

***MIFFLINBURG AREA SCHOOL DISTRICT***  
***MIFFLINBURG, PENNSYLVANIA***  
***FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT***  
***For the year ended June 30, 2014***

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
For The Year Ended June 30, 2014

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MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
For The Year Ended June 30, 2014

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***INDEPENDENT AUDITOR'S REPORT***

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mifflinburg Area School District, Mifflinburg, Pennsylvania as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Mifflinburg Area School District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Mifflinburg Area School District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for postemployment benefits other than pensions on pages MD&A IV-X, 31 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mifflinburg Area School District's basic financial statements. The schedule of expenditures of federal and state awards 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 and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial 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 and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 25, 2014 on our consideration of the Mifflinburg Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mifflinburg Area School District's internal control over financial reporting and compliance.

*Forgett & Kerstetter, P.C.*

FORGETT & KERSTETTER, P.C.

Selinsgrove, Pennsylvania

November 25, 2014

**REQUIRED SUPPLEMENTARY INFORMATION**

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

# Mifflinburg Area School District Management Discussion and Analysis for the Fiscal Year Ended June 30, 2014

(Unaudited)

The *Management, Discussion, and Analysis* (MD&A) of the Mifflinburg Area School District's financial performance provides an overall review of the School District's financial activities for the fiscal year that ended June 30, 2014. The purpose of the MD&A is to provide reader friendly insight into management's analysis of the audit. This MD&A looks at the District's financial performance as a whole, although readers should review the independent Auditor's transmittal letter and notes to the financial statements to augment their understanding of the District's financial performance.

## Background

The Mifflinburg Area School District's financial statements are required to meet the GASB 34 Accounting Standards. Where previous standards (pre GASB 34) required modified accrual (no receivables/accruals beyond 60 days), no capital asset depreciation and no reports of combined net position, GASB 34 requires fixed asset accounting, properly combining of multiple funds, and the realization of the depreciation expense as part of the Statement of Net Position and Statement of Activities. A condensed comparative analysis of financial statements to the previous year will be required and included under GASB 34 reporting requirements.

The various statements required under GASB 34 are:

### Government-Wide Financial Statements:

- ◆ Statement of Net Position
- ◆ Statement of Activities

### Fund Level Financial Statements:

- ◆ Balance Sheet of Governmental Funds
- ◆ Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
- ◆ Statement of Revenues, Expenditures, and Changes in Fund Balances
- ◆ Reconciliation of Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
- ◆ Statement of Revenues, Expenditures and Changes in Fund equity – Budget vs. Actual – General Fund

Figure A-1

### Organization of Mifflinburg Area School District Annual Financial Report

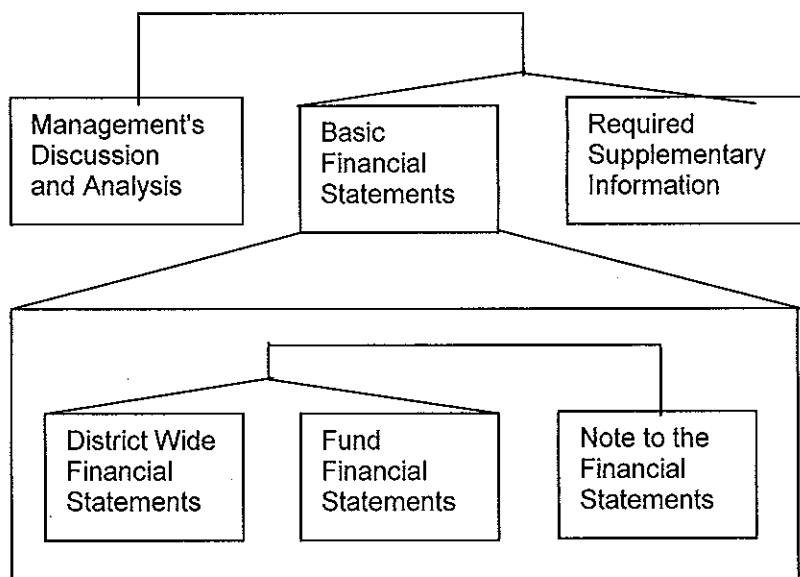




Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

**Figure A-2**

**Major Features of the District-Wide and Fund Financial Statements**

	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except, fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>Statement of net position</li> <li>Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance sheet</li> <li>Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of net position</li> <li>Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>Statement of fiduciary net position</li> <li>Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ Liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Government-Wide Financial Statements**

Government-wide financial statements present the financial position and changes in position for each fiscal year. The statements are prepared utilizing the accrual basis of accounting. The statements include both current and non-current assets and liabilities. The statements present information in two general categories:

**Governmental Activities-** All of the District's basic services are included under this category including instruction, administration, maintenance of facilities, transportation and student activities.

**Business-type Activities-** This category includes the District's food service operations including the charges for the services and the related costs of providing those services.

The Statement of Net Position provides a consolidation of all governmental funds into one statement of activities with current and non-current assets, current and non-current liabilities, and displays the total net position of all governmental funds properly reconciled. It also provides the same for those Business Activities run by the district. In the Mifflinburg Area School District only the Food Service Fund is structured as a business activity, subject to a business activity classification.

The Statement of Activities intends to display expenses net of program revenues and classifies revenues into the two general categories of program and general operating revenue. It identifies program revenue as charges, operating grants, capital grants, and then allocates them to specific expense categories where appropriate.

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position reconciles the Governmental Funds Balance Sheet to the Combined Balance Sheet for Governmental and Business Activities. This is accomplished by outlining the accounting changes necessary to properly record consolidation of funds and present the entity-wide statements using the full accrual method of accounting.

The Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities reconcile the change in fund balances of the governmental funds to the change in net position of all governmental activities.

The district has three kinds of funds:

- *Governmental Funds:* Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are fewer financial resources that can be spent in the near future to finance the district's programs
- *Proprietary Funds:* Services for which the district charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The district's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information.
- *Fiduciary Funds:* The district is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities fund. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

### **Financial Highlights**

- Total General Fund Revenues were \$26,832,850
- Total General Fund Expenditures were \$26,182,340
- Total Revenues exceeded total Expenditures by \$650,510
- Total General Fund transfers to Capital Reserve totaled \$200,000
- Total General Fund Balance increased by \$476,879
- The districts' food service program had Operating revenue of \$397,689, Non-operating revenues of \$607,600 and total expenses of \$1,002,661. Change in net position \$2,628.

- Total net position of Governmental Activities of \$10,508,560
- Negative change in Net Position of Governmental Activities of \$1,173,751
- Total fund balance of General Fund equaled \$ 4,975,328
- *Unassigned* general fund balance equaled \$ 715,328.
- Total fund balance of Capital Projects Fund equaled \$ 257,950

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

**Net Position** - On June 30, 2014, the District had total net position from governmental activities of \$ 10,508,560 (Table 1)

Table 1 summarizes the assets, liabilities, and net position of the District at June 30, 2014.

**Table 1**  
**Net Position As of June 30, 2014 - (Government-Wide)**

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
<b>Assets</b>						
Current & Other Assets	\$7,504,020	\$7,863,550	\$134,580	\$151,381	\$7,638,600	\$8,014,931
Capital Assets	<u>\$33,131,999</u>	<u>\$30,815,906</u>	<u>\$168,232</u>	<u>\$158,858</u>	<u>\$33,300,231</u>	<u>\$30,974,764</u>
Total Assets	<u>\$40,636,019</u>	<u>\$38,679,456</u>	<u>\$302,812</u>	<u>\$310,239</u>	<u>\$40,938,831</u>	<u>\$38,989,695</u>
<b>Liabilities</b>						
Current Liabilities	\$2,990,307	\$2,837,253	\$6,716	\$13,394	\$2,997,023	\$2,850,647
Long-Term Liabilities	<u>\$25,963,401</u>	<u>\$25,333,643</u>	<u>\$0</u>	<u>\$0</u>	<u>\$25,963,401</u>	<u>\$25,333,643</u>
Total Liabilities	<u>\$28,953,708</u>	<u>\$28,170,896</u>	<u>\$6,716</u>	<u>\$13,394</u>	<u>\$28,960,424</u>	<u>\$28,184,290</u>
<b>Net Position</b>						
Net Investment in Capital Assets	\$6,876,999	\$5,195,906	\$168,232	\$158,858	\$7,045,231	\$5,354,764
Restricted	\$0	\$0	\$0	\$0	\$0	\$0
Unrestricted	<u>\$4,805,312</u>	<u>\$5,312,654</u>	<u>\$127,864</u>	<u>\$137,987</u>	<u>\$4,933,176</u>	<u>\$5,450,641</u>
Total Net Position	<u>\$11,682,311</u>	<u>\$10,508,560</u>	<u>\$296,096</u>	<u>\$296,845</u>	<u>\$11,978,407</u>	<u>\$10,805,405</u>

**Balance Sheet/Fund Balances** – Total fund equity of Governmental funds equaled \$5,233,278. These balances consist of:

- ◆ General Fund - fund equity equaled \$ 4,975,328
- ◆ Capital Projects – fund equity equaled \$ 257,950

The District is designating an allocation from the fund balance to be used in future budgets to offset the expenses for: PSERS, OPEB, Capital Purposes, and Inventory. approx.- \$ 4.2 million

(Table 2) summarizes the revenues, expenses, and changes in net position of the District for the year ended June 30, 2014.

**Table 2**  
**Changes in Net Position**  
**For the Year Ended June 30, 2014**  
**(Government-wide)**

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
<b>Program Revenues:</b>						
Charges for services	79,400	136,780	436,330	394,422	515,730	538,472
Operating grants and contributions	4,981,920	5,183,842	571,589	594,678	5,553,509	5,778,520
Capital grants and contributions	0	0	0	0	0	0
					0	0
<b>General Revenues:</b>					0	0
Property taxes	8,428,066	8,846,250			8,428,066	8,846,250
Taxes levied for specific purposes	4,506,424	4,454,570			4,506,424	4,454,570
Grants and entitlements	7,948,165	8,095,274			7,948,165	8,095,274
Investment earnings	60,112	28,577	45	53	60,157	28,630
Other	637,399	63,256	-691	16,137	636,708	66,524
Disposal of Capital Assets		-178,769				
<b>Total Revenues</b>	<b>26,641,486</b>	<b>26,629,780</b>	<b>1,007,273</b>	<b>1,005,290</b>	<b>27,648,759</b>	<b>27,808,240</b>
<b>Program Expenses:</b>						
Instruction	16,266,415	17,703,880			16,266,415	17,703,880
Instructional Student Support	2,130,267	2,524,867			2,130,267	2,524,867
Admin and Financial Support Svcs.	1,828,594	2,041,134			1,828,594	2,041,134
Operation and Maintenance	2,150,576	2,438,744			2,150,576	2,438,744
Pupil Transportation	1,584,732	1,533,728			1,584,732	1,533,728
Student Activities	460,008	527,519			460,008	527,519
Community Services	1,680	11,908			1,680	11,908
Facilities Improvements	0	30,379			0	30,379
Refund of Prior Year Receipts	0	0			0	0
Interest and Fiscal Charges	1,015,970	991,372			1,015,970	991,372
Food Service			964,971	1,002,661	964,971	992,978
<b>Total Expenses</b>	<b>25,438,242</b>	<b>27,803,531</b>	<b>964,971</b>	<b>1,002,661</b>	<b>26,403,213</b>	<b>28,796,509</b>
<b>Change in Net Position</b>	<b>1,203,244</b>	<b>-1,173,751</b>	<b>42,302</b>	<b>2,628</b>	<b>1,245,546</b>	<b>-988,269</b>

### General Fund Budgetary Variances

- ♦ **REVENUES** – Overall, Total General Fund Revenues were greater than projected by \$ 545,290
  - Estimated Revenue differed in the following areas:
    - Local revenues** – Greater than projection by \$541,672. The variance was mainly due to better than expected current year earned income tax collection and delinquent tax collection.
    - State Revenues** – Less than projection by \$54,180. The variance was mainly due to receiving less for Special Education Subsidy than projected and less from construction reimbursement.
    - Federal Revenues** – Greater than projection by \$57,798. The variance was mainly due to a slight increase in Medical Assistance reimbursement.
- ♦ **Other Financing Sources** – Greater than projected by \$26,368. The variance was due to the sale of unused district buses.

**EXPENDITURES** - Total General Fund Budgeted Expenditures were \$26,782,850. This budget was approximately six hundred thousand dollars more than the previous years budget. The increase was mainly due to the escalating PSERS funding requirement. The increase in the retirement funding percentage increased the district expense by approximately five hundred thousand dollars alone. Overall budgeted expenditures resulted in a \$400,510 surplus budget to actual. The district realized attritional savings and operational savings, as well as, staff resignations and retirements of other staff, those were not replaced. Also, other programmatic changes resulted in other savings budgeted to actual. The district facilities have also contributed to some savings. The better efficiency in HVAC systems renovations has resulted in lower than projected maintenance and prevented maintenance costs.

### **Future Plans**

The District will continue to focus its attention on existing facilities and buildings to create a better efficient and cost effective learning environment for its students. The district approved a preliminary study and submitted a project to the Department of Education to renovate the Mifflinburg Middle School. Due to a shortage of capital reserve dollars, the district needs to look for alternative financing options. One option the district could choose would be a renovations project financed by a bond issue with a Dept of Education approval. Another option could be that the district partners with an Energy Savings Company. An Energy Savings Company will try to achieve the districts goals through a Performance Contract. The performance contract will be financed through the savings of the districts energy expenses.

### **Summary**

The district will face many financial challenges in the upcoming school year, as well as into the future.

The passage of Act 1, The Tax Payer Relief Act will continue to greatly limit school districts ability to raise taxes to generate the revenue to fund its educational programs. Any increases in Real Estate taxes the administration sees necessary, will be based upon an index that is provided by the Dept of Education. The index is currently showing a slight increase. However, a full index increase only provides the district with an approximate \$260,000 increase to its local revenue.

The Funding of the Commonwealth Retirement system (PSERS) shows a steep incline in the funding percentage that school districts are mandated to contribute. The funding percentage is set by the legislature and mandates school districts to contribute to the plan based on actual annual salaries and wages paid to employees who are eligible to participate. The funding level is currently at 17% and is projected to increase to over 30% in just the next few years.

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

Due to anticipated future budget shortfalls and the districts inability to generate additional local revenue, the district may be forced to restructure its curriculum in order to reduce operating costs. The district has already made significant cuts in programs and staffing in an attempt to balance its budget. The district has had to utilize fund balance reserves for the past three years in order to balance budgets. Although this trend is not advisable it seems inevitable. The district is undoubtedly likely to see more programmatic changes and reductions in staffing in the years to come.

## **Contacting the District Financial Management**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Thomas R. Caruso, Business Administrator, Mifflinburg Area School District, 178 Maple Street, Mifflinburg, PA 17844.

**BASIC  
FINANCIAL STATEMENTS**

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
STATEMENT OF NET POSITION  
June 30, 2014

<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	\$ 6,095,190	\$ 121,046	\$ 6,216,236
Investments	572,847	0	572,847
Taxes Receivable, Net	508,209	0	508,209
Due From Other Governments	641,170	0	641,170
Other Receivables	6,134	4,189	10,323
Inventories	40,000	26,146	66,146
<b>Total Current Assets</b>	<b>7,863,550</b>	<b>151,381</b>	<b>8,014,931</b>
<b>Noncurrent Assets</b>			
<b>Capital Assets, Net of Accumulated Depreciation</b>			
Land and Site Improvements	1,188,161	0	1,188,161
Building and Building Improvements	28,830,576	0	28,830,576
Furniture and Equipment	797,169	158,858	956,027
<b>Total Noncurrent Assets</b>	<b>30,815,906</b>	<b>158,858</b>	<b>30,974,764</b>
<b>TOTAL ASSETS</b>	<b>\$ 38,679,456</b>	<b>\$ 310,239</b>	<b>\$ 38,989,695</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 127,009	\$ 0	\$ 127,009
Current Portion of Long-Term Debt	650,000	0	650,000
Accrued Salaries and Benefits	1,934,071	0	1,934,071
Payroll Withholdings and Deductions	61,055	0	61,055
Other Current Liabilities	65,190	0	65,190
Unearned Revenue	0	13,322	13,322
Internal Balances	(72)	72	0
<b>Total Current Liabilities</b>	<b>2,837,253</b>	<b>13,394</b>	<b>2,850,647</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences	182,487	0	182,487
Other Postemployment Benefits (OPEB)	181,156	0	181,156
Bonds Payable	24,970,000	0	24,970,000
<b>Total Noncurrent Liabilities</b>	<b>25,333,643</b>	<b>0</b>	<b>25,333,643</b>
<b>TOTAL LIABILITIES</b>	<b>28,170,896</b>	<b>13,394</b>	<b>28,184,290</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,195,906	158,858	5,354,764
Restricted	0	0	0
Unrestricted	5,312,654	137,987	5,450,641
<b>TOTAL NET POSITION</b>	<b>10,508,560</b>	<b>296,845</b>	<b>10,805,405</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 38,679,456</b>	<b>\$ 310,239</b>	<b>\$ 38,989,695</b>

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



MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2014

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	\$ 17,703,880	\$ 8,710	\$ 3,733,618	\$ 0	\$ (13,961,552)	\$ 0	\$ (13,961,552)
Instructional Student Support	2,524,867	0	192,723	0	(2,332,144)	0	(2,332,144)
Administrative and Financial Support Services	2,041,134	0	122,653	0	(1,918,481)	0	(1,918,481)
Operation and Maintenance of Plant Services	2,469,123	27,211	146,054	0	(2,295,858)	0	(2,295,858)
Pupil Transportation	1,533,728	15,570	752,429	0	(765,729)	0	(765,729)
Student Activities	527,519	85,289	31,699	0	(410,531)	0	(410,531)
Community Services	11,908	0	716	0	(11,192)	0	(11,192)
Interest and Fiscal Charges	991,372	0	203,951	0	(787,421)	0	(787,421)
<b>Total Governmental Activities</b>	<b>\$ 27,803,531</b>	<b>\$ 136,780</b>	<b>\$ 5,183,843</b>	<b>\$ 0</b>	<b>\$ (22,482,908)</b>	<b>\$ 0</b>	<b>\$ (22,482,908)</b>
<b>Business-type activities:</b>							
Food Service	1,002,661	394,422	594,678	0	0	(13,561)	(13,561)
<b>Total primary government</b>	<b>\$ 28,806,192</b>	<b>\$ 531,202</b>	<b>\$ 5,778,521</b>	<b>\$ 0</b>	<b>\$ (22,482,908)</b>	<b>\$ (13,561)</b>	<b>\$ (22,496,469)</b>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purposes, net		\$ 8,846,250			\$ 8,846,250	\$ 0	\$ 8,846,250
Other taxes levied for general purposes		4,454,570			4,454,570	0	4,454,570
Grants, subsidies, & contributions not restricted		8,095,274			8,095,274	0	8,095,274
Investment Earnings		28,577			28,577	53	28,630
Miscellaneous Income		63,255			63,255	16,136	79,391
Disposal of Capital Assets		(178,769)			(178,769)	0	(178,769)
<b>Total general revenues, special items, extraordinary items and transfers</b>		<b>21,309,157</b>			<b>21,309,157</b>	<b>16,189</b>	<b>21,325,346</b>
<b>Change in Net Position</b>		<b>(1,173,751)</b>			<b>(1,173,751)</b>	<b>2,628</b>	<b>(1,171,123)</b>
<b>Net Position July 1, 2013</b>		<b>11,682,311</b>			<b>11,682,311</b>	<b>296,096</b>	<b>11,978,407</b>
<b>Net Unearned Revenue Adjustment</b>		<b>0</b>			<b>0</b>	<b>(1,879)</b>	<b>(1,879)</b>
<b>Net Position - July 1, 2013 (as restated)</b>		<b>11,682,311</b>			<b>11,682,311</b>	<b>294,217</b>	<b>11,976,528</b>
<b>Net Position - June 30, 2014</b>		<b>\$ 10,508,560</b>			<b>\$ 10,508,560</b>	<b>\$ 296,845</b>	<b>\$ 10,805,405</b>

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

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,837,240	\$ 257,950	\$ 6,095,190
Investments	572,847	0	572,847
Taxes Receivable, Net	508,209	0	508,209
Due From Other Funds	72	0	72
Due From Other Governments	641,170	0	641,170
Other Receivables	6,134	0	6,134
Inventories	40,000	0	40,000
<b>TOTAL ASSETS</b>	<u>\$ 7,605,672</u>	<u>\$ 257,950</u>	<u>\$ 7,863,622</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 127,009	\$ 0	\$ 127,009
Accrued Salaries and Benefits	1,934,071	0	1,934,071
Payroll Withholdings and Deductions	61,055	0	61,055
<b>TOTAL LIABILITIES</b>	<u>2,122,135</u>	<u>0</u>	<u>2,122,135</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenues - Delinquent Taxes	508,209	0	508,209
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>508,209</u>	<u>0</u>	<u>508,209</u>
<b>FUND BALANCES</b>			
Nonspendable	40,000	0	40,000
Committed For:			
Capital Purposes	1,300,000	0	1,300,000
Future Pension Costs	1,420,000	0	1,420,000
Other Postemployment Benefits	1,500,000	0	1,500,000
Assigned For:			
Capital Reserve	0	257,950	257,950
Unassigned	715,328	0	715,328
<b>TOTAL FUND BALANCES</b>	<u>4,975,328</u>	<u>257,950</u>	<u>5,233,278</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 7,605,672</u>	<u>\$ 257,950</u>	<u>\$ 7,863,622</u>

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

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
For The Year Ended June 30, 2014

Total Fund Balances - Governmental Funds \$ 5,233,278

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$ 53,592,919 and the accumulated depreciation is \$ 22,777,013. 30,815,906

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are classified as a deferred inflow of resources. 508,209

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

Bonds/Notes payable	\$	(25,620,000)	
Accrued interest on bonds/notes	\$	(65,190)	
Other Postemployment Benefits	\$	(181,156)	
Compensated Absences	\$	<u>(182,487)</u>	<u>(26,048,833)</u>

Total Net Position - Governmental Funds \$ 10,508,560

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

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2014

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>			
Local Sources	\$ 13,920,861	\$ 9	\$ 13,920,870
State Sources	12,199,191	0	12,199,191
Federal Sources	<u>712,798</u>	<u>0</u>	<u>712,798</u>
<b>TOTAL REVENUES</b>	<u>26,832,850</u>	<u>9</u>	<u>26,832,859</u>
<b>EXPENDITURES</b>			
Instruction	16,170,293	0	16,170,293
Support Services	7,903,676	0	7,903,676
Noninstructional Services	480,395	12,869	493,264
Facilities Acquisition, Construction and Improvement Services	0	87,365	87,365
Debt Service/Refund of Prior Year Receipts	<u>1,627,976</u>	<u>0</u>	<u>1,627,976</u>
<b>TOTAL EXPENDITURES</b>	<u>26,182,340</u>	<u>100,234</u>	<u>26,282,574</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	650,510	(100,225)	550,285
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale/Compensation for Fixed Assets	26,369	0	26,369
Interfund Transfers	<u>(200,000)</u>	<u>200,000</u>	<u>0</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(173,631)</u>	<u>200,000</u>	<u>26,369</u>
<b>Net Change in Fund Balances</b>	476,879	99,775	576,654
<b>Fund Balance - July 1, 2013</b>	<u>4,498,449</u>	<u>158,175</u>	<u>4,656,624</u>
<b>Fund Balance - June 30, 2014</b>	<u>\$ 4,975,328</u>	<u>\$ 257,950</u>	<u>\$ 5,233,278</u>

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

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2014

**Net Change in Fund Balances - Total Governmental Funds** **\$ 576,654**

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

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

Depreciation	\$ (2,194,310)	
Capital outlays	\$ 56,986	
Disposal of Capital Assets	\$ <u>(178,769)</u>	(2,316,093)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. (50,674)

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. Accrued interest decreased by this amount this year. 1,604

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

Repayment of Debt Principal	\$ 635,000	
Increase in Other Postemployment Benefits	\$ (5,723)	
Increase in Compensated Absences	\$ <u>(14,519)</u>	<u>614,758</u>

**Change in Net Position of Governmental Activities** **\$ (1,173,751)**

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

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2014

	<u>ENTERPRISE FUND</u>
	<u>FOOD SERVICE</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 121,046
Other Receivables	4,189
Inventories	<u>26,146</u>
<b>Total Current Assets</b>	<u>151,381</u>
<b>Noncurrent Assets</b>	
Capital Assets, Net of Accumulated Depreciation	<u>158,858</u>
<b>Total Noncurrent Assets</b>	<u>158,858</u>
<b>TOTAL ASSETS</b>	<u>\$ 310,239</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Due to Other Funds	\$ 72
Unearned Revenue	<u>13,322</u>
<b>Total Current Liabilities</b>	<u>13,394</u>
<b>Noncurrent Liabilities</b>	<u>0</u>
<b>TOTAL LIABILITIES</b>	<u>13,394</u>
<b>NET POSITION</b>	
Net Investment In Capital Assets	158,858
Unrestricted	<u>137,987</u>
<b>TOTAL NET POSITION</b>	<u>296,845</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 310,239</u>

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

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION  
PROPRIETARY FUND  
For The Year Ended June 30, 2014

	<u>ENTERPRISE FUND</u>
	<u>FOOD SERVICE</u>
<b>OPERATING REVENUES</b>	
Food Service Revenue	\$ 394,422
Other Revenue	3,267
<b>Total Operating Revenues</b>	<u>397,689</u>
<b>OPERATING EXPENSES</b>	
Salaries	337,354
Employee Benefits	118,182
Purchased Professional and Technical Services	60
Purchased Property Services	22,856
Other Purchased Services	1,644
Supplies	497,808
Property and Equipment	22,464
Other Operating Expenses	2,293
<b>Total Operating Expenses</b>	<u>1,002,661</u>
<b>OPERATING INCOME (LOSS)</b>	(604,972)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Capital Contribution	12,869
Earnings On Investments	53
State Sources	75,951
Federal Sources	518,727
<b>Total Nonoperating Revenues (Expenses)</b>	<u>607,600</u>
<b>CHANGE IN NET POSITION</b>	2,628
<b>Net Position - July 1, 2013</b>	\$ 296,096
<b>Net Unearned Revenue Adjustment</b>	<u>(1,879)</u>
<b>NET POSITION - JULY 1, 2013 (As Restated)</b>	<u>294,217</u>
<b>NET POSITION - JUNE 30, 2014</b>	<u>\$ 296,845</u>

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

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For The Year Ended June 30, 2014

	<u>ENTERPRISE FUND</u>
	<u>FOOD SERVICE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 404,944
Cash Payments to Employees for Services	(462,180)
Cash Payments to Suppliers of Goods and Services	(453,734)
Cash Payments for Other Operating Expenses	<u>(2,515)</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>(513,485)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State Sources	75,951
Federal Sources	<u>459,497</u>
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES</b>	<u>535,448</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Equipment Purchases, Net of Disposals	<u>0</u>
<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	<u>53</u>
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<u>53</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	22,016
<b>CASH AND CASH EQUIVALENTS - JULY 1, 2013</b>	<u>99,030</u>
<b>CASH AND CASH EQUIVALENTS - JUNE 30, 2014</b>	<u>\$ 121,046</u>
<hr/>	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES -</b>	
Net Income (Loss) from Operations	\$ (604,972)
Depreciation	22,242
Donated Commodities	59,230
(Increase)/Decrease in Receivables	2,601
(Increase)/Decrease in Inventory	9,404
Increase/(Decrease) in Due To/From Other Funds	(6,644)
Increase/(Decrease) in Unearned Revenue	<u>4,654</u>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<u>\$ (513,485)</u>

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



MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2014

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUND</u>	<u>TOTALS FIDUCIARY FUNDS</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 147,762	\$ 235,184	\$ 382,946
<b>TOTAL ASSETS</b>	<u>147,762</u>	<u>235,184</u>	<u>382,946</u>
<b>LIABILITIES</b>			
Due to Student Groups	-	183,645	183,645
Other Liabilities	-	51,539	51,539
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>235,184</u>	<u>235,184</u>
<b>NET POSITION</b>			
Reserved For Scholarships	147,762	0	147,762
<b>TOTAL NET POSITION</b>	<u>147,762</u>	<u>0</u>	<u>147,762</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ <u>147,762</u>	\$ <u>235,184</u>	\$ <u>382,946</u>

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

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
For The Year Ended June 30, 2014

		<u>PRIVATE PURPOSE TRUST FUND</u>
<b>ADDITIONS</b>		
Gifts and Contributions	\$	25,051
Earnings on Investments		<u>25</u>
<b>Total Additions</b>		25,076
<b>DEDUCTIONS</b>		
Scholarships Awarded		<u>20,110</u>
<b>CHANGE IN NET POSITION</b>		4,966
<b>NET POSITION - JULY 1, 2013</b>		<u>142,796</u>
<b>NET POSITION - JUNE 30, 2014</b>	\$	<u>147,762</u>

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

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2014

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

**Description of the District**

The Mifflinburg Area School District provides public education to the residents of three boroughs and six townships with one elementary school, one intermediate school, one middle school, and one high school in Union County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provision of the School Laws of Pennsylvania. The District operates under a locally elected nine member Board form of government.

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

**The Reporting Entity**

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

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

**Joint Venture**

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

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

Audited financial statements for the year ended June 30, 2014 for the SUN ATI are available at its business office.

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2014

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

**Intermediate Unit**

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

**Basis of Presentation**

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

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

**Governmental Funds**

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

The following represents the School Districts major governmental funds:

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

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2014

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

**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.

**Proprietary Fund**

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

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

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

**Fiduciary Funds**

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

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

**Measurement Focus and Basis of Accounting**

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

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

**MIFFLINBURG AREA SCHOOL DISTRICT**  
**MIFFLINBURG, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
For The Year Ended June 30, 2014

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

**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 combined 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.

**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.

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2014

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

**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.

Inventories in governmental funds are stated at cost by the first-in first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of net current assets. The General Fund is the only governmental fund that has material inventory balances as of June 30, 2014.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2014. 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.

**Capital Assets**

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

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

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

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

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

MIFFLINBURG AREA SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2014

**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 does not have any items that qualify for reporting in this category.

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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, 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.

**Long-Term Obligations**

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

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

**Equity Classifications**

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

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

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

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

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



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NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2014

**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.

**Unassigned** – All amounts not included in other spendable classifications.

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

**Use of Estimates**

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

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

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

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

At June 30, 2014, the carrying amount of the School District's cash and cash equivalents and investments was \$7,172,029. The depository balances throughout the year were covered by federal depository insurance up to \$250,000 per bank or by collateral held by the pledging banks trust department. These amounts are secured by the pledging of pooled assets as collateral in accordance with the Act of August 6, 1971 (P.L. 281, No. 72), relating to pledges of assets to secure deposits of pledged funds.

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2014

**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, 2014, \$5,665,728 of the District's bank balance of \$5,915,728 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>5,665,728</u>
Total	<u>\$ 5,665,728</u>

**Reconciliation to Financial Statements**

Collateralized Amount Above	\$ 5,665,728
Plus: Insured Amount	250,000
Plus: Deposits in Transit	200,000
Less: Outstanding Checks	<u>(593,706)</u>
Carrying Amount - Bank balances	5,522,022
Plus: Deposits in Investment Pools and Money Market Funds Considered Cash Equivalents	<u>1,077,160</u>
Total Cash and Cash Equivalents Per Financial Statements	<u>\$ 6,599,182</u>

**INVESTMENTS:**

As of June 30, 2014, the School District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit	1-36 Months	\$ 605,241
U.S. Treasury Obligation Money Market Fund		2,132
PA Local Government Investment Trust		147,762
PA School District Liquid Asset Fund		<u>894,872</u>
Total		<u>\$ 1,650,007</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	\$ 1,650,007
Less: Deposits in Investment Pools and Money Market Funds Considered Cash Equivalents	<u>(1,077,160)</u>
Total Investments Per Financial Statements	<u>\$ 572,847</u>

MIFFLINBURG AREA SCHOOL DISTRICT  
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NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2014

**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
U.S. Treasury Obligations	AAA

**Concentration of Credit Risk**

The District places no limit on the amount the District may invest in any one issuer. More than 5 percent of the District's investments are in PA Local Government Investment Trust, Certificates of Deposit and PA School District Liquid Asset Fund. These investments are 8.96%, 36.68%, and 54.23%, respectively, of the District's total investments.

For the General Fund, more than 5% of the investments are in Certificates of Deposit and PA School District Liquid Asset Fund. These Investments are 40.78%, and 59.22%, respectively, of the General Fund's total investments.

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

For the Fiduciary Fund, more than 5% of the investments are in Certificates of Deposit and PA Local Government Investment Trust. These Investments are 17.98%, and 82.02%, respectively, of the Fiduciary 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, 2014, the following amounts are due from other governmental units.

	<u>General Fund</u>
Federal Pass Through Funds	\$ 234,026
State Funds	311,606
Local Funds	<u>95,538</u>
Total	\$ <u>641,170</u>

**MIFFLINBURG AREA SCHOOL DISTRICT**  
**MIFFLINBURG, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
For The Year Ended June 30, 2014

**NOTE 4 - PROPERTY TAXES**

The School District's property tax is levied each July 1, based upon assessed valuations provided by the county (approximately \$850,646,420 for 2013-14). The municipal tax collector bills and collects property taxes on behalf of the School District. The tax rate for all expenditures in 2013-14 is 10.87 mills (\$10.87 per \$1,000 assessed valuation). The schedule for property taxes levied for 2013-14 is as follows:

August 1, 2013 through September 30, 2013	2% discount period
October 1, 2013 through November 30, 2013	face payment period
Beginning December 1, 2013	10% penalty period

Taxes become delinquent by December 31, 2013. Delinquent Property Taxes Receivable at June 30, 2014 is \$508,209.

**NOTE 5- CAPITAL ASSETS**

Capital Assets are recorded as expenditures in the General Fund at the time of purchase. The amounts recorded for land, buildings, and furniture and equipment in the Statement of Net Position represent primarily estimates of historical cost prepared by an independent appraiser. During the fiscal year ended June 30, 2008, a fixed asset appraisal of assets held was performed and through the use of alternate methods, an estimate of historical cost was developed. In the absence of actual acquisition costs provided by the Mifflinburg Area School District, methods used to determine acquisition costs for building structures involve the deflation of estimated replacement costs back to the year of construction using a combination of appropriate indices available in well known and accepted construction manuals such as Means, Marshall-Swift, Engineering News Record, etc., government CPI indexes, and the appraiser's own compilation of experience. Acquisition costs for the items of equipment inventory are also determined by the deflation indexing with appropriate indices. Depreciation, where applicable, is straight line over the useful life of asset. Property additions made subsequent to the appraisal are recorded at cost.

A summary of Capital Asset transactions for the year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
<b>GOVERNMENTAL ACTIVITIES</b>				
Land and Site Improvements	\$ 2,362,157	0	( 0)	2,362,157
Building and Improvements	45,362,656	0	( 0)	45,362,656
Furniture and Equipment	<u>7,664,691</u>	<u>56,986</u>	<u>(1,853,571)</u>	<u>5,868,106</u>
Total at Cost	55,389,504	56,986	(1,853,571)	53,592,919
Less: Accumulated Depreciation:				
Land and Site Improvements	(1,119,704)	(54,292)	0	(1,173,996)
Building and Improvements	(14,561,022)	( 1,971,058)	0	(16,532,080)
Furniture and Equipment	<u>(6,576,779)</u>	<u>(168,960)</u>	<u>1,674,802</u>	<u>(5,070,937)</u>
Total Accum. Depreciation	<u>(22,257,505)</u>	<u>( 2,194,310)</u>	<u>1,674,802</u>	<u>(22,777,013)</u>
Governmental Activities				
Capital Assets, Net	<u>\$33,131,999</u>	<u>( 2,137,324)</u>	<u>( 178,769)</u>	<u>30,815,906</u>

**MIFFLINBURG AREA SCHOOL DISTRICT**  
**MIFFLINBURG, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2014

**NOTE 5- CAPITAL ASSETS (Continued)**

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
<b>BUSINESS-TYPE ACTIVITIES</b>				
Furniture and Equipment	\$ 626,045	12,868	0	638,913
Less: Accumulated Depreciation:	(457,813)	(22,242)	0	(480,055)
Business-Type Activities				
Capital Assets, Net	\$ 168,232	(9,374)	0	158,858

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

Government Activities:

Instruction	\$ 1,518,088
Instructional Student Support	216,676
Administrative and Financial Support Service	175,163
Operation and Maintenance of Plant Service	211,434
Pupil Transportation	27,865
Student Activities	44,062
Community Services	1,022
Total Depreciation Expense – Governmental Activities	\$ 2,194,310

**NOTE 6 – LONG-TERM DEBT**

**General Obligation Bond Series of 2010**

On February 12, 2009, the School District obtained a \$3,000,000 Term Note known as the General Obligation Note of 2009. Proceeds of the Note are to be used to finance the purchase and installation of energy conservation improvements for School District facilities, and pay related costs. As of June 30, 2010, \$2,937,270 had been drawn on this Note. During the fiscal year ended June 30, 2011, this Note was refunded with the issuance of General Obligation Bonds, Series of 2010.

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

<u>Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
December 15, 2014		\$	\$ 415,851	\$ 415,851
June 15, 2015	2.100%	250,000	415,851	665,851
December 15, 2015			413,226	413,226
June 15, 2016	2.450%	260,000	413,226	673,226
December 15, 2016			410,041	410,041
June 15, 2017	2.750%	265,000	410,041	675,041
December 15, 2017			406,398	406,398
June 15, 2018	3.000%	275,000	406,397	681,397
December 15, 2018			402,273	402,273
June 15, 2019	3.200%	280,000	402,272	682,272
December 15, 2019			397,793	397,793
June 15, 2020	3.350%	290,000	397,792	687,792
December 15, 2020			392,935	392,935
June 15, 2021	3.500%	300,000	392,935	692,935

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014

**NOTE 6 – LONG-TERM DEBT (Continued)**

Date	Rate	Principal	Interest	Total Debt Service
December 15, 2021		\$	\$ 387,685	\$ 387,685
June 15, 2022	3.550%	310,000	387,685	697,685
December 15, 2022			382,182	382,182
June 15, 2023	3.650%	355,000	382,183	737,183
December 15, 2023			375,704	375,704
June 15, 2024	3.750%	420,000	375,704	795,704
December 15, 2024			367,829	367,829
June 15, 2025	3.850%	435,000	367,829	802,829
December 15, 2025			359,455	359,455
June 15, 2026	4.000%	455,000	359,455	814,455
December 15, 2026			350,355	350,355
June 15, 2027	4.150%	475,000	350,355	825,355
December 15, 2027			340,499	340,499
June 15, 2028	4.150%	495,000	340,499	835,499
December 15, 2028			330,227	330,227
June 15, 2029	4.150%	965,000	330,228	1,295,228
December 15, 2029			310,204	310,204
June 15, 2030	4.150%	1,005,000	310,204	1,315,204
December 15, 2030			289,350	289,350
June 15, 2031	4.500%	1,045,000	289,350	1,334,350
December 15, 2031			265,837	265,837
June 15, 2032	4.500%	1,095,000	265,838	1,360,838
December 15, 2032			241,200	241,200
June 15, 2033	4.500%	1,145,000	241,200	1,386,200
December 15, 2033			215,437	215,437
June 15, 2034	4.500%	1,195,000	215,438	1,410,438
December 15, 2034			188,550	188,550
June 15, 2035	4.500%	1,250,000	188,550	1,438,550
December 15, 2035			160,425	160,425
June 15, 2036	4.500%	1,305,000	160,425	1,465,425
December 15, 2036			131,062	131,062
June 15, 2037	4.500%	1,365,000	131,063	1,496,063
December 15, 2037			100,350	100,350
June 15, 2038	4.500%	1,425,000	100,350	1,525,350
December 15, 2038			68,287	68,287
June 15, 2039	4.500%	1,490,000	68,288	1,558,288
December 15, 2039			34,763	34,763
June 15, 2040	4.500%	<u>1,545,000</u>	<u>34,763</u>	<u>1,579,763</u>
Total		\$ <u>19,695,000</u>	\$ <u>15,475,839</u>	\$ <u>35,170,839</u>

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014

**NOTE 6 – LONG-TERM DEBT (Continued)**

**Bond Series of 2012**

During the fiscal year ended June 30, 2004, the School District borrowed \$7,070,000 known as the General Obligation Bond Series of 2003. Proceeds of the bonds will be used to plan, design, acquire, construct, furnish and equip a new Elementary School and to pay the costs of issuing and insuring the Bonds. During the fiscal year ended June 30, 2008, the School District refunded the Bond Series of 2003 and the Note Series of 2004 with General Obligation Bonds, Series of 2008 in the amount of \$7,275,000. During the fiscal year ended June 30, 2012, this Bond Series of 2008 was refunded with the issuance of General Obligation Bond Series of 2012 in the amount of \$6,485,000. A schedule of Series 2012 Bonds outstanding as of June 30, 2014 is as follows:

<u>Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
October 15, 2014		\$	\$ 72,537	\$ 72,537
April 15, 2015	2.000%	400,000	72,537	472,537
October 15, 2015			68,537	68,537
April 15, 2016	2.000%	405,000	68,537	473,537
October 15, 2016			64,487	64,487
April 15, 2017	2.000%	410,000	64,487	474,487
October 15, 2017			60,387	60,387
April 15, 2018	2.000%	415,000	60,387	475,387
October 15, 2018			56,237	56,237
April 15, 2019	2.000%	430,000	56,237	486,237
October 15, 2019			51,937	51,937
April 15, 2020	2.125%	435,000	51,937	486,937
October 15, 2020			47,315	47,315
April 15, 2021	2.500%	445,000	47,315	492,315
October 15, 2021			41,752	41,752
April 15, 2022	2.500%	460,000	41,753	501,753
October 15, 2022			36,002	36,002
April 15, 2023	2.600%	435,000	36,003	471,003
October 15, 2023			30,347	30,347
April 15, 2024	2.700%	395,000	30,347	425,347
October 15, 2024			25,015	25,015
April 15, 2025	2.800%	410,000	25,015	435,015
October 15, 2025			19,275	19,275
April 15, 2026	3.000%	415,000	19,275	434,275
October 15, 2026			13,050	13,050
April 15, 2027	3.000%	430,000	13,050	443,050
October 15, 2027			6,600	6,600
April 15, 2028	3.000%	440,000	6,600	446,600
Total		\$ 5,925,000	\$ 1,186,958	\$ 7,111,958

The following is a summary of changes in bonds payable for the year ended June 30, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
General Obligation Bonds, Series of 2012	\$ 6,310,000	0	(385,000)	5,925,000
General Obligation Bonds, Series of 2010	19,945,000	0	(250,000)	19,695,000
Total Bonds Payable	\$ 26,255,000	0	(635,000)	25,620,000

**MIFFLINBURG AREA SCHOOL DISTRICT**  
**MIFFLINBURG, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2014

**NOTE 6 – LONG-TERM DEBT (Continued)**

Summary of debt service requirements to maturity on the outstanding Bonds as of June 30, 2014 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 650,000	\$ 976,776	\$ 1,626,776
2015	665,000	963,526	1,628,526
2016	675,000	949,056	1,624,056
2017	690,000	933,569	1,623,569
2018	710,000	917,019	1,627,019
2019 – 2023	3,845,000	4,287,306	8,132,306
2024 – 2028	4,520,000	3,624,611	8,144,611
2029 – 2033	5,485,000	2,644,058	8,129,058
2034 – 2038	6,835,000	1,297,350	8,132,350
2039 – 2040	<u>1,545,000</u>	<u>69,526</u>	<u>1,614,526</u>
Totals	\$ <u>25,620,000</u>	\$ <u>16,662,797</u>	\$ <u>42,282,797</u>

A summary of changes in Other Long-Term Liabilities for the year ended June 30, 2014 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>
Other Post Employment Benefits \$	<u>175,433</u>	<u>5,723</u>	<u>(0)</u>	\$ <u>181,156</u>
Compensated Absences \$	<u>167,968</u>	<u>14,519</u>	<u>(0)</u>	\$ <u>182,487</u>

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS**

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

*Funding Policy.* The School District's contribution is based on projected pay-as-you-go financing requirements. The School District will contribute \$10,000 a year for six years into an HRA for the purpose of providing healthcare for teachers and administrators that retire after July 1, 2007.

*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.



MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*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	\$ 387,644
Estimated Interest on net OPEB obligation	7,894
Estimated Adjustment to annual required contribution	<u>(16,335)</u>
Annual OPEB cost	379,203
Contributions made (Estimated)	<u>(373,480)</u>
Estimated Increase (decrease) in net OPEB obligation	5,723
Estimated Net OPEB obligation (asset) beginning of year	<u>175,433</u>
Estimated Net OPEB obligation (asset) end of year	<u>\$ 181,156</u>
Actuarial valuation date	1/1/2012
Actuarial cost method	Entry Age, Normal
Amortization method	Level dollar
Asset valuation method	N/A – the plans are unfunded
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.50%
Projected salary increases	3.00% Cost of Living Adjustment 1.00% real wage growth 3.0% to 0.25% merit increase (varies by age) for teachers and administrators
Health care inflation rate	7.5% in 2012, decreasing .5% per year to 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

For the Actuarial Valuation report dated 1/1/12, the actuarial value of assets is zero, the actuarial accrued liability is \$3.033 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, 2014	\$ 379,203	89.49%	\$ 181,156
June 30, 2013	\$ 380,139	94.88%	\$ 175,433
June 30, 2012	\$ 309,152	89.37%	\$ 155,966

**MIFFLINBURG AREA SCHOOL DISTRICT**  
**MIFFLINBURG, PENNSYLVANIA**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended June 30, 2014

**NOTE 8 - COMPENSATED ABSENCES**

**ADMINISTRATIVE and PROFESSIONAL EMPLOYEES**

The District's Administrative Compensation Policy and current Professional Teacher Collective Bargaining Contract provides for an unlimited accumulation of sick leave. Employees forfeit accumulated sick leave upon termination and retirement, except as noted in the following paragraph. The District has no obligation for accumulated sick leave until it is actually taken; therefore a liability was only recognized for those employees who are eligible to retire as of June 30, 2013.

Each administrative and professional employee with twenty-five (25) years of service in the PA Public School Employees' Retirement System (PSERS) and fifteen (15) years of service in the Mifflinburg Area School District, upon retirement, shall be entitled to \$30.00 per day for each unused accumulated sick leave day. The payment for each sick day is not additional compensation. The payment is calculated and the employee is given the choice of either an employer contribution to a district sponsored 403B or district sponsored Health Retirement Account (HRA).

**SUPPORT STAFF EMPLOYEES**

The District's support staff sick leave policy for support staff provides for an unlimited accumulation of sick leave. Employees forfeit accumulated sick leave upon termination and retirement, except as noted below. The District has no obligation for accumulated sick leave until it is actually taken; therefore a liability was only recognized for those employees who are eligible to retire as of June 30, 2013 under the circumstances outlined below.

The payment for each sick day is not additional compensation. After retiring from employment with the MASD, such employees will be eligible for payment for each unused accumulated day of sick leave. Payment will be made as an employer contribution to either a district approved sponsored 403B plan or district sponsored Health Retirement Account (HRA).

The amount of payment will be determined as a calculation based on their years of service to the Mifflinburg Area School District, in conjunction with their number of unused sick days. The following scale will be used to calculate this payment.

<u>Years of Service</u>	<u>Payment per Unused Sick Day</u>
20 or More Years	\$20
15 – 19 Years	\$15
Less than 15 Years	\$10

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

**NOTE 9 - RETIREMENT PLAN**

*Plan Description.* The District contributes to a governmental cost-sharing multiple-employer 401(a) defined benefit pension plan administered by Pennsylvania Public School Employees' Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees' Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. It also provides for refunds of a member's accumulated contribution upon termination of a member's employment in the public school sector. PSERS issues a *Comprehensive Annual Financial Report (CAFR)* that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Beth Girman, Office of Financial Management, PSERS, 5 N 5<sup>th</sup> Street, Harrisburg, PA 17101-1905 or by emailing Beth at bgirman@pa.gov. The CAFR is also available on the Publications page of the PSERS website, [www.psers.state.pa.us](http://www.psers.state.pa.us).

*Funding Policy.* The contribution policy is set by the Code and requires contributions by active member, employers and the commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25 percent (Membership Class T-C) or at 6.50 percent (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 percent (Membership Class T-C) or at 7.50 percent (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 percent (automatic Membership Class T-D).

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014

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

For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the system after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (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 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%. The contributions required of employers are based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. For fiscal year ended June 30, 2014, the rate of employer contribution was 16.93% of covered payroll. The 16.93% rate is composed of a pension contribution rate of 16.00% for pension benefits and .93% for health care insurance premium assistance. Before July 1, 1995, school districts and the Commonwealth shared the employer contribution rate equally. Since July 1, 1995, school districts are required to pay the entire employer contribution rate and are reimbursed by the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate. Mifflinburg Area School District's contributions to PSERS for the years ending June 30, 2014, 2013, and 2012 were \$915,078, \$ 651,692, and \$480,698, respectively. Those amounts are equal to the required contribution for each year.

**NOTE 10 - OPERATING LEASES**

The School District leases copiers under several lease agreements all having terms of four to five years. It is the procedure of the School District to regularly upgrade the copiers before lease terms expire. The continually revolving copier leases are classified as operating leases. Current year rental costs approximate \$75,000. Future annual lease payments are estimated for the next five years at approximately \$75,000 per year.

**NOTE 11 - INTERFUND ACTIVITIES**

**Internal Balances:**

Due to/from Other Funds balances as of June 30, 2014 are as follows:

	<u>Due From Other Fund</u>	<u>Due to Other Funds</u>
General Fund	\$ 72	\$ ---
Enterprise Fund	---	72
	<u>\$ 72</u>	<u>\$ 72</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	\$ 200,000	\$ ---
Capital Projects Funds	---	200,000
	<u>\$ 200,000</u>	<u>\$ 200,000</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.

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2014

**NOTE 12 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2014 and the two previous fiscal years, no settlements exceeded insurance coverage.

**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.

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

In March 2012, the GASB issued Statement No. 65, *“Items Previously Reported as Assets and Liabilities.”* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The School District adopted Statement No. 65 for its fiscal year ended June 30, 2014 financial statements as required.

In March 2012, the GASB issued Statement No. 66, *“Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62.”* The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The School District adopted Statement No. 66 for its fiscal year ended June 30, 2014 financial statements as required.

In June 2012, the GASB issued Statement No. 67, *“Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25.”* The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The School District adopted Statement No. 67 for its fiscal year ended June 30, 2014 financial statements as required.

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2014

**NOTE 15 – FUTURE 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. To the extent applicable, the School District is required to adopt Statement No. 68 for its fiscal year ended June 30, 2015 financial statements.

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. To the extent applicable, the District is required to adopt Statement No. 69 for its June 30, 2015 financial statements.

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. To the extent applicable, the District is required to adopt Statement No. 70 for its June 30, 2015 financial statements.

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.

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 – RESTATEMENT OF NET POSITION**

At June 30, 2013 the net position of the Business-Type Activities was restated due to the recording of prior year unearned revenue. This restatement has the following effect on net position as it was previously reported:

	<u>Business-Type</u> <u>Activities</u>
Net Position – June 30, 2013	\$ 296,096
Adjustment for Prior Year Unearned Revenue	<u>(1,879)</u>
Restated Net Position – June 30, 2013	\$ <u>294,217</u>

**NOTE 17 – SUBSEQUENT EVENTS**

The District has evaluated all events subsequent to the financial statement date of June 30, 2014 through November 25, 2014 which is the date these financial statements were available to be issued, and has determined that there are the following subsequent events that require disclosure:

- In November 2014, the School District approved an advance refunding of a portion of the School District’s General Obligation Bonds, Series of 2010 in the amount of \$9,995,000.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**MIFFLINBURG AREA SCHOOL DISTRICT**  
**MIFFLINBURG, PENNSYLVANIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
For The Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Local Revenues	13,379,189	13,379,189	13,920,861	541,672
State Program Revenues	12,253,371	12,253,371	12,199,191	(54,180)
Federal Program Revenues	655,000	655,000	712,798	57,798
<b>TOTAL REVENUES</b>	<b>26,287,560</b>	<b>26,287,560</b>	<b>26,832,850</b>	<b>545,290</b>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Regular Programs	11,286,053	11,016,053	11,013,078	2,975
Special Programs	2,789,565	2,949,565	2,949,445	120
Vocational Education	2,026,699	2,036,699	2,035,725	974
Other Instructional Programs	300,950	265,549	170,423	95,126
Higher Education	0	1,800	1,622	178
<b>Support Services</b>				
Pupil Personnel	803,955	850,955	850,745	210
Instructional Staff	1,217,515	1,238,315	1,238,303	12
Administration	1,671,201	1,621,201	1,517,841	103,360
Pupil Health	194,100	219,800	219,745	55
Business	298,177	298,177	296,608	1,569
Operation and Maintenance of Plant Services	2,440,997	2,357,997	2,222,562	135,435
Student Transportation Services	1,342,326	1,506,326	1,505,864	462
Central and Other Support Services	54,087	54,087	52,008	2,079
<b>Operation of Noninstructional Services</b>				
Student Activities	523,249	527,449	469,506	57,943
Community Services	6,000	10,900	10,889	11
Capital Outlay	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>24,954,874</b>	<b>24,954,873</b>	<b>24,554,364</b>	<b>400,509</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,332,686</b>	<b>1,332,687</b>	<b>2,278,486</b>	<b>945,799</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale/Compensation for Capital Assets	0	0	26,369	26,369
Debt Service/Refund of Prior Year Receipts	(1,627,976)	(1,627,977)	(1,627,976)	1
Interfund Transfers In (Out)	(200,000)	(200,000)	(200,000)	0
Budgetary Reserve	0	0	0	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,827,976)</b>	<b>(1,827,977)</b>	<b>(1,801,607)</b>	<b>26,370</b>
<b>Net Change in Fund Balances</b>	<b>\$ (495,290)</b>	<b>(495,290)</b>	<b>476,879</b>	<b>972,169</b>
<b>FUND BALANCE - JULY 1, 2013</b>			<b>4,498,449</b>	
<b>FUND BALANCE - JUNE 30, 2014</b>			<b>\$ 4,975,328</b>	

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

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS  
 For The Year Ended June 30, 2014

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) Entry Age ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll [ ( b-a ) / c ]
1/1/12	\$0	\$3,032,664	\$3,032,664	0.0%	\$9,991,039	30.35%
1/1/10	\$0	\$3,064,111	\$3,064,111	0.0%	\$10,824,358	28.31%
1/1/08	\$0	\$2,902,046	\$2,902,046	0.0%	\$10,214,905	28.41%



**SINGLE AUDIT  
SECTION**

MIFELINBURG AREA SCHOOL DISTRICT  
MIFELINBURG, PENNSYLVANIA  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For The Year Ended June 30, 2014

Federal Program Title	Source Code	Federal CFDA Number	PASS Through Grantors Number	Grant Period	Program or Award Amount	Total Received	Accrued <Unearned> Revenue at July 1, 2013	Receipts Recognized	Expenditures	Accrued <Unearned> Revenue at June 30, 2014
U.S. DEPARTMENT OF EDUCATION										
PASSED THROUGH PA DEPT. OF EDUCATION										
TITLE I, PART A CLUSTER										
TITLE I Improving Basic Programs	I	84.010	013-140252	13-14	\$ 506,718	\$ 326,957	\$ 0	\$ 422,585	\$ 422,585	\$ 95,628
TITLE I Improving Basic Programs	I	84.010	013-130252	12-13	\$ 556,460	\$ 255,334	\$ 197,071	\$ 58,263	\$ 58,263	\$ 0
Total - Title I, Part A Cluster					\$	\$ 582,291	\$ 197,071	\$ 480,848	\$ 480,848	\$ 95,628
TITLE II Improving Teacher Quality										
TITLE II Improving Teacher Quality	I	84.367	020-140252	13-14	\$ 149,049	\$ 63,935	\$ 0	\$ 126,280	\$ 126,280	\$ 62,345
TITLE II Improving Teacher Quality	I	84.367	020-130252	12-13	\$ 154,926	\$ 0	\$ (55,763)	\$ 55,763	\$ 55,763	\$ 0
Total - PA Department of Education					\$	\$ 646,226	\$ 141,308	\$ 662,891	\$ 662,891	\$ 157,973
PASSED THROUGH THE CENTRAL SUSQUEHANNA INTERMEDIATE UNIT 16										
SPECIAL EDUCATION CLUSTER										
Special Education - IDEA 611	I	84.027	062-140016	13-14	\$ 362,393	\$ 291,074	\$ 0	\$ 362,393	\$ 362,393	\$ 71,319
Special Education - IDEA 611	I	84.027	062-130016	12-13	\$ 412,842	\$ 66,240	\$ 66,240	\$ 0	\$ 0	\$ 0
Special Education - Preschool - IDEA 619	I	84.173	131-130016	13-14	\$ 4,734	\$ 0	\$ 0	\$ 4,734	\$ 4,734	\$ 4,734
Total - Special Education Cluster					\$	\$ 357,314	\$ 66,240	\$ 367,127	\$ 367,127	\$ 76,053
PASSED THROUGH THE TUSCARORA INTERMEDIATE UNIT 11										
School Improvement Grants	I	84.377	N/A	12-13	\$ 14,874	\$ 14,874	\$ 14,874	\$ 0	\$ 0	\$ 0
Total U.S. Department of Education					\$	\$ 1,018,414	\$ 222,422	\$ 1,030,018	\$ 1,030,018	\$ 234,026
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
PASSED THROUGH PA DEPT. OF PUBLIC WELFARE										
Medical Assistance Program	I	93.778	N/A	13-14	\$ 6,591	\$ 6,591	\$ 0	\$ 6,591	\$ 6,591	\$ 0
Total - U.S. Department of Health and Human Services					\$	\$ 6,591	\$ 0	\$ 6,591	\$ 6,591	\$ 0
U.S. DEPARTMENT OF AGRICULTURE										
CHILD NUTRITION CLUSTER										
PASSED THROUGH PA DEPT. OF EDUCATION										
School Breakfast Program	I	10.553	365/367	13-14	N/A	\$ 68,143	\$ 0	\$ 68,143	\$ 68,143	\$ 0
National School Lunch Program	I	10.555	362	13-14	N/A	\$ 391,354	\$ 0	\$ 391,354	\$ 391,354	\$ 0
PASSED THROUGH PA DEPT. OF AGRICULTURE										
NSLP - Donated Commodities	I	10.555	N/A	13-14	N/A	\$ 59,230	\$ 0	\$ 59,230	\$ 59,230	\$ 0
Total - Child Nutrition Cluster					\$	\$ 518,727	\$ 0	\$ 518,727	\$ 518,727	\$ 0
TOTAL FEDERAL AWARDS					\$	\$ 1,543,732	\$ 222,422	\$ 1,555,336	\$ 1,555,336	\$ 234,026
STATE SOURCES										
Food Nutrition	S	N/A	510-513	13-14	N/A	\$ 34,999	\$ 0	\$ 34,999	\$ 34,999	\$ 0
Major Program Determination										
Total Federal Expenditures						\$	1,555,336			
Programs Selected for Testing:										
Title I, Part A Cluster							480,848			
Child Nutrition Cluster							518,727			
Title II, Improving Teacher Quality							182,043			
						\$	1,181,618			
							1,555,336			
							75.97%			

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

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

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
NOTES TO THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AND STATE AWARDS  
For the Year Ended June 30, 2014

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards includes the federal grant activity of the Mifflinburg Area 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 has 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 and State Awards.

**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 and State Awards 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 Mifflinburg Area School District  
Mifflinburg, Pennsylvania:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller general of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mifflinburg Area School District, Mifflinburg, Pennsylvania as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Mifflinburg Area School District's basic financial statements, and have issued our report thereon dated November 25, 2014.

**Internal Control over Financial Reporting**

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

*Forgett & Kerstetter, P.C.*  
FORGETT & KERSTETTER, P.C.  
Selinsgrove, Pennsylvania  
November 25, 2014

**FORGETT & KERSTETTER, P.C.**  
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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 Mifflinburg Area School District  
Mifflinburg, Pennsylvania

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

We have audited Mifflinburg Area School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Mifflinburg Area School District's major federal programs for the year ended June 30, 2014. Mifflinburg Area School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with 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 Mifflinburg Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Mifflinburg Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the Mifflinburg Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Forgett & Kerstetter, P.C.*  
FORGETT & KERSTETTER, P.C.  
Selinsgrove, Pennsylvania  
November 25, 2014

MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2014

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

**Financial Statements**

Type of auditors report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Major program identification:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A Cluster
10.553, 10.555	Child Nutrition Cluster
84.367	Title II, Improving Teacher Quality

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

Auditee qualified as low-risk auditee? No

**II. FINANCIAL STATEMENT FINDINGS:**

None reported

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

None reported



MIFFLINBURG AREA SCHOOL DISTRICT  
MIFFLINBURG, PENNSYLVANIA  
LIST OF REPORT DISTRIBUTION  
For The Year Ended June 30, 2014

<u>REPORT</u>	<u>TO WHOM DISTRIBUTED</u>	<u># OF COPIES</u>
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Audit Report	Sun Area Technical Institute 815 East 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	Mifflinburg Area School District 178 Maple Street PO Box 285 Mifflinburg, PA 17844	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