

***MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
SINGLE AUDIT
For the year ended June 30, 2009***

***FORGETT & KERSTETTER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
10 DEDAY ALLEY
SELINGROVE, PA 17870***

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
For The Year Ended June 30, 2009

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MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
For The Year Ended June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Mifflinburg Area School District, Mifflinburg, Pennsylvania, as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mifflinburg Area School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Mifflinburg Area School District, Mifflinburg, Pennsylvania as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and budgetary comparison information on pages III through VIII and 27 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 17, 2009, on our consideration of the Mifflinburg Area School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Mifflinburg Area School District, Mifflinburg, Pennsylvania basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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 of the Mifflinburg Area School District. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Forgett & Kerstetter, P.C.

FORGETT & KERSTETTER, P.C.
December 17, 2009

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, 2009

(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, 2009. 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 assets, 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 Assets 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 Assets
- ◆ Statement of Activities

Fund Level Financial Statements:

- ◆ Balance Sheet of Governmental Funds
- ◆ Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets
- ◆ 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

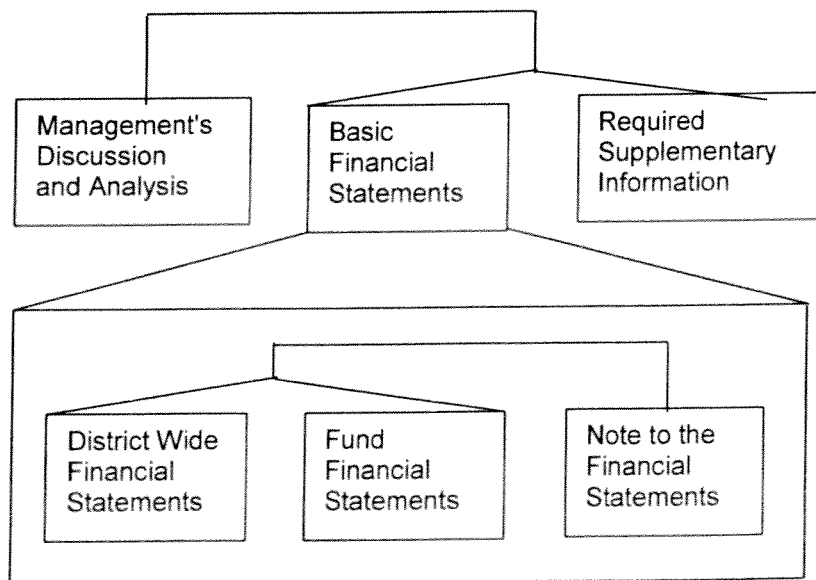


Figure A-2 summarizes the major features of the district's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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 assets • 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 assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 Assets 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 assets 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 Assets 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 assets 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 \$23,793,937
- Total General Fund Expenditures were \$23,061,678
- Total Revenues exceeded total Expenditures by \$732,259
- Total General Fund transfers totaled \$407,485
- Total General Fund Balance increased by \$324,774
- The districts' food service program had Operating revenue of \$496,055 and Non-operating revenues totaling \$461,549 and total expenses of \$1,012,367.

- Total net assets of Governmental Activities of \$12,156,511
- Negative change in Net Assets of Governmental Activities of \$ 1,460,889.
- Total fund balance of all governmental funds equaled \$ 4,349,310
- Undesignated general fund balance equaled \$ 2,134,350.

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

Net Assets - On June 30, 2009, the District had total net assets from governmental activities of \$ 12,156,511 (Table 1)

Table 1 summarizes the assets, liabilities, and net assets of the District at June 30, 2009.

Table 1
Net Assets As of June 30, 2009 - (Government-Wide)

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Assets						
Current & Other Assets	\$6,663,296	\$7,072,807	\$104,303	\$80,046	\$6,767,599	\$7,152,853
Capital Assets	<u>\$16,243,604</u>	<u>\$15,510,932</u>	<u>\$316,763</u>	<u>\$284,340</u>	<u>\$16,560,367</u>	<u>\$15,795,272</u>
Total Assets	<u>\$22,906,900</u>	<u>\$22,583,739</u>	<u>\$421,066</u>	<u>\$364,386</u>	<u>\$23,327,966</u>	<u>\$22,948,125</u>
Liabilities						
Current Liabilities	\$2,314,500	\$2,675,885	\$86,664	\$84,747	\$2,401,164	\$2,760,632
Long-Term Liabilities	<u>\$6,975,000</u>	<u>\$7,751,343</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,975,000</u>	<u>\$7,751,343</u>
Total Liabilities	<u>\$9,289,500</u>	<u>\$10,427,228</u>	<u>\$86,664</u>	<u>\$84,747</u>	<u>\$9,376,164</u>	<u>\$10,511,975</u>
Net Assets						
Invested in Capital Assets Net of Related Debt	\$8,968,604	\$7,509,920	\$316,763	\$284,340	\$9,285,367	\$7,794,260
Restricted	\$1,384,878	\$1,384,878	\$0	\$0	\$1,384,878	\$1,384,878
Unrestricted	<u>\$3,263,918</u>	<u>\$3,261,713</u>	<u>\$17,639</u>	<u>\$-4,701</u>	<u>\$3,281,557</u>	<u>\$3,257,012</u>
Total Net Assets	<u>\$13,617,400</u>	<u>\$12,156,511</u>	<u>\$334,402</u>	<u>\$279,639</u>	<u>\$13,951,802</u>	<u>\$12,436,150</u>

Balance Sheet/Fund Balances – Total fund equity of Governmental funds equaled \$4,349,310. These balances consist of:

- ♦ General Fund - fund equity equaled \$ 4,319,228
- ♦ Capital Projects – fund equity equaled \$ -592,805
- ♦ Non-Major Funds- fund equity equaled \$ 622,887

(Table 2) summarizes the revenues, expenses, and changes in net assets of the District for the year ended June 30, 2009.

Table 2
Changes in Net Assets
For the Year Ended June 30, 2009
(Government-wide)

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Program Revenues:						
Charges for services	68,504	66,676	467,038	496,055	535,542	562,731
Operating grants and contributions	4,964,503	4,787,823	424,822	460,731	5,389,325	5,248,554
Capital grants and contributions	0	0	0	0	0	0
						0
General Revenues:						
Property taxes	6,742,882	6,640,554			6,742,882	6,640,554
Taxes levied for specific purposes	4,065,565	4,301,338			4,065,565	4,301,338
Grants and entitlements	7,139,496	7,947,727			7,139,496	7,947,727
Investment earnings	257,907	81,538	869	818	258,776	82,356
Other	100,524	43,065			100,524	43,065
Total Revenues	23,339,381	23,868,721	892,729	957,604	24,232,110	24,826,325
Program Expenses:						
Instruction	15,354,113	15,753,134			15,354,113	15,753,134
Instructional Student Support	1,557,888	1,643,322			1,557,888	1,643,322
Admin and Financial Support Svcs.	1,866,311	1,838,762			1,866,311	1,838,762
Operation and Maintenance	2,559,534	2,452,239			2,559,534	2,452,239
Pupil Transportation	1,261,910	1,140,171			1,261,910	1,140,171
Student Activities	485,248	395,082			485,248	395,082
Community Services	6,334	47,512			6,334	47,512
Facilities Improvements	100,272	1,790,157			100,272	1,790,157
Refund of Prior Year Receipts	0	0			0	0
Interest and Fiscal Charges	339,073	269,231			339,073	269,231
Food Service			987,255	1,012,367	987,255	1,012,367
Total Expenses	23,530,683	25,329,609	987,255	1,012,367	24,517,938	26,341,977
Change in Net Assets	-191,292	-1,460,889	-111,213	-54,763	-285,828	-1,515,652

Future Plans

The District and its Board of Director's are creating plans to focus its attention on existing facilities and buildings to create a better learning environment for its students. Most of the districts' buildings and facilities have a need for updated infrastructure and roofs. Due to 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. The district hopes to at least update HVAC systems as well as old costly inefficient lighting.

In the 2008-09 school year, the district partnered with T.A.C., an ESCO (Energy Savings Company), to make improvements to district facilities. The district borrowed 3 million dollars in order to do the work. The work consisted of new energy efficient lighting in all district buildings except the high school. The work also consisted of a new HVAC system in the Mifflinburg Elementary. The district also hired Hayes Large Architects to complete a feasibility study for the district. The board accepted the study and appointed Hayes Large to design a Commonwealth of Pennsylvania reimbursable Plan Con project. The majority of the project will consist of renovating the high school. The main focus will be to make the high school more energy efficient. A new HVAC system, new windows / doors, and lighting will be the main objectives of the project.

The District is still designating an allocation from the fund balance to be used in future budgets to offset the expenses for retired professional employees' benefits. The amount designated is \$1,344,878. Also, \$840,000 is designated for inventories and facility upgrades.

Budgetary Variances

◆ **REVENUES** - Total General Fund Revenues were greater than projected by \$ 472,987.

- Estimated Revenue differed in the following areas:

Local revenues - \$561,999 more than projected

RE transfer tax, EIT, Del. tax, IDEA and Investment earnings made up for the majority of the increase.

State Revenues - \$-13,977 less than projected

The district did not receive what was project

Fed Revenues - \$-75,035 less than projected

The district received less Title I funding

◆ **EXPENDITURES** - Total General Fund Expenditures were less than projected by \$51,772.

Summary

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

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, PO Box 285, Mifflinburg, PA 17844.

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**BASIC
FINANCIAL STATEMENTS**

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS	GOVERNMENTAL	BUSINESS-TYPE	
	ACTIVITIES	ACTIVITIES	TOTAL
Current Assets			
Cash and Cash Equivalents	\$ 5,583,682	54,991	5,638,673
Investments	372,657	0	372,657
Taxes Receivable, Net	393,826	0	393,826
Due From Other Governments	665,728	0	665,728
Other Receivables	16,914	0	16,914
Inventories	40,000	25,055	65,055
Total Current Assets	7,072,807	80,046	7,152,853
Noncurrent Assets			
Land and Site Improvements, Net of Accumulated Depreciation	1,346,507	0	1,346,507
Building and Building Improvements, Net of Accumulated Depreciation	12,070,611	0	12,070,611
Furniture and Equipment, Net of Accumulated Depreciation	2,093,814	284,340	2,378,154
Total Noncurrent Assets	15,510,932	284,340	15,795,272
TOTAL ASSETS	\$ 22,583,739	364,386	22,948,125
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 824,578	0	824,578
Current Portion of Long-Term Debt	290,000	0	290,000
Accrued Salaries and Benefits	1,579,840	0	1,579,840
Other Current Liabilities	66,214	0	66,214
Internal Balances	(84,747)	84,747	0
Total Current Liabilities	2,675,885	84,747	2,760,632
Noncurrent Liabilities			
Other Postemployment Benefits (OPEB)	40,331	0	40,331
Bonds and Notes Payable	7,711,012	0	7,711,012
Total Noncurrent Liabilities	7,751,343	0	7,751,343
TOTAL LIABILITIES	10,427,228	84,747	10,511,975
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	7,509,920	284,340	7,794,260
Restricted	1,384,878	0	1,384,878
Unrestricted	3,261,713	(4,701)	3,257,012
TOTAL NET ASSETS	12,156,511	279,639	12,436,150
TOTAL LIABILITIES AND NET ASSETS	\$ 22,583,739	364,386	22,948,125

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

For The Year Ended June 30, 2009

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>NONMAJOR FUNDS</u>	<u>TOTALS GOVERNMENTAL FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 4,945,795	0	637,887	5,583,682
Investments	372,657	0	0	372,657
Taxes Receivable, Net	393,826	0	0	393,826
Due From Other Funds	84,747	0	0	84,747
Due From Other Governments	665,728	0	0	665,728
Other Receivables	16,914	0	0	16,914
Inventories	40,000	0	0	40,000
TOTAL ASSETS	<u>\$ 6,519,667</u>	<u>0</u>	<u>637,887</u>	<u>7,157,554</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 216,773	592,805	15,000	824,578
Accrued Salaries and Benefits	1,579,840	0	0	1,579,840
Deferred Revenue	393,826	0	0	393,826
Escrow Funds	10,000	0	0	10,000
TOTAL LIABILITIES	<u>2,200,439</u>	<u>592,805</u>	<u>15,000</u>	<u>2,808,244</u>
FUND BALANCES				
Reserve For Inventories	40,000	0	0	40,000
Reserve For Post Employment Benefits	1,344,878	0	0	1,344,878
Unreserved - Undesignated				
General Fund	2,134,350	0	0	2,134,350
Special Revenue	0	0	622,887	622,887
Capital Projects	0	(592,805)	0	(592,805)
Unreserved - Designated	800,000	0	0	800,000
TOTAL FUND BALANCES	<u>4,319,228</u>	<u>(592,805)</u>	<u>622,887</u>	<u>4,349,310</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,519,667</u>	<u>0</u>	<u>637,887</u>	<u>7,157,554</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 ASSETS
For The Year Ended June 30, 2009

Total Fund Balances - Governmental Funds **\$ 4,349,310**

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

Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$ 34,601,835 and the accumulated depreciation is \$ 19,090,903. 15,510,932

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. 393,826

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	\$ (8,001,012)	
Accrued interest on bonds/notes	\$ (56,214)	
Other Postemployment Benefits	\$ <u>(40,331)</u>	<u>(8,097,557)</u>

Total Net Assets - Governmental Funds **\$ 12,156,511**

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2009

	GENERAL FUND	CAPITAL PROJECTS FUND	NONMAJOR FUNDS	TOTALS GOVERNMENTAL FUNDS
REVENUES				
Local Sources				
Real Estate Taxes	\$ 6,631,222		0	6,631,222
Other Taxes	4,301,338	0	0	4,301,338
Interest	78,746	0	2,792	81,538
Revenue From Intermediate Sources	448,695	0	0	448,695
Tuition and Fees	7,490	0	0	7,490
Revenue From Student Activities	0	0	59,186	59,186
Other Revenue	39,588	0	3,474	43,062
Total Local Sources	11,507,079	0	65,452	11,572,531
State Sources	11,647,532	0	0	11,647,532
Federal Sources	639,326	0	0	639,326
TOTAL REVENUES	23,793,937	0	65,452	23,859,389
EXPENDITURES				
Current				
Instruction	15,179,046	0	0	15,179,046
Support Services	6,915,402	0	0	6,915,402
Operation of Noninstructional Services	422,391	0	41,076	463,467
Total Current Expenditures	22,516,839	0	41,076	22,557,915
Capital Outlay				
Facilities Acquisition, Construction and Improvement Services	0	1,618,816	110,645	1,729,461
Total Capital Outlay	0	1,618,816	110,645	1,729,461
Debt Service / Refund of Prior Year Receipts	544,839	0	1,042	545,881
TOTAL EXPENDITURES	23,061,678	1,618,816	152,763	24,833,257
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	732,259	(1,618,816)	(87,311)	(973,868)
OTHER FINANCING SOURCES (USES)				
Proceeds of Long Term Financing	0	1,026,012	0	1,026,012
Interfund Transfers	(407,485)	(15)	407,500	0
TOTAL OTHER FINANCING SOURCES (USES)	(407,485)	1,025,997	407,500	1,026,012
Net Change in Fund Balances	324,774	(592,819)	320,189	52,144
Fund Balance - July 1, 2008	3,994,454	14	302,698	4,297,166
Fund Balance - June 30, 2009	\$ 4,319,228	(592,805)	622,887	4,349,310

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, 2009

Net Change in Fund Balances - Total Governmental Funds **\$ 52,144**

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	\$ (960,122)	
Capital outlays	\$ 228,494	
Prior Period Adjustment to Capital Assets	\$ <u>(1,044)</u>	(732,672)

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 increased by this amount this year.

9,332

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 increased by this amount this year.

(23,350)

Increase in Other Postemployment Benefits

(40,331)

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 assets. The effect of these transactions in the statement of activities is shown below:

Repayment of Debt Principal	\$ 300,000	
Long Term Financing	\$ <u>(1,026,012)</u>	<u>(726,012)</u>

Change in Net Assets of Governmental Activities

\$ (1,460,889)

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2009

	<u>ENTERPRISE FUND</u>
	<u>FOOD SERVICE</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 54,991
Inventories	25,055
Total Current Assets	<u>80,046</u>
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	<u>284,340</u>
Total Noncurrent Assets	<u>284,340</u>
TOTAL ASSETS	<u>\$ 364,386</u>
LIABILITIES	
Current Liabilities	
Due to Other Funds	\$ 84,747
Other Current Liabilities	<u>0</u>
Total Current Liabilities	<u>84,747</u>
Noncurrent Liabilities	<u>0</u>
TOTAL LIABILITIES	<u>84,747</u>
NET ASSETS	
Invested In Capital Assets	284,340
Unrestricted	<u>(4,701)</u>
TOTAL NET ASSETS	<u>279,639</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 364,386</u>

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS
PROPRIETARY FUND
For The Year Ended June 30, 2009

	<u>ENTERPRISE FUND</u>
	<u>FOOD SERVICE</u>
OPERATING REVENUES	
Food Service Revenue	\$ 496,055
Total Operating Revenues	<u>496,055</u>
OPERATING EXPENSES	
Salaries	365,738
Employee Benefits	71,804
Purchased Professional and Technical Services	718
Purchased Property Services	26,092
Other Purchased Services	1,387
Supplies	510,456
Depreciation	34,826
Small Equipment	0
Other Operating Expenses	1,346
Total Operating Expenses	<u>1,012,367</u>
OPERATING INCOME (LOSS)	(516,312)
NONOPERATING REVENUES (EXPENSES)	
Earnings On Investments	818
State Sources	62,516
Federal Sources	398,215
Total Nonoperating Revenues (Expenses)	<u>461,549</u>
CHANGE IN NET ASSETS	(54,763)
NET ASSETS - JULY 1, 2008	<u>334,402</u>
NET ASSETS - JUNE 30, 2009	\$ <u>279,639</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, 2009

	<u>ENTERPRISE FUND</u>
	<u>FOOD SERVICE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Users	\$ 496,055
Cash Payments to Employees for Services	(439,175)
Cash Payments to Suppliers of Goods and Services	(488,865)
Cash Payments for Other Operating Expenses	<u>(1,346)</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>(433,331)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State Sources	62,516
Federal Sources	<u>341,975</u>
NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES	<u>404,491</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Equipment Purchases, Net of Disposals	<u>(2,403)</u>
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,403)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>818</u>
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	<u>818</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(30,425)
CASH AND CASH EQUIVALENTS - JULY 1, 2008	<u>85,416</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2009	<u>\$ 54,991</u>
<hr/>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES -	
Net Income (Loss) from Operations	\$ (516,312)
Depreciation	34,826
Donated Commodities	56,240
Increase/(Decrease) in Due To/From Other Funds	(1,633)
Increase/(Decrease) in Other Current Liabilities	(284)
(Increase)/Decrease in Inventory	(6,168)
(Increase)/Decrease in Accounts Receivable	<u>0</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ (433,331)</u>

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	PRIVATE PURPOSE TRUST FUND	AGENCY FUND	TOTALS FIDUCIARY FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 120,906	214,583	335,489
TOTAL ASSETS	<u>120,906</u>	<u>214,583</u>	<u>335,489</u>
LIABILITIES			
Due to Student Groups	0	214,583	214,583
TOTAL LIABILITIES	<u>0</u>	<u>214,583</u>	<u>214,583</u>
NET ASSETS			
Reserved For Scholarships	120,906	0	120,906
TOTAL NET ASSETS	<u>120,906</u>	<u>0</u>	<u>120,906</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>120,906</u>	<u>214,583</u>	<u>335,489</u>

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For The Year Ended June 30, 2009

		PRIVATE PURPOSE TRUST FUND
ADDITIONS		
Gifts and Contributions	\$	18,868
Earnings on Investments		<u>1,610</u>
Total Additions		20,478
DEDUCTIONS		
Scholarships Awarded		<u>13,491</u>
CHANGE IN NET ASSETS		6,987
NET ASSETS - JULY 1, 2008		<u>113,919</u>
NET ASSETS - JUNE 30, 2009	\$	<u><u>120,906</u></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, 2009

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 four elementary schools, one middle school, one intermediate 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.

The Governmental Accounting Standards Board Statement No. 14 "The Financial Reporting Entity" established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the school as a reporting entity, management has addressed all potential component units which may or may not fall within the school's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the school's reporting entity are financial accountability and the nature and significance of the relationship. This report includes all of the funds of Mifflinburg Area School District based on this criteria.

The District participates in the SUN Area Career and Technology Center (SUN ACTC) located in New Berlin, Pennsylvania. This joint venture does not meet the criteria for inclusion within the reporting entity because the SUN ACTC 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 ACTC; and the SUN ACTC is maintained as a separate operating unit.

The District has one member on the joint operating committee which governs the SUN ACTC. The committee is comprised of one member from each of the member school districts who are appointed annually. The SUN ACTC provides vocational and technical education for students of the member school districts. Each member school district pays tuition to the SUN ACTC 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 ACTC 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 ACTC. The member school districts approve the budget of the SUN ACTC.

Audited financial statements for the year ended June 30, 2009 for the SUN ACTC are available at its business office.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District's Intermediate Unit is the Central Susquehanna Intermediate Unit #16 located in Montandon, Pennsylvania.

Basis of Presentation

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

Government-Wide Financial Statements

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

The statement of net assets 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

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds; governmental, proprietary, and fiduciary.

Governmental Funds

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

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds – Special Revenue funds are established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain defined purposes. The School District has two Special Revenue funds: The Capital Reserve Fund and the Athletic Fund.

Capital Projects Fund – The Capital Projects Fund is utilized to account for financial resources to be used for the acquisition or construction of major capital facilities. This fund is reported as a major fund.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, 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 fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classification: private purpose trust fund, and agency fund. 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 assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets.

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

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

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

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

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

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

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

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

Encumbrance Accounting

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

Cash and Cash Equivalents

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2009.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2009. The inventory consisted of government donated commodities and purchased food and supplies. Government donated commodities were valued at cost figures provided by the U.S. Department of Agriculture while purchased food and supplies were valued at cost, both using the first-in first-out (FIFO) method.

Capital Assets

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

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

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

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

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Balance Reserve

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for post employment benefits, and inventories. The board of directors has designated a portion of fund balance for facility upgrades. Net assets have also been reserved for scholarship awards.

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.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2009

NOTE 2 – CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

At June 30, 2009 the carrying amount of the School District's cash and cash equivalents and investments was \$6,346,819. 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.

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, 2009, \$4,161,131 of the District's bank balance of \$4,411,131 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$ 0
Uninsured and collateral held by the pledging bank's trust department in the District's name	<u>4,161,131</u>
Total	<u>\$ 4,161,131</u>

Reconciliation to Financial Statements

Collateralized Amount Above	\$4,161,131
Plus: Insured Amount	250,000
Plus: Deposits in Transit	946
Less: Outstanding Checks	<u>(188,316)</u>
Carrying Amount – Bank balances	4,223,761
Plus: Deposits in Investment Pools and Money Market Funds Considered Cash Equivalents	<u>1,750,401</u>
Total Cash and Cash Equivalents Per Financial Statements	<u>\$5,974,162</u>

INVESTMENTS:

As of June 30, 2009, the School District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
FNMA Zero Coupon Bond	2 Months	\$ 124,592
FHLB Zero Coupon Bond	5 - 8 Months	248,065
U.S. Treasury Obligation Money Market Fund		208,131
PA Local Government Investment Trust		120,906
PA School District Liquid Asset Fund		<u>1,421,364</u>
Total		<u>\$ 2,123,058</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.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2009

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

Reconciliations to Financial Statements

Total Investments Above	\$ 2,123,058
Less: Deposits in Investment Pools and Money Market Funds	
Considered Cash Equivalents	(1,750,401)
Total Investments Per Financial Statements	\$ <u>372,657</u>

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, 2009, 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
Federal National Mortgage Association	AAA
Federal Home Loan Bond	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 U.S. Treasury Obligations, FNMA zero coupon bonds, FHLB zero coupon bonds, PA Local Government Investment Trust, and PA School District Liquid Asset Fund. These investments are 9.81%, 5.87%, 11.68%, 5.69%, and 66.95%, respectively, of the District's total investments.

For the General Fund, more than 5% of the investments are in U.S. Treasury Obligations, FNMA zero coupon bonds, FHLB zero coupon bonds, and PA School District Liquid Asset Fund. These Investments are 14.91%, 8.92%, 29.67%, and 58.40% respectively, of the General Fund's total investments.

For the Capital Reserve 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, 2009, the following amounts are due from other governmental units.

	<u>General Fund</u>
Federal Pass Through Funds	\$ 289,335
State Funds	202,191
Local Funds	<u>174,202</u>
Total	\$ <u>665,728</u>

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2009

NOTE 4 - PROPERTY TAXES

The School District's property tax is levied each July 1, based upon assessed valuations provided by the county (approximately \$801,166,740 for 2008-09). The municipal tax collector bills and collects property taxes on behalf of the School District. The tax rate for all expenditures in 2008-09 is 9.30 mills (\$9.30 per \$1,000 assessed valuation). The schedule for property taxes levied for 2008-09 is as follows:

August 1, 2008 through September 30, 2008	2% discount period
October 1, 2008 through November 30, 2008	face payment period
Beginning December 1, 2008	10% penalty period

Taxes become delinquent by December 31, 2008. Delinquent Property Taxes Receivable at June 30, 2009 is \$393,826.

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 Assets 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, 2009 is as follows:

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
GOVERNMENTAL ACTIVITIES				
Land and Site Improvements	\$ 2,292,616	0	0	2,292,616
Building and Improvements	24,437,578	0	0	24,437,578
Furniture and Equipment	7,644,787	228,494	(1,640)	7,871,641
Total at Cost	34,373,341	228,494	(1,640)	34,601,835
Less: Accumulated Depreciation:				
Land and Site Improvements	(871,386)	(74,723)	0	(946,109)
Building and Improvements	(11,823,606)	(543,361)	0	(12,366,967)
Furniture and Equipment	(5,436,385)	(342,038)	596	(5,777,827)
Total Accum. Depreciation	(18,131,377)	(960,122)	596	(19,090,903)
Governmental Activities Capital Assets, Net	\$16,243,604	(731,628)	(1,044)	15,510,932
BUSINESS-TYPE ACTIVITIES				
Furniture and Equipment	\$ 660,756	2,403	0	663,159
Less: Accumulated Depreciation:	(343,993)	(34,826)	0	(378,819)
Business-Type Activities Capital Assets, Net	\$ 316,763	(32,423)	0	284,340

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2009

NOTE 5- CAPITAL ASSETS(Continued)

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

Government Activities:	
Instruction	\$ 532,713
Instructional Student Support	55,717
Administrative and Financial Support Service	62,344
Operation and Maintenance of Plant Service	143,840
Pupil Transportation	149,242
Student Activities	14,655
Community Services	<u>1,611</u>
Total Depreciation Expense – Governmental Activities	\$ <u>960,122</u>

NOTE 6 – LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2009:

	Balance 7/01/2008	<u>Additions</u>	<u>Reductions</u>	Balance 6/30/2009
General Obligation Note, Series of 2009	0	1,026,012	0	1,026,012
General Obligation Bonds, Series of 2008	<u>7,275,000</u>	<u>0</u>	<u>300,000</u>	<u>6,975,000</u>
Total Bonds and Note Payable \$	<u>7,275,000</u>	<u>1,026,012</u>	<u>300,000</u>	<u>8,001,012</u>

General Obligation Note Series of 2009

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. The Note bears interest at a fixed rate of 3.80%, per annum, and matures in full on February 1, 2011. The Note is in the form of a draw-down, non-revolving line of credit. This loan has no prepayment penalty.

Under these conditions, the School District may borrow any amount up to the principal amount of \$3,000,000, or such lesser particular sum as shall represent the principal amount drawn and borrowed against the Note. Interest at a fixed rate of 3.8% will be due and paid monthly. As of June 30, 2009, \$1,026,012 had been drawn on this Note. Interest payments were calculated and paid monthly.

Bond Series of 2008

On October 29, 2004, the School District obtained a \$1,300,000 Term Note known as the General Obligation Note of 2004. Proceeds of the Note are to be used to plan, design, acquire, construct, furnish and equip a new school building, and pay related costs and expenses.

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.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 6 – LONG-TERM DEBT (Continued)

A schedule of Series 2008 Bonds outstanding as of June 30, 2009 is as follows:

<u>Date</u>	<u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
October 15, 2009	\$		126,958	126,958
April 15, 2010	3.000%	290,000	126,958	416,958
October 15, 2010			122,608	122,608
April 15, 2011	3.000%	295,000	122,608	417,608
October 15, 2011			118,183	118,183
April 15, 2012	3.000%	310,000	118,183	428,183
October 15, 2012			113,533	113,533
April 15, 2013	3.00%	310,000	113,533	423,533
October 15, 2013			108,883	108,883
April 15, 2014	3.150%	320,000	108,883	428,883
October 15, 2014			103,843	103,843
April 15, 2015	3.250%	335,000	103,843	438,843
October 15, 2015			98,400	98,400
April 15, 2016	3.400%	345,000	98,400	443,400
October 15, 2016			92,534	92,534
April 15, 2017	3.500%	355,000	92,534	447,534
October 15, 2017			86,322	86,322
April 15, 2018	3.625%	365,000	86,322	451,322
October 15, 2018			79,706	79,706
April 15, 2019	3.750%	380,000	79,706	459,706
October 15, 2019			72,581	72,581
April 15, 2020	3.850%	395,000	72,581	467,581
October 15, 2020			64,978	64,978
April 15, 2021	3.850%	410,000	64,978	474,978
October 15, 2021			57,085	57,085
April 15, 2022	3.900%	430,000	57,085	487,085
October 15, 2022			48,700	48,700
April 15, 2023	4.000%	410,000	48,700	458,700
October 15, 2023			40,500	40,500
April 15, 2024	4.000%	375,000	40,500	415,500
October 15, 2024			33,000	33,000
April 15, 2025	4.000%	390,000	33,000	423,000
October 15, 2025			25,200	25,200
April 15, 2026	4.000%	405,000	25,200	430,200
October 15, 2026			17,100	17,100
April 15, 2027	4.000%	420,000	17,100	437,100
October 15, 2027			8,700	8,700
April 15, 2028	4.000%	435,000	8,700	443,700
Total		\$ 6,975,000	\$ 2,837,628	\$ 9,812,628

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 6 – LONG-TERM DEBT (Continued)

Summary of debt service requirements to maturity on the outstanding Bonds and Note as of June 30, 2009 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 290,000	367,916	657,916
2011	1,321,012	321,216	1,642,228
2012	310,000	236,366	546,366
2013	310,000	227,066	537,066
2014	320,000	217,766	537,766
2015 – 2019	1,780,000	921,610	2,701,610
2020 – 2024	2,020,000	567,688	2,587,688
2025 – 2028	<u>1,650,000</u>	<u>168,000</u>	<u>1,818,000</u>
Totals	<u>\$8,001,012</u>	<u>\$3,027,628</u>	<u>\$11,028,640</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 are \$77,240. Future annual lease payments are estimated for the next five years at approximately \$75,000 per year.

NOTE 8 – DUE TO/FROM OTHER FUNDS AND TRANSFERS

Due to/from Other Funds balances as of June 30, 2009 are as follows:

	<u>Due From Other Fund</u>	<u>Due to Other Funds</u>
General Fund	\$ 84,747	\$ ---
Enterprise Fund	---	84,747
	<u>\$ 84,747</u>	<u>\$ 84,747</u>
Interfund Transfers:	<u>Transfer To Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 407,500	\$ 15
Capital Projects Fund	15	0
Non-Major Governmental Funds	---	407,500
	<u>\$ 407,515</u>	<u>\$ 407,515</u>

NOTE 9 - RETIREMENT PLAN

Plan Description

The District contributes to a governmental cost-sharing multiple-employer 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 publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Diane Wert, Office of Financial Management, PSERS, P.O. Box 125, Harrisburg, PA 17108-0125. This publication is also available on the PSERS website at www.psers.state.us/publications/cafr/index.htm.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 9 - RETIREMENT PLAN (Continued)

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 TC) or at 6.50 percent (Membership Class TD) 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 TC) or at 7.50 percent (Membership Class TD) of the member's qualifying compensation. Members who joined the system after June 30, 2001 contribute at 7.50 percent (Automatic Membership Class TD). For all new hires and for members who elected Class TD membership, the higher contribution rates began with service rendered on or after January 1, 2002. 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, 2009, the rate of employer contribution was 4.76% of covered payroll. The 4.76% rate is composed of a pension contribution rate of 4.00% for pension benefits and .76% 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, 2009, 2008, and 2007 were \$ 275,033, \$402,912, and \$292,626, 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 retired teachers and administrators with thirty-five years of Pennsylvania School Employees' Retirement System service and fifteen years of service with the Mifflinburg Area School District; and to other employees who retire with thirty years of Pennsylvania School Employees' Retirement System service or upon superannuation retirement (age 60 with thirty years of service, age 62 with one year of service, or thirty-five years of service regardless of age). 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. For fiscal year 2009, the School District contributed \$254,817 to the plan.

The School District will contribute \$10,000 a year for six years into an HRA for the purpose of providing healthcare for teachers and administrators that retire after July 1, 2007.

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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	\$ 295,148
Interest on net OPEB obligation	---
Adjustment to annual required contribution	---
Annual OPEB cost	295,148
Contributions made	254,817
Increase (decrease) in net OPEB obligation	40,331
Net OPEB obligation (asset) beginning of year	---
Net OPEB obligation (asset) end of year	<u>\$ 40,331</u>
Actuarial valuation date	1/1/2008
Actuarial cost method	Entry Age, Normal
Amortization method	Level dollar
Asset valuation method	N/A – the plans are unfunded
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.50%
Projected salary increases	3.00% Cost of Living Adjustment 1.00% real wage growth 3.0% to 0.25% merit increase (varies by age) for teachers and administrators
Health care inflation rate	8.5% in 2008, decreasing .5% per year to an ultimate rate of 5% in 2015 and later

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the Actuarial Valuation report dated 1/1/08, the actuarial value of assets is zero, the actuarial accrued liability is \$2.902 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, 2009	\$ 295,148	86.33%	\$ 40,331
June 30, 2008	N/A	N/A	N/A
June 30, 2007	N/A	N/A	N/A

N/A – Not Applicable, June 30, 2009 is the implementation year for GASB Statement No. 45.

NOTE 11 - COMPENSATED ABSENCES

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

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2009 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.

NOTE 14 – ADDITIONAL INFORMATION

The School District's General Fund expenditures were budgeted at \$23,320,950. Actual expenditures for the fiscal year ended June 30, 2009 were \$23,469,178, a variance of \$148,228 over budget. Actual expenditures exceeded budgeted amounts as:

- The School District transferred additional funds not budgeted from the General Fund to the Capital Reserve Fund.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
For The Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
				Positive
				(Negative)
REVENUES				
Local Revenues	10,945,080	10,945,080	11,507,079	561,999
State Program Revenues	11,661,509	11,661,509	11,647,532	(13,977)
Federal Program Revenues	714,361	714,361	639,326	(75,035)
TOTAL REVENUES	23,320,950	23,320,950	23,793,937	472,987
EXPENDITURES				
Current				
Regular Programs	10,950,611	11,030,711	11,149,306	(118,595)
Special Programs	2,417,498	2,417,498	2,476,640	(59,142)
Vocational Programs	1,359,224	1,332,724	1,223,388	109,336
Other Instructional Programs	251,200	251,200	328,411	(77,211)
Adult Education Programs	4,600	1,800	1,301	499
Support Services				
Pupil Personnel Services	566,696	527,696	495,108	32,588
Instructional Staff Services	948,058	932,258	876,005	56,253
Administrative Services	1,425,237	1,425,237	1,393,384	31,853
Pupil Health	243,873	243,873	216,491	27,382
Business Services	250,673	250,673	220,504	30,169
Operation and Maintenance of Plant Services	2,489,404	2,489,404	2,369,095	120,309
Student Transportation Services	1,140,284	1,140,284	1,182,285	(42,001)
Central Support Services	106,282	106,282	132,342	(26,060)
Other Support Services	0	0	30,188	(30,188)
Operation of Noninstructional Services				
Student Activities	412,803	416,803	417,565	(762)
Community Services	5,500	5,500	4,826	674
TOTAL EXPENDITURES	22,571,943	22,571,943	22,516,839	55,104
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	749,007	749,007	1,277,098	417,883
OTHER FINANCING SOURCES (USES)				
Debt Service / Refund of Prior Year Receipts	(541,507)	(541,507)	(544,839)	(3,332)
Interfund Transfers	(207,500)	(207,500)	(407,485)	(199,985)
Budgetary Reserve	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(749,007)	(749,007)	(952,324)	(203,317)
Net Change in Fund Balances	0	0	324,774	214,566
FUND BALANCE - JULY 1, 2008	3,994,454	3,994,454	3,994,454	
FUND BALANCE - JUNE 30, 2009	\$ 3,994,454	3,994,454	4,319,228	

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
COMBINING BALANCE SHEET - NONMAJOR FUNDS
GOVERNMENTAL FUNDS
June 30, 2009

	CAPITAL RESERVE FUND	ATHLETIC FUND	TOTALS NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 605,990	31,897	637,887
Investments	0	0	0
Taxes Receivable, Net	0	0	0
Due From Other Funds	0	0	0
Due From Other Governments	0	0	0
Other Receivables	0	0	0
Inventories	0	0	0
TOTAL ASSETS	\$ 605,990	31,897	637,887
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 15,000	0	15,000
Accrued Salaries and Benefits	0	0	0
Deferred Revenue	0	0	0
TOTAL LIABILITIES	15,000	0	15,000
FUND BALANCES			
Unreserved - Undesignated			
General Fund	0	0	0
Special Revenue	590,990	31,897	622,887
Capital Projects	0	0	0
Unreserved - Designated	0	0	0
TOTAL FUND BALANCES	590,990	31,897	622,887
TOTAL LIABILITIES AND FUND BALANCES	\$ 605,990	31,897	637,887

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2009

	CAPITAL RESERVE FUND	DEBT SERVICE FUND	ATHLETIC FUND	TOTALS NONMAJOR GOVERNMENTAL FUNDS
REVENUES				
Local Sources				
Real Estate Taxes	\$ 0	0	0	0
Other Taxes	0	0	0	0
Interest	2,694	0	98	2,792
Revenue From Intermediate Sources	0	0	0	0
Tuition and Fees	0	0	0	0
Revenue From Student Activities	0	0	59,186	59,186
Other Revenue	0	0	3,474	3,474
Total Local Sources	2,694	0	62,758	65,452
State Sources	0	0	0	0
Federal Sources	0	0	0	0
TOTAL REVENUES	2,694	0	62,758	65,452
EXPENDITURES				
Current				
Instruction	0	0	0	0
Support Services	0	0	0	0
Operation of Noninstructional Services	0	0	41,076	41,076
Total Current Expenditures	0	0	41,076	41,076
Capital Outlay				
Facilities Acquisition, Construction and Improvement Services	110,645	0	0	110,645
Total Capital Outlay	110,645	0	0	110,645
Debt Service	0	1,042	0	1,042
TOTAL EXPENDITURES	110,645	1,042	41,076	152,763
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(107,951)	(1,042)	21,682	(87,311)
OTHER FINANCING SOURCES (USES)				
Note Proceeds	0	0	0	0
Interfund Transfers	400,000	0	7,500	407,500
TOTAL OTHER FINANCING SOURCES (USES)	400,000	0	7,500	407,500
Net Change in Fund Balances	292,049	(1,042)	29,182	320,189
Fund Balance - July 1, 2008	298,941	1,042	2,715	302,698
Fund Balance - June 30, 2009	\$ 590,990	0	31,897	622,887

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

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2009

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, 2008	Receipts Recognized	Expenditures	Accrued <Deferred> Revenue at June 30, 2009
U.S. DEPARTMENT OF EDUCATION										
PASSED THROUGH PA DEPT. OF EDUCATION										
TITLE I Improving Basic Programs	I	84.010	013-090252A	08-09	467,529	302,330	0	424,332	424,332	122,002
TITLE I Academic Achievement	I	84.010	077-090252A	08-09	11,000	4,714	0	297	297	(4,417)
TITLE I Improving Basic Programs	I	84.010	013-080252A	07-08	511,461	109,589	109,589	0	0	0
TITLE IIA Improving Teacher Quality	I	84.367	020-090252	08-09	174,373	124,552	0	155,211	155,211	30,659
TITLE IIA Improving Teacher Quality	I	84.367	020-080252	07-08	175,367	50,105	50,105	0	0	0
Drug Free Schools	I	84.186	100-090252	08-09	9,387	9,387	0	9,387	9,387	0
Library Services and Technology Act	I	45.310	202-809074	07-08	30,000	27,857	(2,143)	30,000	30,000	0
Total - PA Department of Education						628,534	157,551	619,227	619,227	148,244
U.S. DEPARTMENT OF EDUCATION										
PASSED THROUGH THE CENTRAL SUSQUEHANNA INTERMEDIATE UNIT										
IDEA Part B	I	84.027	062-080016	07-08	382,913	197,571	197,571	0	0	0
IDEA Part B	I	84.027	062-090016	08-09	418,510	277,419	0	418,510	418,510	141,091
TITLE III - ESL	I	84.365	010-080516	07-08	2,051	2,051	1,866	185	185	0
Total - Intermediate Unit						477,041	199,437	418,695	418,695	141,091
Total U.S. Department of Education						1,105,575	356,988	1,037,922	1,037,922	289,335
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES										
PASSED THROUGH PA DEPT. OF PUBLIC WELFARE										
Medical Assistance Program	I	93.778	N/A	08-09	743	743	0	743	743	0
Total U.S. Department of Health and Human Services						743	0	743	743	0
U.S. DEPARTMENT OF AGRICULTURE										
PASSED THROUGH PA DEPT. OF EDUCATION										
NUTRITION CLUSTER										
Food Nutrition	I	10.555	362	08-09	N/A	299,291	0	299,291	299,291	0
Food Nutrition	I	10.553	365/367	08-09	N/A	42,683	0	42,683	42,683	0
Total - Nutrition Cluster						341,974	0	341,974	341,974	0
PASSED THROUGH PA DEPT. OF AGRICULTURE										
Donated Commodities	I	10.550	N/A	08-09	N/A	56,240	0	56,240	56,240	0
Total U.S. Department of Agriculture						398,214	0	398,214	398,214	0
TOTAL FEDERAL AWARDS						1,504,532	356,988	1,436,879	1,436,879	289,335
STATE SOURCES										
Food Nutrition	S	N/A	N/A	08-09	N/A	40,051	0	40,051	40,051	0
Source Codes:										
D - Direct Funding										
I - Indirect Funding										
S - State Share										
Major Program Determination										
Total Federal Expenditures										
Programs Selected for Testing:										
Nutrition Cluster										
IDEA Part B										
1,436,879										
341,974										
418,510										
760,484										
/										
1,436,879										
=										
52.93%										

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, 2009

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 – DONATED COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The second GASB 34 implementation guide clarified the recognition of donated commodities on the financial statements. Donated commodities are recognized as revenue when received and not deferred.

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

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

We have audited 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, 2009, which collectively comprise the Mifflinburg Area School District's basic financial statements and have issued our report thereon dated December 17, 2009. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Mifflinburg Area School District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mifflinburg Area School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Mifflinburg Area School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Mifflinburg Area School District's financial statements that is more than inconsequential will not be prevented or detected by the Mifflinburg Area School District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Mifflinburg Area School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness.

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 grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-2 and 2009-3.

This report is intended solely for the information and use of management, the audit committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Forgett & Kerstetter, P.C.

FORGETT & KERSTETTER, P.C.
December 17, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Mifflinburg Area School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. 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.

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Mifflinburg Area School District's management. Our responsibility is to express an opinion on the Mifflinburg Area School District's compliance based on our audit.

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 Government, 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 the 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. Our audit does not provide a legal determination on the Mifflinburg Area School District's compliance with those requirements.

In our opinion, the Mifflinburg Area School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Mifflinburg Area School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Mifflinburg Area School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-2 and 2009-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2009-2 and 2009-3 to be material weaknesses.

The Mifflinburg Area School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Mifflinburg Area School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Forgett & Kerstetter, P.C.

FORGETT & KERSTETTER, P.C.
December 17, 2009

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2009

SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of Mifflinburg Area School District.
2. One significant deficiency in internal control disclosed during the audit of the financial statements is reported in the 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. This condition is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Mifflinburg Area School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency in internal control over the major programs IDEA Part B and Nutrition Cluster disclosed during the audit is reported in the REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133. The condition is reported as a material weakness.
5. The auditor's report on compliance for the major Federal Award Programs for Mifflinburg Area School District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs include: Nutrition Cluster and IDEA Part B.
8. The dollar threshold used to distinguish between Type A and Type B programs is \$300,000.
9. Mifflinburg Area School District qualified as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENT AUDIT:

MATERIAL WEAKNESS

2009-1 Organizational Structure

Condition: While the financial reporting requirements of the organization have been expanded and have grown more complex, the organizational structure of the accounting function has not been revised to provide appropriate segregation of functional responsibilities. There exists an inadequate design of internal controls over significant accounts, and the financial reporting process.

Criteria: The organization is required to design and operate an effective internal control system to ensure the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Effect: The organization did not maintain an effective control environment, as the financial reporting processes were not adequately segregated and monitored.

Cause: The organization has an insufficient complement of personnel to complete the necessary work commensurate with the organization's financial reporting requirements.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2009

FINDINGS AND QUESTIONED COSTS - FINANCIAL STATEMENT AUDIT (Continued)

Recommendation: Add to and reorganize the financial staff in a manner that will provide for maximum, yet practical segregation of duties with an appropriate monitoring process.

Grantee Response: The recommended procedures will be adopted.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

U.S. DEPARTMENT OF EDUCATION

IDEA Part B – CFDA No. 84.027

2009-2-- Year ended June 30, 2009

Material Weakness: As discussed at Finding 2009-1, while the financial reporting requirements of the organization's major federal programs have been expanded and have grown more complex, the organizational structure of the financial reporting process over major federal programs has not been revised to provide appropriate segregation of functional responsibilities. The addition to, and reorganization of, the financial staff in a manner that will provide for maximum, yet practical segregation of duties, will provide for an adequate control environment over the financial reporting process of the major federal programs.

U.S. DEPARTMENT OF AGRICULTURE

Nutrition Cluster – CFDA No. 10.555, 10.553

2009-3— Year ended June 30, 2009

Material Weakness: As discussed at Finding 2009-1, while the financial reporting requirements of the organization's major federal programs have been expanded and have grown more complex, the organizational structure of the financial reporting process over major federal programs has not been revised to provide appropriate segregation of functional responsibilities. The addition to, and reorganization of, the financial staff in a manner that will provide for maximum, yet practical segregation of duties, will provide for an adequate control environment over the financial reporting process of the major federal programs.

MIFFLINBURG AREA SCHOOL DISTRICT
MIFFLINBURG, PENNSYLVANIA
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For The Year Ended June 30, 2009

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