

JUNIATA COUNTY SCHOOL DISTRICT

FINANCIAL REPORT

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Juniata County School District
Mifflintown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Juniata County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprised the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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 activity, each major fund, and the aggregate remaining fund information of Juniata County School District as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 16 and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Juniata County School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by title 2 U. S. Code of federal regulations (CFR) part 200, *uniform administrative requirements, cost principles, and audit requirements for federal awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, on our consideration of the Juniata County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Juniata County School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boyer & Ritter". The signature is written in black ink and is centered on the page.

State College, Pennsylvania
December 19, 2016

**JUNIATA COUNTY SCHOOL DISTRICT
MIFFLINTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

The discussion and analysis of Juniata County School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements, and financial statements to enhance their understanding of the District's financial performance.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. Certain comparative information between the current and prior year is required to be presented in MD&A.

FINANCIAL HIGHLIGHTS

Overall the 2015-2016 budget was \$999,677 more than the previous year. In the budgeting process, the Board of School Directors was able to adopt the budget without a real estate tax increase to our taxpayers. The Board of School Directors committed funds for future retirement cost in the amount of \$2,044,743 and technology and health care each received commitments of \$1,197,000. The Board also committed funds for Capital Projects in the amount of \$2,394,000. This reduced the District's unassigned fund balance to \$2,530,281.

USING THE ANNUAL FINANCIAL STATEMENTS

The financial report consists of Management's Discussion and Analysis and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Juniata County School District as an entire operating entity. The statements then proceed to provide an increasingly-detailed look at specific financial activities.

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

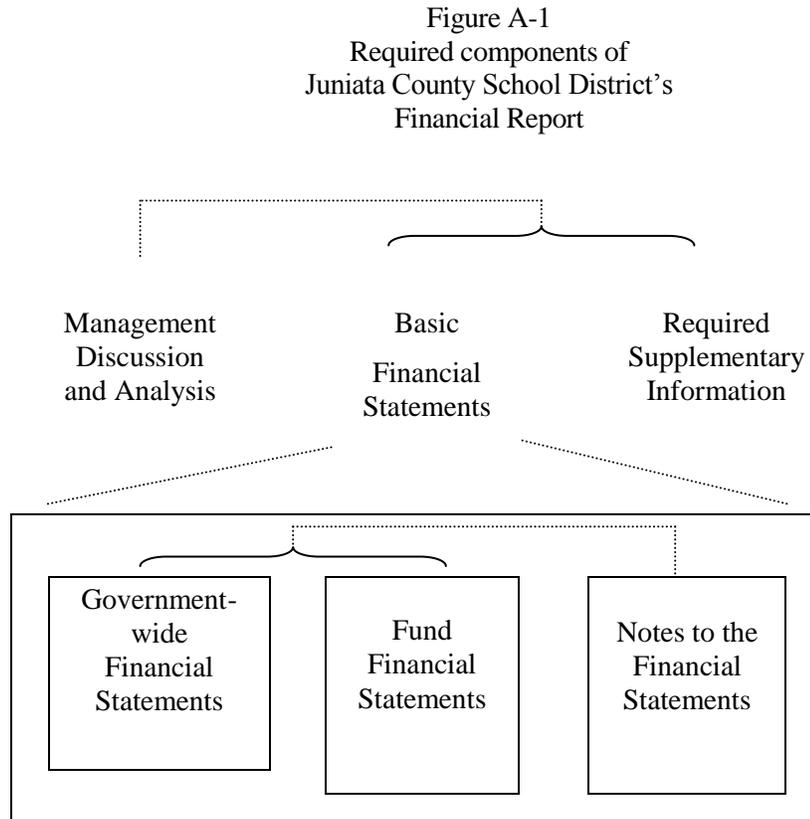
**JUNIATA COUNTY SCHOOL DISTRICT
MIFFLINTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental-fund statements tell how general District services were financed in the short-term, as well as what remains for future spending. Proprietary-fund statements offer short and long-term financial information about the activities that the District operates, like a business. For this District, this is our Food Service Fund. Fiduciary-fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:



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MIFFLINTOWN, PENNSYLVANIA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

Figure A-2 summarizes the major features of the District’s financial statements, including the portions of the District that they cover and the types of information they contain. The remainder of this overview section of the Management’s Discussion and Analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of Juniata County School District’s
Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else’s resources – Activity Funds
Required financial statements	Statement of net position, Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net positions, Statement of revenues, expenses and changes in net positions, Statement of cash flows	Statement of fiduciary net positions, Statement of changes in fiduciary net positions
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**JUNIATA COUNTY SCHOOL DISTRICT
MIFFLINTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net positions and how they have changed. Net position the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property-tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities - All of the District's basic services are included here, such as instruction, administration, and community services. Property taxes and state and Federal subsidies and grants finance most of these activities.
- Business-type activity - The District operates a food-service operation and charges fees to staff, students, and visitors to help it cover the costs of the food-service operation.

**JUNIATA COUNTY SCHOOL DISTRICT
MIFFLINTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds - Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified-accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental-fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental-fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds - These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides - whether to outside customers or to other units in the District - these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activity which we report in the government-wide statements.

Fiduciary funds - The District is the trustee, or fiduciary, for some student-activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 29 and 30. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

**JUNIATA COUNTY SCHOOL DISTRICT
MIFFLINTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was \$(21,357,009) at June 30, 2016.

Table A-1
Condensed Statement of Net Position
June 30,

	Governmental Activities		Business-Type Activity		Total	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 14,584,567	\$ 25,139,927	\$ 251,694	\$ 148,971	\$ 14,836,261	\$ 25,288,898
Capital assets	27,741,612	29,437,186	126,388	143,245	27,868,000	29,580,431
Total assets	\$ 42,326,179	\$ 54,577,113	\$ 378,082	\$ 292,216	\$ 42,704,261	\$ 54,869,329
Deferred outflows of resources	\$ 3,461,000	\$ 5,759,000	-	-	\$ 3,461,000	\$ 5,759,000
Long-term liabilities outstanding	\$ 61,345,733	\$ 77,910,792	-	-	\$ 61,345,733	\$ 77,910,792
Other liabilities	2,793,286	3,710,535	183,895	61,011	2,977,181	3,771,546
Total liabilities	\$ 64,139,019	\$ 81,621,327	\$ 183,895	\$ 61,011	\$ 64,322,914	\$ 81,682,338
Deferred inflows of resources	\$ 3,073,000	\$ 303,000	-	-	\$ 3,073,000	\$ 303,000
Net Position						
Invested in capital assets, net of related debt	\$ 11,050,971	\$ 13,440,830	\$ 126,388	\$ 143,245	\$ 11,177,359	\$ 13,584,075
Restricted	2,384,060	11,754,815	-	-	2,384,060	11,754,815
Unrestricted-designated	6,479,026	6,832,743	-	-	6,479,026	6,832,743
Unrestricted-undesignated	(41,338,897)	(53,616,602)	67,799	87,960	(41,271,098)	(53,528,642)
Total net position	\$ (21,424,840)	\$ (21,588,214)	\$ 194,187	\$ 231,205	\$ (21,230,653)	\$ (21,357,009)

Most of the District's net position is invested in capital assets (buildings, land and equipment). The remaining unrestricted net assets are undesignated amounts. The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are presented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania, and the local taxes assessed to community taxpayers.

**JUNIATA COUNTY SCHOOL DISTRICT
MIFFLINTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

Table A-2 takes the information from the Statement of Activities and rearranges it slightly so that you can see our total revenues for the year.

Table A-2
Condensed Changes in Net Position
June 30,

	Governmental Activities		Business-Type Activity		Total	
	2015	2016	2015	2016	2015	2016
Revenues						
Program revenues						
Charges for services	\$ 91,434	\$ 109,173	\$ 691,102	\$ 609,944	\$ 782,536	\$ 719,117
Operating grants and contributions	8,539,941	9,283,499	884,867	901,840	9,424,808	10,185,339
General revenues						
Property taxes	15,220,426	15,634,947	-	-	15,220,426	15,634,947
Formula-based state aid	9,815,425	9,981,680	-	-	9,815,425	9,981,680
Other income	162,751	171,715	786	178	163,537	171,893
Total revenues	33,829,977	35,181,014	1,576,755	1,511,962	35,406,732	36,692,976
Expenses						
Instruction	22,324,929	22,825,423	-	-	22,324,929	22,825,423
Instructional student support	1,926,005	2,173,125	-	-	1,926,005	2,173,125
Admin. and financial support	2,779,320	3,299,770	-	-	2,779,320	3,299,770
Operation and maint. of plant services	2,451,660	2,608,340	-	-	2,451,660	2,608,340
Pupil transportation	2,946,017	3,070,919	-	-	2,946,017	3,070,919
Student activities	592,823	583,093	-	-	592,823	583,093
Food service	-	-	1,646,772	1,605,882	1,646,772	1,605,882
Interest on long-term debt	703,557	652,780	-	-	703,557	652,780
Total expenses	33,724,311	35,213,450	1,646,772	1,605,882	35,371,083	36,819,332
Transfers - net	(20,000)	(130,938)	20,000	130,938	-	-
Changes in net position	\$ 85,666	\$ (163,374)	\$ (50,017)	\$ 37,018	\$ 35,649	\$ (126,356)

**JUNIATA COUNTY SCHOOL DISTRICT
MIFFLINTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

Tables A-3 and A-4 present the expenses of both the Governmental and the Business-type Activities of the District.

Table A-3 shows the District's seven largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, food service and each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3
Governmental Activities

Functions/Programs	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2015	2016	Change	2015	2016	Change
Instruction	\$ 22,324,929	\$ 22,825,423	2.24%	\$ 16,402,397	\$ 16,417,672	0.09%
Instructional student support	1,926,005	2,173,125	12.83%	1,780,438	1,864,037	4.70%
Admin. and financial support	2,779,320	3,299,770	18.73%	2,553,567	3,052,064	19.52%
Operation and maint. of plant services	2,451,660	2,608,340	6.39%	2,336,527	2,489,623	6.55%
Pupil transportation	2,946,017	3,070,919	4.24%	830,907	864,833	4.08%
Student activities	592,823	583,093	-1.64%	485,543	479,769	-1.19%
Interest on long-term debt	703,557	652,780	-7.22%	703,557	652,780	-7.22%
	<u>\$ 33,724,311</u>	<u>\$ 35,213,450</u>	4.42%	<u>\$ 25,092,936</u>	<u>\$ 25,820,778</u>	2.90%

**JUNIATA COUNTY SCHOOL DISTRICT
MIFFLINTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

Table A-4 reflects the activities of the Food Service Fund, the only business-type activity of the District.

Table A-4
Business-Type Activity

Functions/Programs	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2015	2016	Change 2015-2016	2015	2016	Change 2015-2016
Food service	\$ 1,646,772	\$ 1,605,882	-2.48%	\$ 70,803	\$ 94,098	32.90%
Less: Investment Earnings	-	-	N/A	786	178	-77.35%
Less: Transfers from General Fund	-	-	N/A	20,000	130,938	71.17%
	<u>\$ 1,646,772</u>	<u>\$ 1,605,882</u>	<u>-2.48%</u>	<u>\$ 50,017</u>	<u>\$ (37,018)</u>	<u>-174.01%</u>

The Statement of Revenues, Expenses and Changes in Net Position for this proprietary fund will further detail the actual results of operations.

**JUNIATA COUNTY SCHOOL DISTRICT
MIFFLINTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

THE DISTRICT'S FUNDS

At June 30, 2016, the District's governmental funds reported a combined fund balance of \$21,117,839, which is an increase of \$9,624,161 over beginning, combined, governmental fund balance. The primary reason for this increase is:

General Fund:

A bond totaling \$9,995,000 was opened during the 2015-2016 school year to pay for the initial cost of the District's consolidation plan. At year-end the majority of those proceeds were still in the District's Capital Projects account which contributed to the large increase in fund balance for the 2015-2016 fiscal year.

General Fund Budget

During the fiscal year, the Board of School Directors (The Board) has the ability to authorize revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments for Juniata County School District are confirmed during the next fiscal year after all adjusting entries have been finalized. Actual overall expenditures were more than budgeted expenditures by \$523,736 and revenue exceeded budgeted revenue by \$1,167,990 resulting in a increase in fund balance of \$499,412. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in this report on pages 24 and 25.

The Budgetary Reserve is an undesignated account for unplanned occurrences that could not be foreseen in the budgeting process. Preparation is taking place to designate portions of the fund balance for expenditures with significant, annual, percentage increases, such as retirement and health-insurance coverage. Designated portions of the fund balance will be used to offset these rising costs and to help avoid an additional burden to local taxpayers. For fiscal years in which actual revenues exceed actual expenditures, the excess funds will be held in fund balance or transferred to the Capital Projects Fund for capital projects, or shared between the two funds. The Board is using this method of budgeting to control tax increases while also protecting the integrity of the fund balance.

**JUNIATA COUNTY SCHOOL DISTRICT
MIFFLINTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

CAPITAL ASSETS

At June 30, 2016, the District had \$29,580,431 invested in a broad range of capital assets, including land, buildings and furniture, and equipment. This amount represents a net increase of \$1,405,176 or 6.14% from last year (including additions, deletions and depreciation).

Table A-5
Capital assets - net of depreciation

	Governmental Activities		Business-Type Activity		Total	
	2015	2016	2015	2016	2015	2016
Construction-in-progress	\$ -	\$ 368,283	\$ -	\$ -	\$ -	\$ 368,283
Land	254,791	254,791	-	-	254,791	254,791
Site improvements	2,026,201	1,993,052	-	-	2,026,201	1,993,052
Buildings and building improvements	24,356,190	24,085,944	-	-	24,356,190	24,085,944
Furniture and equipment	1,104,430	2,735,116	126,388	143,245	1,230,818	2,878,361
Total capital assets - net of depreciation	\$ 27,741,612	\$ 29,437,186	\$ 126,388	\$ 143,245	\$ 27,868,000	\$ 29,580,431

See Note 6 in the financial statements for details of additions and deletions.

**JUNIATA COUNTY SCHOOL DISTRICT
MIFFLINTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

DEBT ADMINISTRATION

The District does have debt as of June 30, 2016. Two notes totaling \$2,423,482 were opened during the 2005-2006 school year to pay for upgrades to buildings for lighting and heating. As of June 30, 2016, the total principal balance on these loans is \$790,682. A third note totaling \$2,706,858 was opened during the 2009-2010 school year to pay for upgrades to buildings for lighting and heating. As of June 30, 2016, the balance of principal on this loan is \$1,692,224. A bond totaling \$13,865,000 was opened during the 2013-2014 school year to pay for energy improvements at several buildings. As of June 30, 2016, the balance of principal on this loan is \$13,785,000. A second bond totaling \$9,995,000 was opened during the 2015-2016 school year to pay for elementary school renovations. As of June 30, 2016, the balance of principal on this loan is \$9,995,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The largest issues facing the District will be the increase in the retirement contribution which will increase to 30.03% for the 2016-2017 school year as well as increased insurance costs with the continuing phases of the Patient Protection and Affordable Care Act. The uncertainty of state funding is also an area of concern.

The comparison of revenue and expenditure categories is as follows:

Table A-6
General Fund Budget Summary

	Original Budget 2015-2016	Percentage	Original Budget 2016-2017	Percentage
Revenues				
Local	\$ 15,782,433	46.42%	\$ 16,741,505	46.76%
State	17,265,949	50.78%	17,944,602	50.12%
Federal	953,177	2.80%	1,116,250	3.12%
Total revenues	\$ 34,001,559	100.00%	\$ 35,802,357	100.00%
Expenditures				
Instructional	\$ 21,633,750	63.17%	\$ 22,455,598	62.72%
Support services	10,873,895	31.75%	10,951,049	30.59%
Operation of noninstructional services	540,870	1.58%	545,556	1.52%
Capital outlay	160,000	0.47%	689,593	1.93%
Debt service	1,037,985	3.03%	1,160,561	3.24%
Transfers	1,065	0.00%	-	0.00%
Total expenditures	\$ 34,247,565	100.00%	\$ 35,802,357	100.00%
(Use of) Fund Balance	\$ (246,006)		\$ -	

**JUNIATA COUNTY SCHOOL DISTRICT
MIFFLINTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2016**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Manager at Juniata County School District, 75 South 7th St., Mifflintown, PA 17059, (717) 436-2111.

JUNIATA COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

Assets	Governmental Activities	Business-Type Activity	Total
Cash and cash equivalents	\$ 12,701,292	\$ 47,692	\$ 12,748,984
Investments	9,684,189	-	9,684,189
Receivables			
Taxes - net of allowance for uncollectible taxes of \$299,667	1,100,514	-	1,100,514
Other	213,927	64,729	278,656
Due from other governments	1,440,005	-	1,440,005
Inventories	-	36,550	36,550
Capital assets			
Land and site improvements - net	2,247,843	-	2,247,843
Buildings and building improvements - net	24,085,944	-	24,085,944
Construction-in-process	368,283	-	368,283
Furniture and equipment - net	2,735,116	143,245	2,878,361
Total capital assets	29,437,186	143,245	29,580,431
Deferred Outflows of Resources			
Deferred amounts on pension liability	5,759,000	-	5,759,000
Total assets	\$ 60,336,113	\$ 292,216	\$ 60,628,329

See Notes to Financial Statements.

Liabilities	Governmental Activities	Business-Type Activity	Total
Internal balances	\$ -	\$ -	\$ -
Accounts payable	910,006	46,527	956,533
Accrued salaries and benefits	1,083,088	-	1,083,088
Accrued interest	286,203	-	286,203
Payroll deductions and withholdings	1,431,238	-	1,431,238
Deposits	-	14,484	14,484
Long-term liabilities			
Due within one year	699,349	-	699,349
Due in more than one year	77,211,443	-	77,211,443
Total liabilities	81,621,327	61,011	81,682,338
Deferred Inflows of Resources			
Deferred amounts on pension liability	303,000	-	303,000
Net Position			
Invested in capital assets - net of related debt	13,440,830	143,245	13,584,075
Restricted for capital projects	11,754,815	-	11,754,815
Unrestricted-designated-retirement	2,044,743	-	2,044,743
Unrestricted-designated-technology	1,197,000	-	1,197,000
Unrestricted-designated-healthcare	1,197,000	-	1,197,000
Unrestricted-designated-capital projects	2,394,000	-	2,394,000
Unrestricted-undesignated	(53,616,602)	87,960	(53,528,642)
Total net position	(21,588,214)	231,205	(21,357,009)
Total liabilities and net position	\$ 60,336,113	\$ 292,216	\$ 60,628,329

JUNIATA COUNTY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities:							
Instruction	\$ 22,825,423	\$ 38,591	\$ 6,369,160	\$ -	\$ (16,417,672)	\$ -	\$ (16,417,672)
Instructional student support	2,173,125	-	309,088	-	(1,864,037)	-	(1,864,037)
Administrative and financial support	3,299,770	-	247,706	-	(3,052,064)	-	(3,052,064)
Operation and maintenance of plant services	2,608,340	1,175	117,542	-	(2,489,623)	-	(2,489,623)
Pupil transportation	3,070,919	-	2,206,086	-	(864,833)	-	(864,833)
Student activities	583,093	69,407	33,917	-	(479,769)	-	(479,769)
Interest on long-term debt	652,780	-	-	-	(652,780)	-	(652,780)
Total governmental activities	35,213,450	109,173	9,283,499	-	(25,820,778)	-	(25,820,778)
Business-type activity:							
Food Service	1,605,882	609,944	901,840	-	-	(94,098)	(94,098)
Total Primary Government	\$ 36,819,332	\$ 719,117	\$ 10,185,339	\$ -	\$ (25,820,778)	\$ (94,098)	\$ (25,914,876)
General Revenues:							
Taxes							
Property taxes levied for general purposes					\$ 12,931,367	\$ -	\$ 12,931,367
Public utility, realty transfer, earned income, per capita, and occupation taxes for general purposes, net					2,703,580	-	2,703,580
Grants, subsidies, and contributions-not restricted					9,981,680	-	9,981,680
Investment earnings					87,971	178	88,149
Miscellaneous income					83,744	-	83,744
Transfers					(130,938)	130,938	-
Total general revenues and transfers					25,657,404	131,116	25,788,520
Changes in net position					(163,374)	37,018	(126,356)
Net Position - July 1, 2015					(21,424,840)	194,187	(21,230,653)
Net Position - June 30, 2016					\$ (21,588,214)	\$ 231,205	\$ (21,357,009)

See Notes to Financial Statements.

JUNIATA COUNTY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	Major		
	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 10,906,470	\$ 1,794,822	\$ 12,701,292
Investments	-	9,684,189	9,684,189
Receivables			
Taxes - net of allowance for uncollectible taxes of \$299,667	1,100,514	-	1,100,514
Other	213,927	-	213,927
Internal balances	-	333,893	333,893
Due from other governments	1,440,005	-	1,440,005
Total assets	\$ 13,660,916	\$ 11,812,904	\$ 25,473,820
Liabilities			
Internal balances	\$ 333,893	\$ -	\$ 333,893
Accounts payable	851,917	58,089	910,006
Accrued salaries and benefits	1,083,088	-	1,083,088
Payroll deductions and withholdings	1,431,238	-	1,431,238
Total liabilities	3,700,136	58,089	3,758,225
Deferred Inflows of Resources			
Delinquent tax revenue	597,756	-	597,756
Fund Balances			
Restricted for:			
Capital projects	-	11,754,815	11,754,815
Committed fund balance for:			
Future retirement	2,044,743	-	2,044,743
Technology	1,197,000	-	1,197,000
Healthcare	1,197,000	-	1,197,000
Capital projects	2,394,000	-	2,394,000
Unassigned	2,530,281	-	2,530,281
Total fund balances	9,363,024	11,754,815	21,117,839
Total liabilities, deferred inflows of resources and fund balances	\$ 13,660,916	\$ 11,812,904	\$ 25,473,820

See Notes to Financial Statements.

JUNIATA COUNTY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016**

Total Fund Balances - Governmental Funds	\$ 21,117,839
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Capital Assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds.

Cost of assets	48,418,354	
Less accumulated depreciation	<u>(18,981,168)</u>	29,437,186

Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred revenues in the funds. 597,756

Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore are not reported within the funds. Deferred inflows and outflows related to pensions are as follows (see footnote for detail)

Deferred inflows		(303,000)
Deferred outflows		5,759,000

Long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities and related accrued interest at year-end consist of:

Notes payable	(26,262,906)	
Capital lease liability	(963,019)	
Net pension liability	(49,206,000)	
Other post-employment benefits	(933,463)	
Compensated absences	(545,404)	
Accrued interest	<u>(286,203)</u>	
		<u>(78,196,995)</u>

Total net position - governmental activities	\$ <u><u>(21,588,214)</u></u>
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See Notes to Financial Statements.

JUNIATA COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2016**

	Major		
	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Local sources	\$ 16,318,317	\$ 9,709	\$ 16,328,026
State sources	17,927,957	-	17,927,957
Federal sources	923,275	-	923,275
Total revenues	35,169,549	9,709	35,179,258
Expenditures			
Instructional	21,674,600	40,668	21,715,268
Support services	10,648,470	285,521	10,933,991
Operation of noninstructional services	551,022	-	551,022
Capital outlay	858,159	322,265	1,180,424
Debt service	1,037,985	-	1,037,985
Total expenditures	34,770,236	648,454	35,418,690
Excess (deficiency) of revenues over expenditures	399,313	(638,745)	(239,432)
Other Financing Sources (Uses)			
Proceeds from sale of asset	250	-	250
Debt proceeds	-	9,995,000	9,995,000
Refund of prior year's receipts	(719)	-	(719)
Operating transfers in	-	14,500	14,500
Operating transfers out	(145,438)	-	(145,438)
	(145,907)	10,009,500	9,863,593
Net changes in fund balances	253,406	9,370,755	9,624,161
Fund Balances - July 1, 2015	9,109,618	2,384,060	11,493,678
Fund Balances - June 30, 2016	\$ 9,363,024	\$ 11,754,815	\$ 21,117,839

See Notes to Financial Statements.

JUNIATA COUNTY SCHOOL DISTRICT

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

Year Ended June 30, 2016

Net changes in fund balances - total governmental funds	\$ 9,624,161
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense.</p>	
Capital outlays	2,835,588
Depreciation expense	<u>(1,140,014)</u>
	1,695,574
<p>Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year.</p>	
	10,812
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the Statement of Activities over the amount due is shown here.</p>	
	3,138
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>	
District pension contributions	3,671,000
Cost of benefits earned net of employee contributions (pension expense)	<u>(4,824,000)</u>
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.</p>	
	191,225
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
Issuance of capital lease liability	(963,019)
Issuance of long-term debt	(9,995,000)
Repayment of long-term debt	<u>422,735</u>
	<u>(10,535,284)</u>
Changes in net position of governmental activities	\$ <u>(163,374)</u>

See Notes to Financial Statements.

JUNIATA COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2016**

	Budgeted Amounts	
	Original	Final
Revenues		
Local sources	\$ 15,782,433	\$ 15,782,433
State sources	17,265,949	17,265,949
Federal sources	953,177	953,177
Total revenues	34,001,559	34,001,559
Expenditures		
Instructional	21,633,750	21,633,750
Support services	10,873,895	10,873,895
Operation of noninstructional services	540,870	540,870
Capital outlay	160,000	160,000
Debt service	1,037,985	1,037,985
Total expenditures	34,246,500	34,246,500
Excess of revenues over expenditures	(244,941)	(244,941)
Other Financing Sources (Uses)		
Proceeds from sale of asset	-	-
Refund of prior year's receipts	-	-
Operating transfers out	(1,065)	(1,065)
Total other financing uses	(1,065)	(1,065)
Net changes in fund balance	\$ (246,006)	\$ (246,006)

Fund Balances - July 1, 2015
Fund Balances - June 30, 2016

See Notes to Financial Statements.

Actual	Variance with Final Budget Favorable (Unfavorable)
\$ 16,318,317	\$ 535,884
17,927,957	662,008
923,275	(29,902)
<u>35,169,549</u>	<u>1,167,990</u>
21,674,600	(40,850)
10,648,470	225,425
551,022	(10,152)
858,159	(698,159)
1,037,985	-
<u>34,770,236</u>	<u>(523,736)</u>
399,313	644,254
250	250
(719)	(719)
(145,438)	(144,373)
<u>(145,907)</u>	<u>(144,842)</u>
253,406	<u>\$ 499,412</u>
9,109,618	
<u>\$ 9,363,024</u>	

JUNIATA COUNTY SCHOOL DISTRICT

STATEMENT OF NET POSITION - PROPRIETARY FUND - FOOD SERVICE
June 30, 2016

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 47,692
Accounts receivable	64,729
Inventories	36,550
Total current assets	<u>148,971</u>
 Noncurrent Assets	
Furniture and equipment - net	143,245
Total assets	<u>\$ 292,216</u>
 LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	\$ 46,527
Deposits	14,484
Total current liabilities	<u>61,011</u>
 Net Position	
Invested in capital assets	143,245
Unrestricted	87,960
Total net position	<u>231,205</u>
Total liabilities and net position	<u>\$ 292,216</u>

See Notes to Financial Statements.

JUNIATA COUNTY SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUND - FOOD SERVICE**

Year Ended June 30, 2016

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Operating Revenues	
Sales	\$ 609,944
Operating Expenses	
Food and milk	648,511
Contracted services	939,508
Technical services	2,174
Miscellaneous	725
Depreciation	14,964
Total operating expenses	<u>1,605,882</u>
Operating loss	(995,938)
Nonoperating Revenues	
Federal and state subsidies - net	901,840
Investment earnings	178
Transfers from other funds	130,938
Total nonoperating revenues - net	<u>1,032,956</u>
Changes in net position	37,018
Net Position - July 1, 2015	194,187
Net Position - June 30, 2016	<u><u>\$ 231,205</u></u>

See Notes to Financial Statements.

JUNIATA COUNTY SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND - FOOD SERVICE
 Year Ended June 30, 2016**

<hr/>	
Cash Flows From Operating Activities	
Cash received from food sales	\$ 612,216
Cash payments to suppliers for goods	(1,626,677)
Net cash used in operating activities	<u>(1,014,461)</u>
Cash Flows Provided by Noncapital Financing Activities	
Federal and state subsidies	903,633
Interfund transfers	130,938
Net cash provided by noncapital financing activities	<u>1,034,571</u>
Cash Flows Provided By Capital and Related Financing Activities	
Acquisition of capital assets	<u>(31,821)</u>
Cash Flows Provided By Investing Activities	
Investment earnings	<u>178</u>
Net decrease in cash and cash equivalents	(11,533)
Cash and Cash Equivalents:	
July 1, 2015	59,225
June 30, 2016	<u>\$ 47,692</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating loss	\$ (995,938)
Adjustments to reconcile operating loss to net cash used in operating activities	
Donated food used	104,347
Depreciation	14,964
(Increase) decrease in:	
Accounts receivable	(14,957)
Internal balance	17,094
Inventories	(17,087)
(Decrease) increase in:	
Accounts payable	(125,156)
Deposits	2,272
Net cash used in operating activities	<u>\$ (1,014,461)</u>

See Notes to Financial Statements.

JUNIATA COUNTY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Scholarship Trust Fund	Student Activities Fund
ASSETS		
Cash	\$ 7,505	\$ 85,763
Investments	9,541	22,000
Total assets	\$ 17,046	\$ 107,763
LIABILITIES		
Due to student groups	\$ -	\$ 107,763
Total liabilities	-	107,763
NET POSITION		
Restricted for		
Scholarship Trust Fund	17,046	-
Total liabilities and net position	\$ 17,046	\$ 107,763

See Notes to Financial Statements.

JUNIATA COUNTY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2016

	Scholarship Trust Fund
<hr/>	
Additions	
Investment earnings	\$ 111
Contributions and Donations	<u>8,000</u>
Deductions	
Scholarships and awards	<u>1,500</u>
Change in net position	6,611
Net Position - July 1, 2015	10,435
Net Position - June 30, 2016	<u><u>\$ 17,046</u></u>

See Notes to Financial Statements.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Juniata County School District operates eight elementary schools, one junior high school, one junior/senior high school, and one high school in Juniata County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The District operates under a locally-elected, nine-member, Board-form of government.

The financial statements of Juniata County School District (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative, standard-setting body for the establishment of governmental accounting and financial-reporting principles. The more significant of these accounting policies are as follows:

A. Reporting Entity

Juniata County School District's financial statements include the operations of all entities for which the School Board exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Juniata County School District is the lowest level of government which has oversight responsibility and control over all activities related to public-school education in the Commonwealth of Pennsylvania. The District receives funding from local, state, and Federal-government sources and must comply with the requirements of these sources. However, the District is not included in any other governmental "reporting entity" since the School Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. Additionally, the District does not exercise oversight responsibility over any other entities, and consequently, no other entities have been included in the accompanying financial statements.

The District is affiliated with the Mifflin-Juniata Career Technology Center, along with one other member school district through a joint-venture agreement. The member districts participate in providing oversight responsibility to the Career Technology Center through the following:

- Appointing of Board members who are also Board members of the participating schools
- Approval and funding of operating budgets

The District has an ongoing financial responsibility to fund its proportionate share of the operating budgets of this entity. It has no equity interest in this entity. Separate financial statements are prepared for and available from the Career Technology Center.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided in the report for all of the governmental, proprietary, and the fiduciary funds of the District, even though the fiduciary funds are excluded from the government-wide financial statements. Major, individual, governmental funds and the major, enterprise fund are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The District complies with accounting principles generally accepted in the United States of America (GAAP) and applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from Federal, state, and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due.

When both restricted and unrestricted (including committed, assigned, and unassigned) resources are available for use, it is the District's policy to use the resources with the most stringent restrictions first, followed by resources in decreasing order of restriction, as funds are needed.

Governmental funds are those through which most governmental functions of the District are financed. The acquisitions, uses, and balances of the District's expendable, financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Revenues are primarily derived from local property, earned income taxes, and state and Federal distributions. Many of the more important activities of the District; including instruction, administration of the District, and certain non-instructional services; are accounted for in this fund.

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District operates one enterprise fund, the Food Service Fund. This fund accounts for the activities of the District's food-service program.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal, ongoing operations. The principal operating revenues of the District's enterprise fund are food-service charges. Operating expenses for the District's enterprise fund include food-production costs, supplies, administrative costs, and depreciation of capital assets. All revenues or expenses not meeting these classifications are reported as nonoperating revenues and expenses.

The District does not attempt to allocate "building-wide costs" to the Food Service Fund. Thus, General Fund expenditures which partially benefit the Food Service Fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the Food Service Fund; similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

The District accounts for assets held by the District in a trustee capacity in private-purpose trust funds.

The Scholarship Trust Fund accounts for activities in the various scholarship and trust accounts, the sole purposes of which are to provide annual scholarships and other private, goodwill activities to particular students and teachers as prescribed by donor stipulations.

The Student Activity Fund accounts for the monies authorized by Section 511 of the Public School Code of 1949 for school publications and organizations. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are also accounted for using the modified-accrual basis of accounting.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budget and Budgetary Accounting

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified-accrual basis of accounting. The General Fund is the only fund for which a budget is legally required. The Pennsylvania School Code dictates specific procedures relative to adoption of the District's budget and reporting of its financial statements:

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

The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which the District is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major-object level. The Board of School Directors may make transfers of appropriated funds to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows presented for the proprietary fund, the District considers all highly-liquid investments with maturities of 90 days or less when purchased to be cash equivalents.

Investments: Investments are carried at fair value or at amortized cost, depending on the investment type, consistent with generally accepted accounting principles.

Allowance for Estimated Uncollectible Taxes and Deferred Revenues:

The allowance for estimated uncollectible taxes is based upon an historical estimate of delinquent taxes that will not be received within one year of the fiscal year-end. Deferred revenues are based upon an historical estimate of delinquent taxes expected to be received within one year of the fiscal year-end.

The portion of taxes receivable which is expected to be received within 60 days of June 30 is recorded as revenue in the current year. The remaining amount of taxes receivable which is expected to be received within one year from June 30 is recorded as deferred revenue. All other amounts in taxes receivable are written off as estimated, uncollectible taxes.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

Inventories: On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

A physical inventory of the Food Service Fund's food and supplies was taken as of June 30, 2016. The inventory consisted of government-donated commodities which were valued at estimated fair market value and purchased commodities and supplies valued at cost using the first-in, first-out (FIFO) method.

Prepaid Expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items (consumption method) in both the government-wide and fund-financial statements.

Capital Assets and Depreciation: Capital assets, which include property, plant, and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activity column in the government-wide financial statements. Capital assets are capitalized at the discretion of management, unless the assets are acquired by debt proceeds, in which case the asset is required to be capitalized. Management considers various factors in the capitalization of assets, including the assets' estimated useful lives, costs, and the extents to which the assets are parts of larger capital project. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the values of the assets or materially extend assets' lives are not capitalized.

Depreciation is provided for capital assets on the straight-line basis over the estimated useful lives of the assets or groups of assets as determined by management.

Deferred Outflows of Resources - Pensions: The District recognizes the difference between actual employer contributions to their pension plan and the proportionate share of contributions and the contributions to the plan subsequent to the measurement date of June 30, 2015 as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Long-Term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities columns in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective-interest method. Bonds payable are reported either inclusive or net of applicable bond premiums or discounts, respectively.

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

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

Compensated Absences: Under the system of financial accounting and reporting for Pennsylvania School Systems, the District accrues certain accumulate, employee benefits, such as unpaid vacation and sick pay. Calculation of these amounts is determined by the appropriate vacation, sick, and retirement lump-sum payments available to employees if they would leave or retire from the District, and the calculation is adjusted for expected employee-turnover rates. Accrued benefit days, multiplied by appropriate salary amounts, are reflected as a long-term liability unless retirements are likely within the upcoming, fiscal year. Those costs determined to be current-year costs are reflected as a liability of the General Fund.

Other Post-Employment Benefits: The District currently provides payments to retirees, who have met certain criteria, to be used towards the cost of health insurance for a period of seven years after retirement or age 65, whichever comes first. Professional staff receives \$200 per month, and service staff receives \$100 per month. In accordance with GASB standards, this liability is only recorded in the government-wide statements since it is a long-term liability. It is expensed as paid in the fund financial statements.

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

Transfers: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases when repayment is expected, the advances are accounted for through the various "due from" and "due to" accounts.

Internal and Interfund Balances and Activities: In the process of aggregating the financial information for the government-wide Statements of Net Position and Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements - Interfund activity, if any, within and among the governmental and proprietary-fund categories is reported as follows in the fund financial statements:

1. Interfund loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers - Flows of assets from one fund to another where repayment is not expected are reported as transfers in and out.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

Deferred Inflows of Resources – Pensions: The District recognizes their share of the difference between projected earnings and actual investments of their pension plan and the changes in proportions in the pension plan as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Inflows of Resources - Unearned Revenues: The District recognizes property tax revenues when they become available. Available includes those property taxes expected to be collected within sixty days after year-end. Those property taxes expected to be collected beyond sixty days after year-end are shown as deferred revenue in the fund financial statements. Governmental funds also defer revenues in connection with resources that have been received, but not yet earned.

Fund Balances:

The School District's fund balance classifications are defined and described as follows:

Nonspendable: Represents fund balance amounts that cannot be spent because they are not in a spendable form or are contractually required to be maintained intact.

Restricted: Represents fund balance amounts that are constrained for a specific purpose through restrictions of external parties, through constitutional provision, or by enabling legislation.

Committed: Represents fund balance amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the Board of School Directors, the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board removes the constraints or changes the specific purpose through the same action it used to commit the funds.

Assigned: Represents fund balance amounts that are constrained by the government's intent to be used for a specific purpose but are neither restricted nor committed. The Board has not delegated the authority to anyone to make commitments.

Unassigned: Represents fund balance amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The District has a board policy which prescribes fund balance guidelines. The District will strive to maintain an assigned and unassigned General Fund balance of not less than 5 percent and not more than 8 percent of budgeted expenditures for that year.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

Government-wide Financial Statements - Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activity columns of the Statement of Net Positions, except for the net residual amounts due between governmental and the business-type activity, which are reported as Internal Balances.
2. Internal activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statements of Activities except for the net amount of transfers between governmental and the business-type activity, which are reported as Transfers - Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statements of Activities.

Equity Classifications:

Government-Wide Statements - Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position - consist of net assets with constraints placed upon their use by either (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position or Equity (Continued)

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through December 19, 2016, the date that the financial statements were available to be issued.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

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

- U. S. Treasury Bills
- Short-term obligations of the U. S. Government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 1. The Federal Deposit Insurance Corporation (FDIC), or
 2. The Federal Savings and Loan Insurance Corporation (FSLIC), or
 3. The National Credit Union Share Insurance Fund (NCUSIF)

to the extent that such accounts are so insured, and for any amounts above maximum, provided that approved collateral as mandated by law is pledged by the depository.

- Obligations of (a) the United States of America or its agencies or instrumentalities backed by full-faith and credit of the United States of America, and (b) the Commonwealth of Pennsylvania or instrumentalities thereof backed by the full-faith and credit of these political subdivisions.
- Shares of investment companies whose investments are restricted to the above categories.

The deposit and investment policies of the District adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that were in violation of either state statutes or District policies.

Deposits: Custodial-Credit Risk

Custodial-credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. As of June 30, 2016, \$12,885,427, of the District's total bank balances of \$13,423,802 was exposed to custodial-credit risk as follows:

	Amount
Uninsured and collateralized by assets maintained in conformity with Act 72	<u>\$ 12,885,427</u>

Act 72, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts, and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis; and authorizing the appointment of custodians to act as the pledgers of the assets.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments

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

Portfolio Assets

<u>Investment</u>	<u>Credit Rating</u>	<u>Weighted Average Maturities (days)</u>	<u>Fair Values</u>
Pennsylvania Local Government Investment Trust (PLGIT)	AAAm	41 days	\$ 9,684,189
Junitata Valley Bank Certificates of Deposit	NA	444 days	31,541
			<u>\$ 9,715,730</u>

Certain external pool investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PLGIT, at amortized cost.

PLGIT - This fund invests in U.S. Treasury and federal agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund maintains a weighted-average maturity to reset of 60 days or less.

Non-Negotiable Certificates of Deposit - The District invests in certificates of deposits through local banks, and these instruments are insured by the FDIC up to \$250,000 per institution. These certificates are subject to custodial-credit risk, and have been included in the preceding disclosure.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Presently, the investments currently held by the District are valued at amortized cost and are not subject to the fair value categorization disclosures.

Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons, the time when investments become due and payable, in years or months, weighted to reflect the dollar-size of individual investments within an investment type. WAMs are computed for each investment type. The portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Interest-Rate Risk

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

Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments, and the District has no investment policy that would further limit its investment choices.

Concentrations-of-Credit Risk

The District places no limit on the amounts invested in any one issuer.

Note 3. Taxes Receivable, Deferred Revenues and Estimated Uncollectible Taxes

A summary of the taxes receivable and related accounts at June 30, 2016, follows:

	Amount
Uncollected taxes	\$ 1,400,181
Estimated uncollectible taxes	<u>299,667</u>
Taxes Receivable - Net	<u>\$ 1,100,514</u>
Taxes to be collected within 60 days	\$ 502,758
Deferred revenues - delinquent taxes	<u>597,756</u>
Taxes Receivable - Net	<u>\$ 1,100,514</u>
Deferred Revenues	
Delinquent taxes	\$ 597,756
Federal subsidies	-
	<u>\$ 597,756</u>

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Accounts

Individual fund receivable and payable balances during the year ended June 30, 2016, are as follows:

	Interfund Receivables	Interfund Payables
<hr/>		
Governmental Activities		
Major Governmental Funds		
General Fund	\$ -	\$ 333,893
Capital Projects Fund	333,893	-
Total governmental	<u>\$ 333,893</u>	<u>\$ 333,893</u>
Business-Type Activity		
Food Service Fund	-	-
	<u>\$ 333,893</u>	<u>\$ 333,893</u>

Interfund balances result from the time lags between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Individual fund transfers during the year ended June 30, 2016, are as follows:

	Transfers In	Transfers Out
<hr/>		
Governmental Activities		
Major Governmental Funds		
General Fund	\$ -	\$ 145,438
Capital Projects	14,500	-
Major Business-Type Funds		
Food Service	130,938	-
	<u>\$ 145,438</u>	<u>\$ 145,438</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect said revenues to the fund that statute or budget requires to spend them or (2) provide unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 5. Property Taxes

Based upon assessed valuations provided by the County, the tax collector bills and collects property taxes on behalf of the District. The schedule for property taxes levied for 2015-2016 is as follows:

July 1, 2015	Tax-levy date
Through August 31, 2015	2%-discount period
Through October 31, 2015	Face-payment period
November 1, 2015	10%-penalty period
4th Monday, 2015	Lien-filing date
January 1, 2016	Interim tax- levy date

The District's tax rate for all purposes in 2015-2016 was 58.829 mills (\$58.83 per \$1,000 assessed valuation) for Juniata County. Refunds on payments of prior-year taxes are classified as Other Debt Service items under the Commonwealth of Pennsylvania accounting system.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. General Fixed Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	July 1, 2015	Increases	Decreases	June 30, 2016
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 254,791	\$ -	\$ -	\$ 254,791
Construction-in-progress	-	368,283	-	368,283
Total capital assets not being depreciated	254,791	368,283	-	623,074
Capital assets being depreciated				
Site improvements	3,434,817	78,000	-	3,512,817
Buildings and building improvements	38,090,681	663,043	-	38,753,724
Furniture and equipment	3,802,477	1,726,262	-	5,528,739
Total capital assets being depreciated	45,327,975	2,467,305	-	47,795,280
Less accumulated depreciation				
Site improvements	1,408,616	111,149	-	1,519,765
Buildings and building improvements	13,734,491	933,289	-	14,667,780
Furniture and equipment	2,698,047	95,576	-	2,793,623
Total accumulated depreciation	17,841,154	1,140,014	-	18,981,168
Total capital assets being depreciated, net	27,486,821	1,327,291	-	28,814,112
Governmental Activities, Capital Assets - Net				
	\$ 27,741,612	\$ 1,695,574	\$ -	\$ 29,437,186
Business-Type Activity				
Furniture and equipment	\$ 770,290	\$ 31,821	\$ -	\$ 802,111
Total Business-Type Activity	770,290	31,821	-	802,111
Less accumulated depreciation				
Furniture and equipment	643,902	14,964	-	658,866
Business-Type Activity, Capital Assets - Net				
	\$ 126,388	\$ 16,857	\$ -	\$ 143,245

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. General Fixed Assets (Continued)

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

	Amount
Governmental Activities	
Instruction	\$ 865,534
Instructional student support	76,105
Administration and financial support	122,507
Operation and maintenance of plant services	58,879
Student activities	16,989
Total governmental activities	<u>1,140,014</u>
Business-Type Activity:	
Food Service	14,964
Total School District	<u><u>\$ 1,154,978</u></u>

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Liabilities

During the fiscal year ended June 30, 2016, long-term liabilities changed as follows:

	Balances			Balances	
	July 1,			June 30,	Due within
	2015	Increases	Decreases	2016	one year
Governmental Activities:					
Notes Payable					
Municipal Capital Corporation	\$ 614,581	\$ -	\$ (114,636)	\$ 499,945	\$ 117,751
Sustainable Energy Fund	347,930	-	(57,193)	290,737	63,599
General Obligation Note					
Series 2009	1,863,130	-	(170,906)	1,692,224	201,011
General Obligation Bonds					
Series 2014	13,865,000	-	(80,000)	13,785,000	200,000
Series 2016	-	9,995,000	-	9,995,000	-
Total Notes Payable	16,690,641	9,995,000	(422,735)	26,262,906	582,361
Capital lease obligations	-	963,019	-	963,019	71,788
Other post-employment benefits	964,523	-	(31,060)	933,463	45,200
Net pension liability	42,985,000	9,254,000	(3,033,000)	49,206,000	-
Compensated absences	705,569	-	(160,165)	545,404	-
Total Long-Term Debt	\$ 61,345,733	\$ 20,212,019	\$ (3,646,960)	\$ 77,910,792	\$ 699,349

Municipal Capital Corporation Lease (Note) - On May 10, 2005, the District entered into a note agreement in the amount of \$1,532,113. The proceeds were used to upgrade the secondary school cooling system. Interest is payable at a rate of 3.918%. Semi-annual principal and interest payments are due for a period of fifteen years.

The Sustainable Energy Fund of Central Eastern Pennsylvania Lease (Note) - On November 1, 2005, the District entered into a note agreement in the amount of \$891,369. The proceeds were used to upgrade the lighting at multiple schools. Interest is payable at a rate of 2.000%. Semi-annual principal and interest payments are due for a period of fifteen years.

General Obligation Note - Series of 2009 - On August 12, 2009, the District issued a General Obligation Note - Series of 2009 in the principal amount of \$2,706,858. The note is issued pursuant to a resolution of the District duly adopted by the School Board, to refinance the Series 2007 Note and for energy upgrade. Interest is payable at a fixed rate for the first seven and one-half years at 3.390% and then changes to a rate equal to the five-year Treasury Bill. Semi-annual principal and interest payments are due for a period of fifteen years.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Liabilities (Continued)

General Obligation Bond - Series of 2014 - On March 27, 2014, the District issued a General Obligation Note - Series of 2014 in the principal amount of \$13,865,000. Interest is payable at a variable rate ranging from 4% to 4.2%. Annual principal and semi-annual interest payments are due for a period of twenty-two years.

General Obligation Bond - Series of 2016 - On May 15, 2016, the District issued a General Obligation Note - Series of 2014 in the principal amount of \$9,995,000. Interest is payable at a variable rate ranging from .85% to 3%. Annual principal and semi-annual interest payments are due for a period of twenty-two years.

The District is in compliance with all debt covenants relative to the foregoing obligations. Those covenants include the following: the District shall include the annual debt service in its budget for the fiscal year; shall appropriate said debt service from its general revenues; and shall punctually cause the payment of the principal and interest of each of the Notes.

Annual maturities of long-term debt are as follows:

Years	Long-Term Debt		
	Principal	Interest	Total
2017	\$ 582,361	\$ 835,158	\$ 1,417,519
2018	580,839	869,881	1,450,720
2019	683,307	847,718	1,531,025
2020	741,210	822,940	1,564,150
2021	736,517	795,157	1,531,674
2022-2026	4,233,672	3,547,163	7,780,835
2027-2031	5,020,000	2,809,196	7,829,196
2032-2036	5,695,000	1,795,534	7,490,534
2037-2041	3,980,000	880,050	4,860,050
2042-2046	4,010,000	308,100	4,318,100
	<u>\$ 26,262,906</u>	<u>\$ 13,510,897</u>	<u>\$ 39,773,803</u>

Compensated Absences

Under the terms of the District's various employment agreements and contracts, unused, accumulated sick days will be paid at a fixed, per day amount to employees meeting certain criteria as described below.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Liabilities (Continued)

Vacation

District employees who are required to work on a twelve-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation, for most employee categories, may be taken or paid within certain limits. A maximum of five (5) vacation days may be carried over from one year to the next.

Accumulated Sick Days

Professional employees with twenty or more years of service with Juniata County School District shall be compensated for unused, accumulated sick leave at a rate of \$80 per day. Support staff shall be compensated at a rate of \$20 per day up to a maximum of 150 days.

Note 8. Leases

Capital Leases

The District has entered into a lease agreement as a lessee to finance the acquisition of networking equipment. This lease agreement qualifies as a capital lease for accounting purposes, and therefore, the lease has been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through the capital lease are as follows:

	Amount
Furniture and equipment	\$ 1,339,310
Less accumulated depreciaton	(334,828)
	<u>\$ 1,004,482</u>

The future minimum lease obligations and the net present values of the minimum lease payments as of June 30, 2016, are as follows:

Year Ending June 30,	Amount
2017	\$ 71,788
2018	431,071
2019	431,071
2020	71,788
Total minimum lease payments	1,005,718
Less amount representing interest	(42,699)
Present values of minimum lease payments	<u>\$ 963,019</u>

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 8. Leases (Continued)

Operating Leases

The District has entered into non-cancelable operating leases for copiers and other equipment. Minimum lease payments in future years are as follows:

<u>Years</u>	<u>Amount</u>
2016-2017	\$ 82,860
2017-2018	82,860
	<u>\$ 165,720</u>

The total rent paid for the year ended June 30, 2016, was \$114,655

Note 9. Defined-Benefit Pension Plan

Plan Description

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

Authority: The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535)

Funding Policy

Authority: The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by the active employees, School Districts, and the Commonwealth.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Benefits Provided

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

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 such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

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

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Contributions

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

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the members' qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the members' qualifying compensation. Membership Classes T-E and 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 7.50% and 9.50% and the Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

District Contributions

The District's required contributions are based upon an actuarial valuation. For the fiscal year ended June 30, 2016, the District's rate of contribution was 25.84% of covered payroll. The 25.84% rate is composed of a pension contribution rate of 25.00 percent for pension benefits and .84 percent for healthcare insurance-premium assistance. The District is required to pay the entire contribution and will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income-aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total School District's rate. The School District's contributions to the Plan for the years ended June 30, 2016, 2015, and 2014, were \$3,738,723, \$3,085,274, and \$2,324,240, respectively, and are equal to the required contributions for those years. For the year ended June 30, 2016, the Commonwealth of Pennsylvania reimbursed the District for one-half of its retirement expense.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

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

At June 30, 2016, the District reported a liability of \$49,206,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The District's proportion of the new pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was .1136 percent, which was an increase of .005% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$4,792,000. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 203,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	100,000
Changes in proportions	1,972,000	-
Difference between employer contributions and proportionate of total contributions	116,000	-
Contributions subsequent to the measurement date	3,671,000	-
	<u>\$ 5,759,000</u>	<u>\$ 303,000</u>

\$3,671,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ending June 30:	Amount
2016	\$ 267,000
2017	267,000
2018	267,000
2019	981,000
2020	3,000
	<u>\$ 1,785,000</u>

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Actuarial Assumptions

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

- Actuarial Cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00% real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females

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

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

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

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	-14.0%	1.1%
	100.0%	

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Defined-Benefit Pension Plan (Continued)

Sensitivity of the District’s proportionate share of the new pension liability to changes in the discount rate

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 60,651,000	\$ 49,206,000	\$ 39,587,000

Pension Plan Fiduciary Net Position

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

Note 10. Other Post-Employment Benefits

Effective July 1, 2008, the District adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Plan Description - The District provides retiree health, vision, and dental-care benefits, and prescription-drug coverage, to eligible, retired employees and qualified spouses/beneficiaries. This is a single-employer, defined-benefit plan administered by the District. Benefits are provided to all faculty and academic and support staff upon retirement under PSERS superannuation or early-retirement provisions. Currently, the plan has approximately 360 members. The plan does not issue a separate, stand-alone financial statement.

Funding Policy - The District currently provides a payment to retirees, who have met certain eligibility criteria, to be used towards the cost of health insurance for a period of seven years after retirement or age 65, whichever comes first. Professional and service staff receive \$200 and \$100 monthly, respectively. The District funds OPEB on a pay-as-you-go basis, and there is no obligation to make contributions in advance of when the insurance premiums or claims are due for payment.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits (Continued)

Funding Progress - For the year ended June 30, 2016, the District has estimated the cost (annual expense) of providing retiree health, vision and dental-care benefits, and prescription-drug coverage through an actuarial valuation performed as of July 1, 2014. In accordance with GASB Statement No. 45, the valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded, actuarial liability over a period of thirty years. This valuation's computed contribution and actual funding are summarized as follows:

	Amount
Annual required contribution	\$ 408,675
Plus Interest on Net OPEB Obligation	38,581
Less adjustment to the annual required contribution	(68,242)
Annual OPEB Cost	<u>379,014</u>
Amounts contributed	
Payments of current premiums and claims	(410,074)
Advance funding	<u>-</u>
Increase in net OPEB obligation	(31,060)
OPEB obligation - beginning of year	<u>964,523</u>
OPEB obligation - end of year	<u><u>\$ 933,463</u></u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the current year are as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 568,482	81.13%	\$ 1,001,383
June 30, 2015	\$ 379,200	109.72%	\$ 964,523
June 30, 2016	\$ 379,014	108.19%	\$ 933,463

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Other Post-Employment Benefits (Continued)

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probabilities of occurrences of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare-cost trend. Amounts are 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 as new estimates are made about the future.

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

In the July 1, 2015, actuarial valuation, the actuarial-cost method was used. The actuarial accrued liability was determined using a discount rate of 4.00%, and said liability is based upon employee data provided through the valuation date. The initial liability is amortized under the level-dollar method over a weighted-average of average, future service of active employees for similar plans, which is estimated to be 20 years.

Note 11. Self-Insurance

Effect July 1, 2013, the Juniata County School District joined the Multi-County Health Care Insurance Consortium, which is a consortium of school districts organized and existing under and by virtue of the laws of the Commonwealth of Pennsylvania and have been accepted by the Consortium as a Member. Members may also include vocation, technology, or other specialty schools established by school districts under the Pennsylvania School Code. The Consortium elected to finance health care benefits for eligible school district personnel using a self-insured approach known as an Administrative Service Contract (ASC) arrangement. The ASC funding method is a self-funding rating option, which has the Consortium pay actual claims of its groups with an administrative charge paid for claims processing plus stop loss insurance premiums. The ASC funding arrangement is on a "paid" basis for claims incurred within a twelve-month period and paid within a fifteen-month contract period. The Consortium establishes a reserve, as required by PA State Insurance Law, equal to 30 days of average paid claims; this reserve is recalculated and adjusted annually. During the contract period ended June 30, 2016, the Juniata County School District made contributions to the Consortium for its share of paid claims, administrative expenses, stop loss insurance costs and required reserves of \$3,645,076, which was charged as an expenditure for health care benefits. As of the date of these financial statements, the annual reserve calculation for the period ended June 30, 2016, has not been completed.

Juniata County School District self-insures the cost of dental insurance. During the year ended June 30, 2016, \$159,506 in dental claims was paid.

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors; or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current or three prior years.

Note 13. Commitments and Contingencies

Grant Programs: The District participates in both state and Federally-assisted grant programs. These programs are subject to program-compliance audits by 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 which would result in the disallowance of program expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

JUNIATA COUNTY SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION
POST-EMPLOYMENT BENEFITS PLAN
Year Ended June 30, 2016**

Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Transition (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	\$ -	\$4,803,610	\$4,803,610	0.00%	\$ 14,195,121	33.84%
7/1/2011	N/A	N/A	N/A	N/A	N/A	N/A
7/1/2012	\$ -	\$5,271,961	\$5,271,961	0.00%	\$ 11,785,631	44.73%
7/1/2013	N/A	N/A	N/A	N/A	N/A	N/A
7/1/2014	\$ -	\$5,310,631	\$5,310,631	0.00%	\$ 12,382,828	42.89%
7/1/2015	N/A	N/A	N/A	N/A	N/A	N/A

JUNIATA COUNTY SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF
DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

Year Ended June 30, 2016	2015	2016
District's proportion of the net pension liability	\$ 42,985,000	\$ 49,206,000
District's proportionate share of the net pension liability	0.1086%	0.1136%
District's covered-employee payroll	\$ 13,857,713	\$ 14,610,986
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	310.19%	336.77%
Plan fiduciary net position as a percentage of the total pension liability	57.24%	54.36%

Because 2015, was the year of transition for GASB Statement No. 68, requirements of GASB No. 68 have been implemented prospectively; therefore, the above illustration does not reflect similar information for years preceding 2015.

JUNIATA COUNTY SCHOOL DISTRICT

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF DISTRICTS CONTRIBUTIONS
LAST TEN FISCAL YEARS**

Year Ended June 30, 2016	2015	2016
Contractually required contribution	\$ 2,943,766	\$ 2,953,155
Contributions in relation to the contractually required contribution	2,943,766	2,953,155
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 13,857,713</u>	<u>\$ 14,610,986</u>
Contributions as a percentage of covered-employee payroll	21.24%	20.21%

Because 2015 was the year of transition for GASB Statement No. 68, requirements of GASB No. 68 have been implemented prospectively; therefore, the above illustration does not reflect similar information for years preceding 2015.

SUPPLEMENTARY INFORMATION

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

Board of School Directors
Juniata County School District
Mifflintown, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Juniata County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Juniata County School District's basic financial statements, and have issued our report thereon dated December 19, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

State College, Pennsylvania
December 19, 2016

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

Board of School Directors
Juniata County School District
Mifflintown, Pennsylvania

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Juniata County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Juniata County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Juniata County School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Boyer & Ritter". The signature is written in a cursive style with a large, sweeping flourish at the end.

State College, Pennsylvania
December 19, 2016

**JUNIATA COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified: ___ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None Reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over the major programs:

- Material weakness identified? ___ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None Reported

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

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

Identification of the major programs:

CFDA Number(s)	Name of Federal Programs/Cluster
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee? X Yes ___ No

JUNIATA COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section II -- Financial Statement Findings

A. Significant Deficiencies in Internal Control

There were no findings relating to the financial statement audit required to be reported.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

Section III -- Federal Award Findings and Questioned Costs

A. Significant Deficiencies in Internal Control

There were no findings relating to the Federal awards required to be reported in accordance with section 2 CFR 200.516(a).

B. Compliance Findings

There were no findings relating to the Federal awards required to be reported in accordance with section 2 CFR 200.516(a).

JUNIATA COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2016

	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award
U. S. Department of Education					
Passed through the Pennsylvania Department of Education:					
Title I Cluster					
Title I - Improving Basic Programs	I	84.010	013-15-0206	14-15	\$ 703,836
Title I - Set Aside	I	84.010	042-15-0206	15-16	\$ 76,653
Title I - Improving Basic Programs	I	84.010	013-16-0206	15-16	\$ 701,997
Improving Teacher Quality	I	84.367	020-15-0206	14-15	\$ 140,432
Improving Teacher Quality	I	84.367	020-16-0206	15-16	\$ 139,960
Passed through Tuscarora Intermediate Unit					
Special Education - Grants to States Cluster					
Special Education - Grants to States - IDEA Part B	I	84.027	H027A130093	14-15	\$ 388,969
Special Education - Preschool Grants	I	84.173	131-14-0011	14-15	\$ 5,913
Special Education - Grants to States - IDEA Part B	I	84.027	062-16-0011	15-16	\$ 408,088
Special Education - Preschool Grants	I	84.173	H173A140090	15-16	\$ 7,568
Total Special Education - Grants to States Cluster					
Total U. S. Department of Education					

(Continued)

Total Received (Refunded) in Fiscal Year	As restated Accrued (Deferred) Revenue at 7/1/15	Revenue Recognized	Expenditures	Passed through to Subrecipients	Accrued (Deferred) Revenue at 6/30/16
\$ 42,641	\$ 42,641	\$ -	\$ -	\$ -	\$ -
76,653	-	76,653	76,653	-	-
565,990	-	701,997	701,997	-	136,007
685,284	42,641	778,650	778,650	-	136,007
40,059	40,059	-	-	-	-
121,410	-	139,960	139,960	-	18,550
161,469	40,059	139,960	139,960	-	18,550
388,969	388,969	-	-	-	-
5,913	5,913	-	-	-	-
-	-	408,088	408,088	-	408,088
-	-	7,568	7,568	-	7,568
394,882	394,882	415,656	415,656	-	415,656
1,241,635	477,582	1,334,266	1,334,266	-	570,213

JUNIATA COUNTY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended June 30, 2016

	Source Code	Federal C.F.D.A. Number	Pass-Through Grantor's Number	Grant Period	Program or Annual Award
U.S. Department of Agriculture					
Child Nutrition Cluster					
Passed through the Pennsylvania Department of Education:					
School Breakfast Program	I	10.553	N/A	14-15	N/A
School Breakfast Program	I	10.553	N/A	15-16	N/A
National School Lunch Program	I	10.555	N/A	14-15	N/A
National School Lunch Program	I	10.555	N/A	15-16	N/A
Total passed through the Pennsylvania Department of Education					
Passed through the Pennsylvania Department of Agriculture:					
National School Lunch Program (a)	I	10.555	N/A	15-16	N/A
Total Child Nutrition Cluster					
Total U.S. Department of Agriculture					
Total Expenditures of Federal Awards					

- I - Indirect Funding
- D - Direct Funding

Legends:

- (a) Donated commodities valued at local market values
- (b) Total amount of commodities received from Department of Agriculture
- (c) Inventories at July 1, 2015
- (d) Total amount of commodities used
- (e) Inventories used at June 30, 2016

See Notes to Schedule of Expenditures of Federal Awards.

Total Received (Refunded) in Fiscal Year	Accrued (Deferred) Revenue at 7/1/15	Revenue Recognized	Expenditures	Passed through to Subrecipients	Accrued (Deferred) Revenue at 6/30/16
17,291	17,291	-	-	-	-
128,870	-	128,870	128,870	-	-
146,161	17,291	128,870	128,870	-	-
81,761	81,761	-	-	-	-
617,839	-	617,839	617,839	-	-
699,600	81,761	617,839	617,839	-	-
845,761	99,052	746,709	746,709	-	-
104,347 (c)	-	104,347	104,347	-	(e)
950,108	99,052	851,056	851,056	-	-
950,108	99,052	851,056	851,056	-	-
\$ 2,191,743	\$ 576,634	\$ 2,185,322	\$ 2,185,322	\$ -	\$ 570,213

JUNIATA COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the Federal-grant activity of Juniata County School District under programs of the Federal government for the year ended June 30, 2016. 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 Award* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Juniata County School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Juniata County School District.

Note 2. 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. Revenue is recognized when earned, and expenses are recognized when incurred. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Juniata County School District has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

JUNIATA COUNTY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS Year Ended June 30, 2016

Financial Statement Findings

SD 2015-1 Preparing Financial Statements and Disclosures

Criteria or specific requirement: The District does not have personnel with the appropriate level of specialized knowledge to prepare the external financial statements and related disclosures in accordance with generally accepted accounting principles, and therefore, relies on the external auditor to provide these services.

Condition: Auditing standards state that if the District does not have the personnel with the appropriate level of specialized knowledge to prevent, detect, or correct a potential misstatement in the financial statements or notes, this deficiency constitutes a significant deficiency in internal control.

Context: External financial statements are prepared by the external auditor.

Effect: The financial statements could have been significantly misstated.

Cause: The District relies on the external auditor to prepare the financial statements.

Recommendation: Many governmental entities have determined that it is cost-beneficial to rely on the external auditor to prepare the reporting entities' financial statements and to help guide management through implementation of complex accounting standards which, while reportable, is perfectly acceptable and cost-effective.

Auditee response: The cost to fund a position dedicated to financial statement preparation, with adequate knowledge of the governmental mandates and the singular focus required to accomplish these tasks, are prohibitive to the Juniata County School District. This district will continue to use external auditors to prepare the financial statements.

Corrective Action Taken: Business Manager has obtained the appropriate level of knowledge to prepare the financial statements and disclosure as a result of prior year's experience and continuing training taken during the fiscal year.