

MIFFLINBURG AREA SCHOOL DISTRICT

MIFFLINBURG, PENNSYLVANIA

FINANCIAL STATEMENTS AND SINGLE AUDIT REPORT

For the year ended June 30, 2013

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
For The Year Ended June 30, 2013

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor's Report	I
Management's Discussion and Analysis	IV
<i>BASIC FINANCIAL STATEMENTS:</i>	
<i>GOVERNMENT-WIDE FINANCIAL STATEMENTS:</i>	
Statement of Net Position	1
Statement of Activities	2
<i>FUND FINANCIAL STATEMENTS:</i>	
Balance Sheet – Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet To the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds	5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	6
Statement of Net Position – Proprietary Fund	7
Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund	8
Statement of Cash Flows – Proprietary Fund	9
Statement of Fiduciary Net Position – Fiduciary Funds	10
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	11
Notes to Financial Statements	12
<i>REQUIRED SUPPLEMENTARY INFORMATION:</i>	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund	31
Schedule of Funding Progress for Postemployment Benefits Other Than Pensions	32

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
For The Year Ended June 30, 2013

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
<i>SINGLE AUDIT SECTION:</i>	
Schedule of Expenditures of Federal Awards	33
Notes to Schedule of Expenditures of Federal Awards	34
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 <i>Government Auditing Standards</i>	35
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	37
Schedule of Findings and Questioned Costs	39
Summary Schedule of Prior Audit Findings	40
List of Report Distribution	41

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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, Sunbury, Pennsylvania as of and for the year ended June 30, 2013, 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, 2013, 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-XI, 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 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 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 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 January 23, 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

January 23, 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, 2013

(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, 2013. 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

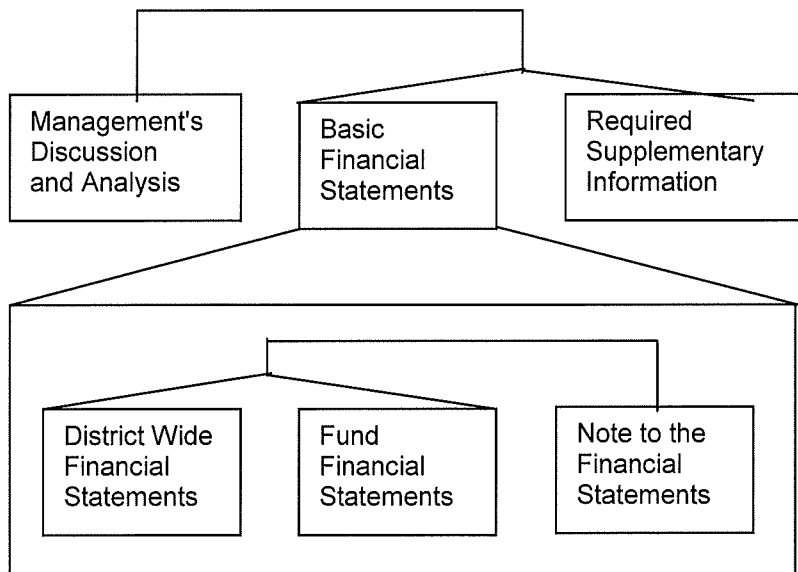


Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ Liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there-after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Financial Statements

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

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

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

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

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

The Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position reconciles the Governmental Funds Balance Sheet to the Combined Balance Sheet for Governmental 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 \$26,046,527
- Total General Fund Expenditures were \$24,871,881
- Total Revenues exceeded total Expenditures by \$1,174,646
- Other Financing Sources were \$690,258
- Total General Fund transfers to Capital Reserve totaled \$823,080
- Total General Fund Balance increased by \$1,041,824
- The districts' food service program had Operating revenue of \$440,322, Non-operating revenues of \$571,634 and total expenses of \$969,654. Change in net position \$42,302.

- Total net position of Governmental Activities of \$11,682,311
- Positive change in Net Position of Governmental Activities of \$1,203,239
- Total fund balance of General Fund equaled \$ 4,498,449
- *Unassigned* general fund balance equaled \$ 238,449.
- Total fund balance of Capital Projects Fund equaled \$ 158,175

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

Net Position - On June 30, 2013, the District had total net position from governmental activities of \$ 11,682,311 (Table 1)

Table 1 summarizes the assets, liabilities, and net position of the District at June 30, 2013.

Table 1
Net Position As of June 30, 2013 - (Government-Wide)

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Assets						
Current & Other Assets	\$9,019,408	\$7,504,020	\$94,508	\$134,580	\$9,113,916	\$7,638,600
Capital Assets	<u>\$31,232,806</u>	<u>\$33,131,999</u>	<u>\$195,235</u>	<u>\$168,232</u>	<u>\$14,995,345</u>	<u>\$33,300,231</u>
Total Assets	<u>\$40,252,214</u>	<u>\$40,636,019</u>	<u>\$289,743</u>	<u>\$302,812</u>	<u>\$24,109,261</u>	<u>\$40,938,831</u>
Liabilities						
Current Liabilities	\$3,202,119	\$2,990,307	\$35,949	\$6,716	\$3,238,068	\$2,997,023
Long-Term Liabilities	<u>\$26,571,023</u>	<u>\$25,963,401</u>	<u>\$0</u>	<u>\$0</u>	<u>\$26,571,023</u>	<u>\$25,963,401</u>
Total Liabilities	<u>\$29,773,142</u>	<u>\$28,953,708</u>	<u>\$35,949</u>	<u>\$6,716</u>	<u>\$29,809,091</u>	<u>\$28,960,424</u>
Net Position						
Net Investment in Capital Assets	\$4,552,806	\$6,876,999	\$195,235	\$168,232	\$4,748,041	\$7,045,231
Restricted	\$0	\$0	\$0	\$0	\$0	\$0
Unrestricted	<u>\$5,926,266</u>	<u>\$4,805,312</u>	<u>\$58,559</u>	<u>\$127,864</u>	<u>\$5,984,825</u>	<u>\$4,933,176</u>
Total Net Position	<u>\$10,479,072</u>	<u>\$11,682,311</u>	<u>\$253,794</u>	<u>\$296,096</u>	<u>\$10,732,866</u>	<u>\$11,978,407</u>

Balance Sheet/Fund Balances – Total fund equity of Governmental funds equaled \$4,656,624. These balances consist of:

- ◆ General Fund - fund equity equaled \$ 4,498,449
- ◆ Capital Projects – fund equity equaled \$ 158,175

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. - \$ 4.2 million

(Table 2) summarizes the revenues, expenses, and changes in net position of the District for the year ended June 30, 2013.

Table 2
Changes in Net Position
For the Year Ended June 30, 2013
(Government-wide)

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Program Revenues:						
Charges for services	68,699	79,400	455,826	436,330	524,525	515,730
Operating grants and contributions	4,442,122	4,981,920	551,541	571,589	4,993,663	5,553,509
Capital grants and contributions	0	0	0	0	0	0
					0	0
General Revenues:					0	0
Property taxes	8,246,618	8,428,066			8,246,618	8,428,066
Taxes levied for specific purposes	3,973,239	4,506,424			3,973,239	4,506,424
Grants and entitlements	7,949,072	7,948,165			7,949,072	7,948,165
Investment earnings	81,177	60,112	108	45	81,285	60,157
Other	378,821	637,399		-691	378,821	636,708
Total Revenues	25,139,748	26,641,486	1,007,475	1,007,273	26,147,223	27,648,759
Program Expenses:						
Instruction	16,309,405	16,266,415			16,309,405	16,266,415
Instructional Student Support	2,042,981	2,130,267			2,042,981	2,130,267
Admin and Financial Support Svcs.	1,889,330	1,828,594			1,889,330	1,828,594
Operation and Maintenance	2,540,952	2,150,576			2,540,952	2,150,576
Pupil Transportation	1,671,079	1,584,732			1,671,079	1,584,732
Student Activities	508,515	460,008			508,515	460,008
Community Services	7,649	1,680			7,649	1,680
Facilities Improvements	0	0			0	0
Refund of Prior Year Receipts	0	0			0	0
Interest and Fiscal Charges	1,476,145	1,015,970			1,476,145	1,015,970
Food Service			996,108	964,971	996,108	964,971
Total Expenses	26,446,056	25,438,242	996,108	964,971	27,442,164	26,403,213
Change in Net Position	-1,306,308	1,203,244	11,367	42,302	-1,294,941	1,245,546

General Fund Budgetary Variances

- ♦ **REVENUES** – Overall, Total General Fund Revenues were greater than projected by \$ 686,192
 - Estimated Revenue differed in the following areas:
 - Local revenues** – Greater than projection by \$850,000. The variance was mainly due to better than expected current year earned income tax collection.
 - State Revenues** – Less than projection by \$136,000. The variance was mainly due to the Dept. of Education moratorium on construction reimbursement that the school district is due for the district's High School renovation.
 - Federal Revenues** – Less than projected by \$35,000. The variance was mainly due to the Federal Govt. reducing our Title I and Title II funding
- ♦ **Special Revenues** – Greater than projected by \$690,000. The variance was due to the sale of three district properties.

EXPENDITURES - Total General Fund Budgeted Expenditures were \$25,967,215. 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 \$315,000 surplus budget to actual. The district realized attritional savings and operational savings resulting from the closing of three elementary buildings, 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.

In the 2012-13 school year:

High School Renovation Project: As of June 30th, the project was completed. The main focus of the project was to make the high school more energy efficient. A new Geothermal HVAC system, new windows / doors, and lighting were the main objectives of the project. There were also many other cosmetic upgrades completed. All of the classrooms, auditorium, and library were renovated. Although some of the upgrades were cosmetic, such as new flooring and paint, the district also addressed upgrading the technology infrastructure. The district was also able to address some security issues. Security cameras as well as keyless entry were installed.

Intermediate School Addition Project: Due to the surplus bond proceeds of capital dollars from the High School Project, the school board had decided to design and construct a small addition to the existing Intermediate School. The surplus of capital dollars from the High School Project along with \$800,000 from the General Fund Reserved Fund Balance has allowed the school board to accelerate its consolidation plans. The design of the addition added 6 regular education classrooms, a special education classroom, and a large group instruction room. The construction got under way in February of 2012 and was slated for completion in October of 2012. This project was completed and students moved into the new addition in November 2012. The building is now home to Grades 3 through 5.

Consolidation: The board took a first step in consolidation by closing the Laurelton Elementary School effective with the start of the 2011-12 school year. The kindergarten through 3rd grade students were enrolled in the Mifflinburg Elementary. Also, the board had taken action to close the Buffalo Crossroads and New Berlin Elementary buildings effective with the start of the 2012-13 year. Once the Intermediate School addition project was completed, the districts consolidation plan was completed. The Mifflinburg Elementary is home to only students in grades K thru 2 and the Mifflinburg Intermediate School is home to students in grades 3 thru 5. During the 2012-13 school year, the Buffalo Crossroads and New Berlin Elementary buildings were sold.

Security: During the 2012-13 school year Keyless entry was installed at all buildings similar to what was installed at the High School. All district buildings now require “keyless” entry. All faculty and staff were issued cards which allow us to limit and control entry into our buildings. The district has applied for a safety grant. We hope to be successful in our attempt to receive these funds. These funds will be used to provide other security measures throughout the district. The hope is to expand our deployment of surveillance camera systems. The district is also numbering and labeling all exterior doors and naming indoor corridors in all buildings to assist local and state law enforcement to better identify interior locations of all buildings. Parking permits were also issued to all employees and students. This allows district personnel as well as law enforcement to easily identify authorized vehicles on our school campus during normal school hours.

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. Any increase in the tax above the index will have to be approved by the public through a referendum vote during a general election.

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, 2013

ASSETS	GOVERNMENTAL	BUSINESS-TYPE	
Current Assets	ACTIVITIES	ACTIVITIES	TOTAL
Cash and Cash Equivalents	\$ 5,768,060	99,030	5,867,090
Investments	549,848	0	549,848
Taxes Receivable, Net	558,883	0	558,883
Due From Other Governments	552,997	0	552,997
Other Receivables	34,232	0	34,232
Inventories	40,000	35,550	75,550
Total Current Assets	7,504,020	134,580	7,638,600
Noncurrent Assets			
Land and Site Improvements, Net of Accumulated Depreciation	1,242,453	0	1,242,453
Building and Building Improvements, Net of Accumulated Depreciation	30,801,634	0	30,801,634
Furniture and Equipment, Net of Accumulated Depreciation	1,087,912	168,232	1,256,144
Total Noncurrent Assets	33,131,999	168,232	33,300,231
TOTAL ASSETS	\$ 40,636,019	302,812	40,938,831
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 543,284	0	543,284
Current Portion of Long-Term Debt	635,000	0	635,000
Accrued Salaries and Benefits	1,751,945	0	1,751,945
Other Current Liabilities	66,794	0	66,794
Internal Balances	(6,716)	6,716	0
Total Current Liabilities	2,990,307	6,716	2,997,023
Noncurrent Liabilities			
Compensated Absences	167,968	0	167,968
Other Postemployment Benefits (OPEB)	175,433	0	175,433
Bonds Payable	25,620,000	0	25,620,000
Total Noncurrent Liabilities	25,963,401	0	25,963,401
TOTAL LIABILITIES	28,953,708	6,716	28,960,424
NET POSITION			
Net Investment in Capital Assets	6,876,999	168,232	7,045,231
Restricted	0	0	0
Unrestricted	4,805,312	127,864	4,933,176
TOTAL NET POSITION	11,682,311	296,096	11,978,407
TOTAL LIABILITIES AND NET POSITION	\$ 40,636,019	302,812	40,938,831

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, 2013

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
Governmental activities:						
Instruction	\$ 16,266,416	425	3,687,480	0	(12,578,511)	0
Instructional Student Support	2,130,268	0	157,928	0	(1,972,340)	0
Administrative and Financial Support Services	1,828,594	0	100,074	0	(1,728,520)	0
Operation and Maintenance of Plant Services	2,150,577	0	111,815	0	(2,038,762)	0
Pupil Transportation	1,584,732	0	820,819	0	(763,913)	0
Student Activities	460,008	78,975	25,175	0	(355,858)	0
Community Services	1,680	0	92	0	(1,588)	0
Interest and Fiscal Charges	1,015,970	0	78,536	0	(937,434)	0
Total Governmental Activities	25,438,245	79,400	4,981,919	0	(20,376,926)	0
Business-type activities:						
Food Service	964,971	436,330	571,589	0	0	42,948
Total primary government	\$ 26,403,216	515,730	5,553,508	0	(20,376,926)	42,948
General revenues:						
Taxes:						
Property taxes, levied for general purposes, net					8,428,066	0
Other taxes levied for general purposes					4,506,424	0
Grants, subsidies, & contributions not restricted					7,948,165	0
Investment Earnings					60,112	45
Miscellaneous Income					637,398	(691)
Total general revenues, special items, extraordinary items and transfers					21,580,165	(646)
Change in Net Position					1,203,239	42,302
Net Position - July 1, 2012					10,479,072	253,794
Net Position - June 30, 2013					11,682,311	296,096

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>TOTALS GOVERNMENTAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 5,609,885	158,175	5,768,060
Investments	549,848	0	549,848
Taxes Receivable, Net	558,883	0	558,883
Due From Other Funds	6,716	0	6,716
Due From Other Governments	552,997	0	552,997
Other Receivables	34,232	0	34,232
Inventories	40,000	0	40,000
TOTAL ASSETS	<u>\$ 7,352,561</u>	<u>158,175</u>	<u>7,510,736</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 543,284	0	543,284
Accrued Salaries and Benefits	1,751,945	0	1,751,945
Due to Other Funds	0	0	0
Deferred Revenue	558,883	0	558,883
TOTAL LIABILITIES	<u>2,854,112</u>	<u>0</u>	<u>2,854,112</u>
FUND BALANCES			
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	158,175	158,175
Unassigned	238,449	0	238,449
TOTAL FUND BALANCES	<u>4,498,449</u>	<u>158,175</u>	<u>4,656,624</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,352,561</u>	<u>158,175</u>	<u>7,510,736</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, 2013

Total Fund Balances - Governmental Funds \$ 4,656,624

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 \$ 55,389,504 and the accumulated depreciation is \$ 22,257,505. 33,131,999

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 deferred in the funds. 558,883

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	\$ (26,255,000)	
Accrued interest on bonds/notes	\$ (66,794)	
Other Postemployment Benefits	\$ (175,433)	
Compensated Absences	\$ (167,968)	<u>(26,665,195)</u>

Total Net Position - Governmental Funds \$ 11,682,311

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, 2013

	<u>GENERAL</u> <u>FUND</u>	<u>CAPITAL</u> <u>PROJECTS</u> <u>FUND</u>	<u>DEBT</u> <u>SERVICE</u> <u>FUND</u>	<u>TOTALS</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
REVENUES				
Local Sources	\$ 13,557,544	37,258	7	13,594,809
State Sources	11,720,760	0	0	11,720,760
Federal Sources	768,223	0	0	768,223
TOTAL REVENUES	<u>26,046,527</u>	<u>37,258</u>	<u>7</u>	<u>26,083,792</u>
EXPENDITURES				
Instruction	15,662,287	0	0	15,662,287
Support Services	7,322,841	1,219	2,500	7,326,560
Noninstructional Services	445,290	0	0	445,290
Facilities Acquisition, Construction and Improvement Services	0	2,950,787	0	2,950,787
Debt Service/Refund of Prior Year Receipts	1,441,463	0	2,254	1,443,717
TOTAL EXPENDITURES	<u>24,871,881</u>	<u>2,952,006</u>	<u>4,754</u>	<u>27,828,641</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,174,646	(2,914,748)	(4,747)	(1,744,849)
OTHER FINANCING SOURCES (USES)				
Sale/Compensation for Fixed Assets	690,258	0	0	690,258
Interfund Transfers	(823,080)	823,080	0	0
TOTAL OTHER FINANCING SOURCES (USES)	<u>(132,822)</u>	<u>823,080</u>	<u>0</u>	<u>690,258</u>
Net Change in Fund Balances	1,041,824	(2,091,668)	(4,747)	(1,054,591)
Fund Balance - July 1, 2012	<u>3,456,625</u>	<u>2,249,843</u>	<u>4,747</u>	<u>5,711,215</u>
Fund Balance - June 30, 2013	<u>\$ 4,498,449</u>	<u>158,175</u>	<u>0</u>	<u>4,656,624</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, 2013

Net Change in Fund Balances - Total Governmental Funds **\$ (1,054,591)**

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	\$ (961,977)	
Capital outlays	\$ 2,952,005	
Disposal of Capital Assets	\$ <u>(90,835)</u>	1,899,193

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. (41,732)

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. 2,747

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	\$ 425,000	
Increase in Other Postemployment Benefits	\$ (19,467)	
Increase in Compensated Absences	\$ <u>(7,911)</u>	<u>397,622</u>

Change in Net Position of Governmental Activities **\$ 1,203,239**

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, 2013

	ENTERPRISE FUND
	<i>FOOD SERVICE</i>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 99,030
Due From Other Governments	0
Inventories	35,550
Total Current Assets	134,580
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	168,232
Total Noncurrent Assets	168,232
TOTAL ASSETS	\$ 302,812
LIABILITIES	
Current Liabilities	
Due to Other Funds	\$ 6,716
Other Current Liabilities	0
Total Current Liabilities	6,716
Noncurrent Liabilities	0
TOTAL LIABILITIES	6,716
NET POSITION	
Net Investment In Capital Assets	168,232
Unrestricted	127,864
TOTAL NET POSITION	296,096
TOTAL LIABILITIES AND NET POSITION	\$ 302,812

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, 2013

	<u>ENTERPRISE FUND</u>
	<u>FOOD SERVICE</u>
OPERATING REVENUES	
Food Service Revenue	\$ 436,330
Other Revenue	3,992
Total Operating Revenues	<u>440,322</u>
OPERATING EXPENSES	
Salaries	325,366
Employee Benefits	83,229
Purchased Professional and Technical Services	1,417
Purchased Property Services	36,111
Other Purchased Services	1,389
Supplies	493,157
Property and Equipment	22,320
Other Operating Expenses	1,982
Total Operating Expenses	<u>964,971</u>
OPERATING INCOME (LOSS)	(524,649)
NONOPERATING REVENUES (EXPENSES)	
Loss on Disposal Of Assets	(4,683)
Earnings On Investments	45
State Sources	68,734
Federal Sources	502,855
Total Nonoperating Revenues (Expenses)	<u>566,951</u>
CHANGE IN NET POSITION	42,302
NET POSITION - JULY 1, 2012	<u>253,794</u>
NET POSITION - JUNE 30, 2013	\$ <u>296,096</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, 2013

	ENTERPRISE FUND
	<i>FOOD SERVICE</i>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 440,322
Cash Payments to Employees for Services	(437,828)
Cash Payments to Suppliers of Goods and Services	(475,221)
Cash Payments for Other Operating Expenses	(1,982)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(474,709)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	69,823
Federal Sources	452,247
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	522,070
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Equipment Purchases, Net of Disposals	0
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	0
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	45
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	45
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47,406
CASH AND CASH EQUIVALENTS - JULY 1, 2012	51,624
CASH AND CASH EQUIVALENTS - JUNE 30, 2013	\$ 99,030
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES -	
Net Income (Loss) from Operations	\$ (524,649)
Depreciation	22,320
Donated Commodities	62,392
Increase/(Decrease) in Due To/From Other Funds	(29,233)
(Increase)/Decrease in Inventory	(5,539)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (474,709)

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, 2013

		PRIVATE PURPOSE TRUST FUND	AGENCY FUND	TOTALS FIDUCIARY FUNDS
ASSETS				
Cash and Cash Equivalents	\$	142,796	187,272	330,068
TOTAL ASSETS		<u>142,796</u>	<u>187,272</u>	<u>330,068</u>
LIABILITIES				
Due to Student Groups		0	187,272	187,272
TOTAL LIABILITIES		<u>0</u>	<u>187,272</u>	<u>187,272</u>
NET POSITION				
Reserved For Scholarships		142,796	0	142,796
TOTAL NET POSITION		<u>142,796</u>	<u>0</u>	<u>142,796</u>
TOTAL LIABILITIES AND NET POSITION	\$	<u>142,796</u>	<u>187,272</u>	<u>330,068</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, 2013

		PRIVATE PURPOSE TRUST FUND
ADDITIONS		
Gifts and Contributions	\$	22,750
Earnings on Investments		<u>36</u>
Total Additions		22,786
DEDUCTIONS		
Scholarships Awarded		<u>21,623</u>
CHANGE IN NET POSITION		1,163
NET POSITION - JULY 1, 2012		<u>141,633</u>
NET POSITION - JUNE 30, 2013	\$	<u>142,796</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, 2013

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. The School District applies all applicable Financial Accounting Standards Board pronouncement issued after November 30, 1989 in accounting and reporting for its proprietary operations. 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, 2013 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, 2013

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.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following represents the School Districts major governmental funds.

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

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

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

Proprietary Fund

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

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

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

Fiduciary Funds

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

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

Measurement Focus and Basis of Accounting

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) is recorded as deferred revenue. 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.

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.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrance Accounting

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

Cash and Cash Equivalents

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

Investments

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

Inventories

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

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, 2013.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2013. 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.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

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, 2013, the carrying amount of the School District's cash and cash equivalents and investments was \$6,747,006. 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, 2013

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, 2013, \$4,981,284 of the District's bank balance of \$5,231,284 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>4,981,284</u>
Total	<u>\$ 4,981,284</u>

Reconciliation to Financial Statements

Collateralized Amount Above	\$ 4,981,284
Plus: Insured Amount	250,000
Plus: Deposits in Transit	30,026
Less: Outstanding Checks	<u>(263,683)</u>
Carrying Amount - Bank balances	4,997,627
Plus: Deposits in Investment Pools and Money Market Funds Considered Cash Equivalents	<u>1,199,531</u>
Total Cash and Cash Equivalents Per Financial Statements	<u>\$ 6,197,158</u>

INVESTMENTS:

As of June 30, 2013, the School District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit	1-12 Months	\$ 549,848
U.S. Treasury Obligation Money Market Fund		26,146
PA Local Government Investment Trust		142,796
PA School District Liquid Asset Fund		<u>1,030,589</u>
Total		<u>\$ 1,749,379</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	\$ 1,749,379
Less: Deposits in Investment Pools and Money Market Funds Considered Cash Equivalents	<u>(1,199,531)</u>
Total Investments Per Financial Statements	<u>\$ 549,848</u>

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

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, 2013, the District investments were rated as:

<u>Investment</u>	<u>Standard & 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 8.16%, 31.43% and 58.91%, 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 39.06%, and 59.09%, respectively, of the General Fund's total investments.

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

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

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the school district. At June 30, 2013, the following amounts are due from other governmental units.

	<u>General Fund</u>	<u>Food Service Fund</u>
Federal Pass Through Funds	\$ 222,422	\$ 0
State Funds	233,253	0
Local Funds	<u>97,322</u>	<u>0</u>
Total	\$ <u>552,997</u>	\$ <u>0</u>

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 4 - PROPERTY TAXES

The School District's property tax is levied each July 1, based upon assessed valuations provided by the county (approximately \$837,396,060 for 2012-13). The municipal tax collector bills and collects property taxes on behalf of the School District. The tax rate for all expenditures in 2012-13 is 10.63 mills (\$10.63 per \$1,000 assessed valuation). The schedule for property taxes levied for 2012-13 is as follows:

August 1, 2012 through September 30, 2012	2% discount period
October 1, 2012 through November 30, 2012	face payment period
Beginning December 1, 2012	10% penalty period

Taxes become delinquent by December 31, 2012. Delinquent Property Taxes Receivable at June 30, 2013 is \$558,883.

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, 2013 is as follows:

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
GOVERNMENTAL ACTIVITIES				
Land and Site Improvements	\$ 2,460,742	0	(98,585)	2,362,157
Building and Improvements	28,032,146	17,752,115	(421,605)	45,362,656
Furniture and Equipment	8,034,531	0	(369,840)	7,664,691
Construction in Progress	14,800,110	0	(14,800,110)	0
Total at Cost	53,327,529	17,752,115	(15,690,140)	55,389,504
Less: Accumulated Depreciation:				
Land and Site Improvements	(1,157,158)	(56,099)	93,553	(1,119,704)
Building and Improvements	(14,257,081)	(694,007)	390,066	(14,561,022)
Furniture and Equipment	(6,680,484)	(211,871)	315,576	(6,576,779)
Total Accum. Depreciation	(21,066,297)	(961,977)	799,195	(22,257,505)
Governmental Activities				
Capital Assets, Net	<u>\$22,488,047</u>	<u>16,790,138</u>	<u>(14,890,945)</u>	<u>33,131,999</u>

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 5- CAPITAL ASSETS (Continued)

	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
BUSINESS-TYPE ACTIVITIES				
Furniture and Equipment	\$ 664,755	0	(38,710)	626,045
Less: Accumulated Depreciation:	(469,520)	(22,320)	34,027	(457,813)
Business-Type Activities				
Capital Assets, Net	\$ 195,235	(22,320)	(4,683)	168,232

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

Government Activities:

Instruction	\$ 576,751
Instructional Student Support	75,659
Administrative and Financial Support Service	64,945
Operation and Maintenance of Plant Service	181,225
Pupil Transportation	46,999
Student Activities	16,338
Community Services	60
Total Depreciation Expense – Governmental Activities	\$ 961,977

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, 2013 is as follows:

Date	Rate	Principal	Interest	Total Debt Service
December 15, 2013		\$	419,601	419,601
June 15, 2014	3.000%	250,000	419,601	669,601
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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 6 – LONG-TERM DEBT (Continued)

<u>Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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
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>19,945,000</u>	\$ <u>16,315,041</u>	\$ <u>36,260,041</u>

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013 is as follows:

<u>Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
October 15, 2013		\$	76,387	76,387
April 15, 2014	2.000%	385,000	76,387	461,387
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		\$ <u>6,310,000</u>	\$ <u>1,339,732</u>	\$ <u>7,649,732</u>

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

	<u>Balance</u> <u>7/01/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2013</u>
General Obligation Bonds, Series of 2012	\$ 6,485,000	0	(175,000)	6,310,000
General Obligation Bonds, Series of 2010	<u>20,195,000</u>	<u>0</u>	<u>(250,000)</u>	<u>19,945,000</u>
Total Bonds and Note Payable	\$ <u>26,680,000</u>	<u>0</u>	<u>(425,000)</u>	<u>26,255,000</u>

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 6 – LONG-TERM DEBT (Continued)

Summary of debt service requirements to maturity on the outstanding Bonds and Note as of June 30, 2013 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 635,000	991,976	1,626,976
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 – 2022	3,740,000	4,392,223	8,132,223
2023 – 2027	4,370,000	3,776,258	8,146,258
2028 – 2032	5,255,000	2,873,638	8,128,638
2033 – 2037	6,540,000	1,591,650	8,131,650
2038 – 2040	<u>3,035,000</u>	<u>206,101</u>	<u>3,241,101</u>
Totals	\$ <u>26,255,000</u>	<u>\$17,654,773</u>	<u>\$43,909,773</u>

NOTE 7 - 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 8 – INTERFUND ACTIVITIES

Due to/from Other Funds balances as of June 30, 2013 are as follows:

	<u>Due From Other Fund</u>	<u>Due to Other Funds</u>
General Fund	\$ 6,716	\$ ---
Enterprise Fund	---	6,716
	<u>\$ 6,716</u>	<u>\$ 6,716</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	\$ 823,080	\$ ---
Capital Projects Funds	---	823,080
	<u>\$ 823,080</u>	<u>\$ 823,080</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, 2013

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 5th 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.

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). 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, 2013, the rate of employer contribution was 12.36% of covered payroll. The 12.36% rate is composed of a pension contribution rate of 11.50% for pension benefits and .86% 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, 2013, 2012, and 2011 were \$ 651,692, \$480,698, and \$331,085, respectively. Those amounts are equal to the required contribution for each year.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

Background. Beginning in fiscal year 2009, the Mifflinburg Area School District implemented Governmental Accounting Standards Board (GASB) Statement No. 45 for other postemployment benefits (OPEB) offered to retirees. 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.

Plan Description. 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.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

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

Annual required contribution	\$ 387,644
Interest on net OPEB obligation	7,018
Adjustment to annual required contribution	<u>(14,523)</u>
Annual OPEB cost	380,139
Contributions made (Estimated)	<u>(360,672)</u>
Increase (decrease) in net OPEB obligation	19,467
Net OPEB obligation (asset) beginning of year	<u>155,966</u>
Net OPEB obligation (asset) end of year	<u>\$ 175,433</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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.
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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, 2013	\$ 380,139	94.88%	\$ 175,433
June 30, 2012	\$ 309,152	89.37%	\$ 155,966
June 30, 2011	\$ 309,577	91.61%	\$ 123,113

NOTE 11 - 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.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013 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 expenditures which may be disallowed pursuant to the terms of these grant programs.

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.

Litigation

The School District has been represented in certain legal interests which routinely occur in local government operations. The effects of these legal proceedings on the financial statements are not known and accordingly no provision for losses has been recorded.

NOTE 14 – ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

In November 2010, the GASB issued Statement No. 60, “*Accounting and Financial Reporting for Service Concession Arrangements.*” The School District adopted Statement No. 60 for its fiscal year ended June 30, 2013 financial statements as required. The application of this statement had no effect on these financial statements.

In November 2010, the GASB issued Statement No. 61, “*The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34.*” The School District adopted Statement No. 61 for its fiscal year ended June 30, 2013 financial statements as required. The application of this statement had no effect on these financial statements.

In December 2010, the GASB issued Statement 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. 62 for its fiscal year ended June 30, 2013 financial statements as required. The application of this statement had no effect on these financial statements.

In June 2011, the GASB issued Statement No. 63, “*Financial Reporting of Deferred Inflows of Resources, and Net Positions.*” The School District adopted Statement No. 63 for its fiscal year ended June 30, 2013 financial statements as required. The statement of net assets has been renamed the statement of net position, and reflects the following elements where applicable: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

NOTE 15 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT TRANSITION

In March 2012, the GASB issued Statement No. 65, “*Items Previously Reported as Assets and Liabilities.*” The School District is required to adopt Statement No. 65 for its fiscal year ended June 30, 2014 financial statements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2013

NOTE 15 – GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT TRANSITION(Continued)

In March 2012, the GASB issued Statement No. 66, *“Technical Corrections – 2012, an amendment of GASB Statements No. 10 and No. 62.”* The School District is required to adopt Statement No. 66 for its fiscal year ended June 30, 2014 financial statements.

In June 2012, the GASB issued Statement No. 67, *“Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25.”* The School District is required to adopt Statement No. 67 for its fiscal year ended June 30, 2014 financial statements.

In April 2013, the GASB issued Statement No. 70, *“Accounting and Financial Reporting for Non-exchange Financial Guarantees.”* The School District is required to adopt Statement No. 70 for its fiscal year ended June 30, 2014 financial statements.

In June 2012, the GASB issued Statement No. 68, *“Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27.”* 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.”* The School District is required to adopt Statement No. 69 for its fiscal year ended June 30, 2015 financial statements.

The School District has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

**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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
REVENUES				
Local Revenues	12,680,180	12,700,506	13,557,544	857,038
State Program Revenues	11,857,091	11,856,829	11,720,760	(136,069)
Federal Program Revenues	803,000	803,000	768,223	(34,777)
TOTAL REVENUES	25,340,271	25,360,335	26,046,527	686,192
EXPENDITURES				
Instruction				
Regular Programs	11,524,478	11,524,478	11,066,403	458,075
Special Programs	2,690,608	2,690,608	2,620,951	69,657
Vocational Education	1,608,629	1,608,629	1,740,322	(131,693)
Other Instructional Programs	300,950	300,950	232,194	68,756
Higher Education	0	0	2,417	(2,417)
Support Services				
Pupil Personnel	585,661	585,661	626,742	(41,081)
Instructional Staff	1,163,768	1,163,767	1,212,926	(49,159)
Administration	1,568,226	1,568,226	1,453,893	114,333
Pupil Health	244,211	244,211	214,940	29,271
Business	285,517	285,517	240,431	45,086
Operation and Maintenance of Plant Services	2,458,314	2,458,314	1,970,570	487,744
Student Transportation Services	1,257,724	1,257,724	1,537,733	(280,009)
Central and Other Support Services	164,494	164,494	65,606	98,888
Operation of Noninstructional Services				
Food Services	0	0	0	0
Student Activities	477,819	477,819	443,670	34,149
Community Services	6,000	6,000	1,620	4,380
Capital Outlay	0	0	0	0
TOTAL EXPENDITURES	24,336,399	24,336,398	23,430,418	905,980
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	1,003,872	1,023,937	2,616,109	(219,788)
OTHER FINANCING SOURCES (USES)				
Sale/Compensation for Capital Assets	0	0	690,258	690,258
Debt Service/Refund of Prior Year Receipts	(1,430,817)	(1,430,817)	(1,441,463)	(10,646)
Interfund Transfers In (Out)	(200,000)	(200,000)	(823,080)	623,080
Budgetary Reserve	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(1,630,817)	(1,630,817)	(1,574,285)	1,302,692
Net Change in Fund Balances	\$ (626,945)	(606,880)	1,041,824	1,082,904
FUND BALANCE - JULY 1, 2012			3,456,625	
FUND BALANCE - JUNE 30, 2013			\$ 4,498,449	

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, 2013

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**

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2013

Federal Program Title	Source Code	Federal CFDA Number	PASS Through Grantors Number	Grant Period	Program or Award Amount	Total Received	Accrued <Deferred> Revenue at July 1, 2012	Receipts Recognized	Expenditures	Accrued <Deferred> Revenue at June 30, 2013
U.S. DEPARTMENT OF EDUCATION										
PASSED THROUGH PA DEPT. OF EDUCATION										
TITLE I, PART A CLUSTER										
TITLE I Improving Basic Programs	I	84.010	013-120252	11-12	549,174	215,315	125,695	89,620	89,620	0
TITLE I Improving Basic Programs	I	84.010	013-130252	12-13	556,460	301,126	0	498,197	498,197	197,071
Total - Title I, Part A Cluster						516,441	125,695	587,817	587,817	197,071
Title II Improving Teacher Quality	I	84.367	020-120252	11-12	155,920	72,603	30,684	41,919	41,919	0
Title II Improving Teacher Quality	I	84.367	020-130252	12-13	154,926	154,926	0	99,163	99,163	(55,763)
ARRA - Education Jobs Fund	I	84.410	140-120252	11-12	8,372	8,372	8,372	0	0	0
Total - PA Department of Education						752,342	164,751	728,899	728,899	141,308
PASSED THROUGH THE CENTRAL SUSQUEHANNA INTERMEDIATE UNIT 16										
SPECIAL EDUCATION CLUSTER										
IDEA 611	I	84.027	062-120016	11-12	397,432	75,666	75,666	0	0	0
IDEA 611	I	84.027	062-130016	12-13	412,842	346,602	0	412,842	412,842	66,240
IDEA 619	I	84.173	131-110016	11-12	9,326	9,326	9,326	0	0	0
IDEA 619	I	84.173	131-120016	12-13	6,007	6,007	0	6,007	6,007	0
Total - Special Education Cluster						437,601	84,992	418,849	418,849	66,240
PASSED THROUGH THE TUSCARORA INTERMEDIATE UNIT 11										
School Improvement Grants	I	84.377	N/A	12-13	14,874	0	0	14,874	14,874	14,874
Total U.S. Department of Education						1,189,943	249,743	1,162,622	1,162,622	222,422
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
PASSED THROUGH PA DEPT. OF PUBLIC WELFARE										
Medical Assistance Program	I	93.778	N/A	12-13	1,134	1,134	0	1,134	1,134	0
Total U.S. Department of Health and Human Services						1,134	0	1,134	1,134	0
U.S. DEPARTMENT OF AGRICULTURE										
CHILD NUTRITION CLUSTER										
PASSED THROUGH PA DEPT. OF EDUCATION										
Food Nutrition - Breakfast	I	10.553	365/367	12-13	N/A	62,010	2,513	59,497	59,497	0
Food Nutrition - Lunch	I	10.555	362	12-13	N/A	390,237	9,271	380,966	380,966	0
PASSED THROUGH PA DEPT. OF AGRICULTURE										
Donated Commodities	I	10.555	N/A	12-13	N/A	62,392	0	62,392	62,392	0
Total - Child Nutrition Cluster						514,639	11,784	502,855	502,855	0
TOTAL FEDERAL AWARDS						1,705,716	261,527	1,666,611	1,666,611	222,422
STATE SOURCES										
Food Nutrition	S	N/A	510-513	12-13	N/A	38,514	1,089	37,425	37,425	0

Source Codes:										
Major Program Determination										
Total Federal Expenditures										
Programs Selected for Testing:										
Special Education Cluster										
Child Nutrition Cluster										
Total										
1,666,611										
418,849										
502,855										
921,704										
=										
55.30%										

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal 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 – DEFERRED REVENUES

Deferred 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 deferred revenue.

NOTE C – MEDICAL ASSISTANCE – ACCESS REIMBURSEMENTS

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

NOTE D – PROGRAM DISCLOSURES

Title I, Part A Cluster

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

Special Education Cluster

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

Child Nutrition Cluster

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

FORGETT & KERSTETTER, P.C.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller general of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mifflinburg Area School District, Mifflinburg, Pennsylvania as of and for the year ended June 30, 2013, 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 January 23, 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
January 23, 2014

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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, 2013. 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, 2013.

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

January 23, 2014

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2013

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>
84.027, 84.173	Special Education Cluster
10.553, 10.555	Child Nutrition Cluster

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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2013

MATERIAL WEAKNESS – Proprietary Fund Transactions

2012-1: Information and Communication Component of Internal Controls

Condition: Financial activities were recorded improperly in the Food Service Fund general ledger (primarily among liability and expenditure accounts) requiring material adjustments and corrections at year end. The bank reconciliations performed as part of appropriate segregation of duties revealed a lack of agreement to the general ledger; however, these differences were not communicated to management or discussed among staff personnel in a timely manner. Staff failed to properly and consistently record financial transactions in the Food Service Fund with a disconnect of accounting issue communications among staff personnel and senior management personnel. Material errors in the recording of financial transactions in the Food Service Fund general ledger were identified, but not resolved timely among personnel and management.

Recommendation: Improve the operation of the internal control system by developing an enhanced communication channel among staff and to utilize management's expertise to help with any problems in the accounting system.

Current Status: The recommended procedures were adopted. No similar findings were identified in the June 30, 2013 audit.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
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