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## OFFICIAL STATEMENT

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**BOOK-ENTRY ONLY**

**Rating: S&P Underlying: "AA-" (Stable Outlook)**

In the opinion of Bond Counsel, the interest on the Bonds (including any original issue discount) (a) is excludable from the gross income of the registered owners thereof for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in clause (a) above is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds. Under the laws of the Commonwealth of Pennsylvania, as enacted and construed on the date hereof, the Bonds are exempt from personal property taxes in Pennsylvania and the interest on the Bonds is exempt from Pennsylvania personal income tax. For a more complete discussion of tax exemption, see "TAX MATTERS" and "TAX EXEMPTION" herein.

*The Bonds are "qualified tax-exempt obligations" for purposes and effect contemplated by Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (relating to expenses and interest relating to tax-exempt income of certain financial institutions).*

**\$9,965,000**  
**MIDD-WEST SCHOOL DISTRICT**  
**(Snyder County, Pennsylvania)**  
**General Obligation Bonds, Series B of 2016**

**Bonds Dated:** Date of Delivery

**Principal Due:** May 1, as shown on the inside cover

**Denominations:** Integral multiples of \$5,000

**Interest Payable:** May 1 and November 1

**First Interest Payment:** May 1, 2017

**Form:** Book-Entry Only

**Principal and Interest Payments:** The General Obligation Bonds, Series B of 2016, in the aggregate amount of \$9,965,000 (the "Bonds") of the Midd-West School District (the "School District"), a public school district that includes a portion of Snyder County, Pennsylvania, will be in book-entry only form, registered in the name of Cede & Co. as nominee for the Depository Trust Company, New York, New York ("DTC"). DTC will act as the securities depository for the Bonds. Purchases of the Bonds will not receive certificates representing their interests in the Bonds. While DTC, or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal and interest on the Bonds will be made by Manufacturers and Traders Trust Company, serving as paying agent, directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursements of such payments to Beneficial Owners of the Bonds is the responsibility of the DTC Participants and the Indirect Participants. See "BOOK-ENTRY ONLY SYSTEM" herein.

**Optional Redemption:** The Bonds are subject to optional redemption prior to maturity as described herein.

**Purpose:** Proceeds of the Bonds will be used to: (1) partially advance refund the outstanding General Obligation Bonds, Series B of 2012 of the School District; and (2) pay the costs of issuing the Bonds.

**Security:** The Bonds are payable from the local taxes, state subsidies and other general revenues of the School District. The School District has covenanted in its Resolutions adopted on August 22, 2016, as amended, that it will budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service due on the Bonds for such year, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power includes the power to levy *ad valorem* taxes on all taxable property with the School District, to the extent permitted by law (see "Security for the Bonds" and "The Taxpayer Relief Act (Act 1)" herein).

**Legal Investment for Fiduciaries in Pennsylvania:** The Bonds are a legal investment for fiduciaries in the Commonwealth of Pennsylvania under the Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508 as amended and supplemented.

The Bonds are offered for delivery when, as and if issued by the School District and received by the Underwriter, subject to the approving legal opinion of Kegel Kelin Almy & Lord LLP, Lancaster, Pennsylvania, Bond Counsel to the School District, to be furnished upon delivery of the Bonds. Certain legal matters will be passed upon by Orris C. Knepp, III, Lewistown, Pennsylvania, Solicitor to the School District. It is expected that the Bonds will be available for delivery, through the facilities of DTC, on or about November 15, 2016.



RBC Capital Markets®

**\$9,965,000**  
**MIDD-WEST SCHOOL DISTRICT**  
**(Snyder County, Pennsylvania)**  
**General Obligation Bonds, Series B of 2016**

**Bonds Dated:** Date of Delivery  
**Principal Due:** May 1, as shown below  
**Denominations:** Integral multiples of \$5,000

**Interest Payable:** May 1 and November 1  
**First Interest Payment:** May 1, 2017  
**Form:** Book-Entry Only

**Principal Maturity Schedule**

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Price</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Price</u>
2018	\$ 5,000	1.050%	100.000%	2024	\$ 200,000	2.000%	99.861%
2019	5,000	1.250	100.000	2027	1,745,000	2.350	99.264
2020	5,000	1.400	100.000	2028	3,565,000	2.450	99.716
2021	15,000	1.600	100.000	2029	3,205,000	2.550	98.629
2022	190,000	2.000	101.662	2030	440,000	2.650	98.326
2023	190,000	2.000	101.035				

\$400,000 @ 2.150% due on May 1, 2026 @ 98.730%

No dealer, broker, salesman or other person has been authorized by the School District or the Underwriters to give any information or to make any representation, other than that given or made in this Official Statement, and if given or made, any such other information or representation may not be relied upon as having been authorized by the School District or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement has been approved by the School District and, while the information set forth in this Official Statement has been furnished by the School District and other sources which are believed to be reliable, such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters or, as to information obtained from other sources, by the School District. The information and expressions of opinion set forth in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that the affairs of the School District have remained unchanged since the date of this Official Statement.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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**MIDD-WEST SCHOOL DISTRICT  
(Snyder County, Pennsylvania)  
Board of School Directors**

Victor L. Abate ..... President  
Sherryl Wagner ..... Vice President  
Allyson Folk..... Secretary\*  
Shawn A. Sassaman..... Treasurer  
Tony McKnight..... Member  
Thomas Rubillo..... Member  
Christopher Nesbit ..... Member  
Jeremy Tittle ..... Member  
Ronald Hoffman ..... Member  
Ronald E. Wilson..... Member

\* Non-Member

**Administrative Staff**

Mr. Richard Musselman ..... Superintendent  
Michael Miller ..... Chief Financial Officer

Midd-West School District  
568 East Main Street  
Middleburg, Pennsylvania 17842

**Bond Counsel**  
Kegel Kelin Almy & Lord LLP  
Lancaster, Pennsylvania

**Solicitor**  
Orris C. Knepp, III  
Lewistown, Pennsylvania

**Underwriter**  
RBC Capital Markets, LLC  
Lancaster, Pennsylvania

**Paying Agent and Sinking Fund Depositary**  
Manufacturers and Traders Trust Company  
Harrisburg, Pennsylvania  
Buffalo, New York

**SUMMARY PAGE**

This Summary Statement is subject in all respects to more complete information in this Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or otherwise use it without the entire Official Statement. A full review of the entire Official Statement should be made by potential bond purchasers.

<b>Issuer</b> .....	Midd-West School District, a public school district that includes a portion of Snyder County, Pennsylvania.
<b>Bonds</b> .....	General Obligation Bonds, Series B of 2016, in the aggregate principal amount of \$9,965,000, dated as of the date of delivery thereof, maturing or subject to mandatory redemption, annually, in various principal amounts (as herein described) on May 1, 2018 through May 1, 2024, inclusive, May 1, 2026 and May 1, 2027 through May 1, 2030, inclusive, with interest payable on May 1 and November 1 of each year, with the first interest payable on May 1, 2017 (the "Bonds"). See "DESCRIPTION OF THE BONDS" herein.
<b>Optional Redemption</b> .....	The Bonds stated to mature on and after May 1, 2023, are subject to redemption prior to maturity at the option of the School District, in whole or in part, on May 1, 2022, or any date thereafter, upon not less than thirty (30) nor more than sixty (60) days' notice, to be given in the manner required by the Resolution, at 100% of principal, together with accrued interest to the redemption date. See "REDEMPTION PROVISIONS" herein.
<b>Form</b> .....	The Depository Trust Company, Book-Entry Only.
<b>Application of Proceeds</b> .....	Proceeds of the Bonds will be used to: (1) partially advance refund the outstanding General Obligation Notes, Series B of 2012 of the School District; and (2) pay the costs of issuing the Bonds.
<b>Security</b> .....	The Bonds are general obligations of the Issuer, for the payment of which the Issuer has pledged its full faith, credit and taxing power. See "SECURITY FOR THE BONDS" and "TAXING POWERS OF THE SCHOOL DISTRICT" herein.
<b>Rating</b> .....	See "MISCELLANEOUS - Ratings" herein.

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**OFFICIAL STATEMENT**

**\$9,965,000**

**MIDD-WEST SCHOOL DISTRICT  
(Snyder County, Pennsylvania)**

**General Obligation Bonds, Series B of 2016**

**INTRODUCTION**

This Official Statement is furnished by the Mid-West School District (the "School District"), a public school district that includes a portion of Snyder County, Pennsylvania, in connection with the offering of its General Obligation Bonds, Series B of 2016 in the aggregate principal amount of \$9,965,000 (the "Bonds"). The Bonds are being issued pursuant to Resolutions adopted by the Board of School Directors of the School District on August 22, 2016 ( the "Resolution"), and in accordance with the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the "Debt Act").

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds can be made in book-entry only form, and purchasers will not receive certificates representing their interests in the Bonds. So long as DTC, or its nominee, Cede & Co., is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Paying Agent directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners of the Bonds is the responsibility of the DTC Participants and the Indirect Participants. See "DESCRIPTION OF THE BONDS" and "BOOK-ENTRY ONLY SYSTEM" herein.

The information which follows contains summaries of the Resolution, the Bonds, relevant provisions of state and federal laws, the School District's budget and financial statements. Such summaries do not purport to be complete and reference is made to each Resolution, the School District's budget and the School District's financial statements, copies of which are on file and available for examination at the offices of the School District. Reference is also made to the Bonds and to the full text of the cited laws and regulations.

**PURPOSE OF THE ISSUE**

Proceeds of the Bonds will be used to: (1) partially advance refund a portion of the outstanding General Obligation Bonds, Series B of 2012 of the School District; and (2) pay the costs of issuing the Bonds.

**SOURCES AND USES OF FUNDS**

**Sources of Funds**

Par Amount of the Bonds.	\$9,965,000.00
Net: Original Issue Discount	<u>110,157.65</u>
Total Sources of Funds	\$9,854,842.35

**Uses of Funds**

Refunding Requirements	\$9,711,848.83
Costs of Issuance (1)	<u>142,993.52</u>
Total Uses of Funds	\$9,854,842.35

(1) Includes bond discount, legal, printing, rating, Paying Agent, Escrow Agent, CUSIP and miscellaneous

## **Refunding of the Refunded Bonds**

Concurrently with the issuance and delivery of the Bonds, a portion of the proceeds thereof will be irrevocably deposited under an escrow deposit agreement (the "2012B Escrow Agreement") between the School District and Manufacturers and Traders Trust Company as escrow agent for the Series B of 2012 Bonds of the School District (the "2012B Bonds") and invested for the advance refunding of a portion of the 2012B Bonds (the "Refunded 2012B Bonds") on May 1, 2020, or any date thereafter. Funds held in an escrow account authorized under the 2012B Escrow Agreement will be applied to the payment of principal and interest as such become due on the Refunded 2012B Bonds, and to the redemption of the Refunded 2012B Notes at their stated maturity or upon optional redemption as described in the 2012B Escrow Agreement.

## **Verification of Certain Mathematical Computations**

The accuracy of: (a) the mathematical computations of the adequacy of the cash and maturing principal amounts of and interest on authorized escrow investments held pursuant to the 2012B Escrow Agreement described above to pay the principal of, and interest due on, and redemption price of the Refunded 2012B Notes being refunded, as set forth in the respective 2012B Escrow Agreement; and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, will be verified solely as to mathematical accuracy by Financial Solutions LLC, Reading, Pennsylvania.

## **DESCRIPTION OF THE BONDS**

The Bonds are issued as fully registered bonds, without coupons, in the denominations of \$5,000 principal amount or any integral multiple thereof. Principal and interest are payable as set forth below.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for the Depository Trust Company ("DTC"), New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any physical delivery of bond certificates and beneficial ownership of the bonds will be evidenced only by electronic book entries. See "Book-Entry Only System" herein.

## **Payment of Principal and Interest**

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the obligations of the School District with respect to, and to the extent of, principal and interest so paid. If the use of the book-entry only system for the Bonds is discontinued for any reason, bond certificates will be issued to the Beneficial Owners of the Bonds and payment of principal and interest on the Bonds shall be made as described in the following paragraphs.*

Principal of certificated Bonds will be paid to the registered owners thereof or assigns, when due, upon surrender of such Bonds at the designated corporate trust office of the Paying Agent. Interest is payable to the registered owner of a Bond from the interest payment date next preceding the date of registration and authentication of the Bond, unless: (a) such Bond is registered and authenticated as of an interest payment date, in which event such Bond shall bear interest from said interest payment date, or (b) such Bond is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding interest payment date, in which event such Bond shall bear interest from such interest payment date, or (c) such Bond is registered and authenticated on or prior to May 1, 2017, in which event such Bond shall bear interest from the delivery date of the Bonds, or (d) as shown by the records of the Paying Agent, interest on such Bond shall be in default, in which event such Bond shall bear interest from the date on which interest was last paid on such Bond. Interest shall be paid semiannually on May 1 and November 1 of each year, beginning May 1, 2017, until the principal sum is paid. Interest on a certificated Bond is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15<sup>th</sup>) day (whether or not a day on which the Paying Agent is open for business) next preceding each interest payment date, respectively (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bond subsequent to such Record Date and prior to such interest payment date, unless the School District shall be in default in payment of interest due on such interest payment date. In the event of any

such default, such defaulted interest shall be payable to the person in whose name the Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names the Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for the payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or on a day on which banking institutions in the Commonwealth of Pennsylvania (the "Commonwealth") are authorized or required by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

### **Transfer, Exchange and Registration of Bonds**

*Subject to the provisions described below under "Book-Entry Only System",* certificated bonds may be transferred or exchanged by the registered owners thereof upon surrender of Bonds to the Paying Agent, at its designated corporate trust office, accompanied by a written instrument or instruments in form, with instructions satisfactory to the Paying Agent, duly executed by the registered owner of such Bond or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of such Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered bond or bonds of authorized denominations of the same series, maturity date and interest rate for the aggregate principal amount which the registered owner is entitled to receive. The School District and the Paying Agent may deem and treat the registered owner of such Bond as the absolute owner thereof (whether or not a Bond shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the School District and the Paying Agent shall not be affected by any notice to the contrary.

Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same series, maturity date and interest rate. The School District and the Paying Agent shall not be required to: (i) issue or transfer any Bonds during the period beginning at the opening of business on any Record Date for interest payments and ending at the close of business on such interest payment date; or (ii) issue or transfer any Bonds during a period beginning at the opening of business on the 15th business day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the date the notice of redemption shall be mailed; or (iii) issue or transfer any Bonds during the period beginning at the opening of business on the first business day next succeeding the business day the Paying Agent determines the registered owners of Bonds to receive notice of any Special Record Date and the close of business on the Special Record Date; or (iv) issue or transfer any Bonds selected or called for redemption.

### **BOOK-ENTRY ONLY SYSTEM**

*The information under this heading has been obtained from materials provided by DTC for such purpose. The School District (herein referred to as the "Issuer") and the Underwriter do not guaranty the accuracy or completeness of such information and such information is not to be construed as a representation of the School District or the Underwriter.*

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds of each separate maturity and interest rate, in the aggregate principal amount of such maturity and interest rate, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository

Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Bonds of a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Issuer or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

**Disclaimer of Liability for Failures of DTC**

The School District and the Underwriter cannot and do not give any assurances that DTC, the Direct and Indirect Participants or others will distribute payments of principal, interest or premium with respect to the Bonds paid to DTC or its nominee as the owner of Bonds, or will distribute any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The School District and the Underwriter are not responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds, or any error or delay relating thereto.

**REDEMPTION PROVISIONS**

**Optional Redemption Provisions**

The Bonds stated to mature on and after May 1, 2023, are subject to redemption prior to maturity at the option of the School District, in whole or in part, on May 1, 2022, or any date thereafter, upon not less than thirty (30) nor more than sixty (60) days’ notice, to be given in the manner required by the Resolution, at 100% of principal, together with accrued interest to the redemption date.

**Mandatory Redemption**

In the manner and upon the terms and conditions provided in the Resolution, the Bonds stated to mature on May 1, 2026 are subject to mandatory sinking fund redemption prior to maturity on the dates set forth below in direct order of maturity at a redemption price equal to one-hundred percent (100%) of the principal amount thereof, together with accrued interest thereon in the following principals amounts, as drawn by lot by the Paying Agent.

**Bonds Stated to Mature on: May 1, 2026**

2025	\$195,000
2026*	205,000

\* Principal Maturity

**Notice of Redemption**

*So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, however, the School District and the Paying Agent shall send redemption notices only to Cede & Co. See “BOOK-ENTRY ONLY SYSTEM” herein for further information regarding conveyance of notices and Beneficial Owners.*

If at a time of mailing of a notice of redemption the School District has not deposited with the Paying Agent (or, in the case of a refunding, with another bank or depository acting as refunding escrow agent) money sufficient to redeem all Bonds called for redemption, the notice of redemption may state that is it is conditional, *i.e.*, that it is subject to the deposit of sufficient redemption money with the Paying Agent not later than the opening of business on the redemption date, and such notice shall be of no effect unless such money is so deposited.

Notice of any redemption shall be given by depositing a copy of the redemption notice in first class mail not less than thirty (30) days prior to the date fixed for redemption, addressed to each of the registered owners of any certificated Bonds to be redeemed, at the addresses shown on the registration books kept by the Paying Agent as of the date such Bonds are selected for redemption; provided, however, that failure to give such notice by mailing, or any defect therein or in the mailing thereof, shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption as to which proper notice has been given.

On the date designated for redemption, notice having been provided as aforesaid, and money for payment of the principal and interest being held by the Paying Agent, interest on the Bonds or portions thereof so called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Resolution, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect thereto, except to receive payment of the principal to be redeemed and accrued interest thereon to the date fixed for redemption.

## **Manner of Redemption**

*So long as Cede & Co., nominee of DTC, is the registered owner of the Bonds, however, payment of the redemption price shall be made by Cede & Co. in accordance with the existing arrangements by and among the School District, the Paying Agent and DTC and, if less than all of the Bonds in a particular maturity are to be redeemed, the amount of the interest of each DTC Participant, Indirect Participant and Beneficial Owner on such Bonds to be redeemed shall be determined by the governing arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. See "BOOK-ENTRY ONLY SYSTEM" herein for further information regarding redemption of Bonds registered in the name of Cede & Co.*

If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed. For the purposes of redemption, a Bond shall be treated as representing the number of Bonds that is equal to the principal amount thereof divided by \$5,000, each \$5,000 portion of such Bond being subject to redemption. In the case of partial redemption of a certificated Bond, payment of the redemption price shall be made only upon surrender of such Bond in exchange for certificated Bonds of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the principal amount thereof.

If the redemption date for any Bonds shall be a Saturday, Sunday, legal holiday or on a day on which banking institutions in the Commonwealth are authorized or required by law or executive order to close, then the date for payment of such principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required to close, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

## **SECURITY FOR THE BONDS**

### **General Obligation Pledge**

The Bonds are general obligations of the School District, secured on a parity basis with existing and future general obligation debt of the School District, payable from its local taxes, state subsidies and other general revenues. The taxing powers of the School District are described more fully herein. The School District has covenanted in each Resolution that it (i) shall include the amount of the debt service to be paid on the Bonds, for each fiscal year of the School District in which such sums are payable, in its budget for that fiscal year, (ii) shall appropriate such amounts from its general revenues for the payment of such debt service, and (iii) shall duly and punctually pay, or cause to be paid from its Sinking Fund (hereinafter defined) or any other of its revenues or funds, the principal of each of the Bonds and the interest thereon on the dates, at the place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy an annual ad valorem tax on all taxable real property within the School District, within legal limits provided by law. Such local taxing powers may be limited (See "LOCAL TAXING POWERS OF THE SCHOOL DISTRICT" below).

### **Sinking Fund**

In the Resolution, the School District has created a sinking fund for the Bonds (the "Sinking Fund"), to be maintained with the Paying Agent (the "Sinking Fund Depository"), and segregated from all other funds of the School District. The School District shall deposit in each Sinking Fund a sufficient sum not later than the date when principal or interest is due on the applicable Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other available funds therein, is sufficient to pay, in full, interest and principal then due on such Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Debt Act, upon direction of the School District. Such deposits and securities shall be in the name of the School District, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the School District to pay from the Sinking Fund the principal of and interest on the Bonds when due and payable.

**Security for General Obligation Bonds Under Section 633 of the Public School Code of 1949**

Section 633 of the Public School Code of 1949 (Act of February 150, 1949, P.L. 30, as amended by Act 150 of 1975) (the "School Code") presently provides that if any school district fails to pay or to provide for the payment of any indebtedness, at the date of maturity or mandatory redemption, or any interest due on such indebtedness, in accordance with the schedule under which the bonds or notes were issued, the Secretary of Education of the Commonwealth shall notify the board of school directors of its obligation and shall withhold from any Commonwealth appropriation due such school district an amount equal to the sum of such principal amount and shall pay over such amount directly to the bank acting as sinking fund depository for the bond issue.

The withholding provisions of Section 633 are not part of any contract with the registered owners of the Bonds and may be amended or repealed by future legislation. The effectiveness of Section 633 may be limited by the application of other withholding provisions contained in the Public School Code, such as provisions for withholding and paying over of appropriations for payment of unpaid teachers' salaries. Enforcement may also be limited by bankruptcy, insolvency, or other laws or equitable principles affecting the enforcement of creditors' rights generally.

**Actions in the Event of Default**

Subject to the exclusive representation of bondholders by a trustee appointed under the Debt Act as described in the following paragraph, if the School District fails or neglects to pay principal or interest on any of the Bonds as it becomes due and payable, and such failure continues for 30 (thirty) days, the holder of such bond may bring suit in a court of appropriate jurisdiction and venue and any judgment recovered shall have an appropriate priority upon the money next coming into the treasury of the School District, all as provided in the Debt Act. The Debt Act also provides other remedies to bondholders to enforce the School District's covenants in respect of payment of the Bonds.

In the event the School District defaults in the payment of the principal of or the interest on any of the Bonds after same shall become due, whether at the stated maturity or upon call for prior redemption, and such default shall continue for thirty days, or if the School District fails to comply with any provision of the Bonds or the Resolution, the Debt Act provides that the holders of 25% in aggregate principal amount of the Bonds then outstanding may, upon appropriate action, appoint a trustee to represent the Bondholders. The trustee may, and upon request of the holders of 25% in principal amount of the Bonds then outstanding, and upon being provided with indemnity satisfactory to it, shall take such action on behalf of the Bondholders as is more specifically set forth in the Debt Act. Such representation by the trustee shall be exclusive.

**TAXING POWERS OF THE SCHOOL DISTRICT**

Subject to certain limitations imposed by the Act 1 (see below), the School District, being a school district of the Third Class, is empowered by the School Code and other statutes to levy the following taxes:

1. A basic annual tax on all real property taxable for school purposes, not to exceed 25 mills on each dollar of assessed valuation, to be used for general school purposes
2. An unlimited ad valorem tax on the on the property taxable for school purposes to provide funds:
  - (a) to pay minimum salaries and increments of the teaching and supervisory staff;
  - (b) to pay rentals due any municipal authority, or non-profit corporation or due the State Public School Building Authority;
  - (c) to pay interest and principal on any indebtedness under the Debt Act or any prior or subsequent act governing the incurrence of indebtedness of the School District; and
  - (d) to pay amortization of bonds to finance construction of school facilities, if issued prior to the first Monday of July, 1959.
3. An annual per capita tax, not to exceed \$5.00, on each resident over 18 years of age.
4. Additional taxes subject to division with other political subdivisions authorized to levy similar taxes on the same person, subject, business, transaction or privilege, under Act No. 511, enacted December 31, 1965, as amended ("The

Local Tax Enabling Act”). These taxes, which may include, among others, an additional per capita tax, a wage and other earned income tax, a real estate transfer tax, a gross receipts tax, a local services tax and an occupation tax, shall not exceed, in the aggregate, an amount equal to the product of the market valuation of real estate in the School District (as certified by the State Tax Equalization Board of the Commonwealth – “STEB”) multiplied by twelve mills. All local taxing authorities are required by the Local Tax Enabling Act to exempt disabled veterans and members of the armed forces reserve who are called to active duty at any time during the tax year from any local services tax and to exempt from any local services tax levied at a rate in excess of \$10 those persons whose total income and net profits from all sources within the political subdivision is less than \$12,000 for the tax year. The Local Tax Enabling Act also authorizes, but does not require, taxing authorities to exempt from per capita, occupation, and earned income taxes and any local services tax levied at a rate of \$10 or less per year, any person whose total income from all sources is less than \$12,000 per year.

## **PENNSYLVANIA ACTS AFFECTING CERTAIN LOCAL TAXING POWERS OF SCHOOL DISTRICTS**

### **The Taxpayer Relief Act (Act 1)**

Under Pennsylvania Act No. 1 of the Special Session of 2006, entitled the Taxpayer Relief Act (the “Taxpayer Relief Act” or “Act 1”), a school district may not, levy any tax for the support of the public schools which was not levied in the previous fiscal year, raise the rate of any earned income and net profits tax if already imposed under the authority of the Local Tax Enabling Act (Act 511), or increase the rate of any tax for school purposes by more than the Index (defined below), unless in each case either (a) such increase is approved by the voters in the school district at a public referendum or (b) one of the exceptions summarized below is applicable and the use of such exception is approved by the PDE:

1. to pay interest and principal on indebtedness incurred (i) prior to September 4, 2004, in the case of a school district which had elected to become subject to the provisions of the prior Homeowner Tax Relief Act, Act 72 of 2004, or (ii) prior to June 27, 2006, in the case of a school district which had not elected to become subject to Act 72 of 2004; to pay interest and principal on any indebtedness approved by the voters at referendum (electoral debt); and to pay interest and principal on debt refunding or refinancing debt for which one of the above exceptions is permitted, as long as the refunding or refinancing incurs no additional debt other than for costs and expenses related to the refunding or refinancing and the funding of appropriate debt service reserves;
2. to pay costs incurred in providing special education programs and services to students with disabilities, under specified circumstances; and
3. to make payments into the State Public School Employees’ Retirement System when the increase in the estimated payments between the current year and the upcoming year is greater than the Index, as determined by PDE in accordance with the provisions of Act 1.

Any revenue derived from an increase in the rate of any tax allowed under the exception numbered 1 above may not exceed the anticipated dollar amount of the expenditure, and any revenue derived from an increase in the rate of any tax allowed pursuant to any other exception enumerated above may not exceed the rate increase required, as determined by the court or PDE, as the case may be. If a school district’s petition or request to increase taxes by more than the Index pursuant to one or more of the allowable exceptions is not approved, the school district may submit the proposed tax increase to a referendum.

The Index (to be determined and reported by PDE by September of each year for application to the following fiscal year) is the average of the percentage increase in the statewide average weekly wage, as determined by the State Department of Labor and Industry for the preceding calendar year, and the employment cost index for elementary and secondary schools, as reported by the federal Bureau of Labor Statistics for the preceding 12-month period beginning July 1 and ending June 30. If and when a school district has a Market Value/Income Aid Ratio greater than 0.40 for the prior school year, however, the Index is adjusted upward by multiplying the unadjusted Index by the sum of 0.75 and such Aid Ratio.

The Index applicable to the School District for the current and previous fiscal years is as follows:

2016-17	3.3%
2015-16	2.6
2014-15	2.9
2013-14	2.3
2012-13	2.3
2011-12	1.9

In accordance with Act 1, the Board of School Directors of the School District placed a referendum on the ballot for the May 15, 2007 primary election seeking voter approval to levy (or increase the rate of) an earned income tax or personal income tax and use the proceeds to reduce local real estate taxes by a homestead and farmstead exclusion. The referendum was not approved by a majority of the voters at the primary election.

During the 2007 primary election the voters in the School District disapproved a referendum question which would have increased the earned income and net profits tax (“EIT”) payable by School District taxpayers from 1.8% to 2.3%, and use the additional revenues to fund an increase in the homestead and farmstead exclusions from applicable real property taxes (and thereby reduce property taxes payable by the eligible property owners). The board of school directors may submit, but is not required to submit, a similar referendum question to the voters at future municipal election seeking approval to levy or increase the rate of an EIT or a personal income tax, which would include investment income in taxable income, for the purpose of further funding homestead and farmstead exclusions, up to the maximum homestead and farmstead exclusions allowable under law.

Act 1 also provides for gaming revenues received by the Commonwealth to be accumulated in the Property Tax Relief Reserve Fund (“Fund”). When the Fund has sufficient money according to a formula, the Secretary of the Commonwealth announces that funds are available for distribution to school districts. The money received by school districts from the Fund may only be used to provide a reduction in real estate taxes to qualified homestead/farmstead properties. To qualify for a homestead and/or farmstead tax reduction, the property must be owner-occupied and used for residential purposes. The money received by the local school district from the Fund are offset on a dollar for dollar basis by reductions in the local real estate tax payments from owners of qualified homestead and farmstead properties.

*This summary is not intended to be an exhaustive discussion of the provisions of Act 1 nor a legal interpretation of any provision of Act 1, and a prospective purchaser of the Bonds should review the full text of Act 1 as a part of any decision to purchase the Bonds.*

**Application of Act 1 to the Bonds**

The Bonds do not represent indebtedness of the School District that was “incurred” under the Local Government Unit Debt Act, by adopting their authorizing Resolutions prior to June 27, 2006, the effective date of Act 1. (The School District did not elect to become subject to the provisions of the earlier Act 72 of 2004, that was repealed by Act 1

**Act 48 of 2003 – Limitation on Fund Balances**

Pennsylvania Act No. 2003-48 (enacted December 23, 2003) prohibits a school district from increasing real property taxes for the school year 2005-2006 or any subsequent school year, unless the school district has adopted a budget for such school year that includes an estimated ending unassigned fund balance which is not more than a specified percentage of the total budgeted expenditures, as set forth below:

<u>Total Budgeted Expenditures:</u>	<u>Estimated Ending Unassigned Fund Balance as a Percentage of Total Budgeted Expenditures:</u>
Less than or equal to \$11,999,999	12.0%
Between \$12,000,000 and \$12,999,999	11.5%
Between \$13,000,000 and \$13,999,999	11.0%
Between \$14,000,000 and \$14,999,999	10.5%
Between \$15,000,000 and \$15,999,999	10.0%
Between \$16,000,000 and \$16,999,999	9.5%
Between \$17,000,000 and \$17,999,999	9.0%
Between \$18,000,000 and \$18,999,999	8.5%
Greater than or equal to \$19,000,000	8.0%*

“Estimated ending unreserved fund balance” is defined in Act 2003-48 as that portion of the fund balance which is appropriable for expenditure or not legally or otherwise segregated for a specific or tentative future use, projected for the close of the school year for which a school district’s budget was adopted and held in the general fund accounts of the school district.

\* Applicable to the School District. The total budgeted expenditures in the School District’s budget for the 2016-17 fiscal year including fund transfers and budgeted reserves are \$35,110,952, and the School District’s estimated ending unassigned fund balance as a percentage of total budgeted expenditures for the 2016-17 fiscal year is 8%.

SET FORTH ABOVE IS A SUMMARY OF PORTIONS OF ACT 48. THIS SUMMARY IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF THE PROVISIONS OF ACT 48 NOR A LEGAL INTERPRETATION OF ANY PROVISIONS OF ACT 48. A PROSPECTIVE PURCHASER OF THE BONDS SHOULD REVIEW THE FULL TEXT OF ACT 48 AS A PART OF ANY DECISION TO PURCHASE THE BONDS.

**REVENUE FROM STATE SOURCES**

Pennsylvania school districts receive subsidies, reimbursement and other financial assistance from the PDE. The amount of such assistance is based upon (i) the market value of real estate per weighted average daily membership, (ii) income per weighted average daily membership and (iii) the school district’s tax effort, all as compared with such figures on a state-wide basis. The basic instructional subsidy received by a School District is calculated by multiplying the number of students in weighted average daily membership by the District’s Market Value/Personal Income Aid Ratio and by the factor for educational expense.

Rental and sinking fund reimbursement from the Commonwealth for school projects is determined by the "Reimbursable Percentage" assigned to the school building project and by the school district’s "Market Value Aid Ratio" or "Capital Account Reimbursement Factor" ("CARF") whichever is higher. The School District’s CARF is currently higher at .6782. Most school building projects in Pennsylvania are eligible for Commonwealth reimbursement. Certain school building projects, such as school administration buildings and vehicle maintenance buildings, are ineligible for reimbursement. A reimbursable percentage, based upon the rated pupil capacity of the new or renovated structure and certain other costs, is assigned to the building project. This reimbursement percentage multiplied by the School District’s appropriate Aid Ratio determines the Commonwealth’s share of the annual lease rental or debt service for that school year.

## TAX EXEMPTION

In the opinion of Kegel Kelin Almy & Lord LLP, Lancaster, Pennsylvania, Bond Counsel, interest on the Bonds (a) is excludible from the gross income of the registered owners thereof for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining "adjusted current earnings" of corporations (as defined for federal income tax purposes) for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in clause (a) above is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") and any regulations thereunder, now or hereafter enacted, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excludible from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be included in the gross income of the registered owners thereof retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except for the discussion of original issue discount below, Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

Bond Counsel is of the opinion, based on existing law, that the original issue discount in the selling price of the Bonds, if any, to the extent properly allocable to each holder of such Bonds, is excluded from gross income for federal income tax purposes with respect to such holder. The original issue discount is the excess of the stated redemption price at maturity of such Bonds over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of such Bonds were sold. Original issue discount on tax-exempt Bonds accrues on a compound basis. The amount of original issue discount that accrues to holders of such Bonds who acquire the Bonds in this offering during any accrual period generally equals (i) the issue price of such Bonds plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Bonds (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Bonds during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the holder's tax basis in such Bonds. Any gain realized by a holder from a sale, exchange, payment or redemption of a Bond would be treated as gain from the sale or exchange of such Bond.

Prospective purchasers of the Bonds should be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, except with respect to certain financial institutions (within the meaning of Section 265 (b)(5) of the Code), (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, for taxable years beginning after December 31, 1986, Section 832 (b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (iii) for taxable years beginning after December 31, 1986, interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Bonds.

In the opinion of Bond Counsel, under the existing statutes, regulations and decisions, the interest on the Bonds is exempt from taxation for state and local purposes within the Commonwealth of Pennsylvania. Such exemption, however, does not extend to profits, gains or income derived from the sale, exchange or other disposition of the Bonds, nor to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the interest on the Bonds. Under the laws of the Commonwealth profits, gains, or income derived from the sale, exchange, or other disposition of certain government obligations, including the Bonds, may be subject to state and local taxation within the Commonwealth of Pennsylvania. Pennsylvania Act 68 of 1993 enacted a statutory provision allowing taxation of such profits, gains or income; although the statute is unclear as to its applicability to obligations of political subdivisions, the Pennsylvania Department of Revenue interprets the statute as applicable to obligations of political subdivisions.

The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80 percent of that portion of such financial institutions' interest expense allocable to interest on the Bonds.

The issuer of the Bonds will issue its certificate to the effect that on the basis of the facts, estimates and circumstances in existence on the date of delivery of the Bonds, it is not expected that proceeds of the Bonds will be used in a manner that would cause the Bonds to be "arbitrage Bonds" under Section 103 (b)(2) and Section 148 of the Internal Revenue Code of 1986, as amended, or as contemplated by the United States Treasury regulations relating to "arbitrage Bonds".

### **CONTINUING DISCLOSURE UNDERTAKING**

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission ("SEC"), and the Resolution authorizing issuance of the Bonds, the School District will execute and deliver a written continuing disclosure obligation with respect to the Bonds. See the form of the Continuing Disclosure Agreement (the "Agreement") at Appendix E to this Official Statement.

Under the terms of the Agreement, and as reflected in Appendix E, the School District will undertake to file with the MSRB financial and other information concerning the School District (annual audited financial statements, annual budget, updates of certain operating and other financial information and notice of certain events affecting the School District). The School District's obligations with respect to continuing disclosure relative to the Bonds shall terminate upon the prior redemption or payment in full of all of the Bonds.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other "obligated persons" with respect to municipal securities issues) are made available through the MSRB's Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>

The School District failed to file in a timely manner, to certain CUSIPS, the audited financial statements for fiscal years ending June 30, 2012 through and including June 30, 2015, its budget for fiscal years ending June 30, 2012 through and including June 30, 2016 and certain updates of operating data of the School District for fiscal years ending June 30, 2012 through and including June 30, 2015. The School District has filed a separate notice with EMMA cross referencing the audited financial statements, budgets and certain updates of operating data as filed in connection with its General Obligation Bonds, Series A of 2010

The School District is also an obligated party for purposes of the Rule under certain Bonds issued by the Pennsylvania State Public School Building Authority, and pursuant to this obligation is required to provide annual updates to its audited financial statements and certain financial and operation information relating to the School District. The School District failed to file in a timely manner certain of its financial and operational information for fiscal years ending June 30, 2011 through and including June 30, 2015. The School District failed to file in a timely manner its audited financial statements for fiscal years ending June 30, 2014 and June 30, 2015 and its budget for fiscal year ending June 30, 2015. The School District has filed a notice with EMMA regarding this late filing. This notice was not timely filed.

The School District has implemented procedures to ensure that all future filings required by its continuing disclosure undertakings will be made in a timely manner.

### **Bond Insurance Rating Downgrades and Upgrades by S&P and/or Moody's**

Some of the School District's bond issues that have been outstanding during the past five (5) years have been insured by various bond insurance companies that have received rating downgrades or upgrades by both S&P and Moody's. This information was publicly available from widely accepted information sources at the time of their respective downgrades or upgrades. Some of the School District's bond issues received a downgrade of the Enhanced rating from Moody's and a withdrawal of the Program rating from S&P. Additionally, the School District received downgrades to its underlying rating from Moody's. A notice has been filed with EMMA regarding these changes. This notice was not timely filed.

## MISCELLANEOUS

### No Litigation

As a condition of settlement for the Bonds, the School District and its Solicitor will deliver a certificate stating that there is no litigation, of any nature, pending or to their knowledge threatened, against the School District to restrain or enjoin the issuance, sale, execution or delivery of the Bonds.

### Legal Opinion

The issuance and delivery of the Bonds is subject to delivery of the unqualified approving legal opinion of Kegel Kelin Almy & Lord LLP, Lancaster, Pennsylvania, Bond Counsel to the School District. Certain legal matters will be passed upon for the School District by Orris C. Knepp, III, Lewistown, Pennsylvania, Solicitor to the School District.

### Underwriting

RBC Capital Markets, LLC (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds from the School District at an aggregate price of \$9,767,648.60 (consisting of an aggregate principal amount of \$9,965,000.00 less an underwriter's discount of \$87,193.75, less a net original issue discount of \$110,157.65,) plus accrued interest, if any. The Underwriter's obligations to purchase the Bonds is subject to certain conditions precedent, however, the Underwriter is obligated to purchase all such Bonds if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including dealers depositing such bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following information for inclusion in this Official Statement: The Underwriter and their respective affiliates are full service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriter and their respective affiliates may actively trade debt and if applicable equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its affiliates may engage in transactions for its own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriter and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer. The Underwriter does not make a market in credit default swaps with respect to municipal securities at this time but may do so in the future.

### Ratings

S&P Global Ratings ("S&P") has assigned the School District an underlying rating of "AA-" (Stable Outlook).

The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating may be subject to revision or withdrawal at any time by the rating agency. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds.

### Changes in Law

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to Bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted

whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

**Other**

All references to the provisions of the Act, the Bonds, each Resolution and legal opinions and all documents and certificates delivered at settlement for the Bonds described in this Official Statement are made subject to all the specific provisions thereof, to which reference is hereby made for further information, and this Official Statement does not purport to be a complete statement of any or all such provisions.

All information, estimates and assumptions herein have been obtained from officials of the School District, other governmental bodies, trade and statistical services, and other sources which are believed to be reliable; but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended as such and not representations of fact.

Use of the words “shall,” “will,” “must,” or other words of similar import or meaning in summaries of documents or law in this Official Statement to describe future events of continuing obligations is not intended as a representation that such event will occur or such obligations will be fulfilled, but only that the document or law requires or contemplates such event to occur or such obligation to be fulfilled.

The School District has authorized the distribution of this Official Statement.

MIDD-WEST SCHOOL DISTRICT  
Snyder County, Pennsylvania

By: /s/ Victor L. Abate  
President of the  
Board of School Directors

**APPENDIX A**

**Summaries of Financial Factors of the School District**

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## FINANCIAL REVIEW

### **Budgeting Process in School Districts under the Taxpayer Relief Act**

In General. School districts budget and expend funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by school district administrative officials on a uniform form furnished by such Department and submitted to the board of school directors for approval prior to the beginning of the fiscal year on July 1.

Procedures for Adoption of the Annual Budget. Under the Taxpayer Relief Act, all school districts of the first class A, second class, third class and fourth class (except as described below) must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the board of school directors may hold a public hearing on the budget; and the board must give at least 10 days' public notice of its intent to adopt the final budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education (PDE) no later than 85 days prior to the date of the election immediately preceding the fiscal year. PDE is to compare the proposed percentage increase in the rate of any tax with the school district's Index (see "The Taxpayer Relief Act" herein) and within 10 days, but not later than 75 days prior to the upcoming election, inform the school district whether the proposed percentage increase is less than or equal to the Index. If PDE determines that a proposed tax increase will exceed the Index, the school district must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one of the referendum exceptions authorized under The Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required (see "The Taxpayer Relief Act" herein), the school district must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to PDE and, if PDE determines to schedule a public hearing on the request, a notice of the date, time and place of such hearing. PDE is required by the Taxpayer Relief Act to rule on the school district's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If a school district seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the board of school directors may not approve an increase in the tax rate greater than the applicable Index.

Simplified Procedures in Certain Cases. The above budgetary procedures will not apply to a school district if the board of school directors adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax at a rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least ten (10) days' public notice be given of the board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

The following Exhibits on page A-4 are summaries only and are not intended to be a complete report. For more complete information, the individual financial statements and the fiscal year 2014 Budget of the School District should be reviewed at the Business Office, Midd-West School District, Middleburg, Pennsylvania.

## **Audited Financial Statements for Fiscal Years 2013 through 2015 and 2016-17 Budget**

The exhibit on page A-4 is a summary of the School District's General Fund Financial Condition for Fiscal Years ending June 30, 2013 through 2017. The figures have been arranged in a form believed to be convenient for the purposes of this Official Statement.

### **Accounting Method**

The financial statements of the School District are prepared in accordance with accounting principles generally accepted in the United States of America. The School District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The government wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds).

The School District keeps its books and prepares its financial reports according to a modified accrual basis. Major accrual items are payroll, taxes and pension fund contributions payable, delinquent taxes receivable, loans receivable from other funds, and revenues receivable from other governmental units. The School District's financial statements are audited annually by a firm of independent certified public accountants, as required by Commonwealth law. The firm of Forgett and Kerstetter P.C., Selinsgrove, Pennsylvania serves as School District auditor.

The School District's auditor has not been engaged to perform, and has not performed since the date of its report included as an appendix to this Official Statement, any procedure on the financial statement addressed in the report. Such auditor also has not performed any procedure relating to this Official Statement.

**MIDD-WEST SCHOOL DISTRICT**  
**Comparative Statement of General Fund Financial**  
**Condition for Fiscal Years Ending 2013-2017**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Estimated</u> <u>2016</u>	<u>Budgeted</u> <u>2017</u>
<b>REVENUE:</b>					
Local Sources .....	\$16,130,937	\$17,197,181	\$17,651,668	\$17,352,731	,17,863,789\$
State Sources .....	14,299,071	14,626,632	14,948,795	15,678,748	16,600,290
Federal Sources .....	1,360,377	1,290,375	1,295,432	1,343,503	1,498,476
Other Sources .....	0	475,000	288,442	0	0
<b>TOTAL REVENUE .....</b>	<b>31,790,385</b>	<b>33,589,188</b>	<b>34,184,337</b>	<b>34,374,982</b>	<b>35,962,555</b>
<b>EXPENDITURES:</b>					
Instruction .....	\$17,005,238	\$17,537,367	\$19,016,364	\$19,219,202	\$21,152,695
Support Services .....	8,479,148	8,600,747	8,822,410	8,287,940	9,519,807
Non-instructional Services .....	379,319	384,314	415,424	425,298	530,077
Facilities, Acquisition & Improvements ...	0	0	0	1,079,700	0
Other .....					
Debt Service .....	4,997,998	4,931,449	4,636,822	4,667,125	5,101,667
Fund Transfers .....	102,698	475,000	1,987,712	0	0
<b>TOTAL EXPENDITURES .....</b>	<b>\$30,964,401</b>	<b>\$31,928,877</b>	<b>\$34,878,732</b>	<b>\$33,679,265</b>	<b>\$36,304,246</b>
<b>SURPLUS (DEFICIT) OF REVENUES</b>					
<b>OVER EXPENDITURES .....</b>	<b>\$ 825,984</b>	<b>1,660,311</b>	<b>(694,395)</b>	<b>695,717</b>	<b>(341,691)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>\$ 7,245,671</b>	<b>8,071,655</b>	<b>9,731,966</b>	<b>9,037,571</b>	<b>9,733,288</b>
<b>FUND BALANCE, END OF YEAR.....</b>	<b><u>\$ 8,071,655</u></b>	<b><u>\$ 9,731,966</u></b>	<b><u>\$ 9,037,571</u></b>	<b><u>\$9,733,288</u></b>	<b><u>\$9,391,597</u></b>

Source: School District

## SCHOOL DISTRICT PENSION PROGRAM

School Districts in Pennsylvania are required to participate in a statewide pension program administered by the Public School Employees Retirement System (PSERS). All of the School District's full-time employees, part-time employees who work more than 80 days in a school year, and hourly employees who work over 500 hours a year participate in the program. However, please note a Pennsylvania Supreme Court decision has removed the hourly de minimis requirement for current members of PSERS regarding the purchase of credit for their part-time school service rendered prior to their being members of PSERS, for purposes of increasing their pension benefits.

Beginning July 1, 1976, certain revisions were made in the pension program. The Retirement Board, previously under the Department of Education of the Commonwealth, became an independent agency. However, the program is still guaranteed by the Commonwealth. Currently, each party to the program contributes a fixed percentage of the employee's salary. Employees belonging to the Public School Employees Retirement System ("PSERS") prior to July 22, 1983 contribute 5.25% of their salary, and employees who joined the PSERS on or after July 22, 1983 contribute 6.25% of their salary. On February 17, 2002, Governor Ridge signed Act 9 which created a new membership class that sets the employee contribution rate at 7.50% of the employee's salary for those employees hired on or after July 1, 2001. Act 9 also provides an option for those employees hired prior to July 1, 2001 to elect a contribution rate of 6.50%, if they were hired before July 22, 1983, or 7.50% if they were hired on or after July 22, 1983. Act 120 of 2010 was passed by the General Assembly on November 15 and signed by Governor Rendell on November 23, 2010. The benefit reductions contained in this legislation will only impact individuals who become new members of PSERS on or after July 1, 2011. New members will have the option of selecting one of 2 new classes. The members selecting class T-E will contribute a base rate of 7.5% with "shared risk" contribution levels between 7.5% and 9.5% and a pension multiplier of 2.0%. Members selecting class T-F will contribute a base rate of 10.3% with shared risk contribution levels between 10.3% and 12.3% and a pension multiplier or 2.5%. On December 9, 2014, the PSERS Board certified the employer rate, to be paid by the School District, of 25.84% for the 2015-16 fiscal year. On December 8, 2015, the PSERS Board certified the employer rate, to be paid by the School District, of 30.03% for the 2016-17 fiscal year. Both the School District and the Commonwealth are responsible for paying a portion of the employer's share. School entities are responsible for paying 100% of the employer share of contributions to PSERS. The Commonwealth reimburses school entities for one-half the payment for employees hired on or before June 30, 1994. School entities are reimbursed by the Commonwealth based on a statutory formula for employees hired after June 30, 1994, but not less than one-half of the payment.

Recent School District payments are as follows:

<u>Fiscal Year</u>	<u>School District Contribution</u>
2012-13	\$721,683
2013-14	932,987
2014-15	1,103,205
2015-16 (Estimated)	1,598,179
2016-2017 (Budgeted)	1,974,748

The School District is current in all payments.

PSERS is the 20<sup>th</sup> largest state-sponsored defined benefit pension fund in the nation. PSERS is primarily responsible for administering a defined benefit pension plan for public school employees in the Commonwealth of Pennsylvania. In the fall of 2015, the PSERS completed its process of publishing financial statements for the year ended June 30, 2015, in compliance with reporting standards established by the Government Accounting Standards Board's Statement No. 67 and Statement No. 68. PSERS' total plan net position decreased by \$1.4 billion from \$53.3 billion at June 30, 2014 to \$51.9 billion at June 30, 2015. This decrease was due in large part to deductions for benefits and administrative expenses exceeding net investment income plus member and employer contributions. The change in total plan net position from June 30, 2013 to June 30, 2014 was an increase of \$4.0 billion from \$49.3 billion at June 30, 2013 to \$53.3 billion at June 30, 2014. This increase was also due in large part to net investment income plus member and employer contributions exceeding deductions for benefits and administrative expenses. The Fund's complete report is available on the PSERS website on the Internet: [www.psers.state.pa.us](http://www.psers.state.pa.us).

Source: PSERS Website.

In June 2012, the Government Accounting Standards Board (“GASB”) issued “Statement No. 68 Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No 27.” The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The new accounting standard will require the School District to report in its government-wide financial statements its proportionate share of the new pension liability of the pension systems to which it contributes. GASB 68 is effective for fiscal years beginning after June 15, 2014, which, in the case of the School District will begin with fiscal year ending June 30, 2015. Please see the School District’s Audited Financial Statements for fiscal year ending June 30, 2015 in Appendix B for the net effects of the implementation of GASB 68.

### **OTHER POST-EMPLOYMENT BENEFITS**

The School District provides certain health care and life insurance benefits for its retirees (commonly referred to as “other post-employment benefits” or “OPEB”). The School District annually appropriates funds to meet its obligation to pay such benefits on a “pay-as-you-go” basis, and has not established any fund or irrevocable trust for the accumulation of assets with which to pay such benefits in future years. In the fiscal years ended June 30, 2014 and 2015, the School District’s OPEB cost was approximately \$158,482 and \$114,221, respectively, and its fiscal year 2016 estimate for its OPEB costs is \$129,304.00

The School District’s annual OPEB cost for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each and to amortize any unfunded actuarial liabilities, or funding excess, over a period of time not to exceed thirty years. The net OPEB obligation at June 30, 2013 was approximately \$164,326.

### **LABOR RELATIONS**

There are presently approximately 297 employees of the School District, including 177 teachers and administrators, and 120 support personnel, including secretaries, custodial and maintenance staff, cafeteria staff and teacher assistants.

The School District’s teachers are represented by the Mid-West Education Association (MWEA), an affiliate of the Pennsylvania State Education Association (PSEA), under a contract with the School District which expires on June 30, 2018. The School District and its support employees, represented by the Mid-West Educational Support Personnel Association (MWESPA), under a contract with the School District which expires June 30, 2020.

### **SCHOOL DISTRICT FINANCIAL HISTORY**

The School District has never defaulted on the payment of capital lease rentals or debt service.

The status of the School District's present indebtedness is shown in the table entitled "School District Financings," on A-13.

### **FUTURE FINANCING**

The School District does not anticipate the need for issuing additional long-term (non-refunding) debt financing in the next three years.

**DEBT STATEMENT AND BORROWING CAPACITY**  
(Under Local Government Unit Debt Act)

The borrowing capacity of the School District is calculated in accordance with provisions of the Act, which describes the applicable debt limits for local government units, including school districts and municipalities. Under the Act, the School District may incur electoral debt, which is debt that is approved by a majority of the School District's voters at either a general or special election, in an unlimited amount. Net nonelectoral debt, or debt not approved by the School District's electorate, net of state aid, may not exceed 225% of the School District's "Borrowing Base". The Borrowing Base is calculated as the annual arithmetic average of Total Revenues (as defined in the Act), for the three full fiscal years next preceding the date of incurring debt. Combined net nonelectoral debt and net lease rental debt (debt represented by capital leases and other forms of agreement net of state aid), incurred on behalf of the School District may not exceed 225% of the School District's Borrowing Base. The Borrowing Base and borrowing capacity of the School District are as follows:

**Calculation of Borrowing Base**

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16*</u>
Total Revenues.....	\$ 33,589,188	\$ 34,184,337	\$ 34,374,982
Less: Required Deductions			
(a) Rental and Sinking Fund	810,143	495,720	466,629
Reimbursement .....			
(b) Revenues for Self-Liquidating Debt....	0	0	0
(c) Interest Earned on Sinking Funds .....	0	0	0
(d) Grant and Gifts for Capital Projects ....	0	0	0
(e) Sale of Capital Equipment, Property, & Non-Recurring Items .....	475,000	288,442	0
Total Deductions .....	<u>\$ 1,285,143</u>	<u>\$ 784,162</u>	<u>\$ 466,629</u>
Total Revenues.....	\$ 32,304,045	\$ 33,400,175	\$ 33,928,353
Total Net Revenues for Three Years .....	\$ 99,632,5763		
Borrowing Base—Average Net Revenues for Three-Year Period	\$ 33,210,858		

\*Estimated

Source: School District Officials.

**Calculation of Borrowing Capacity**

A. Electoral Debt .....	\$	0
B. Non-Electoral Debt		
Computation of Net Non-Electoral Debt		
(a) Outstanding Principal <sup>(1)</sup> .....	\$	50,923,000
(b) Less: Exceptions .....		<u>0</u>
(c) Net Non-Electoral .....	\$	50,923,000
C. Lease Rental Debt.....	\$	0
Computation of Borrowing Capacity		
(a) Debt Limitation – 225% of Borrowing Base.....	\$	74,724,431
(b) Less: Net Non-Electoral and Lease Rental Debt <sup>(1)</sup> .....		<u>50,923,000</u>
(c) Current Non-Electoral and Lease Rental Borrowing Capacity .....	\$	23,801,431

(1) Includes the estimated Bonds and excludes the portion of the 2012B Bonds being refunded herein.

## TAX REVENUES OF THE SCHOOL DISTRICT

### Ten Largest Taxpayers in School District

The ten largest real estate taxpayers in the School District and the 2016 assessed valuation of their real estate are as follows:

Mid-West School District - 2016 Top Ten Taxpayers

	Taxpayer	Municipality	Property Type	Total Assessment
1	Susquehanna Associates Inc/Wood Mode	Middlecreek Township	Manufacturing	1,902,920
2	Middleburg Properties	Franklin Township	Manufacturing	616,420
3	Conestoga Wood Specialties	Beavertown Borough/Spring Township	Manufacturing	566,400
4	Middleburg Area Industrial	Franklin Township	Manufacturing	541,390
5	Kline Realty Inc	Franklin Township/Spring Township	Manufacturing	527,720
6	Apex Real Estate of PA, LLC	Middlecreek Township	Manufacturing	517,500
7	Advanced Concrete Systems Inc	Center Township	Manufacturing	515,320
8	Heister House Millworks	Perry Township	Manufacturing	434,650
9	Westfield Terrace Investments	Middleburg Borough	Housing	396,390
10	Bingaman & Son Lumber	Middlecreek Township	Manufacturing/Residential	328,100

Top ten taxpayers approximately 3.70% of total assessed valuation.

Source: Snyder County Assessment Office and School District Officials.

### Trends in Assessed Valuation

The trend in assessed valuation of real estate in the School District for the last six fiscal years is shown below:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Market Value</u>	<u>Common Level Ratio</u>
2009	\$168,080,300	\$844,624,623	19.9%
2010	169,449,840	941,388,000	18.0
2011	170,638,560	824,340,869	20.7
2012	172,032,320	873,260,508	19.7
2013	172,802,560	922,591,450	17.1
2014	173,158,780	922,948,891	18.2
2015	174,408,540	1,019,932,982	17.1

Source: Pennsylvania State Tax Equalization Board (STEB).

### Tax Collection Record

School district real estate taxes are billed on August 1 of the levy year, with a discount of 2% available to the taxpayer if paid before September 30. The taxes are payable at the face value between October 1 and November 30, and a 10% penalty is added to any payment made after December 1 of the levy year. Taxes are turned over to a delinquent collector on February 1 at which time an additional 10% penalty is added.

<u>Fiscal Year</u>	<u>Levy</u>	<u>Current Year Collections</u> <sup>(1)</sup>	<u>Percent Collected (Current)</u>	<u>Total Collections</u>	<u>Percent Collected (Total)</u>
2004-05.....	\$ 7,405,870	\$ 7,007,701	94.62	7,504,941	101.08
2005-06.....	7,600,711	7,138,038	93.91	7,666,154	100.86
2006-07.....	7,715,671	7,275,235	94.29	7,798,891	101.08
2007-08.....	7,769,378	7,333,645	94.39	7,878,147	101.40
2008-09.....	7,058,902	6,604,881	93.57	7,038,124	99.71
2009-10.....	7,417,065	6,940,658 <sup>(c)</sup>	93.58	7,396,208	99.71
2010-11.....	8,659,023	8,031,710	92.76	8,481,185	97.94
2011-12.....	9,804,839	9,162,473	93.45	9,719,769	99.13
2012-13.....	10,646,920	9,945,674	93.41	10,493,559	98.55
2013-14.....	11,325,305	10,551,688	93.16	11,259,281	99.42
2014-15.....	11,365,877	10,713,580	94.26	11,632,814	102.35
2015-16.....	11,436,758	10,684,435	93.42	11,386,736	99.56

Source: School District Officials.

(1) Flat billing, plus penalties, less discounts and exonerations.

Note: begging in 2008-09 the Levy is adjusted by the amount of and does not reflect receipt from State Property Tax Reduction Allocation

### 2016 Tax Rates

#### Realty Tax Rates

<u>Municipality</u>	<u>Real Estate (Mills)</u>		
	<u>School District</u>	<u>Township</u>	<u>County</u>
Adams Township .....	70.112	1.1250	19.8125
Beaver Township .....	70.112	5.0000	19.8125
Beavertown Borough .....	70.112	5.0000	19.8125
Center Township .....	70.112	3.9920	19.8125
Franklin Township .....	70.112	1.6500	19.8125
McClure Borough .....	70.112	4.0000	19.8125
Middleburg Borough .....	70.112	26.5000	19.8125
Middlecreek Township .....	70.112	2.6100	19.8125
Perry Township .....	70.112	3.0743	19.8125
Spring Township .....	70.112	2.6570	19.8125
West Beaver Township .....	70.112	.7160	19.8125
West Perry Township .....	70.112	2.0000	19.8125

Source: Pennsylvania Department of Community and Economic Development.

**Non-Realty Tax Rates**

<u>Per Capita Code</u>		<u>Real Estate Transfer</u>		<u>Earned Income</u>		<u>Per Capita</u>	
<u>Municipal</u>	<u>School</u>	<u>Municipal</u>	<u>School</u>	<u>Municipal</u>	<u>School</u>	<u>Municipal</u>	<u>School</u>
\$0.00	\$5.00	0.5%	0.5%	0.50%	1.80%	\$5.00	\$5.00

**Local Services Tax**

**Municipality**

School District	\$ .....0.00
Adams Township	\$ .....0.00
Beaver Township	\$ .....52.00
Beavertown Borough	\$ .....52.00
Center Township	\$ .....10.00
Franklin Township	\$ .....10.00
McClure Borough	\$ .....52.00
Middleburg Borough	\$ .....52.00
Middlecreek Township	\$ .....52.00
Perry Township	\$ .....0.00
Spring Township	\$ .....52.00
West Beaver Township	\$ .....0.00
West Perry Township	\$ .....0.00

Source: PA Department of Community and Economic Development.

**DEBT SUMMARY AND RELATED INFORMATION**  
(As of September 1, 2016)

<b>DIRECT DEBT</b>						
<b>NONELECTORAL DEBT</b>						
Capital Account Reimbursement Fraction ("CARF")	67.82%					
<u>Issue Type</u>	<u>Series</u>	<u>Gross Outstanding</u>	<u>% Reimbursable</u>	<u>Net Effective Reimbursement<sup>(1)</sup></u>	<u>State Share<sup>(2)</sup></u>	<u>Local Share</u>
General Obligation Bonds	2016B	\$9,965,000	0.00%	0.00%	\$ 0	\$ 9,965,000
General Obligation Bonds	2016A	9,575,000	19.97%	13.54%	1,296,805	8,278,195
General Obligation Bonds	2016	9,150,000	19.97%	0.00%	0	9,150,000
General Obligation Bonds	2014A	2,840,000	16.18%	10.97%	311,641	2,528,359
General Obligation Bonds (unrefunded portion)	2012B	2,780,000	14.74%	0.00%	0	2,780,000
General Obligation Bonds	2012A	9,725,000	19.97%	13.54%	1,317,120	8,407,880
General Obligation Notes	2011	1,603,000	14.74%	10.00%	160,247	1,442,753
General Obligation Notes	2011	5,285,000	14.74%	10.00%	528,324	4,756,676
<b>TOTAL PRINCIPAL NONELECTORAL DEBT</b>		<u>\$50,923,000</u>				<u>\$47,308,863</u>
<b>LEASE RENTAL DEBT</b>						
<b>TOTAL PRINCIPAL OF LEASE RENTAL DEBT</b>		<u>0</u>				
<b>TOTAL DIRECT DEBT</b>		<u>\$50,923,000</u>				
<b>OVERLAPPING DEBT</b>						
Component Municipalities Debt		\$4,496,230				
Snyder County <sup>(4)</sup>		162,698				
<b>TOTAL PRINCIPAL OF OVERLAPPING DEBT</b>		<u>\$4,658,928</u>				
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>		<u>\$55,581,928</u>				
<b>DEBT RATIOS OF DIRECT DEBT</b>						
Market Valuation of Real Estate		4.99%				
Assessed Valuation of Real Estate		29.20%				
Per Capita (2010 Population)		2,917				
<b>FINANCIAL FACTORS OF THE SCHOOL DISTRICT</b>						
Market Value (2015)		1,019,932,982				
Assessed Value (2015)		174,408,540				
Population (2010)		17,458				

(1) The Project Reimbursable Percentage multiplied by the School District's 2016-17 CARF (.6782).

(2) Gives effect to current appropriations for payment of debt service and expected future Commonwealth Reimbursement of School District sinking fund payments based on current Aid Ratio. See "Commonwealth Aid to School Districts" above.

(3) Estimated.

(4) Pro rata share of 7.73% percent of \$2,105,000 principal amount outstanding.

Source: New PA - Department of Community and Economic Development ("DCED") – Local Government Unit Debt Act ("LGUDA") reports.

**APPENDIX B**

**Description of the  
School District**

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## DESCRIPTION OF THE SCHOOL DISTRICT

The Mid-West School District is located in Snyder County in Central Pennsylvania, in the Northumberland-Snyder-Union-Montour Labor Market Area (the "Labor Market Area"). It has a diverse economy of service, non-durable industries and farming activity. The School District is approximately 50 miles north of Harrisburg, approximately 50 miles east of State College and approximately 40 miles south of Williamsport.

The School District is a School District of the Third Class, as organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"). The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors.

### Demographic Characteristics

The following tables provide population trends, age, wealth and housing indices for the School District, the County and the Commonwealth.

Source: The Pennsylvania State University Data Center

#### Population

	<u>2010</u>	<u>2000</u>
Mid-West School District	17,458	16,531
Snyder County	39,702	37,546
Commonwealth	12,702,379	12,281,054

#### Age Composition (2010)

	<u>Under 18</u>	<u>65 or Over</u>
Mid-West School District	24.5%	15.2%
Snyder County	22.4	15.5
Commonwealth	22.0	15.4

#### Family Income (2012 5-year estimates)

	<u>Median Family Income</u>	<u>Families Below Poverty Level</u>
Mid-West School District	\$51,879	8.9%
Snyder County	41,682	6.7
Commonwealth	49,184	7.8

#### Occupied Housing (2010)

	<u>Total Housing Units</u>	<u>Occupied Housing Units</u>	<u>(%)</u>	<u>Owner-Occupied Housing Units</u>	<u>(%)</u>
Mid-West School District	7,368	6,626	89.9	5,112	69.4
Snyder County	16,027	14,750	92.0	10,947	74.2
Commonwealth	5,567,315	5,018,904	90.2	3,491,722	69.6

**Educational Facilities**

There are two post-secondary institutions within 20 miles of the School District, Susquehanna University in Selinsgrove and Bucknell University in Lewisburg which are liberal arts colleges offering Bachelors degrees in a range of majors, Bucknell University also offers graduate programs. Residents also have easy access to other institutions of higher learning including Pennsylvania State University, Bloomsburg University and Williamsport Area Community College, all within a 50 mile radius of the School District.

**Medical Facilities**

Geisinger Medical Center in Danville, Evangelical Hospital in Lewisburg, Geisinger Lewistown Hospital in Lewistown and Sunbury Community Hospital in Sunbury provide regional medical services to the area.

<u>Institution</u>	<u>Licensed Beds</u>	<u>Staff</u>	
		<u>Full-Time</u>	<u>Part-Time</u>
Geisinger Medical Center / Montour County	560	8,384	1,834
Geisinger Lewistown Hospital / Mifflin County	123	570	290
Evangelical Hospital / Union County	132	808	434
Sunbury Community Hospital / Northumberland County	89	179	94

Source: Pennsylvania Department of Health, Bureau of Health Statistics; 2014 reporting period.

**Transportation Facilities**

The School District is located near U.S. Routes 11 and 15 which run north and south along the Susquehanna River and is just south of Interstate 80. The School District is also served by Routes 35, 104 and 522. These roads provide access to all major population centers in eastern Pennsylvania, southeastern New York and northern New Jersey.

**Utilities**

Utilities servicing the School District include the Pennsylvania Power and Light Company which provides electrical service and GTE which provides telephone service. Natural gas is only available in the Borough of Kreamer and is supplied by P.G. Energy.

## ECONOMY

### Classification of Employment by Industry Snyder County, Pennsylvania

The following is a breakdown of employment in Snyder County for 2014 from the Pennsylvania Department of Labor & Industry. Average annual earnings for workers are included.

Industry	Average Units	Average Employment	Total Wages (1000s)	Average Annual Wage
<b>Snyder County</b>				
AGRICULTURE, FORESTRY, FISHING AND HUNTING	22	157	\$4,448	\$28,332
CONSTRUCTION	80	451	17,901	39,692
MANUFACTURING	73	3,738	151,808	40,612
WHOLESALE TRADE	37	626	25,504	40,741
RETAIL TRADE	188	3,185	63,933	20,073
TRANSPORTATION AND WAREHOUSING	24	244	7,198	29,502
INFORMATION	6	84	2,252	26,812
FINANCE AND INSURANCE	53	279	11,524	41,305
REAL ESTATE AND RENTAL AND LEASING	13	92	2,272	24,699
PROFESSIONAL AND TECHNICAL SERVICES	48	262	11,132	42,489
ADMINISTRATIVE AND WASTE SERVICES	32	220	4,493	20,424
HEALTH CARE AND SOCIAL ASSISTANCE	118	1,211	37,329	30,825
ARTS, ENTERTAINMENT, AND RECREATION	16	129	1,691	13,112
ACCOMMODATION AND FOOD SERVICES	85	1,680	23,052	13,721
OTHER SERVICES (EXCEPT PUBLIC ADMINISTRATION)	74	330	7,775	23,500
LOCAL GOVERNMENT	56	1,117	43,674	39,099

Source: Pennsylvania Department of Labor & Industry, report completed May 2016.

\* Data that might be identified with an individual employer and/or data involving fewer than twenty-five employees are not published.

## Trends in Snyder County Employment and Unemployment

<u>Year</u>	<u>County Civilian Labor Force</u>	<u>Total Employment</u>	<u>Percentage Unemployed</u>		
			<u>County</u>	<u>Pennsylvania</u>	<u>U.S.</u>
2006	20,000	19,200	4.1	4.7	4.6
2007	19,800	18,800	4.6	4.4	4.6
2008	19,600	18,400	6.2	5.4	5.8
2009	19,300	17,600	9.0	8.1	9.3
2010	19,100	17,400	8.9	8.7	9.6
2011	19,000	17,500	8.0	7.9	8.5
2012	18,900	17,500	7.4	7.5	8.2
2013	19,400	18,200	6.4	6.9	6.7
2014	19,800	18,800	5.1	5.8	6.2
2015	20,100	19,100	4.5	5.1	5.3
2016 (July)	20,300	19,200	5.4	6.1	5.1

Source: Pennsylvania Department of Labor & Industry

## Top Employers in the Area

### Company

Wood-Mode Inc.  
 State Government  
 Susquehanna University  
 Selinsgrove Area School District  
 Conestoga Wood Specialties Corp.  
 National Beef  
 Midd-West School District  
 Professional Building Systems Inc.  
 Wal-Mart Associates Inc.  
 Weis Markets, Inc.

Source: Center for Workforce Information and Analysis as of 4th Quarter 2015. L & I does not report employee numbers due to employer privacy.

**SCHOOL FACILITIES AND ENROLLMENTS**

**School Year 2015-16**

<u>School Facilities</u>	<u>Grades Served</u>	<u>Pupil Capacity</u>	<u>2015-16 Enrollment</u>
Elementary			
Middleburg	K-5	750	640
West Snyder	K-5	581	415
Total Elementary		1,331	1,055
Middle School			
Mid-West	6-7	568	360
High School			
Mid-West	8-12	739	854
Total Secondary		1,307	1,214
<b>TOTAL ALL SCHOOLS</b>		<b>2,638</b>	<b>2,269</b>

Source: School District

**Pupil Enrollment - History**

<u>School Year</u>	<u>Total</u>
2005-06	2,376
2006-07	2,388
2007-08	2,333
2008-09	2,281
2009-10	2,245
2010-11	2,217
2011-12	2,219
2012-13	2,156
2013-14	2,058
2014-15	2,095
2015-16	2,269
2016-17 (projected)	2,200

Source: School District

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**APPENDIX C**  
**School District Audit**  
**Report for 2014-15**

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***MIDD-WEST SCHOOL DISTRICT***

***MIDDLEBURG, PENNSYLVANIA***

***FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT***

***For the year ended June 30, 2015***

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MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
For The Year Ended June 30, 2015

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MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
For The Year Ended June 30, 2015

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*E-Mail: lauraker@ptd.net*

**INDEPENDENT AUDITOR'S REPORT**

To The Members of the Board of Directors  
of the Mid-West School District  
Middleburg, Pennsylvania

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mid-West School District, Middleburg, Pennsylvania as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Mid-West School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mid-West School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As described in Note 14 to the financial statements, during the fiscal year ending June 30, 2015 the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages MD&A-1 through MD&A-10, and the schedule of funding progress for postemployment benefits plan, schedule of the district's proportionate share of the net pension liability, schedule of district contributions, and budgetary comparison information on pages 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mid-West School District's basic financial statements. The schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated February 2, 2016 on our consideration of the Midd-West 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 Midd-West School District's internal control over financial reporting and compliance.

*Forgett & Kerstetter, P.C.*

**FORGETT & KERSTETTER, P.C.**

**Selinsgrove, Pennsylvania**

**February 2, 2016**

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

**MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
Un-Audited  
June 30, 2015**

The discussion and analysis of Middle-West School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. 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.

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

#### FINANCIAL HIGHLIGHTS

During the fiscal year 2014-2015, the Middle-West School District overall general fund expenses increased \$1,439,854.00 or 4.5% compared to 2013-2014 expenses. The increase is mainly due to benefits increases of \$493,124.00 in retirement expenses. A transfer of \$1,985,000.00 was also made from the General Fund to the Capital Reserve Fund in anticipation of future capital projects. Revenue collections increased 1.78% or \$595,149.00 over the previous fiscal year mainly due to increased collections for delinquent real estate taxes over the previous year and the increase in retirement subsidy revenue due to the increased expense.

#### USING THE FINANCIAL REPORT

Within this Financial Section are the Management Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Middle-West 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 Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

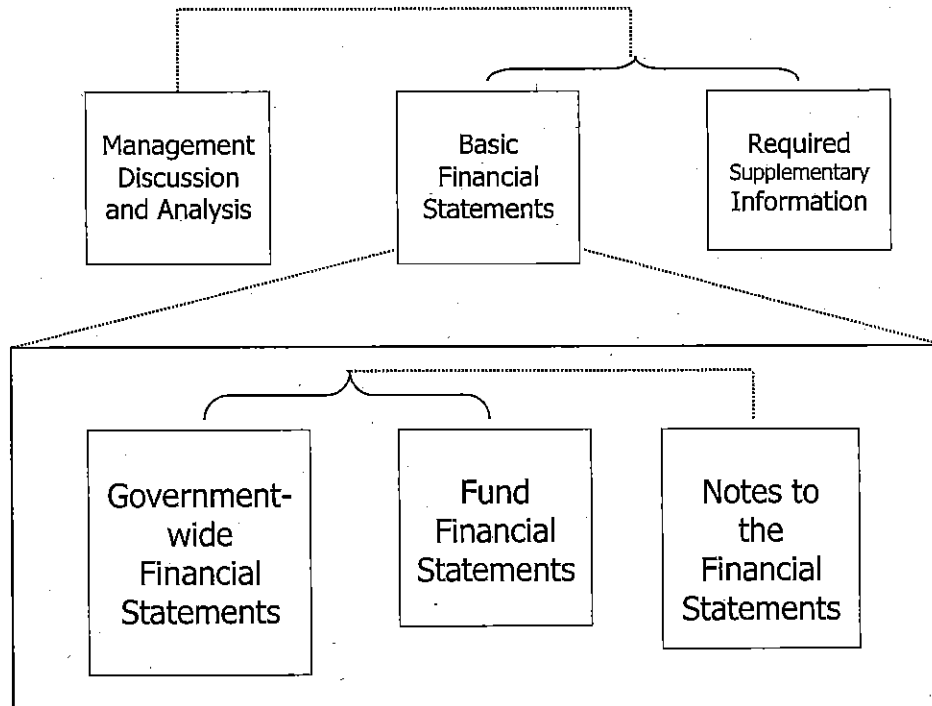
The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future 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.

**MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA**

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

Figure A-1  
Required components of  
Mid-West School District's  
Financial Report



**MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA**

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

Figure A-2  
Major Features of Mid-West School District's  
Government-wide and Fund Financial Statements

	Fund Statements			
	Government-wide 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 – Student Activity Funds
Required financial statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, expenses and changes in net assets Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
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

# MIDD-WEST SCHOOL DISTRICT MIDDLEBURG, PENNSYLVANIA

## 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 position and how it has changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are 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 activities – 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.

### 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

**MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA**

Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements. The Proprietary Fund Statements provide more detail and additional information, such as cash flows.

Fiduciary funds - The District is the trustee, or fiduciary, for student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's total net position was \$9,091,149 at June 30, 2015 compared to \$8,889,133 at June 30, 2014.

Table A-1  
Comparison of Fiscal Years ended June 30, 2015 and June 30, 2014  
Net Position

NET POSITION	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Totals	Totals
Current and other assets	\$ 23,032,764	\$ 21,940,415	\$ 517,832	\$ 470,609	\$ 23,548,501	\$ 22,411,024
Capital assets	\$ 80,369,309	\$ 83,009,779	\$ 656,149	\$ 736,412	\$ 81,025,458	\$ 83,746,191
<b>Total Assets</b>	<b>\$ 103,402,073</b>	<b>\$ 104,950,194</b>	<b>\$ 1,173,981</b>	<b>\$ 1,207,021</b>	<b>\$ 104,573,959</b>	<b>\$ 106,157,215</b>
<b>Deferred Outflows</b>	<b>\$ 2,462,658</b>	<b>\$ 1,968,435</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,462,658</b>	<b>\$ 1,968,435</b>
Current and other liabilities	\$ 6,799,581	\$ 6,746,652	\$ 40,656	\$ 22,907	\$ 6,840,237	\$ 6,769,559
Long-term liabilities	\$ 88,248,326	\$ 92,466,958		\$ -	\$ 88,248,326	\$ 92,466,958
<b>Total Liabilities</b>	<b>\$ 95,047,907</b>	<b>\$ 99,213,610</b>	<b>\$ 40,656</b>	<b>\$ 22,907</b>	<b>\$ 95,088,563</b>	<b>\$ 99,236,517</b>
<b>Deferred Inflows</b>	<b>\$ 2,860,000</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,860,000</b>	<b>\$ -</b>
Net Position						
Invested in capital assets, net of related debt	\$ 27,356,552	\$ 26,927,789	\$ 656,149	\$ 736,412	\$ 28,012,701	\$ 27,664,201
Restricted (Cap Projects & Debt Svc)	\$ 4,013,484	\$ 4,105,855	\$ -	\$ -	\$ 4,013,484	\$ 4,105,855
Committed (Textbook/Retirement)	\$ 2,817,644	\$ 2,817,644	\$ -	\$ -	\$ 2,817,644	\$ 2,817,644
Assigned (Cap Rsv & GF Assigned for Cap expenses, Retro Pay)	\$ 9,792,790	\$ 6,184,614	\$ -	\$ -	\$ 9,792,790	\$ 6,184,614
Uncommitted	\$ (36,023,646)	\$ (32,330,883)	\$ 477,176	\$ 447,702	\$ (35,546,470)	\$ (31,883,181)
<b>Total Net Position</b>	<b>\$ 7,956,824</b>	<b>\$ 7,705,019</b>	<b>\$ 1,133,325</b>	<b>\$ 1,184,114</b>	<b>\$ 9,090,149</b>	<b>\$ 8,889,133</b>

The District's net assets ending June 30, 2015 are invested in both current assets (investments, cash and cash equivalents, taxes receivable) and non-current assets (land, site and building improvements, furniture and equipment). The remaining unrestricted net assets are combined of restricted, committed, assigned, and unassigned amounts. Implementation of GASB 68, requiring the reporting of the District's PSERS unfunded liability, began with the 2014-2015 fiscal year. This resulted in the decrease of the District's net position by 79.4%.

**MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA**

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 represented 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 State of Pennsylvania, and the local taxes assessed to community taxpayers.

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

Table A-2  
Comparison of Fiscal Years ended June 30, 2015 and June 30, 2014  
Changes in Net Position

	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	Governmental	Governmental	Business-type	Business-type		
Revenues	Activities	Activities	Activities	Activities	Total	Total
Program Revenues						
Charges for services	\$ 72,124	\$ 83,810	\$ 450,983	\$ 445,849	\$ 523,107	\$ 529,659
Operating grants and contributions	\$ 8,373,630	\$ 8,035,619	\$ 710,794	\$ 742,805	\$ 9,084,424	\$ 8,778,424
Capital grants and contributions					\$ -	\$ -
General Revenues					\$ -	\$ -
Property Taxes	\$ 10,553,193	\$ 10,567,770			\$ 10,553,193	\$ 10,567,770
Other Taxes	\$ 6,272,582	\$ 5,887,362			\$ 6,272,582	\$ 5,887,362
Grants, subsidies and contributions, unrestricted	\$ 8,265,125	\$ 8,265,125			\$ 8,265,125	\$ 8,265,125
Investment earnings	\$ 59,212	\$ 56,426	\$ 954	\$ 768	\$ 60,166	\$ 57,194
Other	\$ 62,338	\$ 922,108	\$ 2,712		\$ 65,050	\$ 922,108
<b>Total Revenues</b>	<b>\$ 33,658,204</b>	<b>\$ 33,818,220</b>	<b>\$ 1,165,443</b>	<b>\$ 1,189,422</b>	<b>\$ 34,823,647</b>	<b>\$ 35,007,642</b>
<b>Expenses</b>						
Instruction	\$ 22,060,817	\$ 16,664,232	\$ -	\$ -	\$ 22,060,817	\$ 16,664,232
Instructional student support	\$ 2,335,529	\$ 2,275,768	\$ -	\$ -	\$ 2,335,529	\$ 2,275,768
Administrative and financial support	\$ 2,534,367	\$ 2,673,854	\$ -	\$ -	\$ 2,534,367	\$ 2,673,854
Operation and maintenance of plant	\$ 2,420,470	\$ 2,300,949	\$ -	\$ -	\$ 2,420,470	\$ 2,300,949
Pupil Transportation	\$ 2,515,678	\$ 2,400,215	\$ -	\$ -	\$ 2,515,678	\$ 2,400,215
Student Activities	\$ 468,041	\$ 430,265	\$ -	\$ -	\$ 468,041	\$ 430,265
Community services	\$ 10,486	\$ 6,020	\$ -	\$ -	\$ 10,486	\$ 6,020
Facility improvements	\$ (1,111,931)	\$ -	\$ -	\$ -	\$ (1,111,931)	\$ -
Interest and Fiscal Charges	\$ 2,172,942	\$ 2,314,504	\$ -	\$ -	\$ 2,172,942	\$ 2,314,504
Food Services			\$ 1,216,232	\$ 1,179,568	\$ 1,216,232	\$ 1,179,568
<b>Total Expenses</b>	<b>\$ 33,406,399</b>	<b>\$ 29,065,807</b>	<b>\$ 1,216,232</b>	<b>\$ 1,179,568</b>	<b>\$ 34,622,631</b>	<b>\$ 30,245,375</b>
<b>Increase (decrease) in net position</b>	<b>\$ 251,805</b>	<b>\$ 4,752,413</b>	<b>\$ (50,789)</b>	<b>\$ 9,854</b>	<b>\$ 201,016</b>	<b>\$ 4,762,267</b>

**MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA**

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the District.

Tables A-3 & A-4 show the District's eight largest functions - instructional programs, instructional student support, administrative and financial support, operation and maintenance of plant, pupil transportation, student activities, community services, and food service as well as each program's net cost (total cost less revenues generated by the activities). These tables also show 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  
Comparison of Fiscal Years ended June 30, 2015 and June 30, 2014  
Governmental Activities

Functions/Programs	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	Total cost of services	Total cost of services	Net cost of services	Net cost of services
Instruction	\$ 22,060,817	\$ 16,664,232	\$ 16,629,009	\$ 11,628,354
Instructional student support	\$ 2,335,529	\$ 2,275,768	\$ 2,108,622	\$ 2,080,747
Administrative and financial support	\$ 2,534,367	\$ 2,673,854	\$ 2,362,933	\$ 2,541,699
Operation and maintenance	\$ 2,420,470	\$ 2,300,949	\$ 2,323,429	\$ 2,221,555
Pupil Transportation	\$ 2,515,678	\$ 2,400,215	\$ 591,548	\$ 620,649
Student Activities	\$ 468,041	\$ 430,265	\$ 376,980	\$ 350,705
Community services	\$ 10,486	\$ 6,020	\$ 2,832	\$ (1,692)
Facility improvements	\$ (1,111,931)	\$ -	\$ (1,111,931)	\$ -
Interest on long-term debt	\$ 2,172,942	\$ 2,314,504	\$ 1,677,223	\$ 1,504,361
<b>Total governmental activities</b>	<b>\$ 33,406,399</b>	<b>\$ 29,065,807</b>	<b>\$ 24,960,645</b>	<b>\$ 20,946,378</b>
Less:				
Unrestricted grants, subsidies			\$ 8,265,125	\$ 8,113,754
<b>Total needs from local taxes and other revenues</b>			<b>\$ 16,695,520</b>	<b>\$ 12,832,624</b>

Table A-4  
Comparison of Fiscal Years ended June 30, 2015 and June 30, 2014  
Business-type Activities

Functions/Programs	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	Total cost of services	Total cost of services	Net cost of services	Net cost of services
Food Service	\$ 1,216,231	\$ 1,179,568	\$ 54,453	\$ (9,086)
Less				
Investment earnings			\$ 954	\$ 768
Miscellaneous Income			\$ 2,712	\$ -
<b>Total business-type activities</b>			<b>\$ 50,787</b>	<b>\$ (9,854)</b>

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

**MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA**

**THE DISTRICT FUNDS**

At June 30, 2015 the District governmental funds reported a combined fund balance of \$19,073,845, which is a increase of \$1,030,644 from June 30, 2014. This net increase is made up of a decrease in the Capital Projects Construction Fund of \$94,910, an increase in the Capital Reserve Fund of \$1,823,176, a decrease of \$3,227 in the Debt Service Fund, and a decrease of \$694,395 in the General Fund.

**General Fund Budget**

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year and is not prohibited by state law. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is included.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted revenues may increase as a result of additional subsidy provided by the State and also approved federal grants.

Budgeted expenditures and other financing uses will also increase this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2015, the District had \$80,369,309 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$2,640,470, or approximately 3.1% from last year. This decrease is due an adjustment of \$377,766 resulting from an updated inventory which adjusted the beginning balance as of July 1, 2014, the payout of the laptop capital leases which resulted in a decrease of \$728,950 and the annual depreciation of all other assets. Implementation of GASB-34 regulations and guidelines was completed during the 2002-2003 fiscal year.

Table A-5  
Governmental Activities  
Capital assets - net of depreciation  
Comparison of Fiscal Years ended June 30, 2015 and June 30, 2014

	2015	2014
Land	\$ 1,082,233	\$ 1,082,233
Site Improvements	\$ 3,526,325	\$ 3,096,047
Construction in Progress		
Building & Building Improvements	\$ 73,768,909	\$ 75,769,710
Furniture & Equipment	\$ 1,991,842	\$ 3,061,789
	\$ 80,369,309	\$ 83,009,779

**MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA**

DEBT ADMINISTRATION

As of July 1, 2014, the District had total outstanding bond principal of \$55,353,000. During the year, the District issued notes of \$19,990,000 for the refunding of the 2010 Series and 2010A Series Bonds. The refunding reduced the outstanding principal amount by \$305,000. Payments against principal were \$2,065,000 resulting in ending outstanding debt as of June 30, 2015 of \$52,983,000:

Table A-6  
Outstanding Debt  
Comparison of Fiscal Years ended June 30, 2014 and June 30, 2015

Description	Balance July 1, 2014	Additions	Payments/ Refundings	Balance June 30, 2015
<b>General Obligation Bonds</b>				
Series of 2010	\$ 16,225,000		\$ (16,225,000)	\$ -
Series A of 2010	\$ 4,355,000		\$ (4,080,000)	\$ 275,000
QZAB Series B of 2011	\$ 6,140,000		\$ (425,000)	\$ 5,715,000
QZAB Series D of 2011	\$ 1,613,000		\$ (5,000)	\$ 1,608,000
Series A of 2012	\$ 9,735,000		\$ (5,000)	\$ 9,730,000
Series B of 2012	\$ 11,570,000		\$ (110,000)	\$ 11,460,000
Note Series 2014	\$ 150,000		\$ (150,000)	\$ -
Series of 2014	\$ 5,565,000		\$ (1,360,000)	\$ 4,205,000
Series A of 2015		\$ 9,995,000		\$ 9,995,000
Series B of 2015		\$ 9,995,000		\$ 9,995,000
	\$ 55,353,000	\$ 19,990,000	\$ (22,360,000)	\$ 52,983,000

More detailed information about our long-term liabilities is included in the Notes to the Financial Statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's general obligation bond rating is a Moody's A1 enhanced rating, and because we qualify for bond insurance, we also receive a Moody's Aaa rating. The A1 enhanced rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program.

The District currently employs approximately 300 individuals and operates under three different contracts. The Agreement between Middle-West School District and Middle-West Education Association expired on August 31, 2014. The Agreement between Middle-West School District and the Middle-West Education Support Professionals Association will expire on June 30, 2016. The Administrative Compensation and Benefit Program will expire on June 30, 2016.

The District does not expect significant growth in the near future given the rural nature of the local economy.

**MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA**

For the 2014-2015 school year budget, the Mid-West Board of School used \$532,100 of the fund balance to balance the budget. The revenue budget for the 2015-2016 year is \$1,074,075 more than the original budget for 2014-2015. This represents approximately a 3.15% increase in budgeted revenues. The Mid-West Board of School Directors approved a budget for 2015-2016, with no tax increase. The expenditure budget for the 2015-2016 year is \$541,975 more than the original budget for 2014-2015, a 1.57% increase.

The comparison of budgeted revenue and expenditure categories is as follows:

Table A-7

**BUDGETED REVENUES**

	2015-2016	2014-2015
Local	50.5%	49.9%
State	45.6%	45.9%
Federal/Other	3.9%	4.2%

**BUDGETED EXPENDITURES**

	2015-2016	2014-2015
Instruction	56.8%	56.9%
Instructional Support	26.9%	26.8%
Non-Instructional Support	1.4%	1.4%
Facilities	0.0%	0.0%
Other Financing Uses	14.9%	14.9%

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Lynn Y. Naugle, Business Manager, Mid-West School District, 568 East Main Street, Middleburg, PA 17842.

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**BASIC  
FINANCIAL STATEMENTS**

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
STATEMENT OF NET POSITION

June 30, 2015

<b>ASSETS</b>	<b>GOVERNMENTAL</b>	<b>BUSINESS-TYPE</b>	
<b>Current Assets</b>	<b>ACTIVITIES</b>	<b>ACTIVITIES</b>	<b>TOTAL</b>
Cash and Cash Equivalents	\$ 20,773,572	\$ 431,530	\$ 21,205,102
Taxes Receivable, Net	832,463	0	832,463
Due From Other Governments	1,145,896	0	1,145,896
Other Receivables	341,795	0	341,795
Internal Balances	(60,962)	60,962	0
Inventories	0	25,340	25,340
<b>Total Current Assets</b>	<b>23,032,764</b>	<b>517,832</b>	<b>23,550,596</b>
<b>Noncurrent Assets</b>			
Capital Assets, Net of Accumulated Depreciation			
Land	1,082,233	0	1,082,233
Site Improvements	3,526,325	0	3,526,325
Building & Building Improvements	73,768,909	0	73,768,909
Furniture & Equipment	1,991,842	656,149	2,647,991
<b>Total Noncurrent Assets</b>	<b>80,369,309</b>	<b>656,149</b>	<b>81,025,458</b>
<b>TOTAL ASSETS</b>	<b>103,402,073</b>	<b>1,173,981</b>	<b>104,576,054</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred Amounts Related to Pensions	2,462,658	0	2,462,658
<b>TOTAL DEFERRED OUTFLOW OF RESOURCES</b>	<b>2,462,658</b>	<b>0</b>	<b>2,462,658</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	573,466	0	573,466
Current Portion of Long-Term Debt	3,055,000	14,498	3,069,498
Current Portion of Capital Lease Liability	29,667	0	29,667
Current Portion of Long-Term Obligations	181,851	0	181,851
Accrued Salaries and Benefits	2,438,665	7,563	2,446,228
Other Current Liabilities	520,932	0	520,932
Unearned Revenue	0	18,595	18,595
<b>Total Current Liabilities</b>	<b>6,799,581</b>	<b>40,656</b>	<b>6,840,237</b>
<b>Noncurrent Liabilities</b>			
Other Postemployment Benefits (OPEB)	164,326	0	164,326
Bonds and Notes Payable	49,928,000	0	49,928,000
Net Pension Liability	38,156,000	0	38,156,000
<b>Total Noncurrent Liabilities</b>	<b>88,248,326</b>	<b>0</b>	<b>88,248,326</b>
<b>TOTAL LIABILITIES</b>	<b>95,047,907</b>	<b>40,656</b>	<b>95,088,563</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Amounts Related to Pensions	2,860,000	0	2,860,000
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>2,860,000</b>	<b>0</b>	<b>2,860,000</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	27,356,642	656,149	28,012,791
Restricted	0	0	0
Unrestricted	(19,399,818)	477,176	(18,922,642)
<b>TOTAL NET POSITION</b>	<b>\$ 7,956,824</b>	<b>\$ 1,133,325</b>	<b>\$ 9,090,149</b>

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

**MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2015**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
Instruction	\$ 22,060,817	\$ 2,035	\$ 5,429,773	\$ 0	\$ (16,629,009)	\$ 0	\$ (16,629,009)
Instructional Student Support	2,335,529	0	226,907	0	(2,108,622)	0	(2,108,622)
Administrative and Financial Support Services	2,534,367	0	171,434	0	(2,362,933)	0	(2,362,933)
Operation and Maintenance of Plant Services	1,308,539	0	97,041	0	(1,211,498)	0	(1,211,498)
Pupil Transportation	2,515,678	0	1,924,130	0	(591,548)	0	(591,548)
Student Activities	468,041	62,435	28,626	0	(376,980)	0	(376,980)
Community Services	10,486	7,654	0	0	(2,832)	0	(2,832)
Interest and Fiscal Charges	2,172,942	0	495,719	0	(1,677,223)	0	(1,677,223)
<b>Total Governmental Activities</b>	<b>\$ 33,406,399</b>	<b>\$ 72,124</b>	<b>\$ 8,373,630</b>	<b>\$ 0</b>	<b>\$ (24,960,645)</b>	<b>\$ 0</b>	<b>\$ (24,960,645)</b>
<b>Business-type activities:</b>							
Food Service	1,216,232	450,983	710,794	0	0	(54,455)	(54,455)
<b>Total primary government</b>	<b>\$ 34,622,631</b>	<b>\$ 523,107</b>	<b>\$ 9,084,424</b>	<b>\$ 0</b>	<b>\$ (24,960,645)</b>	<b>\$ (54,455)</b>	<b>\$ (25,015,100)</b>

**General revenues:**

Taxes:	
Property taxes, levied for general purposes, net	\$ 10,553,193
Other taxes levied for general purposes	6,272,582
Grants, subsidies, & contributions not restricted	8,265,125
Investment Earnings	59,212
Miscellaneous Income	65,050
Transfers	(2,712)
	2,712
	0
<b>Total general revenues, special items, extraordinary items and transfers</b>	<b>25,212,450</b>
<b>Change in Net Position</b>	<b>251,805</b>
<b>Net Position June 30, 2014</b>	<b>1,172,154</b>
<b>Restatement of Capital Assets (See Note 17)</b>	<b>11,960</b>
<b>GASB 68 Adjustment (See Note 17)</b>	<b>0</b>
<b>Net Position - July 1, 2014 (as restated)</b>	<b>1,184,114</b>
<b>Net Position - June 30, 2015</b>	<b>\$ 1,133,325</b>

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
**BALANCE SHEET**  
GOVERNMENTAL FUNDS

June 30, 2015

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTALS GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 10,696,073	\$ 10,074,960	\$ 2,539	\$ 20,773,572
Taxes Receivable (Net)	832,463	0	0	832,463
Due From Other Governments	1,145,896	0	0	1,145,896
Other Receivables	341,795	0	0	341,795
<b>TOTAL ASSETS</b>	<b>\$ 13,016,227</b>	<b>\$ 10,074,960</b>	<b>\$ 2,539</b>	<b>\$ 23,093,726</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Due To Other Funds	\$ 60,962	\$ 0	\$ 0	\$ 60,962
Accounts Payable	507,469	41,225	0	548,694
Other Payables	24,772	0	0	24,772
Short Term Compensated Absences	181,851	0	0	181,851
Accrued Salaries and Benefits	2,372,658	0	0	2,372,658
Payroll Withholdings and Deductions	66,007	0	0	66,007
Escrow Payable	21,264	0	0	21,264
Other Current Liabilities	87,992	0	0	87,992
<b>TOTAL LIABILITIES</b>	<b>3,322,975</b>	<b>41,225</b>	<b>0</b>	<b>3,364,200</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenues - Delinquent Taxes	655,681	0	0	655,681
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>655,681</b>	<b>0</b>	<b>0</b>	<b>655,681</b>
<b>FUND BALANCES</b>				
Restricted For:				
Capital Projects	0	4,010,945	0	4,010,945
Debt Service	0	0	2,539	2,539
Committed For:				
Future Pension Costs	2,601,000	0	0	2,601,000
Textbooks	216,644	0	0	216,644
Assigned For:				
Capital Reserve / Capital Purposes	3,120,000	6,022,790	0	9,142,790
Retroactive Salaries and Benefits	650,000	0	0	650,000
Unassigned	2,449,927	0	0	2,449,927
<b>TOTAL FUND BALANCES</b>	<b>9,037,571</b>	<b>10,033,735</b>	<b>2,539</b>	<b>19,073,845</b>
<b>TOTAL LIABILITIES, DEFERED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 13,016,227</b>	<b>\$ 10,074,960</b>	<b>\$ 2,539</b>	<b>\$ 23,093,726</b>

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
For The Year Ended June 30, 2015

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 19,073,845</b>
 <b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital Assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of assets is \$102,360,578 and the accumulated depreciation is \$21,991,269.	80,369,309
Property and Per capita 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 in the funds.	655,681
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	2,462,658
Deferred inflows of resources related to pensions	(2,860,000)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Other Postemployment Benefits \$ (164,326)	
Bonds/Notes payable \$ (52,983,000)	
Capital Lease payable \$ (29,667)	
Accrued interest on bonds/notes \$ (411,676)	
Net Pension Liability \$ (38,156,000)	(91,744,669)
 <b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	 <b>\$ <u>7,956,824</u></b>

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
 For The Year Ended June 30, 2015

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTALS GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>				
Local Sources	\$ 17,651,668	\$ 7,926	\$ 0	\$ 17,659,594
State Sources	14,948,795	0	0	14,948,795
Federal Sources	1,295,432	0	0	1,295,432
<b>TOTAL REVENUES</b>	<u>33,895,895</u>	<u>7,926</u>	<u>0</u>	<u>33,903,821</u>
<b>EXPENDITURES</b>				
Instruction	19,086,515	0	0	19,086,515
Support Services	8,822,410	0	728	8,823,138
Operation of Noninstructional Services	415,424	0	0	415,424
Facilities Acquisition, Construction and Improvement Services	0	399,660	0	399,660
Debt Service	4,566,092	0	5,038	4,571,130
Refund of Prior Year Receipts	579	0	0	579
<b>TOTAL EXPENDITURES</b>	<u>32,891,020</u>	<u>399,660</u>	<u>5,766</u>	<u>33,296,446</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	1,004,875	(391,734)	(5,766)	607,375
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund Transfers	(1,987,712)	1,985,000	0	(2,712)
Sale of Capital Assets / Insurance Proceeds	288,442	135,000	0	423,442
Refunding Bonds Issued	0	0	19,990,000	19,990,000
Debt Service - Refunded Bonds	0	0	(19,987,461)	(19,987,461)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,699,270)</u>	<u>2,120,000</u>	<u>2,539</u>	<u>423,269</u>
<b>Net Change in Fund Balances</b>	(694,395)	1,728,266	(3,227)	1,030,644
<b>Fund Balance - July 1, 2014</b>	<u>9,731,966</u>	<u>8,305,469</u>	<u>5,766</u>	<u>18,043,201</u>
<b>Fund Balance - June 30, 2015</b>	\$ <u>9,037,571</u>	\$ <u>10,033,735</u>	\$ <u>2,539</u>	\$ <u>19,073,845</u>

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2015

**Net Change in Fund Balances - Total Governmental Funds** **\$ 1,030,644**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation	\$ (3,029,296)	
Capital outlays	\$ 1,117,776	
Disposal of Assets	\$ <u>(728,950)</u>	(2,640,470)

Because some property and per capita taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. (242,904)

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

Increase in Deferred Outflow Related to Pensions	\$ 494,223	
Increase in Deferred Inflow Related to Pensions	\$ (2,860,000)	
Decrease in Net Pension Liability	\$ <u>1,470,000</u>	<u>(895,777)</u>

Increase in Other Postemployment Benefits (95,238)

Decrease in Capital Lease Payable 699,323

Issuance of long-term debt (e.g. bonds) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, neither transaction has any effect on net position.

Repayment of Debt Principal	\$ 22,360,000	
Note/Bond Issuance	\$ <u>(19,990,000)</u>	2,370,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Accrued interest decreased by this amount this year. 26,227

**Change in Net Position of Governmental Activities** **\$ 251,805**

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUND

June 30, 2015

	<b>ENTERPRISE FUND</b>
	<i>FOOD SERVICE</i>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 431,530
Due from Other Funds	60,962
Inventories	25,340
<b>Total Current Assets</b>	<b>517,832</b>
<b>Noncurrent Assets</b>	
Capital Assets, Net of Accumulated Depreciation	656,149
<b>Total Noncurrent Assets</b>	<b>656,149</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,173,981</b>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Compensated Absences Payable	\$ 14,498
Unearned Revenue	18,595
Accrued Salaries and Benefits	7,563
<b>Total Current Liabilities</b>	<b>40,656</b>
<b>Noncurrent Liabilities</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>40,656</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	656,149
Unrestricted	477,176
<b>TOTAL NET POSITION</b>	<b>1,133,325</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,173,981</b>

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
For The Year Ended June 30, 2015

		<u>ENTERPRISE</u>	
		<u>FUND</u>	
		<u>FOOD</u>	
		<u>SERVICE</u>	
<b>OPERATING REVENUES</b>			
Food Service Revenue	\$	450,983	
<b>Total Operating Revenues</b>		<u>450,983</u>	
<b>OPERATING EXPENSES</b>			
Salaries		368,940	
Employee Benefits		133,783	
Purchased Professional and Technical Service		0	
Purchased Property Services		5,655	
Other Purchased Services		1,277	
Supplies		626,019	
Depreciation		80,264	
Dues and Fees		294	
<b>Total Operating Expenses</b>		<u>1,216,232</u>	
<b>OPERATING INCOME (LOSS)</b>			(765,249)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Earnings On Investments			954
State Sources			99,652
Federal Sources			611,142
Interfund Transfer			2,712
<b>Total Nonoperating Revenues (Expenses)</b>			<u>714,460</u>
<b>CHANGE IN NET POSITION</b>			(50,789)
<b>NET POSITION - JUNE 30, 2014</b>	\$	1,172,154	
Increase in Net Investment in Capital Assets		<u>11,960</u>	
<b>NET POSITION - JULY 1, 2014 (As Restated)</b>			<u>1,184,114</u>
<b>NET POSITION - JUNE 30, 2015</b>	\$		<u>1,133,325</u>

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For The Year Ended June 30, 2015

	<u>ENTERPRISE FUND FOOD SERVICE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 455,137
Cash Payments to Employees for Services	(483,438)
Cash Payments to Suppliers of Goods and Services	(554,842)
Cash Payments for Other Operating Expenses	(294)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>(583,437)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State Sources	38,451
Federal Sources	540,113
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES</b>	<u>578,564</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Equipment Purchases, Net of Disposals	0
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>0</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on Investments	954
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<u>954</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(3,919)
<b>CASH AND CASH EQUIVALENTS - JULY 1, 2014</b>	<u>435,449</u>
<b>CASH AND CASH EQUIVALENTS - JUNE 30, 2015</b>	<u>\$ 431,530</u>
<hr/>	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES -</b>	
Net Income (Loss) from Operations	\$ (765,249)
Depreciation	80,264
Donated Commodities	71,028
(Increase)/Decrease in Other Receivables	1,707
(Increase)/Decrease in Inventories	8,113
Increase/(Decrease) in Accrued Liabilities	19,285
Increase/(Decrease) in Accounts Payable	(1,032)
Increase/(Decrease) in Unearned Revenue	2,447
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ (583,437)</u>

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
 June 30, 2015

	<b>AGENCY FUND</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 101,229
<b>TOTAL ASSETS</b>	101,229
<b>LIABILITIES</b>	
Due to Student Groups	101,229
<b>TOTAL LIABILITIES</b>	101,229
<b>NET POSITION</b>	0
<b>TOTAL NET POSITION</b>	0
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 101,229

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of the District**

The Mid-West School District provides public education to the residents of three boroughs and nine townships with three elementary schools, two middle schools, and one high school in Snyder County, Pennsylvania. The District is managed under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine member Board form of government.

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

**The Reporting Entity**

The Mid-West School District Board of Education is the basic level of government which has financial accountability and control over all activities related to the public school education in the Boroughs of Beavertown, McClure, and Middleburg as well as the townships of Adams, Beaver, Center, Franklin, Middlecreek, Perry, Spring, West Beaver and West Perry. The Board receives funding from local, state, and federal government sources and must comply with the accompanying requirements of these funding source entities.

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

**Joint Venture**

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

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Audited financial statements for the year ended June 30, 2015 for the SUN ATI are available at its business office.

**Intermediate Unit**

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

**Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Governmental Funds**

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

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

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

**Debt Service Fund** - The Debt Service Fund is provided to account for bond refunding proceeds and payments to escrow agents for bond refunding. This fund is reported as a major fund.

**Proprietary Fund**

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

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

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

**Fiduciary Funds**

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

The School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

**Measurement Focus and Basis of Accounting**

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Encumbrance Accounting**

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

**Cash and Cash Equivalents**

Cash and Cash Equivalents include amounts in demand and interest-bearing bank deposits and in petty cash and are carried at cost plus accrued interest, which is fair value.

**Investments**

In accordance with Government Accounting Standards Board (GASB) Statement No. 31, short-term money market investments and interest-bearing investment contracts are reported at amortized cost, provided that the remaining maturity is one year or less at the time of purchase. Long-term investments (maturity of more than one year) are reportable at fair value.

**Inventories**

On government-wide financial statements and in the proprietary fund, 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 food and supplies was taken as of June 30, 2015. The inventory consisted of government donated commodities and purchased food and supplies. Government donated commodities were valued at cost figures provided by the U.S. Department of Agriculture while purchased food and supplies were valued at cost, both using the first-in first-out (FIFO) method.

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

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

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

**Capital Assets**

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

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

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20
Land Improvements	15
Furniture	20
Vehicle	5
Equipment	5 to 15
Computer Software	5
Textbooks	5
Library/Workbooks	10

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

**Long-Term Obligations**

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

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

**Equity Classifications**

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

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

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

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

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

**Assigned** – Amounts that are constrained by the school district's intent to be used for specific purposes, but is not restricted or committed. The Finance Committee and Business Manager have been delegated the authority to assign amounts for specific purposes.

**Unassigned** – All amounts not included in other spendable classifications. The school district will strive to maintain an unassigned general fund balance of not more than eight percent (8%) of the budgeted expenditures for the applicable fiscal year.

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

**Use of Estimates**

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

**NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Under Section 440.1 of the Public School Code of 1949, as amended, the District provides for an authorized investment program for School District Funds.

Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of one year or less. Cash and cash equivalents consist of demand deposits at various financial institutions, investment in Pennsylvania Local Government Investment Trust (PLGIT), certificates of deposit, and the Pennsylvania School District Liquid Asset Fund (PSDLAF). The market values of deposits are equal to the cost of the deposits.

At June 30, 2015 the carrying amount of the School District's cash and cash equivalents was \$21,306,331. The depository balances throughout the year were covered by federal depository insurance up to \$250,000 per bank or by collateral held by the pledging banks trust department. These amounts are secured by the pledging of pooled assets as collateral in accordance with the Act of August 6, 1971 (P.L. 281, No. 72), relating to pledges of assets to secure deposits of pledge funds.

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

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

**CASH AND CASH EQUIVALENTS:**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The District has an investment policy that addresses credit risk in general terms. As of June 30, 2015, \$1,085,045 of the District's bank balance of \$1,337,584 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$ 0
Uninsured and collateral held by the pledging bank's trust department Not in the District's name	<u>1,085,045</u>
Total	\$ <u>1,085,045</u>

**Reconciliation to Financial Statements**

Collateralized Amount Above	\$ 1,085,045
Plus: Insured Amount	252,539
Plus: Deposit in Investment Pools/CD's Considered Cash Equivalents	20,706,976
Less: Outstanding Checks	<u>( 738,779)</u>
Carrying Amount - Bank balances	21,305,781
Plus: Petty Cash	<u>550</u>
Total Cash and Cash Equivalents Per Financial Statements	\$ <u>21,306,331</u>

**INVESTMENTS:**

As of June 30, 2015, the School District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
PSDLAF Collateralized CD Pool	3 Months	\$ 14,900,000
Certificates of Deposit	12 Months	245,000
PA Local Government Investment Trust		609,262
PA School District Liquid Asset Fund		<u>4,952,714</u>
Total		\$ <u>20,706,976</u>

**Custodial Credit Risk - Investments**

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

**Reconciliations to Financial Statements**

Total Investments Above	\$ 20,706,976
Less: Deposits in Investment Pools and CD's Considered Cash Equivalents	<u>(20,706,976)</u>
Total Investments Per Financial Statements	\$ <u>0</u>

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

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

**Interest Rate Risk**

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

**Credit Risk**

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2014, the District investments were rated as:

<u>Investment</u>	<u>Standard &amp; Poor's</u>
PA Local Government Investment Trust	AAA
PA School District Liquid Asset Fund	AAA

**Concentration of Credit Risk**

The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in PA School District Liquid Asset Fund. These investments are 97.06% of the District's total investments. All of these investments are reported as Governmental Activities.

For the General Fund, more than 5% of the investments are in PA School District Liquid Asset Fund. These investments are 99.66% of the General Fund's total investments.

For the Capital Projects Fund, more than 5% of the investments are in PA Local Government Investment Trust and PA School District Liquid Asset Fund. These investments are 9.5% and 90.5%, respectively, of the Capital Projects Fund's total investments.

**NOTE 3 - DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments represent receivables for revenues earned by the school district. At June 30, 2015, the following amounts are due from other governmental units.

	<u>General Fund</u>
Federal Pass Through Funds	\$ 668,784
State Funds	477,112
Local Funds	<u>0</u>
Total	\$ <u>1,145,896</u>

**NOTE 4 - PROPERTY TAXES**

The School District's property tax is levied each July 1, based upon assessed valuations provided by the county (approximately \$173,407,790 for 2014-2015). The tax rate for all expenditures in 2014-15 is 70.112 mills (\$70.112 per \$1,000 assessed valuation). The schedule for property taxes levied for 2014-15 is as follows:

August 1, 2014 through September 30, 2014	2% discount period
October 1, 2014 through November 30, 2014	face payment period
Beginning December 1, 2014	10% penalty period

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
The Year Ended For June 30, 2015

**NOTE 4 - PROPERTY TAXES (Continued)**

Under the Taxpayer Relief Act (Act 1), property taxes can also be paid in installments at face value. In order to participate in the installment program, the property must be an approved homestead/farmstead property and the first installment must begin prior to September 30<sup>th</sup>. Late payments for each installment are subject to a 10% penalty. The installment payment schedule for property taxes levied for the 2014-15 is as follows:

- Installment #1: August 1, 2014 through September 30, 2014
- Installment #2: October 1, 2014 through October 31, 2014
- Installment #3: November 1, 2014 through November 30, 2014

Taxes become delinquent by December 31, 2014. Delinquent Property Taxes Receivable at June 30, 2015 is \$617,337.

**NOTE 5 - INTERFUND ACTIVITIES**

**Internal Balances:**

Due to/from Other Funds balances as of June 30, 2015 are as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 0	\$ 60,962
Enterprise Fund	<u>60,962</u>	<u>0</u>
	<u>\$ 60,962</u>	<u>\$ 60,962</u>

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

**Interfund Transfers:**

	<u>Transfer To Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 1,987,712	\$ 0
Capital Projects Fund	0	1,985,000
Enterprise Fund	<u>0</u>	<u>2,712</u>
	<u>\$ 1,987,712</u>	<u>\$ 1,987,712</u>

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

**NOTE 6 - CAPITAL ASSETS**

Capital Assets are recorded as expenditures in the Governmental and Proprietary Fund at the time of purchase. The amounts recorded for buildings, equipment and land in the financial statements are intended to be the original cost of the asset as of the date of the construction or installation. At the fiscal year ended June 30, 2015, a fixed asset appraisal of assets held was performed and acquisition costs have either been furnished to the appraiser as representing actual dates of acquisition and costs, or have been estimated by the use of computerized reverse-trending techniques applied against the estimate of current replacement cost. Acquisition costs for the items of equipment inventory are also determined by the deflation indexing with appropriate indices. Depreciation, where applicable, is straight line over the useful life of asset. Property additions made subsequent to the appraisal are recorded at cost. A net adjustment of \$389,727 was made to the beginning balances as a result of the asset inventory appraisal.

**MIDD-WEST SCHOOL DISTRICT**  
**MIDDLEBURG, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 – CAPITAL ASSETS (Continued)**

A summary of Capital Asset transactions for the year ended June 30, 2015 is as follows:

	<u>7/1/2014</u>	<u>ADJUSTED 7/1/2014</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>6/30/2015</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
<b>COST</b>					
Land	\$ 1,091,008	\$ 1,082,233	\$ -	\$ -	\$ 1,082,233
Site Improvements	5,350,003	5,389,651	689,002	0	\$ 6,078,653
Buildings & Bldg Improv	91,138,177	89,522,674	357,691	0	\$ 89,880,365
Furniture, Equipment & Vehicles	5,276,276	5,124,519	71,083	(16,639)	\$ 5,178,963
Copiers under Capital Lease	157,643	157,643	0	(17,279)	\$ 140,364
Computers Under Capital Lease - 1314	911,187	911,187	0	(911,187)	\$ -
<b>TOTAL</b>	<b>\$ 103,924,294</b>	<b>\$ 102,187,907</b>	<b>\$ 1,117,776</b>	<b>\$ (945,105)</b>	<b>\$ 102,360,578</b>
<b>ACCUMULATED DEPRECIATION</b>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Site Improvements	(2,284,156)	(2,293,604)	(258,724)	0	\$ (2,552,328)
Buildings & Bldg Improv	(15,780,798)	(13,752,964)	(2,358,492)		\$ (16,111,456)
Furniture, Equipment & Vehicles	(2,951,507)	(2,855,740)	(377,987)	16,639	\$ (3,217,088)
Copiers under Capital Lease	(93,583)	(93,583)	(34,093)	17,279	\$ (110,397)
Computers Under Capital Lease - 1314	(182,237)	(182,237)		182,237	\$ -
<b>TOTAL</b>	<b>\$ (21,292,281)</b>	<b>\$ (19,178,128)</b>	<b>\$ (3,029,296)</b>	<b>\$ 216,155</b>	<b>\$ (21,991,269)</b>
<b>NET FIXED ASSETS</b>	<b>\$ 82,632,013</b>	<b>\$ 83,009,779</b>	<b>\$ (1,911,520)</b>	<b>\$ (728,950)</b>	<b>\$ 80,369,309</b>
<b>BUSINESS TYPE ACTIVITIES</b>					
<b>COST</b>					
Furniture, Equipment & Vehicles	\$ 1,250,749	\$ 1,293,457	\$ -	\$ -	\$ 1,293,457
<b>TOTAL</b>	<b>\$ 1,250,749</b>	<b>\$ 1,293,457</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,293,457</b>
<b>ACCUMULATED DEPRECIATION</b>					
Furniture, Equipment & Vehicles	\$ (526,297)	\$ (557,044)	\$ (80,264)		\$ (637,308)
<b>TOTAL</b>	<b>\$ (526,297)</b>	<b>\$ (557,044)</b>	<b>\$ (80,264)</b>	<b>\$ -</b>	<b>\$ (637,308)</b>
<b>NET FIXED ASSETS</b>	<b>\$ 724,452</b>	<b>\$ 736,413</b>	<b>\$ (80,264)</b>	<b>\$ -</b>	<b>\$ 656,149</b>

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

**NOTE 6 – CAPITAL ASSETS (Continued)**

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

Government Activities:	
Instruction	\$2,241,129
Instructional Student Support	237,263
Administrative and Financial Support Service	257,463
Operation and Maintenance of Plant Service	245,892
Student Activities	<u>47,548</u>
 Total Depreciation Expense – Governmental Activities	 <u>\$3,029,295</u>

**NOTE 7 – DEBT OBLIGATIONS**

A summary of Debt transactions for the year ended June 30, 2015 is as follows:

<u>Description</u>	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Payments/ Refundings</u>	<u>Balance</u> <u>June 30, 2015</u>
General Obligation Bonds				
Series of 2010	\$ 16,225,000		\$ (16,225,000)	\$ -
Series A of 2010	\$ 4,355,000		\$ (4,080,000)	\$ 275,000
QZAB Series B of 2011	\$ 6,140,000		\$ (425,000)	\$ 5,715,000
QZAB Series D of 2011	\$ 1,613,000		\$ (5,000)	\$ 1,608,000
Series A of 2012	\$ 9,735,000		\$ (5,000)	\$ 9,730,000
Series B of 2012	\$ 11,570,000		\$ (110,000)	\$ 11,460,000
Series of 2014	\$ 5,565,000		\$ (1,360,000)	\$ 4,205,000
General Obligation Notes				
Note Series 2014	\$ 150,000		\$ (150,000)	\$ -
Series A of 2015		\$ 9,995,000		\$ 9,995,000
Series B of 2015		\$ 9,995,000		\$ 9,995,000
	<u>\$ 55,353,000</u>	<u>\$ 19,990,000</u>	<u>\$ (22,360,000)</u>	<u>\$ 52,983,000</u>

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

**NOTE 7 – DEBT OBLIGATIONS (Continued)**

**Bond Series of 2010**

On April 27, 2010, General Obligation Bond Series of 2010 was issued in the amount of \$18,890,000. Interest on the Bonds is payable semiannually on May 1 and November 1, with the first payment on the Bonds commencing on November 1, 2010. The Bonds were issued to finance the planning, designing, acquiring, constructing, furnishing, and equipping of school facilities, most significantly Midd-West High School. During the fiscal year ending June 30, 2015, these Bonds were refunded with a portion of the General Obligation Note Series A of 2015 and General Obligation Note Series B of 2015.

**Bond Series of 2010A**

On April 27, 2010, General Obligation Bond Series A of 2010 was issued in the amount of \$5,485,000. Interest on the Bonds is payable semiannually on May 1 and November 1, with the first payment on the Bonds commencing on November 1, 2010. The Bonds were issued to finance the planning, designing, acquiring, constructing, furnishing, and equipping of school facilities, most significantly Midd-West High School. During the fiscal year ending June 30, 2015, these Bonds were partially refunded with a portion of the General Obligation Note Series A of 2015. A single principal payment remains, Debt Service to maturity is as follows:

<u>Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
November 1, 2015			\$ 4,469
May 1, 2016	3.250%	\$ 275,000	4,469
	Total	<u>\$ 275,000</u>	<u>\$ 8,938</u>

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

**NOTE 7 – DEBT OBLIGATIONS (Continued)**

**Bond Series of 2011B (QZAB)**

On June 10, 2011, General Obligation Bond Series of 2011B was issued in the amount of \$7,000,000. The issue was part of a sale conducted by the State Public School Building Authority through the Qualified Zone Academy Bond (QZAB) Program. Interest on the Bonds is payable semiannually on March 1 and September 1, with the first payment on the Bonds commencing on September 1, 2011. The Bonds were issued to finance the planning, designing, acquiring, constructing, furnishing, and equipping of school facilities, most significantly Middleburg Elementary. Debt Service to maturity is as follows:

Date	Gross Rate	Subsidy Rate	Principal	Gross Interest	Net Interest	
September 1, 2015	5.426%	5.020%	\$ 430,000	\$ 189,910	\$ 14,210	
March 1, 2016	5.426%	5.020%		189,910	14,210	
September 1, 2016	5.426%	5.020%	420,000	189,910	14,210	
March 1, 2017	5.426%	5.020%		189,910	14,210	
September 1, 2017	5.426%	5.020%	405,000	189,910	14,210	
March 1, 2018	5.426%	5.020%		189,910	14,210	
September 1, 2018	5.426%	5.020%	390,000	189,910	14,210	
March 1, 2019	5.426%	5.020%		189,910	14,210	
September 1, 2019	5.426%	5.020%	360,000	189,910	14,210	
March 1, 2020	5.426%	5.020%		189,910	14,210	
September 1, 2020	5.426%	5.020%	325,000	189,910	14,210	
March 1, 2021	5.426%	5.020%		189,910	14,210	
September 1, 2021	5.426%	5.020%	285,000	189,910	14,210	
March 1, 2022	5.426%	5.020%		189,910	14,210	
September 1, 2022	5.426%	5.020%	240,000	189,910	14,210	
March 1, 2023	5.426%	5.020%		189,910	14,210	
September 1, 2023	5.426%	5.020%	205,000	189,910	14,210	
March 1, 2024	5.426%	5.020%		189,910	14,210	
September 1, 2024	5.426%	5.020%	185,000	189,910	14,210	
March 1, 2025	5.426%	5.020%		189,910	14,210	
September 1, 2025	5.426%	5.020%	1,185,000	189,910	14,210	
March 1, 2026	5.426%	5.020%		189,910	14,210	
September 1, 2026	5.426%	5.020%	1,285,000	189,910	14,210	
			Total	<u>\$ 5,715,000</u>	<u>\$ 4,367,930</u>	<u>\$ 326,830</u>

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

**NOTE 7 – DEBT OBLIGATIONS (Continued)**

**Bond Series of 2011D (QZAB)**

On November 4, 2011, General Obligation Bond Series of 2011D was issued in the amount of \$1,623,000. The issue was part of a sale conducted by the State Public School Building Authority through the Qualified Zone Academy Bond (QZAB) Program. Interest on the Bonds is payable semiannually on March 1 and September 1, with the first payment on the Bonds commencing on March 1, 2012. The Bonds were issued to finance the planning, designing, acquiring, constructing, furnishing, and equipping of school facilities, most significantly Middleburg Elementary. Debt Service to maturity is as follows:

<u>Date</u>	<u>Gross Rate</u>	<u>Subsidy Rate</u>	<u>Principal</u>	<u>Gross Interest</u>	<u>Net Interest</u>
September 1, 2015	5.138%	5.138%	\$ 5,000	\$ 41,695	\$ 0
March 1, 2016	5.138%	5.138%		41,695	0
September 1, 2016	5.138%	5.138%	5,000	41,695	0
March 1, 2017	5.138%	5.138%		41,695	0
September 1, 2017	5.138%	5.138%	5,000	41,695	0
March 1, 2018	5.138%	5.138%		41,695	0
September 1, 2018	5.138%	5.138%	5,000	41,695	0
March 1, 2019	5.138%	5.138%		41,695	0
September 1, 2019	5.138%	5.138%	5,000	41,695	0
March 1, 2020	5.138%	5.138%		41,695	0
September 1, 2020	5.138%	5.138%	5,000	41,695	0
March 1, 2021	5.138%	5.138%		41,695	0
September 1, 2021	5.138%	5.138%	5,000	41,695	0
March 1, 2022	5.138%	5.138%		41,695	0
September 1, 2022	5.138%	5.138%	5,000	41,695	0
March 1, 2023	5.138%	5.138%		41,695	0
September 1, 2023	5.138%	5.138%	5,000	41,695	0
March 1, 2024	5.138%	5.138%		41,695	0
September 1, 2024	5.138%	5.138%	5,000	41,695	0
March 1, 2025	5.138%	5.138%		41,695	0
September 1, 2025	5.138%	5.138%	5,000	41,695	0
March 1, 2026	5.138%	5.138%		41,695	0
September 1, 2026	5.138%	5.138%	5,000	41,695	0
March 1, 2027	5.138%	5.138%		41,695	0
September 1, 2027	5.138%	5.138%	5,000	41,695	0
March 1, 2028	5.138%	5.138%		41,695	0
September 1, 2028	5.138%	5.138%	1,538,000	41,695	0
March 1, 2029	5.138%	5.138%		41,695	0
September 1, 2029	5.138%	5.138%	5,000	41,695	0
Total			\$ 1,608,000	\$ 1,209,155	\$ 0

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

**NOTE 7 – DEBT OBLIGATIONS (Continued)**

**Bond Series A of 2012**

On October 15, 2008, General Obligation Bond Series 2008 was issued in the amount of \$9,995,000. During the fiscal year ended June 30, 2012, these Bonds were refunded with General Obligation Bond Series A of 2012 in the amount of \$9,745,000. Interest on the Bonds is payable semiannually on May 1 and November 1, with the first payment on the Bonds commencing on November 1, 2012. The Bonds were issued to provide funds for construction of and renovations to school buildings. Debt Service to maturity is as follows:

<u>Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
November 1, 2015			\$ 154,370
May 1, 2016	1.300%	\$ 5,000	154,370
November 1, 2016			154,338
May 1, 2017	1.500%	5,000	154,338
November 1, 2017			154,300
May 1, 2018	1.750%	55,000	154,300
November 1, 2018			153,819
May 1, 2019	2.000%	125,000	153,819
November 1, 2019			152,569
May 1, 2020	2.250%	130,000	152,569
November 1, 2020			151,106
May 1, 2021	2.375%	130,000	151,106
November 1, 2021			149,563
May 1, 2022	2.625%	135,000	149,563
November 1, 2022			147,791
May 1, 2023	2.875%	195,000	147,791
November 1, 2023			144,988
May 1, 2024	3.125%	3,185,000	144,988
November 1, 2024			95,222
May 1, 2025	3.250%	3,300,000	95,222
November 1, 2025			41,597
May 1, 2026	3.375%	2,465,000	41,597
		<b>Total</b>	<b>\$ 9,730,000</b>
			<b>\$ 2,999,329</b>

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

**NOTE 7 – DEBT OBLIGATIONS (Continued)**

**Bond Series B of 2012**

On May 31, 2012, General Obligation Bond Series B of 2012 was issued in the amount of \$11,675,000. Interest on the Bonds is payable semiannually on May 1 and November 1, with the first payment on the Bonds commencing on November 1, 2012. The Bonds were issued to finance the planning, designing, acquiring, constructing, furnishing, and equipping of school facilities, most significantly Middleburg Elementary School. Debt Service to maturity is as follows:

<u>Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
November 2, 2015			\$ 280,698
May 1, 2016	1.300%	\$ 115,000	280,698
November 2, 2016			279,950
May 1, 2017	1.500%	120,000	279,950
November 2, 2017			279,050
May 1, 2018	1.650%	70,000	279,050
November 2, 2018			278,481
May 1, 2019	2.000%	5,000	278,481
November 2, 2019			278,431
May 1, 2020	2.250%	5,000	278,431
November 2, 2020			278,375
May 1, 2021	2.375%	10,000	278,375
November 2, 2021			278,256
May 1, 2022	2.625%	10,000	278,256
November 2, 2022			278,125
May 1, 2023	5.000%	15,000	278,125
November 2, 2023			277,750
May 1, 2024	5.000%	10,000	277,750
November 2, 2024			277,500
May 1, 2025	5.000%	15,000	277,500
November 2, 2025			277,125
May 1, 2026	5.000%	15,000	277,125
November 2, 2026			276,750
May 1, 2027	5.000%	3,090,000	276,750
November 2, 2027			199,500
May 1, 2028	5.000%	4,430,000	199,500
November 2, 2028			88,750
May 1, 2029	5.000%	3,120,000	88,750
November 2, 2029			10,750
May 1, 2030	5.000%	430,000	10,750
		<u>\$ 11,460,000</u>	<u>\$ 7,278,985</u>
	Total		

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

**NOTE 7 - DEBT OBLIGATIONS (Continued)**

**Bond Series of 2014**

On November 1, 1998, General Obligation Bond Series 1998 was issued in the amount of \$9,995,000. During the fiscal year ended June 30, 2004, these Bonds were refunded with General Obligation Bond Series of 2003A in the amount of \$8,480,000. On January 1, 1999, General Obligation Bond Series 1999 was issued in the amount of \$9,995,000. During the fiscal year ended June 30, 2003, these Bonds were refunded with General Obligation Bond Series of 2003 in the amount of \$8,895,000. During the fiscal year ending June 30, 2009, both the GOB Series of 2003 & GOB Series of 2003A were refunded with General Obligation Bond Series of 2009 in the amount of \$11,490,000. During the fiscal year ending June 30, 2014, these Bonds were refunded with a short-term General Obligation Notes Series of 2014 in the amount of \$150,000 and General Obligation Bond Series of 2014. Interest on the Bonds is payable semiannually on May 15 and November 15, with the first payment on the Bonds commencing on November 15, 2014. The Bonds were issued for the purpose of constructing, furnishing, and equipping school facilities. Debt Service to maturity is as follows:

<u>Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
November 15, 2015			\$ 59,250
May 15, 2016	2.000%	\$ 1,365,000	59,250
November 15, 2016			45,600
May 15, 2017	3.000%	1,395,000	45,600
November 15, 2017			24,675
May 15, 2018	3%/4%	<u>1,445,000</u>	<u>24,675</u>
	Total	<u>\$ 4,205,000</u>	<u>\$ 259,050</u>

**Note Series of 2014**

On June 26, 2014, the Middle-West School District issued a federally taxable General Obligation Note, Series of 2014 in the amount of \$150,000. Interest on the Note shall accrue on the unpaid principal balance at a fixed rate of interest equal to 3.25% per annum for the entire term of the Note. All principal and interest was due and paid on May 1, 2015.

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

**NOTE 7 – DEBT OBLIGATIONS** (Continued)

**Note Series A of 2015**

On April 27, 2010, General Obligation Bond Series of 2010 was issued in the amount of \$18,890,000 and General Obligation Bond Series A of 2010 was issued in the amount of \$5,485,000. The Bonds were issued to finance the planning, designing, acquiring, constructing, furnishing, and equipping of school facilities, most significantly Mid-West High School. During the fiscal year ending June 30, 2015, these Bonds were refunded with a portion of the General Obligation Note Series A of 2015 and General Obligation Note Series B of 2015. Interest on the Bonds is payable semiannually on May 1 and November 1, with the first payment on the Bonds commencing on November 1, 2015. Debt Service to maturity is as follows:

<u>Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
November 1, 2015			\$ 138,195
May 1, 2016	2.750%	\$ 75,000	137,431
November 1, 2016			136,400
May 1, 2017	2.750%	75,000	136,400
November 1, 2017			135,369
May 1, 2018	2.750%	80,000	135,369
November 1, 2018			134,269
May 1, 2019	2.750%	85,000	134,269
November 1, 2019			133,100
May 1, 2020	2.750%	1,320,000	133,100
November 1, 2020			114,950
May 1, 2021	2.750%	2,690,000	114,950
November 1, 2021			77,963
May 1, 2022	2.750%	2,800,000	77,963
November 1, 2022			39,463
May 1, 2023	2.750%	<u>2,870,000</u>	<u>39,463</u>
	Total	<u>\$ 9,995,000</u>	<u>\$ 1,818,651</u>

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2015

**NOTE 7 – DEBT OBLIGATIONS (Continued)**

**Note Series B of 2015**

On April 27, 2010, General Obligation Bond Series of 2010 was issued in the amount of \$18,890,000. The Bonds were issued to finance the planning, designing, acquiring, constructing, furnishing, and equipping of school facilities, most significantly Midd-West High School. During the fiscal year ending June 30, 2015, these Bonds were refunded General Obligation Note Series B of 2015. Interest on the Bonds is payable semiannually on May 1 and November 1, with the first payment on the Bonds commencing on November 1, 2015. Debt Service to maturity is as follows:

<u>Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>
November 1, 2015			\$ 149,647
May 1, 2016	2.750%	\$ 785,000	137,431
November 1, 2016			126,638
May 1, 2017	2.750%	1,180,000	126,638
November 1, 2017			110,413
May 1, 2018	2.750%	1,220,000	110,413
November 1, 2018			93,638
May 2, 2019	2.750%	2,750,000	93,638
November 2, 2019			55,825
May 1, 2020	2.750%	1,620,000	55,825
November 1, 2020			33,550
May 1, 2021	2.750%	380,000	33,550
November 1, 2021			28,325
May 1, 2022	2.750%	390,000	28,325
November 1, 2022			22,963
May 2, 2023	2.750%	400,000	22,963
November 2, 2023			17,463
May 1, 2024	2.750%	410,000	17,463
November 1, 2024			11,825
May 1, 2025	2.750%	425,000	11,825
November 1, 2025			5,981
May 1, 2026	2.750%	<u>435,000</u>	<u>5,981</u>
	Total	<u>\$ 9,995,000</u>	<u>\$ 1,300,316</u>

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**NOTE 7 – DEBT OBLIGATIONS** (Continued)

Summary of debt service requirements to maturity on the outstanding bonds and note as of June 30, 2015 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015-2016	\$ 3,055,000	\$ 1,588,699	\$ 4,643,699
2016-2017	3,200,000	1,514,271	4,714,271
2017-2018	3,280,000	1,436,033	4,716,033
2018-2019	3,360,000	1,348,833	4,708,833
2019-2020	3,440,000	1,268,270	4,708,270
2020-2021	3,540,000	1,184,382	4,724,382
2021-2022	3,625,000	1,096,634	4,721,634
2022-2023	3,725,000	1,005,103	4,730,103
2023-2024	3,815,000	908,821	4,723,821
2024-2025	3,930,000	797,514	4,727,514
2025-2026	4,105,000	677,827	4,782,827
2026-2027	4,380,000	567,710	4,947,710
2027-2028	4,435,000	399,000	4,834,000
2028-2029	4,658,000	177,500	4,835,500
2029-2030	<u>435,000</u>	<u>21,500</u>	<u>456,500</u>
	<u>\$ 52,983,000</u>	<u>\$ 13,992,097</u>	<u>\$ 66,975,097</u>

A summary of changes in other long-term liabilities for the year ended June 30, 2015 is as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital Lease	\$ <u>728,990</u>	<u>265,562</u>	<u>(964,885)</u>	\$ <u>29,667</u>
Other Post Employment Benefits	\$ <u>69,088</u>	<u>95,238</u>	<u>0</u>	\$ <u>164,326</u>
Net Pension Liability	\$ <u>39,626,000</u>	<u>0</u>	<u>(1,470,000)</u>	\$ <u>38,156,000</u>

MIDD-WEST SCHOOL DISTRICT  
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**NOTE 8 – CAPITAL LEASES**

The School District has entered into lease agreements as lessee for financing the acquisition of equipment, mainly copiers and laptop computers. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, are as follows:

	Copiers
Year Ending June 30	
2016	\$ 29,667
Less: Amount Representing Interest	( 864)
Present Value of Minimum Lease Payments	<u>\$ 28,803</u>

Amortization expense for these assets is included in depreciation expense in the accompanying financial statements.

**NOTE 9 - PENSION PLAN**

**Public School Employees' Retirement System Plan**

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

**General Information about the Pension Plan**

**Plan description**

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

**Benefits provided**

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

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**NOTE 9 - PENSION PLAN (Continued)**

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

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

Contributions

*Member Contributions:*

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

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

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

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

*Employer Contributions:*

The school districts' contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,414,223 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$38,156,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was .0964 percent, which was an increase of .0004 percent from its proportion measured as of June 30, 2013.

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**NOTE 9 - PENSION PLAN (Continued)**

For the year ended June 30, 2015, the District recognized pension expense of \$3,310,000. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportions	\$ 0	\$ 132,000
Net difference between projected and actual investment earnings	0	2,728,000
Difference between employer contributions and proportionate share of total contributions	48,435	0
Contributions subsequent to the measurement date	<u>2,414,223</u>	<u>0</u>
	<u>\$ 2,462,658</u>	<u>\$ 2,860,000</u>

\$2,414,223 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	(714,000)
2017	(714,000)
2018	(714,000)
2019	(714,000)
2020	( 5,000)

**Actuarial assumptions**

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2013 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.

MIDD-WEST SCHOOL DISTRICT  
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**NOTE 9 - PENSION PLAN (Continued)**

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.

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

**Discount rate**

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

**Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate**

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 47,594,000	\$ 38,156,000	\$ 30,098,000

**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](http://www.psers.state.pa.us).

MIDD-WEST SCHOOL DISTRICT  
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**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS**

*Plan Description.* In addition to providing pension benefits, the District provides other post employment benefits. Such benefits are primarily funded through annual appropriations from the School District's General Fund. Other postemployment benefits provided by the Mid-West School District include a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees and their spouses through the School District's group health insurance plan, which covers both active and retired members. Employer contribution rates for retirees vary based on the type of retirement, years of service, and type of coverage.

*Funding Policy.* The School District's contribution is based on projected pay-as-you-go financing requirements.

Under the terms of the Collective Bargaining Agreement dated September 1, 1998, the District shall provide an employee who retires during the term of the agreement a choice of the following:

1. If the employee has completed 30 to 35 years of service, the District will continue to pay health insurance for a maximum of ten (10) years or until the employee is eligible for Medicare coverage. District payment for this coverage shall be capped at the 1997-1998 rate. Or,
2. If the employee has completed 28 to 35 years of service, the District will pay a \$15,000 cash severance.

Under the terms of the Collective Bargaining Agreement dated September 1, 2005, the District shall provide an employee who retires during the term of the agreement a choice of the following:

1. If the employee has completed 30 to 35 years of service, the District will continue to pay health insurance for a maximum of ten (10) years or until the employee is eligible for Medicare coverage. District payment for this coverage shall be capped at the July 2005 rate and in accordance with this table:

<i>Percent of Sick Leave Remaining:</i>	<i>July 2005 Premium District Pays at Percentage:</i>
90% or more	100%
80% - 89%	90%
70% - 79%	80%
60% - 69%	70%
50% - 59%	60%
49% or less	50%

Or,

2. If the employee has completed 28 to 35 years of service, the District will pay a \$40,000 cash severance.

An employee may elect to have the District apply all or part of her/his severance allowance to the payment of premiums or contributions necessary to continue her/his participation in the District's group hospitalization, medical and major medical plans.

Under the terms of the Collective Bargaining Agreement dated September 1, 2009, the District shall provide an employee who retires during the term of the agreement the following:

If the employee has completed 30 – 35 years of service, the District will continue to pay health insurance at the rate of 50% of the insurance coverage for a maximum of seven (7) years or until the employee is eligible for Medicare Coverage. District payment for this coverage is capped at the July 2009 rate.

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**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

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

Annual required contribution	\$ 336,422
Interest on net OPEB obligation	3,109
Adjustment to annual required contribution	(4,241)
Annual OPEB cost	335,290
Estimated Contributions made	(240,052)
Increase (decrease) in net OPEB obligation	95,238
Net OPEB obligation (asset) beginning of year	<u>69,088</u>
Net OPEB obligation (asset) end of year	<u>\$ 164,326</u>
Actuarial valuation date	7/1/2014
Actuarial cost method	Entry Age, Normal
Amortization method	Level dollar
Asset valuation method	N/A – the plans are unfunded
Remaining amortization period	20 years
Actuarial assumptions:	
Investment rate of return	4.50%
Projected salary increases	2.5% Cost of Living Adjustment 1.00% real wage growth 2.75% to 0.25% merit increase (varies by age) for teachers and administrators

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**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Health care inflation rate	6.5% in 2014, decreasing .5% per year to an ultimate rate of 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
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For the Actuarial Valuation report dated 7/1/14, the actuarial value of assets is zero, the actuarial accrued liability is \$3.089 million for a funded ratio of zero.

**Three-Year Trend Information**

<u>Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2015	\$ 335,290	71.59%	\$ 164,326
June 30, 2014	\$ 345,056	102.54%	\$ 69,088
June 30, 2013	\$ 345,254	96.49%	\$ 77,839

**NOTE 11 - COMPENSATED ABSENCES**

The School District has no benefits that vest for the employee. Therefore no liability is included in the financial statements.

**NOTE 12 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years.

**NOTE 13- CONTINGENT LIABILITIES**

**Grant Programs**

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

**Tax Revenue**

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

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**NOTE 13- CONTINGENT LIABILITIES (Continued)**

**Litigation**

The School District is party to certain pending and/or threatened legal proceedings, which occur in the normal course of governmental operations. It is not possible to estimate the outcome or liability, if any, to the School District at February 2, 2016, which is the date these financial statements were available to be issued. Management believes that ultimate liability resulting from pending legal actions will not have a material adverse effect on the financial condition of the School District. Accordingly, as the effect of these legal proceedings on the financial statements is not known, no provision for losses has been recorded.

**NOTE 14 – CHANGES IN GOVERNMENTAL ACCOUNTING STANDARDS**

In June 2012, the GASB issued Statement No. 68, *“Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27.”* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. The School District adopted Statement No. 68 for its fiscal year ended June 30, 2015 financial statements as required.

In January 2013, the GASB issued Statement No. 69, *“Government Combinations and Disposals of Government Operations.”* This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The District adopted Statement No. 69 for its June 30, 2015 financial statements as required.

In April 2013, the GASB issued Statement No. 70, *“Accounting and Financial Reporting for Non-exchange Financial Guarantees.”* The objective of the Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The District adopted Statement No. 70 for its June 30, 2015 financial statements as required.

In November 2013, the GASB issued Statement 71, *“Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment of GASB Statement No. 68.”* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The provisions of the Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District’s fiscal year ended June 30, 2015.

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**NOTE 15 – FUTURE CHANGES IN GOVERNMENTAL ACCOUNTING STANDARDS**

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

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

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

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

In June 2015, the GASB issued Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively.

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2015

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

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

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

**NOTE 16 – SUBSEQUENT EVENT**

The District has evaluated all events subsequent to the financial statement date of June 30, 2015 through February 2, 2016, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition of disclosure.

**NOTE 17– RESTATEMENT OF NET POSITION / CHANGE IN ACCOUNTING PRINCIPLE**

At June 30, 2015, the capital assets of both the Governmental Activities and Business-Type Activities were restated due to an updated physical appraisal of the School District's capital assets.

Also, during the current year the District implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This statement changes the accounting for pensions by recording the District's portion of net pension liability and deferred inflows and outflows related to pensions. As a result of implementing this statement, a prior period adjustment is required for the beginning net pension liability and deferred outflows for the District's contributions made during fiscal year 2014.

These two items have the following effect on net position as it was previously reported:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Beginning net position as previously reported at June 30, 2014	\$ 44,984,818	\$ 1,172,154
Restatement: Increase in Net Investment in Capital Assets	377,766	11,960
Prior period adjustment – Implementation of GASB 68:		
Net pension liability	\$ ( 39,626,000)	
Deferred outflows – District's contributions made during fiscal year 2014	<u>1,968,435</u>	
Total net prior period adjustment	<u>( 37,657,565)</u>	<u>0</u>
Net position as restated, July 1, 2014	\$ <u>7,705,019</u>	\$ <u>1,184,114</u>

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
For The Year Ended June 30, 2015

REVENUES	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Local Sources	\$ 17,005,588	17,005,588	17,651,668	646,080
State Sources	15,609,349	15,609,349	14,948,795	(660,554)
Federal Sources	1,421,940	1,421,940	1,295,432	(126,508)
<b>TOTAL REVENUES</b>	<b>34,036,877</b>	<b>34,036,877</b>	<b>33,895,895</b>	<b>(140,982)</b>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular Programs	13,212,251	13,529,480	13,235,588	293,892
Special Programs	4,291,764	4,291,764	4,111,191	180,573
Vocational Education	1,722,107	1,722,107	1,677,562	44,545
Other Instructional Programs	122,578	122,578	54,076	68,502
Nonpublic School Programs	12,000	12,000	8,098	3,902
Pre-Kindergarten	317,229	0	0	0
<b>Support Services</b>				
Pupil Personnel	890,242	890,242	823,875	66,367
Instructional Staff	1,134,405	1,134,405	948,367	186,038
Administration	1,916,485	1,916,485	1,852,496	63,989
Pupil Health	258,383	258,383	248,406	9,977
Business Services	345,499	345,499	314,399	31,100
Operation and Maintenance of Plant Services	2,128,751	2,121,751	2,094,135	27,616
Student Transportation Services	2,508,966	2,515,966	2,515,678	288
Central and Other Support Services	79,200	79,200	25,054	54,146
<b>Operation of Noninstructional Services</b>				
Student Activities	463,189	463,189	404,938	58,251
Community Services	15,800	15,800	10,486	5,314
Capital Outlay	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>29,418,849</b>	<b>29,418,849</b>	<b>28,324,349</b>	<b>1,094,500</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,618,028</b>	<b>4,618,028</b>	<b>5,571,546</b>	<b>953,518</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	0	0	288,442	288,442
Debt Service	(5,150,128)	(5,145,628)	(4,566,092)	579,536
Refund of Prior Year Receipts	0	(4,500)	(579)	3,921
Interfund Transfers In (Out)	0	0	(1,987,712)	(1,987,712)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,150,128)</b>	<b>(5,150,128)</b>	<b>(6,265,941)</b>	<b>(1,115,813)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (532,100)</b>	<b>(532,100)</b>	<b>(694,395)</b>	<b>(162,295)</b>
<b>FUND BALANCE - JULY 1, 2014</b>			<b>9,731,966</b>	
<b>FUND BALANCE - JUNE 30, 2015</b>			<b>\$ 9,037,571</b>	

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

MIDD-WESTSCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS  
 For The Year Ended June 30, 2015

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) Entry Age ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll [ ( b-a ) / c ]
7/1/2014	\$0	\$3,088,565	\$3,088,565	0.0%	\$10,674,657	28.93%
7/1/2012	\$0	\$3,221,464	\$3,221,464	0.0%	\$11,428,900	28.19%
7/1/2010	\$0	\$2,745,989	\$2,745,989	0.0%	\$12,255,558	22.41%

MIDD-WESTSCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY

Last 10 Fiscal Years\*

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.0964%	0.0968%
District's proportionate share of the net pension liability	\$ 38,156,000	\$ 39,626,000
District's covered-employee payroll	\$ 12,302,719	\$ 12,425,597
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	310.14%	318.91%
Plan fiduciary net position as a percentage of the total pension liability	57.24%	54.49%

Amounts were determined as of the cost-sharing plan's June 30, 2014 fiscal year.

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

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

MIDD-WESTSCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
PENSION PLAN

Last 10 Fiscal Years\*

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 2,414,223	\$ 1,968,435
Contributions in relation to the contractually required contribution	<u>(2,414,223)</u>	<u>(1,968,435)</u>
Contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 11,776,698	\$ 12,302,719
Contributions as a percentage of covered-employee payroll	20.50%	16.00%

Amounts are based on actual contributions during the fiscal year.

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For The Year Ended June 30, 2015

**NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING**

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

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

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

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

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

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

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

**NOTE 2 – SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS**

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

**NOTE 3 – PENSION DATA**

The amounts reported in the schedule of the district's proportionate share of the net pension liability are determined as of June 30, 2014 by The Commonwealth of Pennsylvania Public School Employees' Retirement System (the cost-sharing plan). There were no changes in benefit terms and no changes in assumptions.

**SINGLE AUDIT  
SECTION**

**MIDDLE-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS**

For The Year Ended June 30, 2015

Federal Program Title	Source Code	Federal CFDA Number	PASS Through Grantors Number	Grant Period	Program or Award Amount	Total Received	Accrued <Unearned> at 7/1/2014	Receipts Recognized	Expenditures	Accrued <Unearned> at 6/30/2015
<b>U.S. DEPARTMENT OF EDUCATION</b>										
<b>PASSED THROUGH PA DEPT. OF EDUCATION</b>										
<b>TITLE I, PART A CLUSTER</b>										
Title I - Improving Basic Programs	I	84.010	013-150248	14-15	\$ 682,478	\$ 314,990	\$ 0	\$ 406,106	\$ 406,106	\$ 91,116
Title I - Improving Basic Programs	I	84.010	013-140248	13-14	\$ 559,038	\$ 259,777	\$ 90,886	\$ 168,891	\$ 168,891	\$ 0
<b>Total Title I, Part A Cluster</b>						\$ 574,767	\$ 90,886	\$ 574,997	\$ 574,997	\$ 91,116
Rural and Low Income Schools	I	84.558	007-15248	14-15	\$ 45,051	\$ 15,017	\$ 0	\$ 557	\$ 557	\$ (14,460)
Title II - Improving Teacher Quality	I	84.367	020-150248	14-15	\$ 131,950	\$ 40,600	\$ 0	\$ 26,407	\$ 26,407	\$ (14,193)
Title II - Improving Teacher Quality	I	84.367	020-140248	13-14	\$ 131,616	\$ 78,908	\$ 411	\$ 78,497	\$ 78,497	\$ 0
<b>Total Title II, Part A Cluster</b>						\$ 134,525	\$ 411	\$ 105,461	\$ 105,461	\$ (28,653)
<b>Total PA Department of Education</b>						\$ 709,292	\$ 91,297	\$ 680,458	\$ 680,458	\$ 62,464
<b>PASSED THROUGH INTERMEDIATE UNITS</b>										
<b>SPECIAL EDUCATION CLUSTER</b>										
<b>CENTRAL SUSQUEHANNA INTERMEDIATE UNIT #16</b>										
IDEA 611, Part B Special Education Grants	I	84.027	062-150016	14-15	\$ 387,870	\$ 0	\$ 0	\$ 387,870	\$ 387,870	\$ 387,870
IDEA 611, Part B Special Education Grants	I	84.027	062-140016	13-14	\$ 378,058	\$ 223,505	\$ 223,505	\$ 0	\$ 0	\$ 0
IDEA 619, Special Education Preschool Grants	I	84.173	131-140016	14-15	\$ 5,113	\$ 0	\$ 0	\$ 5,113	\$ 5,113	\$ 5,113
IDEA 619, Special Education Preschool Grants	I	84.173	131-130016	13-14	\$ 5,681	\$ 5,681	\$ 5,681	\$ 0	\$ 0	\$ 0
<b>INTERMEDIATE UNIT 1</b>										
IDEA, Part B - Model Sites SBBH Grant	I	84.027	062-150032	14-15	\$ 74	\$ 0	\$ 0	\$ 74	\$ 74	\$ 74
<b>Total Special Education Cluster</b>						\$ 229,186	\$ 229,186	\$ 393,057	\$ 393,057	\$ 393,057
<b>PASSED THROUGH CAPITAL AREA INTERMEDIATE UNIT</b>										
ARRA, Race to the Top (Phase 3)	I	84.413A	4300400164	13-15	\$ 1,472	\$ 1,472	\$ 0	\$ 1,472	\$ 1,472	\$ 0
<b>Total U.S. Department of Education</b>						\$ 939,950	\$ 320,483	\$ 1,074,987	\$ 1,074,987	\$ 455,521
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>										
<b>PASSED THROUGH PA DEPT. OF PUBLIC WELFARE</b>										
Medical Assistance Program	I	93.778	N/A	14-15	\$ 13,558	\$ 10,985	\$ 0	\$ 13,558	\$ 13,558	\$ 2,573
Medical Assistance Program	I	93.778	N/A	13-14	\$ 30,839	\$ 12,042	\$ 12,042	\$ 0	\$ 0	\$ 0
<b>Total U.S. Department of Health and Human Services</b>						\$ 23,027	\$ 12,042	\$ 13,558	\$ 13,558	\$ 2,573
<b>U.S. DEPARTMENT OF AGRICULTURE</b>										
<b>CHILD NUTRITION CLUSTER</b>										
School Breakfast Program	I	10.553	365/367	14-15	N/A	\$ 81,194	\$ 0	\$ 81,194	\$ 81,194	\$ 0
National School Lunch Program	I	10.555	362	14-15	N/A	\$ 458,919	\$ 0	\$ 458,919	\$ 458,919	\$ 0
<b>PASSED THROUGH PA DEPT. OF AGRICULTURE</b>										
NSLP - Donated Commodities	I	10.555	N/A	14-15	N/A	\$ 71,028	\$ 0	\$ 71,028	\$ 71,028	\$ 0
<b>Total Child Nutrition Cluster</b>						\$ 611,141	\$ 0	\$ 611,141	\$ 611,141	\$ 0
<b>Total U.S. Department of Agriculture</b>						\$ 611,141	\$ 0	\$ 611,141	\$ 611,141	\$ 0
<b>TOTAL FEDERAL AWARDS</b>						\$ 1,574,118	\$ 332,525	\$ 1,699,686	\$ 1,699,686	\$ 458,094
<b>CERTAIN STATE GRANTS</b>										
Food Nutrition	S	N/A	510/511	14-15	N/A	\$ 38,451	\$ 0	\$ 38,451	\$ 38,451	\$ 0
<b>Total State Sources</b>						\$ 38,451	\$ 0	\$ 38,451	\$ 38,451	\$ 0
<b>Source Codes:</b>										
D - Direct Funding							\$ 1,699,686			
I - Indirect Funding							574,997			
S - State Share							557			
<b>Major Program Identification :</b>										
Total Federal Expenditures							\$ 1,699,686			
Programs Selected for Testing:										
Title I, Part A Cluster							574,997			
Rural and Low Income Schools							557			
							\$ 575,554 / \$ 1,699,686 = 33.86%			

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

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
NOTES TO SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS AND CERTAIN STATE GRANTS  
For The Year Ended June 30, 2015

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and certain state grants includes the federal grant activity of the Midd-West School District and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – UNEARNED REVENUES**

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

**NOTE C – MEDICAL ASSISTANCE – ACCESS REIMBURSEMENTS**

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

**NOTE D – PROGRAM DISCLOSURES**

*Title I, Part A Cluster*

- Title I grants under CFDA No. 84.010 are reported as the cluster program “Title I, Part A Cluster” in accordance with OMB Circular A-133 Compliance Supplement.

*Special Education Cluster*

- The Special Education – Grants to States Program (IDEA, Part B / CFDA No. 84.027) and Special Education – Preschool Grants Program (IDEA 619, Preschool / CFDA No. 84.173) are reported as the cluster program “Special Education Cluster” in accordance with OMB Circular A-133 Compliance Supplement.

*Child Nutrition Cluster*

- The School Breakfast Program (CFDA No. 10.553) and National School Lunch Programs (CFDA No.’s 10.555) are reported as the cluster program “Child Nutrition Cluster” in accordance with OMB Circular A-133 Compliance Supplement.
- Non-monetary assistance received from the U.S. Department of Agriculture is in the form of commodities. These commodities are reported in the schedule at the fair market value of the commodities received and disbursed under CFDA number 10.555 titled National School Lunch Program. Donated commodities are recognized as revenue when received and not deferred.
- State matching funds for the National School Lunch Program are included on the Schedule of Expenditure of Federal Awards and Certain State Grants at the request of the Pennsylvania Department of Education.

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

To The Members of the Board of Directors  
of the Midd-West School District  
Middleburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller general of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Midd-West School District, Middleburg, Pennsylvania as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Midd-West School District's basic financial statements, and have issued our report thereon dated February 2, 2016.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Midd-West School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002.

**Midd-West School District's Response to Findings**

Midd-West School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Midd-West School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Forgett & Kerstetter, P.C.*  
**FORGETT & KERSTETTER, P.C.**  
**Selinsgrove, Pennsylvania**  
**February 2, 2016**

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*Laura M. Kerstetter, CPA*

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE**  
**FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**  
**REQUIRED BY OMB CIRCULAR A-133**

To The Members of the Board of Directors  
of the Midd-West School District  
Middleburg, Pennsylvania

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

We have audited Midd-West School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Midd-West School District's major federal programs for the year ended June 30, 2015. Midd-West School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with 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 the Midd-West 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Midd-West School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Basis for Qualified Opinion on Rural and Low Income Schools**

As described in Findings 2015-001 and 2015-002 in the accompanying schedule of findings and questioned costs, the Midd-West School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2015-001	84.358	Rural and Low Income Schools	Period of Performance
2015-002	84.358	Rural and Low Income Schools	Reporting

Compliance with such requirements is necessary, in our opinion, for the Midd-West School District to comply with the requirements applicable to that program.

## Qualified Opinion on Rural and Low Income Schools

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph above, the Mid-West 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 Title I, Part A and Rural and Low Income Schools for the year ended June 30, 2015.

## Report on Internal Control over Compliance

Management of the Mid-West School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Mid-West 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Mid-West School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-003 to be a significant deficiency.

Mid-West School District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Mid-West School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Forgett & Kerstetter, P.C.*  
**FORGETT & KERSTETTER, P.C.**  
Selinsgrove, Pennsylvania  
February 2, 2016

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2015

**I. SUMMARY OF AUDITOR'S RESULTS:**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes

Major program identification:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I – Improving Basic Programs
84.358	Rural and Low Income Schools

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**II. FINANCIAL STATEMENT FINDINGS:**

None Reported

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2015

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:**

***Material Noncompliance with the Provisions of Laws, Regulations, Contracts, or Grant Agreements Related to Major Programs:***

U.S. DEPARTMENT OF EDUCATION, Passed Through PA Department of Education  
Rural and Low Income Schools: CFDA No. 84.358. Federal Award Year 2014-2015

**2015-001: Period of Performance: Rural and Low Income Schools – CFDA No. 84.358 (2014-2015)**

*Criteria:* Federal awards may specify a time period during which the grantees may use the federal funds. Where a funding period is specified, the grantee may charge to the award only costs resulting from obligations incurred during the funding period, and any pre-award costs authorized by the Federal awarding agency. The obligations must be liquidated (paid) during the allowable period of availability. (A-102 Common Rule, § 23; OMB Circular A-133, § 300 (c))

*Condition:* The school district obligated and liquidated federal funds for this federal program prior to the externally communicated beginning period of availability specified as part of the terms and conditions of the federal award contract. The school district was not authorized to charge any pre-award costs for the program.

*Cause:* The submission of the school district's grant application for this program was electronically signed and submitted on October 10, 2014. The grant was approved on February 27, 2015, and the district was notified on March 6, 2015 that funds may be obligated effective January 6, 2015 to September 30, 2015. The information specified on the grant agreements that program monies were not available to the school district until January 6, 2015 was not identified by the Superintendent or communicated to the staff members involved in the federal program administration.

*Effect:* Expenditures were obligated, liquidated, and charged to this federal program prior to the beginning allowable obligation date of January 6, 2015. Charging expenditures outside of the period of availability caused the quarterly financial reporting of reconciliations of cash on hand submitted to the Pennsylvania Department of Education (PDE) to be misstated for the quarter ending June 30, 2015 of the fiscal year. Corrections were made removing the expenditures charged prior to the allowable obligation date before the final expenditure report was filed for the federal program, so no questioned costs were incurred.

*Recommendation:* The district should modify, expand, and improve the processes in place that identify and communicate the information obtained for federal program activities from grant agreements. Copies of all federal award grant contracts should be made available to the appropriate staff involved with grant programs. The contracts should be reviewed in detail by, at the minimum, the Federal Programs Coordinator, Business Manager, and Superintendent to ensure that all regulations pertaining to the programs are identified, and any specific requirements related to the period of availability are observed for compliance.

*Grantee Response:* We agree. The district will make federal award contracts available to the appropriate staff involved with grant programs to be reviewed upon receipt. Information contained in the grant agreements will be communicated internally to ensure compliance with all regulations pertaining to the programs, and specific requirements related to the period of availability.

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2015

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued):**

***Material Noncompliance with the Provisions of Laws, Regulations, Contracts, or Grant Agreements Related to Major Programs:***

U.S. DEPARTMENT OF EDUCATION, Passed Through PA Department of Education  
Rural and Low Income Schools: CFDA No. 84.358. Federal Award Year 2014-2015

**2015-002: Reporting: Rural and Low Income Schools -- CFDA No. 84.358 (2014-2015)**

*Criteria:* Federal award financial reporting compliance requires that all applicable financial transactions incurred during the reporting period are included, that the information reported must be supported by the underlying accounting records, and that the financial reports must be fairly presented in accordance with program requirements. (A-102 Common Rule, §\_41; OMB Circular A-133, §\_300 (c))

*Condition:* An inaccurate quarterly financial report of reconciliation of cash on hand for the federal program was filed with PDE for the quarter ending June 30, 2015. Expenditures charged to the program before the award was made available on January 6, 2015 were included as cash disbursed on this quarterly reconciliation of cash on hand report.

*Cause:* As discussed above in Finding 2015-001, the school district obligated and liquidated federal funds awarded under the 2014-2015 Rural and Low Income Schools program prior to the externally communicated beginning period of availability specified as part of the terms and conditions of the award. As a result, the underlying accounting records contained overstated federal program expenditure information that was reported on the June 30, 2015 quarterly financial report of reconciliation of cash on hand submitted to PDE.

*Effect:* As the underlying accounting records contained federal expenditures incurred and paid before the grant awards were made available, the June 30, 2015 quarterly financial report of reconciliation of cash on hand for the program had overstatements of cash disbursements upon filing with PDE. Subsequent corrections were made to the accounting records removing the charges for expenditures incurred outside of the period of availability prior to the filing of the final expenditure report for the program, so no questioned costs have been incurred.

*Recommendation:* The district should modify, expand, and improve the processes in place that identify and communicate the information obtained for federal program activities from external sources. The district should also implement policies and procedures that include an independent review and approval of the quarterly financial reports prior to submission in order to help ensure compliance with reporting requirements.

*Grantee Response:* We agree. The district will make federal award contracts available to all appropriate staff involved with grant programs to improve our ability to identify and communicate the federal program grant requirements. We will also implement policies and procedures that include an independent review and approval of the quarterly financial reports prior to submission.

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2015

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued):**

***Significant Deficiency in Internal Control over Major Programs:***

U.S. DEPARTMENT OF EDUCATION, Passed Through PA Department of Education  
Rural and Low Income Schools: CFDA No. 84.358. Federal Award Year 2014-2015

**2015-003: Information and Communication: Rural and Low Income Schools – CFDA No. 84.358 (2014-2015)**

*Criteria:* The organization is required to design and operate an effective internal control system to ensure the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Information and communication is one of the five essential components of an effective internal control system which supports the district's objectives relevant to identifying grant requirements as well as the internal and external reporting of financial information. Management obtains and uses relevant information from both external and internal sources to support federal program compliance objectives. Effective communication enables management to receive and disseminate relevant external information, and to provide accurate information to external parties in response to compliance requirements. (A-102 Common Rule, §\_20; OMB Circular A-133, §\_300 (b))

*Condition:* Finding 2015-001 reports that the district did not identify and internally communicate the information contained in the 2014-2015 grant agreement for Rural and Low Income Schools regarding the period of availability of these federal funds. Finding 2015-002 reports that the June 30, 2015 quarterly reconciliation of cash on hand financial report that was prepared from these underlying accounting records and externally filed with PDE reported overstated amounts for cash disbursements.

*Cause:* The school district did not maintain an adequate system of internal controls over information and communication to ensure compliance with the period of performance and reporting requirements for federal grant programs.

*Effect:* The district did not comply with the period of performance and reporting compliance requirements of Rural and Low Income Schools for the 2014-2015 award. As corrections to the accounting records were made prior to the filing of the final expenditure report for the grant program, no questioned costs were incurred.

*Recommendation:* The district should modify, expand, and improve the system of internal controls over information and communication for its federal awards programs. The development of a better system that internally communicates information will support the functioning of other internal control activities over period of performance requirements. Independent reviews of quarterly financial reporting will help prevent any errors in financial reporting.

*Grantee Response:* We agree. The district will make federal award contracts available to all staff involved with grant programs in order to expand and improve our ability to identify and communicate the federal program grant requirements. Our internal control system will be modified, expanded, and improved to identify specific information in federal grant agreements and provide oversight over the financial reporting process.

MIDD-WEST SCHOOL DISTRICT  
MIDDLEBURG, PENNSYLVANIA  
LIST OF REPORT DISTRIBUTION  
For The Year Ended June 30, 2015

<u>REPORT</u>	<u>TO WHOM DISTRIBUTED</u>	<u># OF COPIES</u>
Audit Report	Prothonotary Office - Snyder County Courthouse Middleburg, PA 17842	1
Audit Report	Sun Area Technical Institute 815 E. Market Street 21 <sup>st</sup> Century Drive New Berlin, PA 17855	1
Audit Report	Central Susquehanna Intermediate Unit #16 90 Lawton Lane Milton, PA 17847	1
Audit Report	Midd-West School District 568 East Main Street Middleburg, PA 17842-1295	15
Audit Report	Bureau of Audits Electronic Submission <a href="mailto:RA-BOASingleAudit@state.pa.us">RA-BOASingleAudit@state.pa.us</a>	1
Audit Report Data Collection Form	Federal Audit Clearinghouse Bureau of Census Electronic Submission	1

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**APPENDIX D**

**Proposed Form of  
Opinion of Bond Counsel**

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**MIDD-WEST SCHOOL DISTRICT  
GENERAL OBLIGATION BONDS, SERIES B OF 2016**

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**OPINION**

We have acted as Bond Counsel in connection with the issuance by Mid-West School District, Snyder County, Pennsylvania (the "School District"), of the \$9,965,000 General Obligation Bonds, Series B of 2016 dated November 15, 2016 (the "Bonds").

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are issued in accordance and in compliance with the provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996 (53 Pa. Cons. Stat. Chs. 80-82), ("the Act"), without the assent of the electors, and pursuant to a resolution adopted by the Board of School Directors of the School District on August 22, 2016.

2. The Bonds are a valid and binding obligation of the School District.

3. The School District has established with the Paying Agent, as Sinking Fund Depository, a sinking fund in which it has covenanted to deposit amounts sufficient to pay the principal of and interest on the Bonds as the same become due and payable and, to the extent required, to apply such amounts to such purposes.

4. The School District has further covenanted that, subject to statutory restrictions and limitations, it will include in its budget for each fiscal year in which the Bonds are outstanding, and will appropriate in each such fiscal year, the amount of the debt service on the Bonds for such year, that it will duly and punctually pay or cause to be paid, the principal of and interest on the Bonds at the dates and place and in the manner stated on the Bonds; and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power. For purposes of such payments, the School District has covenanted that it will exercise its ad valorem taxing power, within limitations provided by law, upon all taxable property within the School District. The Bonds are additionally secured by the "state aid intercept" provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.

5. The Bonds are "qualified tax-exempt obligations" as defined in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the "Code"), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80 percent of the portion of such financial institutions' interest expense allocable to interest on the Bonds. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Code, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that the Bonds continues to constitute qualified tax exempt obligations for purposes of Section 265(b)(3) of the Code. Failure to comply with such requirements may cause the Bonds to cease to

constitute qualified tax exempt obligations, with the result that the Bonds would have to be taken into account by financial institutions (as defined in Section 265(b)(5) of the Code) for purposes of determining the allocation of interest expense to tax-exempt interest under Sections 265(b)(1) and (2) of the Code retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

7. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds and the interest thereon will be free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of certain government obligations, including the Bonds, may be subject to state and local taxation within the Commonwealth of Pennsylvania.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Very truly yours,

Kegel Kelin Almy & Lord LLP

November 15, 2016

**APPENDIX E**

**Proposed Form of  
Continuing Disclosure Agreement**

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**MIDD-WEST SCHOOL DISTRICT  
SNYDER COUNTY, PENNSYLVANIA**

**\$9,965,000 GENERAL OBLIGATION BONDS, SERIES B OF 2016  
DATED, ISSUED AND DELIVERED NOVEMBER 15, 2016**

**CONTINUING DISCLOSURE AGREEMENT**

This agreement (the "Agreement") is executed as one of the closing documents for the \$9,965,000 General Obligation Bonds, Series B of 2016 (the "Bonds") in accordance with the provisions of Rule 15c2-12, as amended (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934.

The undersigned are officers of the Board of School Directors of Mid-West School District (the "School District"), a Pennsylvania governmental unit, and hereby certify on behalf of the School District as follows:

**Section 1. Undertaking to file current information with MSRB.** The School District agrees, in accordance with the Rule, to provide or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB") as designated by the Commission in accordance with the Rule, and to the Bond Insurer defined in Section 9 hereof, the following annual financial information and operating data commencing with the fiscal year ended June 30, 2017:

a. A copy of its budget and audited financial statements, prepared in accordance with the guidelines adopted by the Governmental Accounting Standard Board and the American Institute of Certified Public Accountants' Audit Guide, Audits of State and Local Government, containing the:

- (i) Combined balance sheet of all fund types and account groups; and
- (ii) Combined statement of revenues, expenditures and changes in fund balances - all governmental fund types and expendable trust funds.

b. An update of the following information under the heading Tax Revenues of the School District provided in Appendix A of the Official Statement for the Bonds dated October 25, 2016:

- (i) Ten Largest Real Property Taxpayers;
- (ii) Trends in Assessed Valuation; and
- (iii) Tax Collection Record.

**Section 2. Modification of types of information and format of information permitted.**

The School District reserves the right to modify from time to time the specific types of information provided, the time period within which the information must be filed, the format of the presentation of such information, or any other requirements hereunder, in its sole discretion, so long as such modification or amendment would have been allowed under the Rule at the time of the undertaking. Any such modification will be done in a manner consistent with the Rule at the time of the undertaking, and will not substantially impair the interest of the holders of the Bonds.

**Section 3. Time period within which annual information must be filed.** The annual information and operating data described above in Section 1 must be provided within 270 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2017. Such information shall be made available, in addition to the MSRB, to the Paying Agent for the Bonds and to each holder of Bonds who makes request for such information. In the event that no such audited financial statement is available within 270 days of the close of the fiscal year, the School District shall provide an unaudited statement, and shall thereafter provide an audited financial statement for the same period as soon as available. Upon receipt of the audited financial statement, the School District will promptly file it.

**Section 4. Notice of failure to comply with annual information updates.** The School District agrees to provide or cause to be provided, in a timely manner, to the Paying Agent for the Bonds, and to the MSRB, notice of a failure by the School District to provide the annual financial information described in Section 1 above on or prior to the date set forth in Section 3 above.

**Section 5. Event disclosure.** The School District agrees to provide or cause to be provided to the MSRB, in a timely manner, not to exceed ten (10) days after occurrence, notice of the occurrence of any of the following events with respect to the Bonds:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, if material;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of any credit or liquidity providers, or their failure to perform;
- f. Adverse tax opinions, IRS notices or material events affecting the tax status of the Bonds;
- g. Modifications to rights of holders of the Bonds, if material;
- h. Bond calls, if material, and tender offers;
- i. Defeasances;

j. Release, substitution, or sale of property securing repayment of the Bonds, if material;

k. Rating changes;

l. Bankruptcy, insolvency, receivership or similar event of the School District (which is considered to occur when any of the following occur: appointment of a receiver, fiscal agent or similar officer for the School District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the School District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of any order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the School District);

m. Merger, consolidation or acquisition involving the School District, if material; or

n. Appointment of successor or additional trustee or the change of name of a trustee, if material.

The School District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the School District, such other event is material with respect to the Bonds, but the School District does not commit to provide any such notice of the occurrence of any material event except those events listed above.

**Section 6. Termination of reporting obligation.** The School District's obligations under this Agreement shall terminate upon the redemption or payment in full of all of the Bonds.

**Section 7. Enforcement.** The School District agrees that its undertakings pursuant to this Agreement are intended to be for the benefit of the holders of the Bonds (including beneficial owners thereof) and shall be enforceable by the holders of the Bonds or the Paying Agent for the Bonds on behalf of such holders; provided that the holders of the Bonds, or in lieu thereof, the Paying Agent's right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the School District's obligations hereunder, and any failure by the School District to comply with the provisions of this undertaking shall not be an event of default, with respect to the Bonds.

**Section 8. Amendment; waiver.** Notwithstanding any other provision of this Agreement, the School District may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of Bond Counsel, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

IN WITNESS WHEREOF, the undersigned officers of the School District, being duly authorized, have executed this certificate in the name of and on behalf of the School District and in our own names and on our own behalf, the day and year of the issuance and delivery of the Bonds set forth above.

**MIDD-WEST SCHOOL DISTRICT**

By: \_\_\_\_\_  
President

Attest: \_\_\_\_\_  
Secretary

(SEAL)

**APPENDIX F**

**Bond Amortization Schedule**

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**\$9,965,000**  
**MIDD-WEST SCHOOL DISTRICT**  
**(Snyder County, Pennsylvania)**  
**General Obligation Bonds, Series B of 2016**

**Bonds Dated:** Date of Delivery  
**Principal Due:** May 1, as shown below  
**Denominations:** Integral multiples of \$5,000

**Interest Payable:** May 1 and November 1  
**First Interest Payment:** May 1, 2017  
**Form:** Book-Entry Only

<u>Payment Date</u>	<u>Principal Due</u>	<u>Interest Rate</u>	<u>Interest Payment</u>	<u>Semiannual Debt Service</u>	<u>Fiscal Year Ended June 30</u>	<u>Fiscal Year Debt Service</u>
May 1, 2017			\$ 111,756.04	\$ 111,756.04	2017	\$ 111,756.04
November 1, 2017			121,181.25	121,181.25		
May 1, 2018	\$ 5,000	1.050%	121,181.25	126,181.25	2018	247,362.50
November 1, 2018			121,155.00	121,155.00		
May 1, 2019	5,000	1.250	121,155.00	126,155.00	2019	247,310.00
November 1, 2019			121,123.75	121,123.75		
May 1, 2020	5,000	1.400	121,123.75	126,123.75	2020	247,247.50
November 1, 2020			121,088.75	121,088.75		
May 1, 2021	15,000	1.600	121,088.75	136,088.75	2021	257,177.50
November 1, 2021			120,968.75	120,968.75		
May 1, 2022	190,000	2.000	120,968.75	310,968.75	2022	431,937.50
November 1, 2022			119,068.75	119,068.75		
May 1, 2023	190,000	2.000	119,068.75	309,068.75	2023	428,137.50
November 1, 2023			117,168.75	117,168.75		
May 1, 2024	200,000	2.000	117,168.75	317,168.75	2024	434,337.50
November 1, 2024			115,168.75	115,168.75		
May 1, 2025	195,000	2.150	115,168.75	310,168.75	2025	425,337.50
November 1, 2025			113,072.50	113,072.50		
May 1, 2026	205,000	2.150	113,072.50	318,072.50	2026	431,145.00
November 1, 2026			110,868.75	110,868.75		
May 1, 2027	1,745,000	2.350	110,868.75	1,855,868.75	2027	1,966,737.50
November 1, 2027			90,365.00	90,365.00		
May 1, 2028	3,565,000	2.450	90,365.00	3,655,365.00	2028	3,745,730.00
November 1, 2028			46,693.75	46,693.75		
May 1, 2029	3,205,000	2.550	46,693.75	3,251,693.75	2029	3,298,387.50
November 1, 2029			5,830.00	5,830.00		
May 1, 2030	440,000	2.650	5,830.00	445,830.00	2030	451,660.00
<b>Total</b>	<b>\$ 9,965,000</b>		<b>\$ 2,759,263.54</b>	<b>\$ 12,724,263.54</b>		<b>\$ 12,724,263.54</b>

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