7.0%
Business-type activities:				
Food Service	1,571,141	1,609,136	37,995	-2.4%
Total Expense	37,184,083	34,886,212	(2,297,871)	6.6%
Program Revenues & Charges for Services-				
Governmental activities:				
Instruction	6,250,148	6,472,324	(222,176)	-3.4%
Instructional Student Support	310,158	292,068	18,090	6.2%
Admin. & Financial Support Services	300,043	279,079	20,964	7.5%
Operation & Maintenance of Facilities	263,391	247,889	15,502	6.3%
Pupil Transportation	731,123	750,521	(19,398)	-2.6%
Student Activities	66,288	61,657	4,631	7.5%
Community Services	-	-	-	
Scholarships and Awards	24,546	15,837	8,709	
Interest on Long-Term debt	262,409	626,253	(363,844)	-58.1%
Total Governmental Activities	8,208,106	8,745,628	(537,522)	-6.1%
Business-type activities:				
Food Service	1,495,708	1,525,555	(29,847)	-2.0%
Total Program Revenues & Charges for Services	9,703,814	10,271,183	(567,369)	-5.5%
General revenues:				
Taxes:				
Property taxes, levied for general purposes, net	10,584,928	10,127,384	457,544	4.5%
Taxes levied for specific purposes	4,214,725	4,376,147	(161,422)	-3.7%
Grants, subsidies, & contributions not restricted	9,848,374	9,790,790	57,584	0.6%
Investment Earnings-governmental activities	93,401	35,539	57,862	162.8%
Miscellaneous Income	19,448	43,356	(23,908)	-55.1%
	-	-	-	
Total General Revenues	24,760,876	24,373,216	387,660	1.6%
Change in Net Position	\$ (2,719,393)	\$ (241,813)	\$ (2,477,580)	

Analysis of changes in Statement of Activities between fiscal years:

- The increase in Instructional and related Support expense is a result of increased costs for professional compensation and benefits in addition to instructional services, supplies and other program-related expenses for general and special education in the District as offset by cost cutting measures. The decrease in revenues is attributable to decreased federal grant receipts due to the completion

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and curtailing of certain programs throughout the District and less state funding relative to debt subsidy. These decreases as offset by certain improved volumes of tax collections and timeliness thereof. This is, in turn, primarily attributable to the District's millage increase and increased assessment for current-year as compared to prior attributable to, among many factors, overall improvement in the economic environment (i.e. additional/stabilized earned income subject to tax, additional tax payers with ability to pay their property tax and other assessments, etc.).

The General Fund Budget vs. Actual for the June 30, 2018 Fiscal Year:

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Local Sources	\$ 15,470,905	\$ 15,470,905	\$ 15,428,264	\$ (42,641)
State Sources	16,535,085	16,535,085	16,383,091	(151,994)
Federal Sources	950,746	950,746	1,134,813	184,067
Total Revenues	32,956,736	32,956,736	32,946,168	(10,568)
EXPENDITURES				
Regular education programs	13,805,792	13,805,792	13,318,613	487,179
Special education programs	4,424,447	4,424,447	4,549,394	(124,947)
Vocational education programs	756,862	756,862	726,314	30,548
Other instructional programs	1,137,712	1,137,712	1,050,563	87,149
Adult education programs	-	-	-	-
Pre-kindergarten programs	-	-	18,479	(18,479)
Pupil personnel support services	1,415,806	1,415,806	1,390,128	25,678
Instructional staff support services	841,024	841,024	790,742	50,282
Administrative services	2,044,047	2,044,047	1,999,211	44,836
Pupil health services	335,057	335,057	370,388	(35,331)
Business services	450,018	450,018	468,174	(18,156)
Operation & maintenance of facilities	3,036,031	3,036,031	2,903,940	132,091
Student transportation services	1,562,293	1,562,293	1,598,351	(36,058)
Central & other support services	1,016,809	1,016,809	1,439,291	(422,482)
Student activities	750,439	750,439	733,303	17,136
Community services	1,500	1,500	231	1,269
Debt Service (Principal & Interest)	1,963,453	1,963,453	1,963,452	1
Other	-	-	-	-
Total Expenditures	33,541,290	33,541,290	33,320,574	220,716
Excess (Deficiency) of Revenues Over Expenditures	(584,554)	(584,554)	(374,406)	210,148
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	-	-	-	-
Budgetary reserve	100,000	100,000	-	100,000
Net Change in Fund Balances	(684,554)	(684,554)	(374,406)	310,148
Fund Balance - Beginning of Year	4,276,493	4,276,493	6,009,092	
Fund Balance - End of Year	\$ 3,591,939	\$ 3,591,939	\$ 5,634,686	

Analysis of General Fund Budget vs. Actual for the June 30, 2018 Fiscal Year:

- The most significant contributors to the overall excess of expenditures over revenues were: 1.) Planned millage and assessments relative to real estate taxes combined with improved collections thereon; 2.) Stabilized local tax revenues, in particular, earned income tax revenues; and; 3.) Planned spending of fund balance relative to increased expenses for education services, maintenance, and equipment. The stabilization of expectations relative to locally sourced revenues is attributable to the aforementioned property tax increase and to the more favorable than expected combined results of improved collection activities as a result of process refinements inherent in the implementation of Act 32 requirements relative to local earned income tax revenues and the improved macroeconomic environment (i.e. additional earned income subject to tax).
- The decrease in overall expense as compared to budget is a result of increased costs for professional compensation and benefits in addition to other instructional services cost increases as offset by the results of cost containment measures in these areas and the successful planning, execution, and deferral of certain maintenance and capital expenditure activities.

Long-term debt activity in the fiscal year ended June 30, 2018:

Description	Balance June 30, 2017	Additional Borrowings	Principal Reductions	Balance June 30, 2018
2014 Series GOB	\$ 5,590,000	\$ -	\$ (5,000)	\$ 5,585,000
2014 GON	2,838,000	-	(692,000)	2,146,000
2015 GON	6,923,000	-	(950,000)	5,973,000
	15,351,000	-	(1,647,000)	13,704,000
Unamortized bond premium	27,669	-	(6,098)	21,571
(discount)	(5,655)	-	(1,884)	(3,771)
	\$ 15,373,014	\$ -	\$ (1,654,982)	\$ 13,721,800

See the notes to the financial statements for additional details.

**Milton Area School District
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018**

(UNAUDITED)

MD & A Page 12 of 12

Capital asset activity in the fiscal year ended June 30, 2018:

Governmental Activities Fixed Assets:

Description	Cost June 30, 2017	Fiscal Year-ended June 30, 2018		Cost June 30, 2018	Depreciation Expense For Year-ended June 30, 2018	Accumulated Depreciation June 30, 2018	Net Asset June 30, 2018
		Additions	Retirements/ Transfers				
Land improvements	1,493,555	26,665	-	1,520,220	59,779	1,400,228	119,992
Buildings & improvements	56,585,599	201,340	-	56,786,939	2,220,247	28,504,853	28,282,085
Machinery & equipment	12,757,010	1,251,112	-	14,008,122	607,785	11,676,722	2,331,401
Vehicles	246,588	-	-	246,588	12,287	205,122	41,466
Construction in Progress	-	45,326	-	45,326	-	-	45,326
	<u>\$ 71,082,752</u>	<u>\$ 1,524,443</u>	<u>\$ -</u>	<u>\$ 72,607,195</u>	<u>\$ 2,900,098</u>	<u>\$ 41,786,925</u>	<u>\$ 30,820,270</u>

Food Service Fixed Assets:

Description	Cost June 30, 2017	Fiscal Year-ended June 30, 2018		Cost June 30, 2018	Depreciation Expense For Year-ended June 30, 2018	Accumulated Depreciation June 30, 2018	Net Asset June 30, 2018
		Additions	Retirements/ Transfers				
Machinery & equipment	\$ 978,318	\$ 28,898	\$ -	\$ 1,007,216	\$ 17,324	\$ 895,777	\$ 111,439
	<u>\$ 978,318</u>	<u>\$ 28,898</u>	<u>\$ -</u>	<u>\$ 1,007,216</u>	<u>\$ 17,324</u>	<u>\$ 895,777</u>	<u>\$ 111,439</u>

See the notes to the financial statements for additional details.

Potential Future Issues:

The following matters will potentially have future impact on the District:

- ✓ The Pennsylvania School Employees Retirement System (PSERS) pension plan, covering substantially all of the District's employees, continues to project significant funding shortfalls. There is uncertainty as to the extent and resolution of the shortfalls causing the potential of a significant negative impact on the District in the form of continued increases in required employer contributions in future years.
- ✓ The combined impact of an overall unfavorable economy, anticipated increases to retirement funding obligations, and cost increases associated with the implementation of health care reform, including, but not limited to the Affordable Care Act, and the associated cost and operational considerations, pose a challenge to both the District and state to fund operations. The Commonwealth has imposed restrictions and limitations on the ability of school districts to raise revenue via future tax increases. Federal and state funding levels are also expected to remain constrained while labor related costs rise beyond the ability to accommodate with revenue enhancements. The School District will be required to consider operational changes.
- ✓ The District has experienced, in the first months of fiscal 2018-19, significant (estimated at \$2.4-million) of unexpected expenditures for mold remediation and other damage/losses. There is significant uncertainty relative to insurance coverage or the availability of other funding sources such as government or other disaster relief funds which the District continues to pursue.

Richard B. Snodgrass & Co.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Milton Area School District
700 Mahoning Street
Milton, Pennsylvania 17847

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 Milton Area School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of 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 District'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 District'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 Milton Area School District as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Accounting Changes – Changes in Accounting Principles

As discussed in note 1.I, *Other Postemployment Benefit Plans (Other than Pensions) and Net Position – Accounting Changes*, to the financial statements, the District adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, on July 1, 2017. The adoption provisions of this statement required retro-active restatement of the District's net position as of the beginning of the earliest period presented. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) information on pages MD&A 1 through 12 and the *schedule of the District's proportionate share of the net pension liability* on page RSI-1, the *schedule of the District's contributions to pensions* on page RSI-2, the *schedules of changes in the District's total OPEB liability and related ratios* on page RSI-3, the *schedule of the District's proportionate share of the net OPEB liability* on page RSI-4, and the *schedule of the District's OPEB contributions* on page RSI-5, be presented to supplement the basic financial statements. Such information, though not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of the 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 District's basic financial statements. The accompanying schedule of expenditures of federal (and state) awards as required by Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the District's basic financial statements.

The schedule of expenditures of federal (and state) awards is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal (and state) awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated December 21, 2018 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Richard B. Snodgrass & Co.
Montoursville, Pennsylvania
December 21, 2018

**Milton Area School District
Statement of Net Position**

June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets and Deferred Outflows of Resources:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 6,247,165	\$ 267,467	\$ 6,514,632
Investments	1,541,698	-	1,541,698
Taxes receivable-net	1,521,282	-	1,521,282
Internal balances	-	-	-
Due from other governments	2,122,019	109,166	2,231,185
Inventories	-	58,755	58,755
Other receivables	10,897	-	10,897
Total current assets	11,443,061	435,388	11,878,449
Noncurrent assets:			
Land and land improvements-net	119,992	-	119,992
Buildings and improvements-net	28,282,085	-	28,282,085
Furniture and equipment-net	2,372,867	111,439	2,484,306
Construction in progress	45,326	-	45,326
Total noncurrent assets	30,820,270	111,439	30,931,709
Total Assets	42,263,331	546,827	42,810,158
Deferred Outflows of Resources:			
Deferred loss on bond refunding	106,457	-	106,457
Deferred bond issuance cost - prepaid insurance	16,253	-	16,253
OPEB-PSERS	89,000	-	89,000
OPEB-District	119,987	-	119,987
Pension	6,948,891	-	6,948,891
Total Deferred Outflows of Resources:	7,280,588	-	7,280,588
Total Assets and Deferred Outflows of Resources:	49,543,919	546,827	50,090,746
Liabilities, Deferred Inflows of Resources and Net Position:			
Liabilities:			
Current liabilities:			
Accounts payable	629,539	-	629,539
Accrued salaries and benefits	3,794,762	-	3,794,762
Internal balances	(16,479)	16,479	-
Current portion of long-term debt	1,674,000	-	1,674,000
Other current liabilities	97,870	-	97,870
Total current liabilities	6,179,692	16,479	6,196,171
Noncurrent liabilities:			
Bonds payable-net of current portion	12,047,800	-	12,047,800
Net pension liability	56,352,000	-	56,352,000
Net OPEB liability-PSERS	2,325,000	-	2,325,000
Net OPEB liability-District	3,726,966	-	3,726,966
Total noncurrent liabilities	74,451,766	-	74,451,766
Total Liabilities	80,631,458	16,479	80,647,937
Deferred Inflows of Resources:			
Unearned revenue	-	-	-
OPEB-PSERS	108,000	-	108,000
Pension- reconcile pension investment performance & proportionate share	341,000	-	341,000
Total Deferred Inflows of Resources:	449,000	-	449,000
Net Position:			
Invested in capital assets-net of related debt	17,221,180	111,439	17,332,619
Restricted:			
Capital projects - mold remediation	2,408,959	-	2,408,959
Capital projects	206,156	222,923	429,079
Retirement	1,854,545	-	1,854,545
Scholarships	723,746	-	723,746
Debt service	4,691	-	4,691
Unrestricted	(53,955,816)	195,986	(53,759,830)
Total Net Position	(31,536,539)	530,348	(31,006,191)
Total Liabilities, Deferred Inflows of Resources and Net Position:	\$ 49,543,919	\$ 546,827	\$ 50,090,746

The accompanying notes are an integral part of this financial statement.

**Milton Area School District
Statement of Activities
For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:								
Instruction	\$ 23,779,088	\$ -	\$ 29,656	\$ 6,220,492	\$ -	\$ (17,528,940)		\$ (17,528,940)
Instructional Student Support	2,368,400	-	-	310,158	-	(2,058,242)		(2,058,242)
Admin. & Financial Support Services	3,737,428	-	-	300,043	-	(3,437,385)		(3,437,385)
Operation & Maintenance of Facilities	2,966,100	-	61,037	202,354	-	(2,702,709)		(2,702,709)
Pupil Transportation	1,562,383	-	-	731,123	-	(831,260)		(831,260)
Student Activities	778,641	-	-	66,288	-	(712,353)		(712,353)
Community Services	231	-	-	-	-	(231)		(231)
Scholarships and Awards	30,165	-	-	24,546	-	(5,619)		(5,619)
Interest on Long-Term debt	390,506	-	-	262,409	-	(128,097)		(128,097)
Total Governmental Activities	35,612,942		90,693	8,117,413	-	(27,404,836)		(27,404,836)
Business-type activities:								
Food Service	1,571,141		446,124	1,049,584			(75,433)	(75,433)
Total Primary Government	\$ 37,184,083		\$ 536,817	\$ 9,166,997	\$ -	\$ (27,404,836)	\$ (75,433)	\$ (27,480,269)
General revenues:								
Taxes:								
Property taxes, levied for general purposes, net						10,584,928	-	10,584,928
Taxes levied for specific purposes						4,214,725	-	4,214,725
Grants, subsidies, & contributions not restricted						9,848,374	-	9,848,374
Investment Earnings						93,401	-	93,401
Miscellaneous Income						19,448	-	19,448
Transfers						-	-	-
Total general revenues, special items, extraordinary items and transfers						24,760,876	-	24,760,876
Change in Net Position						(2,643,960)	(75,433)	(2,719,393)
Net Position—beginning						(28,892,579)	605,781	(28,286,798)
Net Position—ending						\$ (31,536,539)	\$ 530,348	\$ (31,006,191)

The accompanying notes are an integral part of this financial statement.

Milton Area School District
Balance Sheet-Governmental Funds
June 30, 2018

	General Fund	Capital Reserve	Scholarship Fund	Debt Service Fund	Total Governmental Funds
Assets and Deferred					
Outflows of Resources:					
Assets:					
Cash and cash equivalents	\$ 5,322,419	\$ 234,659	\$ 685,396	\$ 4,692	\$ 6,247,166
Investments	1,503,848	-	37,850	-	1,541,698
Taxes receivable-net	1,521,282	-	-	-	1,521,282
Interfund receivables	17,025	-	-	-	17,025
Intergovernmental receivables	2,122,019	-	-	-	2,122,019
Inventories	-	-	-	-	-
Other receivables	9,851	-	500	-	10,351
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	10,496,444	234,659	723,746	4,692	11,459,541
Deferred Outflows of Resources:					
	-	-	-	-	-
Total Assets & Deferred Outflows	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	10,496,444	234,659	723,746	4,692	11,459,541
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	614,480	15,059	-	-	629,539
Intergovernmental payables	-	-	-	-	-
Accrued salaries & benefits	3,794,762	-	-	-	3,794,762
Other current liabilities	29,194	-	-	-	29,194
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	4,438,436	15,059	-	-	4,453,495
Deferred Inflows of Resources:					
Unearned revenue	423,322	-	-	-	423,322
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred inflows	423,322	-	-	-	423,322
Fund Balances:					
Non-spendable	-	-	-	-	-
Restricted fund balance	-	-	-	4,692	4,692
Committed balance	2,354,545	-	723,746	-	3,078,291
Assigned fund balance					
Mold Remediation	2,408,959	219,600	-	-	2,628,559
Assigned fund balance-other	340,449	-	-	-	340,449
Unassigned fund balance	530,733	-	-	-	530,733
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund equity	5,634,686	219,600	723,746	4,692	6,582,724
Total Liabilities & Fund Balance	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 10,496,444	\$ 234,659	\$ 723,746	\$ 4,692	\$ 11,459,541

The accompanying notes are an integral part of this financial statement.

Milton Area School District
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2018

Total Fund Balances - Governmental Funds \$ 6,582,724

Amounts reported for governmental activities in the statement of net assets 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 \$72,607,195 and the accumulated depreciation is \$41,786,925. 30,820,270

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 recorded as deferred inflows of resources - unearned revenues in the funds balance sheet. 423,322

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 payable	(13,721,800)
Accrued interest on the bonds	(68,676)
Net pension liability	(56,352,000)
Other postemployment benefits	(6,051,966)

Losses incurred on refundings of long-term liabilities and other related prepaid costs of bond insurance are not financial resources and, therefore, are not reported as deferred outflows of resources in governmental funds. The deferred loss on refundings and other related prepaid insurance costs included in government-wide deferred outflows of resources is: 122,709

Deferred outflows and inflows of resources related to pension and other postemployment benefits to be recognized and/or realized in future periods are not reported in governmental funds

Deferred outflows-pension	6,948,891
Deferred inflows-pension	(341,000)
Deferred outflows-OPEB	208,987
Deferred inflows-OPEB	(108,000)

Total Net Position - Governmental Activities \$ (31,536,539)

The accompanying notes are an integral part of this financial statement.

Milton Area School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Capital Reserve</u>	<u>Scholarship Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources	\$ 15,428,264	\$ 2,836	\$ 27,778	\$ 36	\$ 15,458,914
State Sources	16,383,091	-	-	-	16,383,091
Federal Sources	1,134,813	-	-	-	1,134,813
Total Revenues	<u>32,946,168</u>	<u>2,836</u>	<u>27,778</u>	<u>36</u>	<u>32,976,818</u>
EXPENDITURES					
Instruction	19,663,363	-	-	-	19,663,363
Support Services	10,960,225	-	-	-	10,960,225
Non-instructional Services	733,534	-	30,165	-	763,699
Capital Outlay	-	45,326	-	-	45,326
Debt Service (Principal & Interest)	1,963,452	-	-	-	1,963,452
Total Expenditures	<u>33,320,574</u>	<u>45,326</u>	<u>30,165</u>	<u>-</u>	<u>33,396,065</u>
Excess (Deficiency) of Revenues Over Expenditures	(374,406)	(42,490)	(2,387)	36	(419,247)
OTHER FINANCING SOURCES (USES)					
Interfund Transfers in	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-
Net Change in Fund Balances	<u>(374,406)</u>	<u>(42,490)</u>	<u>(2,387)</u>	<u>36</u>	<u>(419,247)</u>
Fund Balance - Beginning of Year	6,009,092	262,090	726,133	4,655	7,001,970
Fund Balance - End of Year	<u>\$ 5,634,686</u>	<u>\$ 219,600</u>	<u>\$ 723,746</u>	<u>\$ 4,691</u>	<u>\$ 6,582,723</u>

The accompanying notes are an integral part of this financial statement.

**Milton Area School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
To the Statement of Activities
For the Year Ended June 30, 2018**

Total net change in fund balances - governmental funds \$ (419,247)

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 expense	(2,900,098)
Capital Outlays	1,524,443

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,647,000

Taxes receivable are recognized on an accrual basis in government-wide statements while the revenue is recognized on a modified accrual basis in governmental funds. This is the increase in revenue recognized in the government-wide statements in the current year due to this difference (7,836)

Interest on long-term debt at year end is not accrued in governmental funds but is accrued in government wide financial statements. Accrued interest on bonds increased at this year end as compared to the previous year end (27,364)

Bond premiums and discounts related to time-value of money are recorded net of bonds payable and accreted/amortized in government-wide statements:

Amortize bond issuance premiums	6,098
Accrete bond issuance discounts	(1,884)

The difference between the refunded debt and the new debt proceeds used to make the refunding is recognized as a gain or loss component of Deferred Outflows of Resources and is amortized/accreted over the remaining bond term. Prepaid costs of bond insurance are amortized over the term of the related bonds. These items are reflected in the calculation of Other Financing Sources and Uses and of administrative expense, respectively, in the period of the refunding, in governmental funds. These differences result in the following addition adjustments to interest expense:

Amortize losses on refundings	(44,852)
Amortize prepaid bond insurance	(6,052)

In the statement of activities, Pension and OPEB expense are measured by the amounts contributed toward future retirement during the year. In the governmental funds, however, are measured by the amount of financial resources used. This amount represents the additional amount, net, expended in the current period in consideration of the changes in the Net Liabilities and related Deferred Pension/OPEB inflows and outflows of resources:

Pension	(2,323,310)
Other postemployment benefits	(90,858)

Change in net position of governmental activities \$ (2,643,960)

The accompanying notes are an integral part of this financial statement.

Milton Area School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Budget and Actual
For the Year Ended June 30, 2018

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 15,470,905	\$ 15,470,905	\$ 15,428,264	\$ (42,641)
State Sources	16,535,085	16,535,085	16,383,091	(151,994)
Federal Sources	950,746	950,746	1,134,813	184,067
Total Revenues	32,956,736	32,956,736	32,946,168	(10,568)
EXPENDITURES				
Regular education programs	13,805,792	13,805,792	13,318,613	487,179
Special education programs	4,424,447	4,424,447	4,549,394	(124,947)
Vocational education programs	756,862	756,862	726,314	30,548
Other instructional programs	1,137,712	1,137,712	1,050,563	87,149
Adult education programs	-	-	-	-
Pre-kindergarten programs	-	-	18,479	(18,479)
Pupil personnel support services	1,415,806	1,415,806	1,390,128	25,678
Instructional staff support services	841,024	841,024	790,742	50,282
Administrative services	2,044,047	2,044,047	1,999,211	44,836
Pupil health services	335,057	335,057	370,388	(35,331)
Business services	450,018	450,018	468,174	(18,156)
Operation & maintenance of facilities	3,036,031	3,036,031	2,903,940	132,091
Student transportation services	1,562,293	1,562,293	1,598,351	(36,058)
Central & other support services	1,016,809	1,016,809	1,439,291	(422,482)
Student activities	750,439	750,439	733,303	17,136
Community services	1,500	1,500	231	1,269
Debt Service (Principal & Interest)	1,963,453	1,963,453	1,963,452	1
Other	-	-	-	-
Total Expenditures	33,541,290	33,541,290	33,320,574	220,716
Excess (Deficiency) of Revenues Over Expenditures	(584,554)	(584,554)	(374,406)	210,148
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	-	-	-	-
Budgetary reserve	100,000	100,000	-	100,000
Net Change in Fund Balances	(684,554)	(684,554)	(374,406)	310,148
Fund Balance - Beginning of Year	4,276,493	4,276,493	6,009,092	
Fund Balance - End of Year	\$ 3,591,939	\$ 3,591,939	\$ 5,634,686	

The accompanying notes are an integral part of this financial statement.

Milton Area School District
Statement of Net Position-Proprietary Funds

June 30, 2018

	Food Service Fund
Assets and Deferred	
Outflows of Resources:	
Assets:	
Current assets:	
Cash and cash equivalents	\$ 267,467
Investments	-
Due from other governments	109,166
Other receivables	-
Inventories	58,755
Total current assets	435,388
Noncurrent assets:	
Furniture and equipment-net	111,439
Total noncurrent assets	111,439
Total Assets	546,827
Deferred Outflows of Resources:	-
Total Assets and Deferred Outflows	546,827
Liabilities, Deferred Inflows of Resources and Net Position:	
Liabilities:	
Current liabilities:	
Accounts payable	-
Accrued salaries and benefits	-
Due to other funds	16,479
Other current liabilities	-
Total current liabilities	16,479
Noncurrent liabilities:	
Long-term portion of compensated absences	-
Total noncurrent liabilities	-
Total Liabilities	16,479
Deferred Inflows of Resources:	-
Net Position:	
Invested in capital assets-net of related debt	111,439
Restricted	222,923
Unrestricted	195,986
Total Net Position	530,348
Total Liabilities, Deferred Inflows, and Net Position	\$ 546,827

The accompanying notes are an integral part of this financial statement.

Milton Area School District
Statement of Revenues, Expenditures and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Food Service Fund
OPERATING REVENUES	
Food service revenue	\$ 446,124
Charges for services	-
Total Operating Revenues	446,124
EXPENDITURES	
Salaries	405,567
Employee benefits	397,162
Purchased professional & technical services	-
Purchased property services	45,253
Other purchased services	5,078
Supplies	700,757
Depreciation	17,324
Total Expenditures	1,571,141
Operating income (loss)	(1,125,017)
NON-OPERATING REVENUES (EXPENSES)	
State sources	125,716
Federal sources	923,868
Income (Loss) for the Period/Increase (Decrease) in Net Position	(75,433)
Net Position - Beginning of period	605,781
Net Position - End of period	\$ 530,348

The accompanying notes are an integral part of this financial statement.

**Milton Area School District
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018**

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from users	\$ 446,124
Cash payments to employees for services	(939,973)
Cash payments to suppliers for goods and services	(745,145)
Net Cash (Used For) Operations	(1,238,994)
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State sources	126,466
Federal sources	942,836
Net Cash Provided By Non-Capital Financing Operations	1,069,302
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Capital outlay	(28,899)
Net Cash (Used For) Capital and Related Financing Operations	(28,899)
Net Increase (Decrease) in cash for fiscal year	(198,591)
Cash and cash equivalents at - Beginning of Year	466,058
Cash and cash equivalents at - End of Year	\$ 267,467
 RECONCILIATION OF OPERATING (LOSS) TO CASH (USED FOR) OPERATIONS:	
Operating (loss)	\$ (1,125,017)
Adjustments to reconcile-	
Depreciation	17,324
(Increase) Decrease in accounts receivable	13,447
(Increase) Decrease in inventories	(2,670)
Increase (Decrease) in accounts payable	(4,834)
Increase (Decrease) in advances from other funds	(137,244)
Net Cash (Used For) Operations	\$ (1,238,994)

The accompanying notes are an integral part of this financial statement.

Milton Area School District
Statement of Fiduciary Net Position

June 30, 2018

	<u>Agency</u>
Assets:	
Cash and cash equivalents	\$ 83,014
Investments	-
Other receivables	925
Prepaid expenses	-
Total Assets	<u><u>83,939</u></u>
Liabilities:	
Accounts payable	-
Other current liabilities	83,939
Total Liabilities	<u>83,939</u>
Net Position:	
Restricted	-
Unrestricted	-
Total Net Position	<u>-</u>
Total Liabilities and Net Position	<u><u>\$ 83,939</u></u>

The accompanying notes are an integral part of this financial statement.

Milton Area School District
Notes to Financial Statements
June 30, 2018

Note 1. Summary of Significant Accounting Policies

The accounting policies of the Milton Area School District, "the School District" or "District" conform to United States generally accepted accounting principles (GAAP) as applicable to governmental entities. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations to its governmental and business-type activities in certain situations.

1.A. – Description of Entity:

The Milton Area School District, Northumberland and Union Counties, Pennsylvania, operates as a school district of the 3rd class under the School Code of 1949 of the Commonwealth of Pennsylvania. The District operates under the management of a superintendent hired by and responsible to an elected nine-member board of school directors.

1.B. – Financial Reporting Entity:

The District is the basic level of government which has responsibility and control over all activities related to public school education in its attendance area in Northumberland and Union Counties. The District receives funding from local, state, and Federal government sources and must comply with various requirements of these funding sources. However, the District is not included in any other governmental reporting entity as defined by GASB pronouncements. Additionally, there are no other organizations which are required to be included as a component unit of the District's reporting entity.

1.C. – Basis of Presentation:

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities reports information about the District as a whole. These statements include the financial activity of the District, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental 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 District as of the District's June 30 fiscal year end. The Statement of Activities presents a comparison between direct expenses and program revenues

Milton Area School District
Notes to Financial Statements
June 30, 2018
(Continued)

for each function of the District's governmental activities and for the single business-type activity of the District. 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 particular 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, with certain limited exceptions, as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and business-type activity is self-financing or draws upon the general revenues of the District.

Fund Financial Statements

Fund financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. During the fiscal year, the School District accounts for its operations by segregating activities related to certain functions or activities into separate funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures or expenses, as appropriate. School district resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Funds are organized into three major categories: governmental, proprietary, and fiduciary. In the presentation of fund financial statements for governmental and proprietary funds, those funds which are considered to be "major funds" are presented separately with the remaining funds in each of these categories being presented in an aggregated manner. A fund is defined as a major fund in accordance with GASB Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* if it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category, and;
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined.

Fiduciary funds are reported by type.

Milton Area School District
Notes to Financial Statements
June 30, 2018
(Continued)

The funds of the District are described below.

Governmental Funds

General Fund – The general fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Reserve Fund –The capital reserve fund of the District was established in accordance with P.L. 145, Act of April 30, 1943 of the Commonwealth of Pennsylvania. Accordingly, the amounts in this fund are restricted and may be utilized only for the purposes designated in the Act.

Public Purpose Trust-Scholarship Fund – The scholarship fund is used to account for funds received and utilized to provide scholarships to graduates of the District for post-secondary education.

Debt Service Fund – The debt service fund is typically utilized to account for the periodic refunding of the District’s long-term financing arrangements. The related activity includes the proceeds of new financing and the refunding-specific debt service. Costs of issuance of new refunding issues are also included in this fund as administrative expense. Ordinary course interest and principal payments are accounted for as debt service in the District’s general fund. Debt issuances related to period specific building, renovation or similar project are typically accounted for in a separate Capital Projects fund.

Proprietary Funds

Proprietary fund accounting and reporting is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services on a continuing basis is to be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Food Service Fund – The Food Service Fund is the District's only proprietary fund. It is utilized to account for the District’s operations in providing meal services.

Milton Area School District
Notes to Financial Statements
June 30, 2018
(Continued)

Fiduciary Funds

Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Fiduciary funds are custodial in nature and do not involve measurement of results of operation.

Student Activities Fund – The School District's only Fiduciary Fund is an agency fund, the Student Activities Fund. This fund accounts for the funds being held by the School District on behalf of various student clubs and organizations.

The funds, which are considered major funds for fund financial statement presentation, and are presented in a separate column within the respective fund category, are:

1. Governmental Funds
 - General Fund
 - Capital Reserve Fund
 - Debt Service Fund
 - Capital Projects/Construction Fund (project specific)
 - Scholarship Fund

2. Proprietary Funds
 - Food Service Fund

1.D. – Accounting Methods:

Accounting methods are described in terms of the measurement focus and basis of accounting.

Measurement focus is a term used to describe which transactions are recorded within the financial statements. Measurement focus is dictated by the principal objective of the accounting and reporting being presented.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

Measurement Focus

Government-wide Statements of Net Position and the Statements of Activities are prepared utilizing the “economic resources” measurement focus for both governmental and business-like activities.

Milton Area School District
Notes to Financial Statements
June 30, 2018
(Continued)

Fund financial statements are prepared utilizing the “current financial resources” measurement focus in governmental funds. In proprietary funds the “economic resources” measurement focus is applied.

In governmental funds the principal objective of the accounting and reporting is to account for and report the flow of financial resources utilized in the delivery of services by that governmental entity. Typically, this entails the reporting of the various sources of revenues and expenditures versus a legally adopted budget. The emphasis is on accounting for this budget and the financial resources and requirements supporting it on an annual basis. This measurement focus accounts for current financial resources and as such revenue and expenditure recognition under this measurement focus is limited and excludes amounts represented by non-current assets or liabilities. Since they do not affect net current assets, long-term amounts are not recognized as revenues or expenditures or fund assets or liabilities.

Proprietary funds utilize an economic resources measurement focus because the objective of the accounting in these funds is the determination of operating income, changes in net position, financial position and cash flows. All assets and liabilities, whether current or non-current, associated with the activities of these funds are included.

Basis of Accounting

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become both measurable and available as net current assets. Taxes are considered "available" when in the hands of the School District or, in the case of delinquent taxes, anticipated to be collected within 60 days after the fiscal year end and are recognized as revenue within the fiscal year.

Expenditures are generally recognized when the related fund liability is incurred. The exception to this general rule is that interest on general long-term debt is recognized only when payable.

Government-wide financial statements are prepared utilizing the accrual basis of accounting. Revenues are recognized when they are earned and their expenses are recognized when they are incurred.

Proprietary funds are also accounted for using the accrual basis of accounting.

Milton Area School District
Notes to Financial Statements
June 30, 2018
(Continued)

1.E. – Revenue Recognition – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, those transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, those in which the District receives value without giving equal value in return, include property taxes, earned income taxes, grants and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the specific time period in which expenditures must be made in order to be eligible as grant, entitlement or donation eligible; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from a non-exchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: earned income taxes, grants, interest, tuition, and student fees.

In conjunction with the District's adoption of GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB No. 63), the District has captioned the amounts historically disclosed as "deferred revenue," as "unearned revenue." The District's unearned revenues balance as per the Fund financial statements represents unavailable tax revenues and has been disclosed as "deferred inflows of resources." These amounts are recognized as revenue in the period in which the tax is levied in the Government wide statements and are not deferred inflows therein.

1.F. – Expenses and Expenditures:

On the accrual basis of accounting expenses are recognized at the time they are incurred.

Milton Area School District
Notes to Financial Statements
June 30, 2018
(Continued)

The “current financial resources” measurement focus of governmental fund accounting, results in accounting for decreases in net current financial resources, expenditures rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

1.G. – Assets, Liabilities and Net Position/Fund Balance:

The following summarizes certain of the District’s Summary of Significant Accounting Policies (SOSAP) matters relevant to significant accounting and financial statement components:

Cash and Cash Equivalents and Investments

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near their maturities that they present insignificant risk of changes in value because of changes in interest rates. Generally only investments with original maturities of three months or less qualify as cash equivalents. Investments are stated at cost or amortized cost, which approximates market.

Taxes and Intergovernmental Receivables

Taxes receivable are reported on the balance sheet at amounts that include any penalty amounts due net of an allowance for uncollectible balances. Intergovernmental receivables include amounts due from the state and federal governments for various grants and subsidies. For Fund Financial Statements only that portion of such receivables that is determined to be available as of the fiscal year end is recorded as revenue in the current year. Deferred revenue is credited for that portion of the receivable balance not meeting the revenue recognition criteria.

Inventory

Inventory is valued at cost (first-in, first-out). Inventory consists of food and related supplies in the District’s Food Service Fund. Food donated by the U.S. Department of Agriculture is recorded at market value. The school district's inventory of instructional and building maintenance supplies is not considered to be material and is, therefore, not reflected in the district's financial statement. The district utilizes the "purchases method" of accounting for such items under which such items are charged to expenditure when purchased.

Capital Assets

General capital assets are those assets not specifically related to activities in the District’s Food Service Fund. These assets generally result from expenditures in the District’s governmental funds. These assets are not included in the Fund Financial Statements. They

Milton Area School District
Notes to Financial Statements
June 30, 2018
(Continued)

are, however include in the governmental activities column of the Government-wide Statement of Net Position.

Capital assets used by the Food Service Fund are included in both the Fund Financial Statements and the business-type activities column of the Government-wide Statement of Net Position.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date of donation. The District maintains a capitalization threshold of \$1,000 which is applied to individual asset purchases or, in the case of the purchase of same or similar assets in a group, to the aggregated cost.

All capital assets, except land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<i>Description</i>	<i>Estimated Useful Lives</i>
Land Improvements	15-50 years
Buildings and Building Improvements	15-40 years
Furniture and Equipment	5-20 years
Vehicles	5-10 years

Bond Issuance Costs and Amortization

In conjunction with the District's adoption of GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* (GASB No. 65), as of the beginning of the fiscal year-ended June 30, 2014, the costs of issuance, including underwriters discount, of the District's bonds payable have been written-off. Issuance costs for amounts related to prepaid bond insurance continue to be deferred as a prepaid expense component of deferred outflows of resources in the accompanying statement of net position. All other issuance costs for professional and related services in conjunction with a bond issuance are expensed in the period incurred. Prepaid bond insurance amortization expense, which is included as a component of interest expense, was \$6,052, for the year-ended June 30, 2018.

Bond Discounts and Premiums and Amortization

The District records the premiums and discounts resulting from the determination of present value of bond transactions, recognized upon issuance of the District's bonds payable, as a direct net addition to the face amount of bonds payable in the accompanying statement of net position based upon the requirement of GASB No. 65. Premiums/discounts, as they arise, are being amortized utilizing the straight-line method, which is a systematic and rational manner

Milton Area School District
Notes to Financial Statements
June 30, 2018
(Continued)

over the remaining debt. Net amortization of premium and accretion of discounts expense, which is included as an adjustment (decrease) to interest expense, was \$(4,214), for the year-ended June 30, 2018.

Deferred Loss on Refinancing and Amortization

The District records and the net loss on refinancing has been presented for inclusion as a Deferred Outflow of Resources in the accompanying statement of net position. Gains or losses on debt extinguishment generally arise from differences between the carrying amount of the refinanced debt and the amount borrowed or other District resources utilized in the refinancing. Deferred losses on refinancing are being amortized utilizing the straight-line method, which is a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Amortization of deferred loss refinancing expense, which is included as a component of interest expense, was \$44,852, for the year-ended June 30, 2018.

Pensions

The District recognizes its proportionate share of the multi-employer, cost-sharing, net pension liability relative relevant retirement benefits available to certain of the District's current and former employees and retirees based upon the requirements of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions (as amended)* (GASB No. 68), effective as of the beginning of the fiscal year-ended June 30, 2015.

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 or the System or the Pension Plan or the Plan) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms and PSERS's investments are reported at fair value.

The Pension Plan provides Retirement, death and disability, legislatively mandated *ad hoc* cost-of-living adjustments, healthcare insurance premium assistance benefits to qualifying annuitants. The plan operates under the authority of the Public School Employee's Retirement Code (the Code) (Act No. 96 of October 2, 1975, as amended) (24 Pa. C. S. 8101-8535). The Pension Plan is administered, at the State-wide level, by a 15-member board (the PSERS Board).

Milton Area School District
Notes to Financial Statements
June 30, 2018
(Continued)

See also Note 9, "Pensions," for further discussion of Pensions and presentation and disclosure policies relative to the relevant account balances and amounts.

Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position invested in capital assets represents the costs of fixed assets net of related accumulated depreciation and related debt. Net position is reported as restricted when there are limitations imposed on their use either through restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Balance

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB No. 54), the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the Board of Directors, the District's highest level of decision making authority, and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent or Business Administrator. Authority to make such assignments is granted by the Board of Directors via District policy.

Unassigned- includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and, should they arise, negative fund balances in other governmental funds.

As of June 30, 2018, the District does not maintain fund balance components which are classified as non-spendable or restricted fund balances.

The District uses restricted /committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit

Milton Area School District
Notes to Financial Statements
June 30, 2018
(Continued)

doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

1. H. – Accumulated Compensated Absences:

Vacation-School district employees who work twelve month schedules are credited with vacation at rates which vary with length of service and/or job classification. Vacation time earned in a fiscal year must be utilized by the end of the subsequent fiscal year except that Act 93 personnel may carry 5 additional days over to the following fiscal year.

Accumulated unused sick days and personal days-Employees accrue sick and personal days each fiscal year. They may carryover such days that they do not use and accumulate them during the term of their employment. At retirement they receive \$15 and \$45 for accumulated sick and personal days respectively. Compensation for accumulated unused sick days is limited to a maximum of 150 days. For certain employees who retire from the District who is eligible for “normal retirement” as defined under the Public School Employees’ Retirement System may elect to receive 1 year of employee only medical insurance coverage for certain quantities of days of accumulated unused sick days (see Note 14 for further).

Sabbatical leaves-The Pennsylvania School Code of 1949, as amended, provides that certain employees are entitled to sabbatical leaves. The district’s potential liability for such leaves is not included in the financial statements because of the uncertainty of future amounts payable.

1. I. – Other Postemployment Benefit Plans (Other than Pensions) and Net Position – Accounting Changes:

The District’s employees and former employees, subject to eligibility requirements summarized here and detailed in the corresponding participant agreements, are provided postemployment benefits other than pensions via the PSERS Health Insurance Premium Assistance Program (the System/PSERS Plan) (see Note 13 for further) and the Milton Area School District Postemployment Benefits Plan (the District Plan) (see Note 14 for further) (OPEB Plans).

Following the scheduled Adoption of GASB GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) as of July 1, 2017, the District accounts for these OPEB plans based upon the requirements of GASB No. 75. Periods ending at July 1, 2008 through June 30, 2017 were previously accounted for based upon the requirements of GASB No. 45 (also entitled *Accounting and Financial Reporting for*

Milton Area School District
Notes to Financial Statements
June 30, 2018
(Continued)

Postemployment Benefits Other Than Pensions), which GASB No. 75 replaced). Consistent with GASB No. 75's adoption provisions, the District adjusted the opening balance of government-wide, governmental activities Net Position by a total of \$4,518,894, net, via retro-active restatement, to record the beginning liability balances relative to its offering of covered benefits under the State-level (PSERS premium assistance, a proportionate share of the statewide plan similar to the PSERS pension, as above) and District-level other postemployment benefit (OPEB) plans. The retro-active restatement included the elimination of the previously established OPEB plan liability balance for the District-level plan as previously accounted for under GASB No. 45.

The year-end balances of the plans were \$2,325,000 for the PSERS, State-level plan and \$3,726,966 for the District-level plan, respectively. The District recognized a total of \$191,845 of additional OPEB expense in its government-wide statement of governmental activities based upon the measurement and recognition requirements of GASB No. 75 for the year-ended June 30, 2018.

1. J. – Accounting Estimates:

Preparation of the School District's financial statements requires management to make certain estimates and assumptions about the effect of future events on the valuation of certain assets or liabilities and the reported amounts of revenues and expenses during the reporting period. These include assumptions regarding an allowance for uncollectible taxes and useful lives and residual values and depreciation and amortization methods related to productive facilities of the Food Service fund. Estimates are made because the measurement of some amounts or the valuation of some accounts is uncertain, pending the outcome of future events, or relevant data concerning events that have already occurred cannot be accumulated on a timely, cost-effective basis. Actual results could differ from these estimates.

Significant Risks and Uncertainties

The following represent factors which could cause actual results to differ from the estimates reflected in the accompanying financial statements:

a) *Significant Group Concentrations of Credit Risk*

The District's operations are located in the borough of Milton, Pennsylvania, and surrounding townships in Northumberland and Union Counties, Pennsylvania. The District's service area is located within the geographic bounds of the District. The District assesses taxpayers, within its service area, based upon taxing powers at its disposal. The ability of each of the District's taxpayers to honor their assessed obligations to the District is dependent upon economic and other factors affecting the taxpayers.

Milton Area School District
Notes to Financial Statements
June 30, 2018
(Continued)

b) *Grant Programs*

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The 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.

Note 2. Budgets and Budgetary Accounting

In accordance with the Pennsylvania School Code of 1949, prior to June 30, the Board of Directors approve and adopt a General Fund Budget for the fiscal year beginning July 1. The General Fund Budget includes proposed expenditures and the means to finance them.

Formal budgetary integration is employed as a management control device during the year for the General Fund. Budgeted amounts are as originally adopted, or as amended by the Board of Directors. Individual amendments are typically not material in relation to the total original appropriations which were amended. All budgeted appropriations lapse at fiscal year end.

Note 3. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. All encumbrances lapse at fiscal year end.

Note 4. Deposits With Financial Institutions and Investments

The School District's deposits and investments are potentially subject to credit and market risks. Credit risk involves the risk that another party to the deposit or investment transaction will not fulfill its obligation with respect to the deposit or investment. Credit risks include failures to perform, as agreed, on the part of the issuer of the security or the financial institution holding the deposit or the custodial agent for the security itself or supporting collateral. Market risk involves the risk that the market value of an investment itself or the supporting collateral will decline and expose the School District to a loss.

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Notes to Financial Statements
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The School District's market and credit risks are reduced by legal restrictions as to the types of deposits and investments it is allowed to make under Pennsylvania law. The following information is provided to allow the reader to evaluate the market and credit risks associated with the School District's deposits and investments.

Government-wide Statement of Net Position Breakout of Cash and Investments:

The District's Cash and Investments are as follow as of June 30, 2018:

Description	June 30, 2018 Amount
Cash and cash equivalents:	
Governmental Activities:	
Demand deposits	\$ 4,735,239
PSDLAF investment pool	1,208,619
PLGIT investment pool	302,889
Cash on hand	418
	6,247,165
Business-type activities:	
Demand deposits	98,535
PSDLAF investment pool	168,932
Cash on hand	20
	267,487
	\$ 6,514,652
Investments:	
Governmental Activities:	
PSDLAF investment pool	1,503,848
Certificates of deposit	35,000
Stock	2,850
	\$ 1,541,698
Total Statement of Net Position Cash, Cash Equivalents and Investments	\$ 8,056,350

Types of Deposits and Investments Permitted for Pennsylvania School Districts:

Legal Requirements

Section 440.1 of the Pennsylvania Public School Code of 1949 requires deposits and investments of the School District to be restricted to the following:

- United States Treasury bills;
- Short-term obligations of the United States Government or its agencies or instrumentalities;
- Deposits in institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by the Act of August 6, 1971 (P.L. 281, No. 72) is pledged by the depository; or
- Obligations of the United States of America, the Commonwealth of Pennsylvania, or of any political subdivision of the Commonwealth of Pennsylvania or any of their

Milton Area School District
Notes to Financial Statements
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agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania, or of any political subdivision of the Commonwealth of Pennsylvania respectively.

Information Regarding Risks Related to Deposits and Investments-

At June 30, 2018 the School District had the following deposits and investments with the noted related credit and custodial risks:

<u>Cash Equivalent/Investment</u>	<u>June 30, 2018 Amount</u>	<u>Credit/Custodial Risk</u>
Governmental Activities:		
Demand and investment deposits-collateralization	\$ 4,235,239	Variable rate overnight investment with a bank collateralized with pooled securities held by a third party
Certificates of deposit-collateralization	35,000	
Demand Deposits - FDIC insurance	500,000	
Demand Deposits - PSDLAF	1,208,619	An investment pool for Pennsylvania school districts rated AAAM
Demand Deposits - PLGIT	302,889	An investment pool for Pennsylvania local governments rated AAAM by Standard & Poor's.
Cash on hand	418	
Stock-held by the district	2,850	PP&L stock held by District
PSDLAF investment pool	1,503,848	An investment pool for Pennsylvania school districts rated AAAM
	<u>7,788,863</u>	
Business-type activities:		
Demand deposits-collateralization	98,535	Variable rate overnight investment with a bank collateralized with pooled securities held by a third party
PSDLAF investment pool	168,932	An investment pool for Pennsylvania school districts rated AAAM
Cash on hand	20	
	<u>267,487</u>	
Total Cash Equivalent/Investments	<u>\$ 8,056,350</u>	

The PP&L stock is held by the District and is part of the Scholarship Fund. PLGIT, the Pennsylvania Local Government Investment Trust and PSDLAF, the Pennsylvania School District Liquid Asset Fund are pooled government investment funds which restrict their investments to those allowed for Pennsylvania school districts as outlined above.

For purposes of financial statement presentation some of the amounts classified as investments above are considered as cash equivalents. Cash equivalents are defined as short-term, highly liquid investments that are both:

- a. Readily convertible to known amounts of cash.
- b. So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

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Notes to Financial Statements
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Generally, only investments with original maturities of three months or less meet this definition.

Also, some of the amounts classified as deposits above are considered to be investments for financial statement presentation.

Note 5. Intergovernmental Receivables

Intergovernmental receivables consist of subsidies, grants and refunds due from the state and federal governments as of June 30, 2018. As discussed in Note 1, revenue of the general fund is recognized on the modified accrual basis.

Note 6. Taxes and Taxes Receivable

The District levies Real Estate and Per Capita taxes based on valuations provided by the Counties of Northumberland and Union. The calendar for taxes levied for the fiscal year ended June 30, 2018 was as follows:

July 1, 2017	Original levy date
July 1, - August 31, 2017	2% discount period
September 1, - October 31, 2017	Face period
November 1, - December 31, 2017	10% penalty period
January 1, 2018	Lien date

Taxes receivable represents amounts due the School District as of June 30, 2018 for delinquent real estate, occupational, and per capita taxes recorded at their penalty amounts. A breakout of the detail is as follows:

	<u>Amount</u>
Real estate taxes	\$ 497,848
Real estate transfer	28,501
Per capita & Occupational	69,090
Earned income tax	985,843
	<u>1,581,282</u>
Less-Allowance for Uncollectible Accounts	(60,000)
	<u><u>\$ 1,521,282</u></u>

As discussed in Note 1, revenue related to taxes receivable is recognized on a modified accrual basis in fund financial statements. As of June 30, 2018, \$1,097,960 of the balance of taxes

Milton Area School District
Notes to Financial Statements
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receivable has been recognized as revenue in the fund financial statements. Government-wide financial statements are prepared on an accrual basis and all of the balance of taxes receivable has been recognized as revenue.

Note 7. Fixed Assets

The following is a summary of activity for the District's fixed assets:

Governmental Funds Fixed Assets:

Description	Cost June 30, 2017	Fiscal Year-ended June 30, 2018		Cost June 30, 2018	Depreciation Expense For Year-ended June 30, 2018	Accumulated Depreciation June 30, 2018	Net Asset June 30, 2018
		Additions	Retirements/ Transfers				
Land improvements	1,493,555	26,665	-	1,520,220	59,779	1,400,228	119,992
Buildings & improvements	56,585,599	201,340	-	56,786,939	2,220,247	28,504,853	28,282,085
Machinery & equipment	12,757,010	1,251,112	-	14,008,122	607,785	11,676,722	2,331,401
Vehicles	246,588	-	-	246,588	12,287	205,122	41,466
Construction in Progress	-	45,326	-	45,326	-	-	45,326
	<u>\$ 71,082,752</u>	<u>\$ 1,524,443</u>	<u>\$ -</u>	<u>\$ 72,607,195</u>	<u>\$ 2,900,098</u>	<u>\$ 41,786,925</u>	<u>\$ 30,820,270</u>

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

Governmental Activities:	
Function/Program	Amount
Instruction	\$ 2,554,427
Instructional Student Support	3,330
Administration	176,079
Operation & Maintenance	147,112
Student Activities	19,150
	<u>\$ 2,900,098</u>

Food Service Fixed Assets:

Description	Cost June 30, 2017	Fiscal Year-ended June 30, 2018		Cost June 30, 2018	Depreciation Expense For Year-ended June 30, 2018	Accumulated Depreciation June 30, 2018	Net Asset June 30, 2018
		Additions	Retirements/ Transfers				
Machinery & equipment	\$ 978,318	\$ 28,898	\$ -	\$ 1,007,216	\$ 17,324	\$ 895,777	\$ 111,439
	<u>\$ 978,318</u>	<u>\$ 28,898</u>	<u>\$ -</u>	<u>\$ 1,007,216</u>	<u>\$ 17,324</u>	<u>\$ 895,777</u>	<u>\$ 111,439</u>

See Note 1.G. for further explanation of the accounting treatment of fixed assets.

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Notes to Financial Statements
June 30, 2018
(Continued)

Note 8. Unearned Revenues

The District's unearned revenues at June 30, 2018 consist of the following:

Government-Wide Statement of Net Assets:	Amount
Governmental Activities:	
Unearned/unavailable tax revenue	\$ -
Governmental Fund Statements:	
General Fund:	
Unearned/unavailable tax revenue	\$ 423,322
	\$ 423,322

As discussed in Note 1, the difference in measurement focus between government-wide statements and fund financial statements, results in the above difference in deferred inflows of resources - unearned revenue. Government-wide statements are prepared utilizing accrual basis accounting while fund financial statements utilize the modified accrual basis of accounting.

Deferred revenue represents revenue not yet recorded as revenue because of not meeting the "available" criteria. See Note 1 for further discussion.

Note 9. Pensions

General information about the Pension Plan:

1. ***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 into which more than approximately 600 reporting units contribute. The members eligible to participate in the System include full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

2. ***Benefits Provided:***
PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reach (a) age 62 with at least 1 year of credit service;

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Notes to Financial Statements
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(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 T-F members must work until age 65 with a minimum of three (3) years of service to attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of credited service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined by the Code) multiplied by the number of years of credited service. For members who membership started prior to July 1, 2011, after completion of five (5) years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten (10) years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending on 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 salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply disability benefits.

Death benefits are payable upon death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three (3) years of credited service for Class T-E and Class T-F members) or who has at least five (5) years of credited service (ten (10) 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.

3. ***Funding Policy - Contributions:***

a. **Member Contributions:**

Active members who joined the System prior to July 22, 1983 contribute at 5.25% (Membership Class T-C) or at 6.5% (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 7.5% (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 7.5% (automatic Membership Class T-D). For all new hires and

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for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute 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%. "Shared risk," as defined by PSERS, pertains to the risks and rewards of investment performance.

b. Employer Contributions:

The District's contractually required contribution rate for fiscal year ended June 30 2018, was 31.74% of covered payroll (32.57%, net of a premium assistance portion (0.83%)), of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to and received by the Pension Plan from the District were \$4,615,309 for the year ended June 30, 2018.

In accordance with Act 29 of 1994, the Commonwealth of Pennsylvania is required to reimburse the School District for contributions made to the retirement plan based upon a formula provided in the Act but not less than one-half of the School District's contributions.

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

At June 30, 2018, the District reported a liability of approximately \$56,352,000, for its proportionate share of the PSERS net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll reported by all PSERS participating employers. At June 30, 2017, the District's proportion of was 0.1141%, which was an increase of 0.0047 percentage points or an approximately 4.2% increase from its proportion measured as of June 30, 2016 (0.1094%).

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For the year ended June 30, 2018, the District recognized pension expense of approximately \$6,938,620. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 588,000	\$ 341,000
Changes in assumptions	1,531,000	-
Net difference between projected and actual investment earnings	1,306,000	-
Changes in proportions	2,285,000	-
Difference between employer contributions and proportionate share of total contributions	1,238,891	-
Contributions subsequent to the measurement date	-	-
	\$ 6,948,891	\$ 341,000

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:	
2019	\$ 1,864,899
2020	2,495,899
2021	1,812,292
2022	384,540
2023	50,261
Thereafter	-
	\$ 6,607,891

5. ***Actuarial Assumptions:***

The total pension liability presented as of June 30, 2018 was determined by rolling forward the System's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- (a) *Actuarial Cost Method:* Entry Age Normal – level % of pay
- (b) *Investment Return:* 7.25%, includes inflation at 2.75%

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Notes to Financial Statements
June 30, 2018
(Continued)

- | | | |
|-----|-------------------------|--|
| (c) | <i>Salary Increases</i> | Salary growth - effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases. |
| (d) | <i>Mortality rates</i> | <p>Based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.</p> <p>For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.</p> |

The long-term expected rate of return on the Pension Plan's 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 target asset allocation percentage and by adding expected inflation.

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

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

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Notes to Financial Statements
June 30, 2018
(Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	<u>100%</u>	

The above was the PSERS Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

6. ***Discount Rate:***

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

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. ***Sensitivity to Discount Rate Changes:***

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the pension liability would be if it were calculated using discount rates that are 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate in order to demonstrate the sensitivity of the District’s proportionate share of the Net Pension Liability to changes in the discount rate:

	<u>1% Decrease 6.25%</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase 8.25%</u>
District's proportionate share of the net pension liability	\$ 69,365,000	\$ 56,352,000	\$ 45,366,000

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Notes to Financial Statements
June 30, 2018
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8. ***Pension Plan Fiduciary Net Position:***
Detailed information about PSERS’s fiduciary net position is available in the PSERS Comprehensive Annual Financial Report (CAFR) which can be found on the System’s website at www.psers.pa.gov.

Note 10. Long-term Debt

The long-term debt of the School District as of June 30, 2018 consists of the following:

	Amount
General Obligation Bonds, Series 2014	5,585,000
General Obligation Note, Series 2014	2,146,000
General Obligation Note, Series 2015	5,973,000
	\$ 13,704,000

General Obligation Bonds Series of 2014

The General Obligation Bonds, Series of 2014 (GOB 2014) were issued August 19, 2014. The proceeds of the note were used primarily to fund an energy efficient capital upgrade program with the remainder being the costs of issuance. The notes mature in varying amounts on November 15 of each year thru 2027 and carry interest rates from 1.25% to 3.00% depending on maturity dates.

A summary of future required payments for the 2014 GOB is as follows:

Fiscal Year Ended	Series of 2014 GOB		Total
	Principal	Interest	
2019	5,000	155,101	160,101
2020	5,000	155,010	160,010
2021	5,000	154,890	159,890
2022	5,000	154,770	159,770
2023	5,000	154,650	159,650
Thereafter	5,560,000	277,531	5,837,531
	\$ 5,585,000	\$ 1,051,952	\$ 6,636,952

General Obligation Notes, Series of 2015

The General Obligation Notes, Series of 2015 (GON 2015) were issued April 30, 2015. The proceeds of the note were used primarily to refund the General Obligation Bonds, Series A of 2010, which was scheduled to mature over substantially the same period. The notes mature in

Milton Area School District
Notes to Financial Statements
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(Continued)

varying amounts on September 1 of each year thru 2023 and carry an interest rate of 1.85% through maturity. The bonds were reacquired for an amount approximating their gross carrying value and, therefore, there was not an immediate gain or loss on the transaction. Due to lower interest rates over GON 2015's term, however, the District expects to save approximately \$550,000 over the remaining term of the financing.

A summary of future required payments for the 2015 GONs is as follows:

<u>Fiscal Year Ended</u>	<u>Series of 2015 GON</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	966,000	101,565	1,067,565
2020	989,000	83,481	1,072,481
2021	1,004,000	65,046	1,069,046
2022	1,493,000	41,948	1,534,948
2023	1,521,000	14,069	1,535,069
	<u>\$ 5,973,000</u>	<u>\$ 306,109</u>	<u>\$ 6,279,109</u>

General Obligation Notes, Series of 2014

The General Obligation Notes, Series of 2014 (GON 2014) were issued May 15, 2014. The proceeds of the note were used primarily to refund the General Obligation Bonds, Series of 2009, which was scheduled to mature over substantially the same period. The notes mature in varying amounts on September 1 of each year thru 2020 and carry interest rates from 0.65% to 1.95% depending on maturity dates.

A summary of future required payments for the 2014 GONs is as follows:

<u>Fiscal Year Ended</u>	<u>Series of 2014 GON</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	703,000	31,747	734,747
2020	714,000	20,474	734,474
2021	729,000	7,266	736,266
	<u>\$ 2,146,000</u>	<u>\$ 59,487</u>	<u>\$ 2,205,487</u>

The School District receives financial assistance from the Commonwealth of Pennsylvania with respect to the bonds. This assistance is in the form of a reimbursement for a portion of the bond interest and principal payments made. During the fiscal year ended June 30, 2018 the School District recorded approximately \$262,000 of such assistance which represented approximately 13.4% of such payments. Future reimbursements are subject to changes in the applicable statutory provisions and appropriations by the Pennsylvania General Assembly.

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Notes to Financial Statements
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(Continued)

All of the future payment requirements shown in the tables above are prior to any financial assistance which may be received from the Commonwealth of Pennsylvania in support of debt service payments.

A summary of activity in the long-term debt for the fiscal year is as follows:

Description	Balance June 30, 2017	Additional Borrowings	Principal Reductions	Balance June 30, 2018
2014 Series GOB	\$ 5,590,000	\$ -	\$ (5,000)	\$ 5,585,000
2014 GON	2,838,000	-	(692,000)	2,146,000
2015 GON	6,923,000	-	(950,000)	5,973,000
	15,351,000	-	(1,647,000)	13,704,000
Unamortized bond premium	27,669	-	(6,098)	21,571
(discount)	(5,655)	-	(1,884)	(3,771)
	\$ 15,373,014	\$ -	\$ (1,654,982)	\$ 13,721,800

Note 11. Contingencies-Public Entity Risk Pools

Public entity risk pools consist of groups of governmental entities joining together to finance an exposure, liability, or risk. Such risk pools may involve a transfer or pooling of the risk among the participating members or it may involve retention of a portion of or all of the risk by the individual members incurring the losses. Such pools may also involve the transfer of a portion or all of the risk of loss to another entity outside the pool by purchase of insurance.

The School District is a member of The Central Susquehanna Region Employee's Health and Welfare Trust, "the Trust", which provides group health benefits to employees of the district. The School District participates in the following programs of the Trust:

Health Benefits

The Trust provides health benefits to members under a pooling of risk concept. Required contributions by members are determined on an annual basis by the Trust.

Under the terms of membership in the Trust, should the School District decide to withdraw from the Trust, it would be required to pay any deficit generated by its claims experience, as calculated by the Trust at the time of notification of the intent to withdraw. Any deficit repayment would be based upon a formula calculation by the Trust relative to the District's most recent three-year policy participation period; no payment would be made to the District upon separation from the Trust relative to

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favorable claims experience over the period.

Dental and Vision Benefits

The School District participates in the dental and vision programs operated by the Trust which are operated on a retention of risk by individual member basis.

Note 12. Non-monetary Transactions

The School District's Food Service fund received Donated Commodities from the U. S. Department of Agriculture (USDA). The receipt of these commodities is recorded at values provided by the USDA. For the fiscal year ended June 30, 2018 the School District received \$114,902 of USDA commodities.

Note 13. Postemployment Benefits Other Than Pensions – Multi-employer/Cost Sharing

PSERS Health Insurance Premium Assistance Program (the PSERS Plan)

General Information about the PSERS Plan:

1. Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- i. Have 24 ½ or more years of service, or
- ii. Are a disability retiree, or
- iii. Have 15 or more years of service and retired after reaching superannuation age, and
- iv. Participate in the HOP or employer-sponsored health insurance program.

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(Continued)

Pension Plan description

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

Benefits provided

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

Employer Contributions:

The school districts' contractually required contribution rate for the fiscal years ended June 30, 2017 and 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were approximately \$126,000 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$2,325,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the District's proportion was 0.1141% percent, which was an increase of 0.0047 from its proportion (0.1094%) measured as of June 30, 2017.

For the year ended June 30, 2018, the District recognized OPEB expense of \$114,000. At June 30, 2018, the District reported deferred outflows of resources and deferred

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Notes to Financial Statements
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(Continued)

inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 108,000
Net difference between projected and actual investment earnings	2,000	-
Changes in proportions	87,000	-
	\$ 89,000	\$ 108,000

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2019	\$	(3,000)
2020		(3,000)
2021		(3,000)
2022		(3,000)
2023		(4,000)
Thereafter		(3,000)
	\$	(19,000)

3. Actuarial Assumptions

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

- (a) *Actuarial cost method:* Entry Age Normal - level % of pay
- (b) *Investment return:* 3.13% - S&P 20 Year Municipal Bond Rate
- (c) *Salary growth:* Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
Premium Assistance reimbursement is capped at \$1,200 per year.
Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year
- (d) *Mortality rates:* Based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality

Milton Area School District
Notes to Financial Statements
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(Continued)

Improvement Scale. 3

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

- (e) *Participation rate:* Eligible retirees will elect to participate Pre age 65 at 50%
Eligible retirees will elect to participate Post age 65 at 70%
63% of eligible retirees are assumed to elect premium assistance
- (f) *Employer contribution rate:* The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017
- (g) *Cost Method:* Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date
- (h) *Asset valuation method:* Market Value

Investments

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the

Milton Area School District
Notes to Financial Statements
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(Continued)

retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	<u>100%</u>	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

Discount rate

The discount rate used to measure the Total OPEB Liability was 3.13%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change in Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2017, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June

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Notes to Financial Statements
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(Continued)

30, 2016, 91,797 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2016, 1,354 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the System net OPEB liability for June 30, 2018, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate Current Rate	1% Increase
PSERS Plan			
net OPEB liability	\$ 2,324,000	\$ 2,325,000	\$ 2,325,000

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

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
PSERS Plan			
net OPEB liability	\$ 2,643,000	\$ 2,325,000	\$ 2,061,000

OPEB plan fiduciary net position

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

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Notes to Financial Statements
June 30, 2018
(Continued)

Note 14. Other Postemployment Benefits Other Than Pensions – Single Employer

Milton Area School District Postemployment Benefits Plan (the District Plan)

General Information About the District Plan:

The District Plan, which is a District-specific, employer-sponsored OPEB plan for all eligible retirees who qualify and elect to participate.

1. Plan Descriptions

The District Plan provides the following postemployment health care plans which provide health insurance for qualified retirees:

- i. *Current and Former Superintendents* No age or service requirement

Benefit is coverage for medical, prescription drug, dental and vision. The retired employee and spouse may receive of District paid coverage, less the \$100 PSERS supplement amount. The spouse may elect coverage by paying the full premiums. The retiree is eligible for this coverage until eligible for Medicare or death, whichever is earlier with spouse coverage ending at retiree Medicare eligibility if earlier.
- ii. *All Other Employees* Benefit is coverage for medical, prescription drug, dental and vision. The retiree may receive a year of coverage by relinquishing a number of days of unused sick leave per year of coverage:
41 days/year for retirement at June 30, 2016 or earlier;
81 days/year for retirement between July 1, 2017 and June 30, 2017; and
95 days/year for retirement July 1, 2017 or later

The retiree is eligible for this coverage until eligible for Medicare or death and may pay for years or portions of years after the retiree has relinquished all sick days. Retirees must contribute the PSERS premium subsidy whether or not the retiree is eligible to receive the benefit(s) under that Program.
- iii. *Act 110/43 COBRA Benefit Plan* In accordance with 24 Pa. C.S.A. 8701 et seq, referred to as the “Public School Retirees’ Health Insurance Act”, qualified

Milton Area School District
Notes to Financial Statements
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(Continued)

retired employees are permitted to purchase insurance coverage for themselves and their dependents in the District's group health plan at the COBRA rate until the retired employee reaches Medicare age. This program is administered through a combination of the District and an outside agency.

- iv. *Premium Assistance through PSERS* As described herein, in accordance legislation enacted by the Commonwealth of Pennsylvania, eligible retirees may receive up to \$100 per month in reimbursement to assist in the payment for basic health insurance. The Plan is administered by PSERS and funded by contributions from the school districts and the Commonwealth of Pennsylvania.

PSERS issues a comprehensive annual financial report that includes financial statements and required supplemental information on the plan. That report may be obtained by:
Telephone request at 1-888-773-7748
Email: See www.psers.pa.gov

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

At June 30, 2018, the District reported a liability of \$2,325,000 for its net OPEB liability under the District Plan. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the District Plan's total OPEB liability as of June 30, 2016 to June 30, 2017. The District is the only employer sponsoring the District Plan (i.e. proportion of the overall net OPEB liability attributable to the District is 100%.

For the year ended June 30, 2018, the District recognized OPEB expense of \$348,528. The OPEB expense is comprised of \$247,518 of service cost, \$90,102 of interest on the OPEB liability, and \$10,908 of amortization of deferred outflows of resources. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 119,987	\$ -
	\$ 119,987	\$ -

Milton Area School District
Notes to Financial Statements
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		\$	
2019		\$	10,908
2020			10,908
2021			10,908
2022			10,908
2023			10,908
Thereafter			65,447
			\$ 119,987

3. Actuarial Assumptions

The Total OPEB Liability as of June 30, 2017/July 1, 2017, was determined by rolling forward the District's Total OPEB Liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- (a) *Actuarial cost method:* Entry Age Normal - level % of pay
- (b) *Interest rate:* 3.13% - S&P 20 Year Municipal Bond Rate
- (c) *Salary growth:* An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of 2.5% cost of living adjustment, 1% real wage growth, and, for teachers and administrators, a merit increase which varies by age from 2.75% to 0%.

Premium Assistance reimbursement is capped at \$1,200 per year.

- (d) *Mortality rates:* Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation

Incorporated into the table are rates projected generationally by the Buck Modified 2016

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projection scale to reflect mortality improvement.

No disability was assumed

- (e) *Participation rate:* Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender
90% of Teachers and Administrators and 75% of Support Staff are assumed to elect coverage while sick days are being relinquished. When all sick days are relinquished, 100% of employees who elected coverage are assumed to continue coverage until Medicare age.
- (f) *Unused Sick Day Accumulation Rate* Administrators are assumed to accumulate 7 unused sick days a year and Teachers and Support Staff are assumed to accumulated 6 unused days a year.

Actuarial Cost Method – Entry Age Normal

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

The OPEB liability includes the amounts due retired employees under retiree health insurance plans, the amount determined as the implicit subsidy included in active employee insurance premiums for retirees purchasing health insurance through the District health plan, and amounts actuarially determined to be earned by current employees.

Funding Policy

The plans for medical coverage for employees and the Act 110/43 COBRA Benefit Plans are funded by the District on a pay as you go basis to meet the obligations of the Plans. As summarized in these Notes to the Financial Statements the Premium Assistance Plan is funded in accordance with legislation as enacted by the

Milton Area School District
Notes to Financial Statements
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(Continued)

Commonwealth of Pennsylvania with school districts and the Commonwealth sharing in the funding of the Plan at a rate of 0.83% of eligible wages in the fiscal year ended June 30, 2017 and 2018, respectively. Such rate is subject to change. Refer to the PSERS information cited above for information as to the funding policies and status of this Plan.

Funded Status

The District Plan is funded on a “pay as you go” basis as of July 1, 2017, the most recent actuarial valuation date. As described, the Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. The Actuarial Value of Assets is \$0 for this purpose at June 30, 2017 and 2018, respectively.

The actuarial assumptions included a 3.13% interest rate, which is the expected rate to be earned on the District's deposits.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarial 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 calculations are based on the types of benefits provided under the terms of the substantive plan at the time of valuation and on the pattern of cost sharing between the employer and plan members. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. 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.

Discount rate

The discount rate used to measure the Total OPEB Liability was 3.13%. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 3.13% which represents the S&P 20 year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

Milton Area School District
Notes to Financial Statements
June 30, 2018
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Sensitivity of the District's proportionate share of the District net OPEB liability to changes in the discount rate

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

	1% Decrease 2.13%	Current Discount Rate 3.13%	1% Increase 4.13%
District Plan net OPEB liability	\$ 3,979,543	\$ 3,726,966	\$ 3,486,194

Sensitivity of the District Net OPEB Liability to Change in Healthcare Cost Trend Rates

The health care cost trend rate was 6.0% initially, in 2017 and 5.5% in 2018 through 2023, decreasing 0.5% per year to 5.4% in 2024. Rates gradually decrease from 5.4% in 2023 to 3.9% in 2075 and later, based upon the Society of Actuaries Long-Run Medical Cost Trend Model.

The following presents the District Plan net OPEB liability for June 30, 2018, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate Current Rate	1% Increase
District Plan net OPEB liability	\$ 3,290,907	\$ 3,726,966	\$ 4,244,533

Note 15. Tax Abatements

During the fiscal year ended June 30, 2017, the District adopted GASB Statement No. 77 *Tax Abatements* (GASB No. 77). The following is a corresponding disclosure of the District's applicable participation in various tax abatement programs:

Homestead Tax Exemption

The District enters into property tax abatement agreements with local residents under the state's Taxpayer Relief Act, Act 1 of Special Session 1 of 2006 (The Taxpayer Relief Act). The Taxpayer Relief Act provides for property tax reduction allocations to be distributed by

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(Continued)

the Commonwealth to each school district. Property tax reduction will be through a “homestead or farmstead exclusion.” Generally, most owner occupied homes and farms are eligible for property tax reduction. Only a primary residence is eligible for property tax relief. During the year ended June 30, 2018, the District abated, and received corresponding funding from the Commonwealth, property taxes levied in the amount of approximately \$615,000.

Other Tax Abatement Programs

During the year-ended June 30, 2017, the District’s Board of Directors approved the establishment of a Pennsylvania economic development revitalization site under the Commonwealth’s Local Economic Revitalization Tax Assistance (LERTA) program. Originally enacted in 1977, the LERTA Act (Act of December 1, 1977, P.L. 237, No. 76), authorizes local taxing authorities to provide for tax exemption for certain deteriorated industrial, commercial and other business property and for new construction in deteriorated areas of economically depressed communities; providing for an exemption schedule and establishing standards and qualifications.

The District is in the process of evaluating the tax abatement impact of the granting of a LERTA abatement to a shuttered industrial site. This evaluation is expected to continue into approximately year 2020 as the value of the abatement, which deals with relief regarding taxation on the assessed values of improvements that the approved entity makes to a revitalization site, is completed once substantial completion of the renovation/reconstruction work is attained by the program participant. No taxes have been or are expected to be abated in either the year-ended June 30, 2018 or for fiscal 2019 or 2020’s levy.

The District does not have any property or other taxes abated under other significant or prevalent Commonwealth of Pennsylvania economic development tax abatement programs such as Keystone Opportunity Zones (KOZ).

From time to time individuals or organizations may qualify for a tax abatement, such as for a disability, veteran status, or a combination of these and/or similar preferences. Such abatements are typically short in duration and are not significant individually or in the aggregate.

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Notes to Financial Statements
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(Continued)

Note 16. Fund Balance

The District’s accounting policies discussed further per note 1.G. – *Summary of Significant Accounting Policies – Assets, Liabilities and Net Position/Fund Balance*. The following is a schedule of fund balances:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Scholarship Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:					
Debt service	-	-	-	4,691	4,691
Committed to:					
Future retirement funding rate changes	1,412,585	-	-	-	1,412,585
Future healthcare funding rate changes	441,960	-	-	-	441,960
Unspecified capital projects	500,000	-	-	-	500,000
Scholarships	-	-	723,746	-	723,746
Assigned to:					
Specific capital projects					
Mold remediation	2,408,959	-	-	-	2,408,959
Unspecified capital projects and equipment	340,449	219,600	-	-	559,049
Unassigned:	530,733	-	-	-	530,733
Total fund balances	<u>\$ 5,634,686</u>	<u>\$ 219,600</u>	<u>\$ 723,746</u>	<u>\$ 4,691</u>	<u>\$ 6,582,723</u>

General Fund - Fund Balance Assignment - Mold Remediation

See Note 17, “Subsequent Events,” below for further discussion of the District’s assigned fund balance relative to its Mold Remediation efforts arising in July and August 2018.

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Note 17. Subsequent Events

Subsequent events have been evaluated through December 21, 2018, which is the date the financial statements were available to be issued. No reportable subsequent events were identified other than those accrued in the accompanying statement of net position and/or governmental funds balance sheet and the following:

Mold Remediation

During July and August 2018, the District and much of the surrounding region in North Central Pennsylvania received extraordinary amounts of rain and experienced similarly extraordinarily high temperatures and humidity. These factors combined with certain operational and mechanical failures of the District's environmental control systems lead to the District experiencing significant damage to buildings from water, non-standing water moisture and resulting mold outbreaks. Similar circumstances and mold related losses were also experienced in the same time period at neighboring Districts throughout the region and the wider Commonwealth of Pennsylvania.

The damage required significant expenditure of resources for mold remediation, cleaning, replacement of equipment, carpet and other building materials and fixtures as well as soft-good items such as classroom, student activity, maintenance and other supplies in the affected District facilities. The District has made provision via the assignment of General Fund fund balance at June 30, 2018 to mold remediation. However, as the event giving rise to this condition arose and the costs were incurred subsequent to June 30, 2018, the District has not accrued nor has it recognized the corresponding estimated remediation expense total of more than \$2.4-million in the year-ended June 30, 2018 per the accompanying financial statements. The District continues to work with its property and casualty insurer as well as with State and Federal government agencies to recover any funds available either via insurance claim through certain disaster relief programs. As of the subsequent events evaluation date, while the District continues to diligently pursue these and other avenues of recovery, no recovery has been made.

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Schedule of the District's Proportionate Share of the Net Pension Liability

Fiscal Year Ended	District's proportion of the net pension liability (asset)	District's proportionate share of the net pension liability (asset)	District's covered- employee Payroll	District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
June 30, 2018	0.1141%	\$ 56,352,000	\$ 14,540,986	387.54%	51.84%
June 30, 2017	0.1094%	\$ 54,215,000	\$ 13,847,853	391.50%	50.14%
June 30, 2016	0.1081%	\$ 46,824,000	\$ 13,250,320	353.38%	54.36%
June 30, 2015	0.1081%	\$ 42,786,000	\$ 13,849,572	308.93%	57.24%

This schedule is presented to fulfill the requirement, upon the adoption of GASB No. 68, to show certain pension related information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

The District adopted the provisions of GASB No. 68, for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2015 is not available for reporting and is not presented.

Unaudited - Required Supplementary Information
See accompanying Independent Auditor's Report

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Schedule of the District's Pension Contributions

Fiscal Year Ended	Contractually required contribution	Contributions in relation to the contractually required	Contribution deficiency (excess)	District's covered- employee Payroll	Contributions as a percentage of covered-employee payroll
June 30, 2018	\$ 4,615,309	\$ 4,615,309	\$ -	\$ 14,540,986	31.74%
June 30, 2017	\$ 4,043,573	\$ 4,043,573	\$ -	\$ 13,847,853	29.20%
June 30, 2016	\$ 3,312,580	\$ 3,312,580	\$ -	\$ 13,250,320	25.00%
June 30, 2015	\$ 2,789,578	\$ 2,789,578	\$ -	\$ 13,849,572	20.14%

This schedule is presented to fulfill the requirement, upon the adoption of GASB No. 68, to show certain pension related information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

The District adopted the provisions of GASB No. 68, for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2015 is not available for reporting and is not presented.

Unaudited - Required Supplementary Information
See accompanying Independent Auditor's Report

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Schedules of Changes in the District's Total OPEB Liability and Related Ratios
Milton Area School District Postemployment Benefits Plan

	Fiscal Year ending June 30, 2018
Total OPEB liability	
Service Cost	\$ 247,518
Interest	90,102
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	130,895
Benefit Payments	(245,670)
Net change in total OPEB liability	222,845
Total OPEB liability-beginning	3,504,121
Total OPEB liability-ending	3,726,966
Covered employee payroll	12,864,940
Total OPEB liability as a percentage of covered-employee payroll	28.97%

Notes to Schedule:

Presentation :

This schedule is presented using the optional format of combining the required schedules in paragraphs 170a and 170b of GASB No. 75.

Changes of Assumptions:

2017-2018:

The discount rate changed from 2.49% to 3.13%. The trend assumption was updated. Assumptions for salary, mortality, withdrawal, and retirement were updated based upon new PSERS assumptions. The expected recognition period is 11 years.

This schedule is presented to fulfill the requirement, upon the adoption of GASB No. 75, to show certain pension related information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

The District adopted the provisions of GASB No. 75, for the year ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2018 is not available for reporting and is not presented.

Unaudited - Required Supplementary Information
See accompanying Independent Auditor's Report

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Schedule of the District's Proportionate Share of the Net OPEB Liability
PSERS Health Insurance Premium Assistance Program

Fiscal Year Ended	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered- employee Payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
June 30, 2018	0.1141%	\$ 2,325,000	\$ 14,540,986	15.99%	5.73%

This schedule is presented to fulfill the requirement, upon the adoption of GASB No. 75, to show certain OPEB related information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

The District adopted the provisions of GASB No. 75, for the year ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2018 is not available for reporting and is not presented.

Unaudited - Required Supplementary Information
See accompanying Independent Auditor's Report

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Required Supplementary Information
June 30, 2018
(UNAUDITED)

Schedule of the District's OPEB Contributions
PSERS Health Insurance Premium Assistance Program

<u>Fiscal Year Ended</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered- employee Payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
June 30, 2018	\$ 120,690	\$ 120,690	\$ -	\$ 14,540,986	0.83%

This schedule is presented to fulfill the requirement, upon the adoption of GASB No. 75, to show certain OPEB related information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

The District adopted the provisions of GASB No. 75, for the year ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America. Therefore, information for years prior to 2018 is not available for reporting and is not presented.

Unaudited - Required Supplementary Information
See accompanying Independent Auditor's Report

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

Board of Directors
Milton Area School District
700 Mahoning Street
Milton, Pennsylvania 17847

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Milton Area School District (the District) for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and

corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 my audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Montoursville, Pennsylvania
December 21, 2018

**Milton Area School District
Schedule of Expenditures of Federal and State Awards**

Year Ended June 30, 2018

Program Title	CFDA Number	Funding Code	Grantor's Pass Thru Number	Grant Period Beginning/ Ending Date	Sc. Code	Program or Award Amt.	Total Received For Year	Accrued or (Deferred) July 1, 2017	Revenue Recognized	Expenditures	Accrued or (Deferred) June 30, 2018
U.S. Department of Agriculture:											
Passed Through the Pennsylvania Department of Education:											
Fresh Fruits & Vegetables	10.582	I	N/A	7/1/16-6/30/17	F	N/A	\$ 11,557.48	\$ 11,557.48	\$ -	\$ -	\$ -
Fresh Fruits & Vegetables	10.582	I	N/A	7/1/17-6/30/18	F	N/A	27,613.72	-	27,613.72	27,613.72	-
School Food Service Equip	10.579	I	129-000147	7/1/17-6/30/18	F	-	21,701.46	-	21,701.46	21,701.46	-
Nutrition Cluster:											
National School Lunch	10.555	I	N/A	7/1/16-6/30/17	F	N/A	86,195.30	86,195.30	-	-	-
National School Lunch	10.555	I	N/A	7/1/17-6/30/18	F	N/A	525,064.80	-	627,884.25	627,884.25	102,819.45
National Breakfast	10.553	I	N/A	7/1/16-6/30/17	F	N/A	24,035.56	24,035.56	-	-	-
National Breakfast	10.553	I	N/A	7/1/17-6/30/18	F	N/A	131,765.49	-	131,765.49	131,765.49	-
Totals-Nutrition Cluster-Cash Assistance							767,061.15	110,230.86	759,649.74	759,649.74	102,819.45
Passed Through the Pennsylvania Department of Agriculture:											
National School Lunch Commodities	10.555	I	N/A	7/1/17-6/30/18	F	N/A	114,902.66	(21,309.64)	114,902.66	113,709.53	(22,502.77) 1.
Totals-Nutrition Cluster-Non-Cash Assistance							114,902.66	(21,309.64)	114,902.66	113,709.53	(22,502.77)
Totals-Nutrition Cluster							881,963.81	88,921.22	874,552.40	873,359.27	80,316.68
Total U.S. Department of Agriculture							915,222.75	100,478.70	923,867.58	922,674.45	80,316.68
State Lunch Program	N/A	N/A	N/A	7/1/16-6/30/17	S	N/A	5,711.02	5,711.02	-	-	-
State Lunch Program	N/A	N/A	N/A	7/1/17-6/30/18	S	N/A	32,911.64	-	39,258.50	39,258.50	6,346.86
State Breakfast	N/A	N/A	N/A	7/1/16-6/30/17	S	N/A	1,385.40	1,385.40	-	-	-
State Breakfast	N/A	N/A	N/A	7/1/17-6/30/18	S	N/A	7,393.10	-	7,393.10	7,393.10	-
Totals							47,401.16	7,096.42	46,651.60	46,651.60	6,346.86
U.S. Department of Education-											
Passed Through the Pennsylvania Department of Education-											
Title I	84.010	I	13-170256	7/1/16-9/30/17	F	642,868.00	153,234.20	92,948.90	60,285.30	60,285.30	-
Title I	84.010	I	13-180256	8/7/17-9/30/18	F	587,820.00	503,846.14	-	587,820.00	587,820.00	83,973.86
Totals-Title I							657,080.34	92,948.90	648,105.30	648,105.30	83,973.86
Title IIA Improv Teacher	84.367	I	20-180256	8/7/17-9/30/18	F	93,070.00	93,070.00	-	93,070.00	93,070.00	-
Title III	84.365	I	10-180256	8/7/17-9/30/18	F	15,841.00	15,841.00	-	15,841.00	15,841.00	-
Title IV Student Support and Academic Enrichment	84.424	I	144-180256	8/7/17-9/30/18	F	13,176.00	4,705.70	-	13,176.00	13,176.00	8,470.30
Rural and Low Income Schools	84.358		007-180256	12/21/17-9/30/18	F	36,789.00	14,715.60	-	36,789.00	36,789.00	22,073.40
Rural and Low Income Schools	84.358		007-160256	7/1/16-9/30/17	F	45,423.00	3,974.00	-	3,974.00	3,974.00	-
Totals-Rural and Low Income Schools							-	-	40,763.00	40,763.00	22,073.40
Federal Sec Alloc-Perkins	84.048	I	380-180021	8/31/17-6/30/18	F	30,315.00	30,315.00	-	30,315.00	30,315.00	-
Federal Sec Alloc-Perkins	84.048	I	380-170048	7/1/16-6/30/17	F	35,348.00	(2,242.49)	(2,180.99)	(61.50)	-	-
Striving Readers-Comp. Literacy Grant	84.371	I	143-160256	4/5/12-9/30/17	F	288,880.00	48,146.67	2,433.34	45,713.33	45,713.33	-
Striving Readers-Comp. Literacy Grant	84.371	I	143-150256	4/5/12-9/30/16	F	474,032.00	75,751.33	75,751.33	-	-	-
Totals-Striving Readers-Comp. Literacy Grant							123,898.00	78,184.67	45,713.33	45,713.33	-
Passed Through the Pennsylvania Department of Education-											
Passed Through Central Susquehanna Intermediate Unit -											
Twenty-first Century Schools	84.287	I	NA	7/1/16-6/30/17	F	N/A	3,020.50	3,020.50	-	-	-
Twenty-first Century Schools	84.287	I	NA	7/1/17-6/30/18	F	N/A	5,265.54	-	12,322.37	12,322.37	7,056.83
Special Education Cluster-											
IDEA B	84.027	I	NA	7/1/17-6/30/18	F	414,492.58	-	-	414,492.58	414,492.58	414,492.58
IDEA B	84.027	I	NA	7/1/16-6/30/17	F	424,159.72	307,971.33	307,971.33	-	-	-
IDEA B - Preschool	84.173	I	NA	7/1/17-6/30/18	F	6,545.00	-	-	6,545.00	6,545.00	6,545.00
IDEA B - Preschool	84.173	I	NA	7/1/16-6/30/17	F	5,623.00	5,623.00	5,623.00	-	-	-
Totals-Special Education Cluster							313,594.33	313,594.33	421,037.58	421,037.58	421,037.58
Total U.S. Department of Education							1,884,224.32	485,567.41	1,320,282.08	1,307,167.58	534,141.67
Totals							\$ 2,846,848.23	\$ 593,142.53	\$ 2,290,801.26	\$ 2,276,493.63	\$ 620,805.21

The accompanying notes are an integral part of this Schedule.

Milton Area School District
Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2018
(Continued)

NOTES-

1. USDA donated commodities valued at USDA prices.
2. Calculation of the 40%/20% rule-

Major Programs	%	Expenditures	Single Audit Treatment
Child Nutrition Cluster	10.553/10.553	39.2% \$ 873,359.27	Type A-Major
<hr/>			
Totals	39.2%	\$ 873,359.27	
Other Programs	60.8%	\$ 1,356,482.76	
Total Federal Expenditures	100.0%	\$ 2,229,842.03	(Note 3.)

Funding Codes-
D = Direct Funding
I = Indirect Funding

Source Codes-
F = Federal Funding
S = State Funding

3. Total Federal Expenditures are total expenditures per schedule of:

	\$ 2,276,493.63
<i>less</i> State lunch reimbursements of:	(39,258.50)
<i>less</i> State breakfast reimbursements of:	(7,393.10)
	<u>\$ 2,229,842.03</u>

4. The selection of major programs was done utilizing a risk based approach in accordance with Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

5. None (\$0.00) of the District's expenditures of federal awards represent amounts passed through the District to sub-recipients.

The accompanying notes are an integral part of this Schedule.

Milton Area School District
Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

A. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and certain related state grant activity of the Milton Area School District (the District). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the District's operations, it is not intended to and does not present the District's financial position, changes in net assets/fund balance, or cash flows.

B. Summary of Significant Accounting Policies

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

C. USDA Donated Commodities

Deferred balances at the beginning and end of the fiscal year represent inventories of USDA donated commodities. Such commodity inventories are valued at USDA provided unit values.

D. Indirect Cost Rate

The accompanying Schedule does not include indirect costs related to the operation of the District's federal and related state grant programs. The District has utilized neither a federally negotiated rate nor the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance to capture and include any such indirect costs associated with federal awards.

E. Subrecipient Status

The District is a subrecipient of federal awards, does not function as a pass-through to other subrecipients, and \$0 of the District's grant awards have been passed-through.

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

Board of Directors
Milton Area School District
700 Mahoning Street
Milton, Pennsylvania 17847

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

The District's management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance

requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Milton 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, 2018.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Purpose of this Report

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Richard B. Snodgrass & Co." in a cursive style.

Richard B. Snodgrass & Co.
Montoursville, Pennsylvania
December 21, 2018

Milton Area School District
 Single Audit Report
 Schedule of Findings and Questioned Costs

June 30, 2018

Section I Summary of Auditors' Results:

<i>Financial Statements</i>		
Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:		
<i>The auditors' report on the basic financial statements is unmodified.</i>		
• Material weakness(es) identified?	___ Yes	<u>X</u> No
• Significant deficiency(ies) identified?	___ Yes	<u>X</u> No
Noncompliance material to financial statements noted?	___ Yes	<u>X</u> No
<i>Federal Awards</i>		
Internal control over major federal programs:		
• Material weakness(es) identified?	___ Yes	<u>X</u> No
• Significant deficiency(ies) identified?	___ Yes	<u>X</u> No
Type of auditors' report issued on compliance for major federal programs:		
<i>The auditors' report on compliance for major programs is unmodified.</i>		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	<u>X</u> No
Identification of major federal programs:		
CFDA Number(s):		Name of Federal Program or Cluster:
CFDA 10.553 / 10.555		Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:		
	<u>\$750,000</u>	
Auditee qualified as low- risk auditee?	<u>X</u> Yes	___ No

Milton Area School District
Single Audit Report
Schedule of Findings and Questioned Costs

June 30, 2018
(Continued)

Section II Financial Statement Findings

Financial statement Findings which are required to be reported under generally accepted government auditing standards:

There were **no** such findings/matters reported.

Section III Federal Award Findings and Questioned Costs:

There were **no** such findings/matters reported.

Milton Area School District
Single Audit Report
Schedule of Prior Findings and Questioned Costs

June 30, 2018

There are no prior findings or questioned costs required to be reported under OMB A-133 (prior periods)/the Uniform Guidance.

Milton Area School District
Financial Statements, Single Audit Reports, and
Supplementary Information
June 30, 2018

LIST OF REPORT DISTRIBUTION

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Special Audit Services Division
Forum Place—8th Floor
555 Walnut Street
Harrisburg, PA 17101

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Bureau of the Census
1201 E. 10th Street
Jeffersonville, IN 47132

Attention: Single Audit Clearing House

Filed Electronically to:

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Electronic Municipal Market Access (EMMA system)
c/o EMMA Dataport
www.msrb.org

Milton Area School District
Financial Statements, Single Audit Reports, and
Supplementary Information
Lead Auditor Information

June 30, 2018

Lead Auditor:

David D. Snodgrass
Certified Public Accountant
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Licensing:

Richard B. Snodgrass & Co. is a Pennsylvania sole proprietorship which is owned and operated by David D. Snodgrass, CPA.

David D. Snodgrass, CPA, is licensed to do business in the Commonwealth of Pennsylvania (PA License No. CA-051085) where the District is located and where the accounting records are maintained.