

MILLCREEK TOWNSHIP SCHOOL DISTRICT

SINGLE AUDIT REPORT

JUNE 30, 2009

**MILLCREEK TOWNSHIP SCHOOL DISTRICT
SINGLE AUDIT REPORT
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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report

To the Members of the Board
Millcreek Township School District
Erie, 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 Millcreek Township School District 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 Millcreek Township 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 opinions.

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

Independent Auditors' Report
(Continued)

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2009 on our consideration of the Millcreek Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Millcreek Township School District's financial statements. The budgetary comparison schedule is 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 the United States 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 Millcreek Township School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

October 14, 2009
Erie, Pennsylvania

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2009

This section of the Millcreek Township School District's annual financial report provides a discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2009. This discussion and analysis should be read in conjunction with the District's accompanying financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status continued to strengthen during the 2008-2009 fiscal year. Total net assets increased 4.5% over the course of the year.
- General revenues were \$50,538,033 which represents \$1,530,744 more than net program expenses. This is a 74.40% decrease from 2007-2008's revenues over net program expenses.
- Total District revenues were \$85.7 million. General revenues accounted for \$50.5 million or 58.97% of all revenues. Program specific revenues in the form of charges for services and grants accounted for \$35.2 million or 41.03% of all revenues.
- The District had \$79.3 million in expenses related to governmental activities; \$30.2 million of these expenses were offset by program specific charges for services and grants. General revenue (primarily taxes and subsidies) of \$50.2 million covered the remaining expenses.
- At the end of the current fiscal year, the total fund balance of the general fund was \$8,909,370; or 11% of total general fund expenditures.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements, which present different views of the District. The first two statements are ***District-Wide Financial Statements*** that provide both *short-term* and *long-term* information about the District's overall financial status. The remaining statements are ***Fund Financial Statements*** that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements. The *governmental funds statements* indicate how basic services such as regular and special education were financed in the *short term* as well as indicate future spending plans. *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the District operates *like a business*, such as food services. *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others, such as student activity funds and scholarship funds.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Management Discussion and Analysis

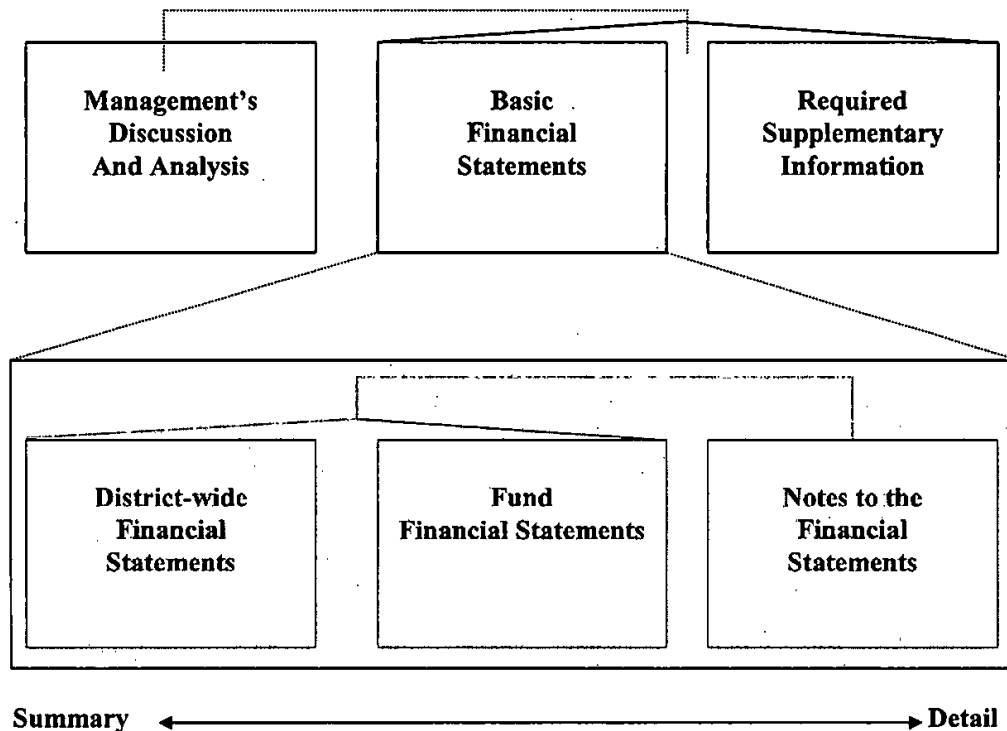
For the Year Ended June 30, 2009

(Continued)

The financial statements also include notes that explain some of the information in the statements, as well as, provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure MDA-1 shows how the various parts of this annual report are arranged and related to one another.

(MDA-1)

Organization of Millcreek Township School District Annual Financial Report



The following chart (MDA-2) summarizes the major features of the District's financial statements. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2009
(Continued)

(MDA-2)

<u>Major Features of the District-Wide and Fund Financial Statements</u>				
	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects.	Activities the District operates similar to private businesses, such as food services.	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 revenues, expenses, and changes in 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 thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during the 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.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Management Discussion and Analysis

For the Year Ended June 30, 2009

(Continued)

District-wide Statements

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

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, to non-financial factors, such as changes in the District's property tax base and the condition or need for improvements or expansion to existing school facilities, are considered.

In the District-wide financial statements, the District's activities are divided into two categories as follows:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services and administrative services. Property taxes, along with state formula aid finance most of these activities.
- **Business-Type Activities:** The District charges fees to cover the cost of certain services such as food services programs.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. These statements focus on the District's most significant or major funds – not the District as a whole. Funds are accounting components that the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes, such as repaying its long-term debts.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Management Discussion and Analysis

For the Year Ended June 30, 2009

(Continued)

The District has three funds as follows:

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 can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information following the governmental funds statement explains the relationship (or differences) between them.

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 financial 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, such as cash flows. The District currently has four enterprise funds, food service, campus store, Child Development, and Asbury Woods Nature Center.

Fiduciary Funds: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and student activity funds. 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 to finance its operations.

Financial Analysis of the District as a Whole

The Statement of Net Assets shown in MDA-3 provides the perspective of the School District as a whole and compares 2008 and 2009 fiscal years.

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2009
(Continued)

(MDA-3)

Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current Assets and Other Assets	\$ 24,119,624	\$ 21,117,142	\$ 628,669	\$ 1,117,891	\$ 24,748,293	\$ 22,235,033
Non Current Assets	\$ 809,600	\$ 776,632	\$ -	\$ 78,379	\$ 809,600	\$ 855,011
Capital Assets	76,914,829	76,038,007	3,258,196	3,094,744	80,173,025	79,132,751
Total Assets	\$ 101,844,053	\$ 97,931,781	\$ 3,886,865	\$ 4,291,014	\$ 105,730,918	\$ 102,222,795
Current Liabilities and Other	\$ 16,049,865	\$ 15,561,753	\$ 308,057	\$ 213,005	\$ 16,357,922	\$ 15,774,758
Long-Term Liabilities	55,350,220	50,894,517	-	-	55,350,220	50,894,517
Total Liabilities	\$ 71,400,085	\$ 66,456,270	\$ 308,057	\$ 213,005	\$ 71,708,142	\$ 66,669,275
Invested in Capital Assets Net of Debt	\$ 19,384,078	\$ 23,671,194	\$ 3,258,196	\$ 3,173,123	\$ 22,642,274	\$ 26,844,317
Restricted for Capital Projects	2,317,300	1,412,072	-	-	\$ 2,317,300	1,412,072
Unrestricted	8,742,590	6,392,245	320,612	904,886	\$ 9,063,202	7,297,131
Total Net Assets	\$ 30,443,968	\$ 31,475,511	\$ 3,578,808	\$ 4,078,009	\$ 34,022,776	\$ 35,553,520
Total Liabilities and Net Assets	\$ 101,844,053	\$ 97,931,781	\$ 3,886,865	\$ 4,291,014	\$ 105,730,918	\$ 102,222,795

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Management Discussion and Analysis For the Year Ended June 30, 2009 (Continued)

Table MDA-4 shows the revenues, expenses and changes in net assets for fiscal year 2008 and fiscal year 2009 for comparative purposes.

(MDA-4)

Statement of Revenues, Expenses and Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Revenues						
Charges for Services	\$ 2,459,542	\$ 2,438,483	\$ 2,807,024	\$ 3,035,822	\$ 5,266,566	\$ 5,474,305
Operating Grants	26,110,437	27,742,754	1,415,256	1,944,208	27,525,693	29,686,962
Capital Grants	-	-	-	-	-	-
General Revenues						
Property Taxes	43,259,012	42,561,926	-	-	43,259,012	42,561,926
Earned Income and Local Services Taxes	6,530,667	6,314,318	-	-	6,530,667	6,314,318
Transfer Tax	801,732	607,799	-	-	801,732	607,799
Public Utility Realty	70,298	66,330	-	-	70,298	66,330
Transfers	(325,000)	(361,353)	325,000	361,353		
Interest Earnings	1,039,343	560,432	11,097	4,744	1,050,440	565,176
Miscellaneous Income	\$ 349,257	\$ 422,484	\$ -	\$ -	\$ 349,257	\$ 422,484
Total Revenues	\$ 80,295,288	\$ 80,353,173	\$ 4,558,377	\$ 5,346,127	\$ 84,853,665	\$ 85,699,300
Program Expenses and Other Uses						
Instruction	\$ 43,059,929	\$ 47,588,697	\$ -	\$ -	\$ 43,059,929	\$ 47,588,697
Pupil Personnel	3,135,842	3,086,354	-	-	3,135,842	3,086,354
Instructional Student Support	3,476,125	3,980,570	-	-	3,476,125	3,980,570
Admin. & Financial Support	5,510,969	5,759,373	-	-	5,510,969	5,759,373
Pupil Health	960,763	1,077,289	-	-	960,763	1,077,289
Operation & Maint. Services	8,370,498	8,567,956	-	-	8,370,498	8,567,956
Student Transport	4,085,238	3,790,043	-	-	4,085,238	3,790,043
Central Services	1,579,408	1,549,985	-	-	1,579,408	1,549,985
Student Activities	1,555,527	1,473,138	-	-	1,555,527	1,473,138
Community Services	22,153	8,476	-	-	22,153	8,476
Other	182,125	182,522	-	-	182,125	182,522
Interest on Debt	2,540,996	2,257,227	-	-	2,540,996	2,257,227
Food Service	-	-	2,752,678	3,091,511	2,752,678	3,091,511
Asbury Woods	-	-	622,568	603,055	622,568	603,055
Campus Store	-	-	20,728	7,085	20,728	7,085
Day Care	\$ -	\$ -	\$ 998,427	\$ 1,145,275	\$ 998,427	\$ 1,145,275
Total Expenses and Other Uses	\$ 74,479,573	\$ 79,321,630	\$ 4,394,401	\$ 4,846,926	\$ 78,873,974	\$ 84,168,556
Increase (Decrease) in Net Assets	\$ 5,815,715	\$ 1,031,543	\$ 163,976	\$ 499,201	\$ 5,979,691	\$ 1,530,744

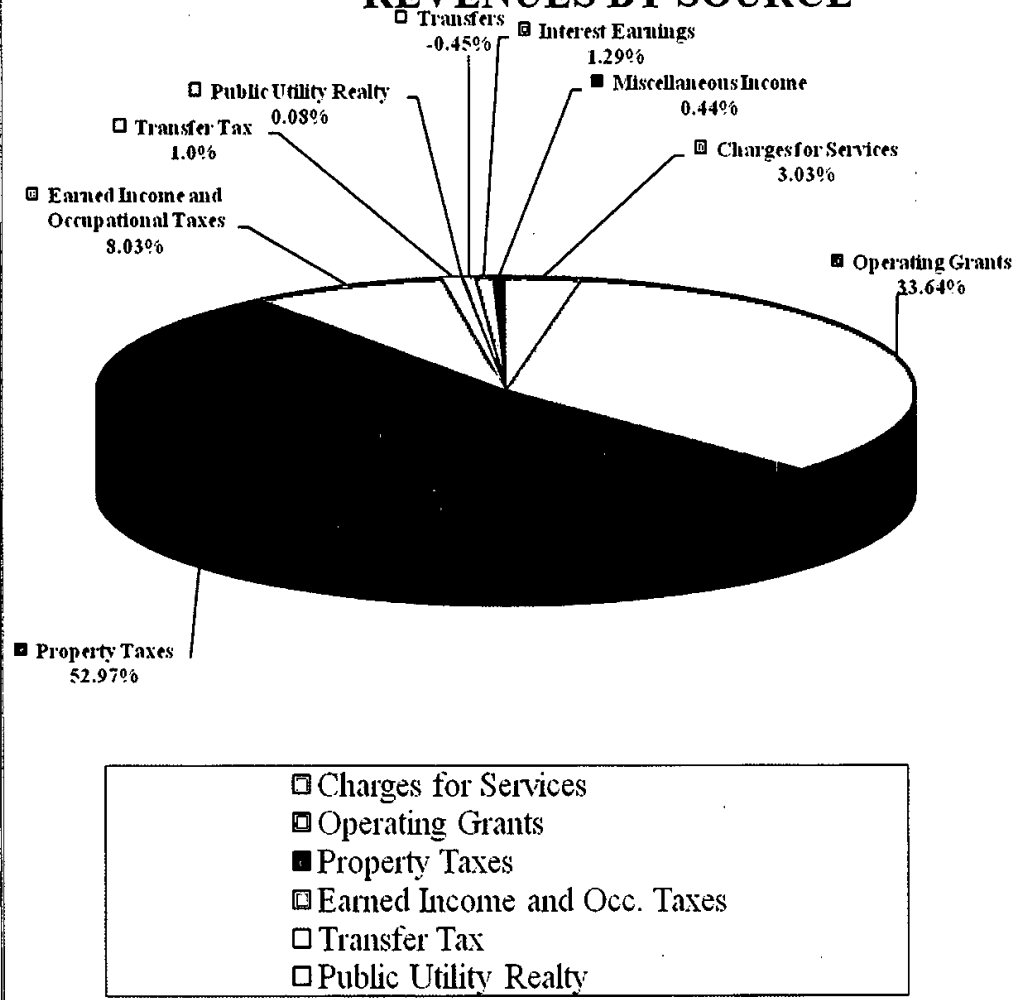
MILLCREEK TOWNSHIP SCHOOL DISTRICT

Management Discussion and Analysis

For the Year Ended June 30, 2009

(Continued)

MDA - 4A GOVERNMENTAL ACTIVITIES REVENUES BY SOURCE



MILLCREEK TOWNSHIP SCHOOL DISTRICT

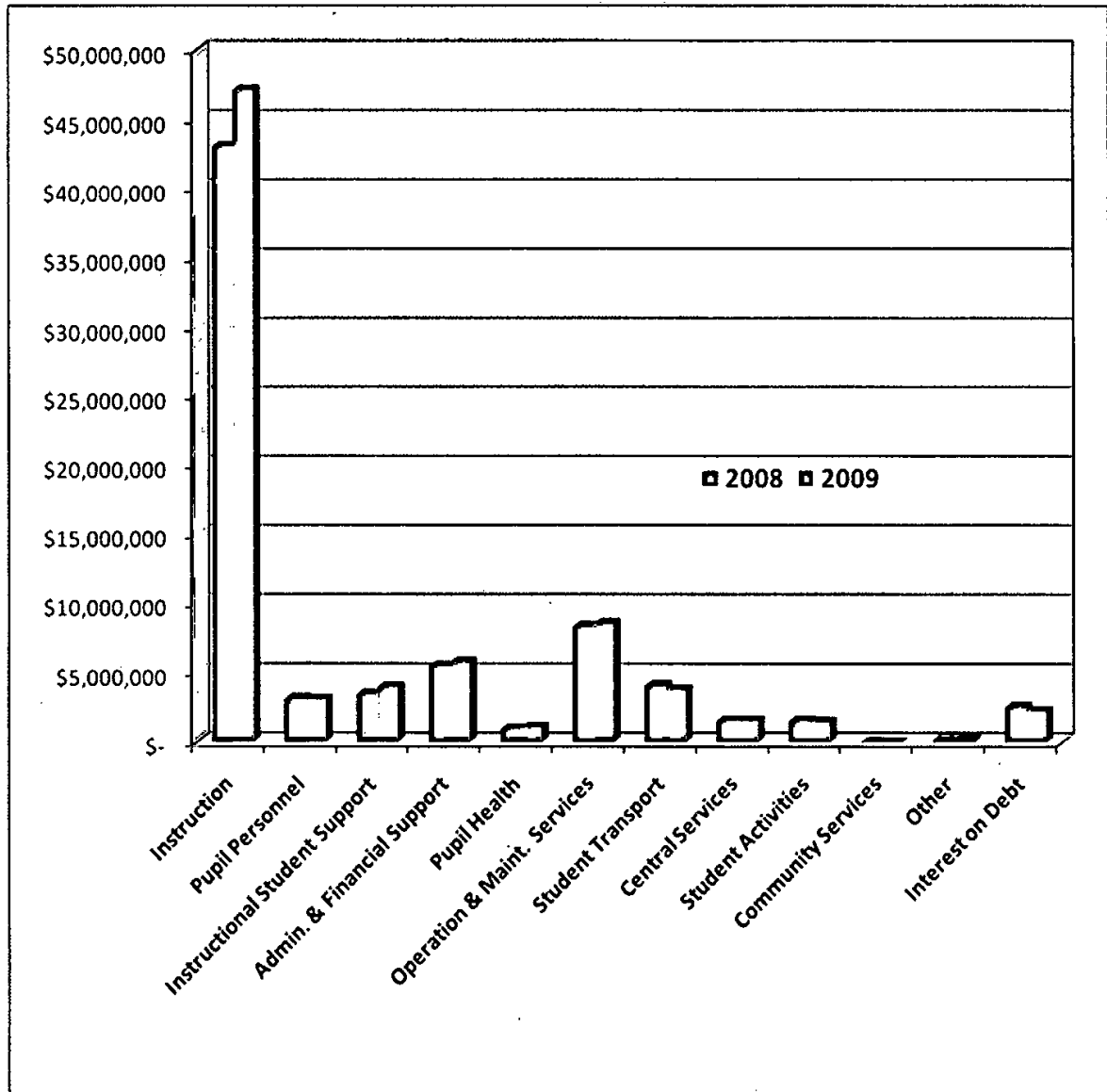
Management Discussion and Analysis

For the Year Ended June 30, 2009

(Continued)

MDA - 4B GOVERNMENTAL ACTIVITIES

2008 - 2009 COMPARISON OF EXPENSES



MILLCREEK TOWNSHIP SCHOOL DISTRICT

Management Discussion and Analysis

For the Year Ended June 30, 2009

(Continued)

Governmental Activities

Governmental activities for 2008-2009 resulted in an increase in net assets of \$1,031,543. (See page 21).

The District's revenues consist of 65% local (taxes and other), and 35% state and federal revenues (subsidies and grants).

The District's net expense components are 44.37% instruction, 48.41% support services, 2.64% non-instructional services and 4.58% debt service.

The District's reliance on state and federal grants and local tax revenues is apparent. A decrease in state and federal revenues would have a direct impact on the level of local revenue needed to meet program needs.

Business-Type Activities

Business-type activities include Food Service, the Campus Store, Child Development, and Asbury Woods Nature Center. These programs had revenues of \$5.3 million and expenses and other uses of \$4.8 million; which resulted in an increase in net assets of \$499,201 at June 30, 2009. This is up from the increase in net assets at June 30, 2008 of \$163,976.

This change is due to an increase in overall revenues for Food Service, Asbury Woods Nature Center and Child Development; which included a \$361,000 payment to Asbury Woods Nature Center from The Asbury Woods Partnership for one time reimbursement of expenses incurred during the Asbury Woods Capital Campaign.

School District's Funds

Financial information related to the School District's major funds starts on page 22. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$80.5 million and expenditures of \$83.1 million. The overall decrease in fund balances consists of a \$1,900,024 decrease in the General Fund Balance and a \$905,228 decrease in the Capital Projects Fund Balance. The results were due to the completion of construction and renovation of JS Wilson Middle School and transfers to the Capital Projects Fund.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Management Discussion and Analysis

For the Year Ended June 30, 2009

(Continued)

General Fund Budgetary Highlights

The actual results of the 2008-2009 General Fund budget had a budgetary variance of \$1,111,090 from what was expected. This can be attributed to actual total revenues received being less than what the District anticipated. In addition, the actual total expenditures were less than what the District originally allocated in the 2008-2009 budget. The key factors which contributed to these results are as follows:

Revenues:

2008-2009 local revenues were \$1,809,129 less than anticipated. The key factors which contributed to the results are as follows:

- Revenues from Current Real Estate Taxes and Delinquent Real Estate Taxes were \$252,000 and \$125,000, respectively, lower than projected.
- Revenues from Real Estate Transfers were \$292,000 less than projected. This can be attributed to the softening of the local housing market in decline in real estate sales.
- Interest revenue received was \$803,000 less than budgeted, reflecting the consistent recurring decline in interest rates over the 2008-2009 fiscal year.

Expenditures:

Overall, the actual expenditures were less than the anticipated expenditures in the 2008-2009 budget by \$1,149,343. The primary contribution to this was the Support Services budget. In particular, the general supplies were \$615,136 less than projected.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Management Discussion and Analysis

For the Year Ended June 30, 2009

(Continued)

Expenditures (continued):

The three main areas that performed better than what was budgeted during the 2008-2009 fiscal year are as follows:

Area	Variance
Support Services	\$ 1,042,495
Non Instructional Svcs	144,782
Debt Service	135,674
Total	\$ 1,322,951

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009, the District had investments of \$79,804,326 in a broad range of capital assets including: land, school buildings, administrative offices, athletic facilities, furniture, equipment and vehicles. (MDA-5) This amount represents \$961,895 or 1.2% decrease to capital assets for the year. The decrease is attributed to the disposal and sale of obsolete items and annual depreciation charged to operations.

(MDA-5)

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Land	\$ 593,196	\$ 593,196	\$ 78,379	\$ 78,379	\$ 671,575	\$ 671,575
Construction In Progress	-	-	-	-	-	-
Building & Building Improvements	71,971,987	70,369,125	\$ 2,709,608	\$ 2,630,604	74,681,595	\$ 72,999,729
Furniture & Equipment	4,537,944	5,302,168	470,209	464,140	5,008,153	\$ 5,766,308
Vehicles	404,898	366,714	-	-	\$ 404,898	\$ 366,714
Total	\$ 77,508,025	\$ 76,631,203	\$ 3,258,196	\$ 3,173,123	\$ 80,766,221	\$ 79,804,326

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Management Discussion and Analysis

For the Year Ended June 30, 2009

(Continued)

Long-term Debt

Total Long-Term Debt consists of 89.4% of Bonds and Notes Payable, while 6.2% can be attributed to Compensated Absences, and approximately 4% to Lease Payable. At year-end, the District had \$49,483,661 in general obligation bonds and notes outstanding, and \$1,017,574 of deferred bond premiums. This is a net decrease from last fiscal year of \$5,061,692 or 9.1%. This decrease can be attributed to payments and the amortization of deferred bond premiums, as shown in the following table:

Outstanding Long-Term Debt

	2008	2009	% Of Total Long-Term Debt	% Change 2008 To 2009
General Obligation Bonds & Notes	\$ 54,393,710	\$ 49,483,661	87.6%	-9.0%
Deferred Amounts:				
Bond Premium	\$ 1,169,217	\$ 1,017,574	1.8%	-13.0%
Total Bonds & Notes Payable	\$ 55,562,927	\$ 50,501,235	89.4%	-9.1%
Compensated Absences	\$ 3,304,233	\$ 3,497,411	6.2%	5.8%
Lease Payable	\$ 2,561,020	\$ 2,458,774	4.4%	-4.0%
Total Other	\$ 5,865,253	\$ 5,956,185	10.6%	1.6%
Total Long-Term Debt	\$ 61,428,180	\$ 56,457,420		-8.1%

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District expects the historical trend for greater local tax efforts funding instructional programs and services to continue as state and federal funding for public education is expected to remain relatively flat. The Commonwealth of Pennsylvania provided only 30% of total revenue sources to fund costs supporting the District's educational programs during fiscal 2008-2009. Local sources of revenue, primarily property taxes, now support 66% of the costs for educational programs and services in the Millcreek Township School District. The federal government only provided 4% of the funds to support general operations.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Management Discussion and Analysis

For the Year Ended June 30, 2009

(Continued)

Factors bearing on the District's Future (continued)

- The Pennsylvania School Employees Retirement System trustees reset the percentage of payroll that all school districts paid 6.46% in 2006-2007, 7.13% in 2007-2008, 4.76% in 2008-2009, and 4.78%. However, PSERS anticipates rates to increase in the future.
- The County of Erie has planned to conduct a county wide reassessment every three years. This will assist school districts within Erie County to maintain an accurate level of property values.
- Given the financial performance from 2005 through 2008 the District did not raise the millage rate for 2009 and kept it steady at 14.14 mills.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Frank Szallay, Business Manager, at Millcreek Township School District, 3740 West 26th Street, Erie, PA 16506.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 14,735,398	\$ 890,224	\$ 15,625,622
Internal Balances	101,077	(101,077)	-
Taxes Receivable, Net	3,042,311	-	3,042,311
Intergovernmental Receivables	983,703	180,029	1,163,732
Other Receivables	907,970	91,558	999,528
Inventories	977,754	57,157	1,034,911
Prepaid Items	368,929	-	368,929
Total Current Assets	21,117,142	1,117,891	22,235,033
Non-Current Assets			
Deferred Charges	183,436	-	183,436
Land and Other Nondepreciable Assets	593,196	78,379	671,575
Capital Assets, Net	76,038,007	3,094,744	79,132,751
Total Non-Current Assets	76,814,639	3,173,123	79,987,762
Total Assets	\$ 97,931,781	\$ 4,291,014	\$ 102,222,795
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 1,476,204	\$ 126,001	\$ 1,602,205
Accrued Salaries and Benefits	7,592,315	87,004	7,679,319
Unearned Revenue	3,110	-	3,110
Accrued Interest Payable	488,740	-	488,740
Bond and Notes Payable	5,335,053	-	5,335,053
Compensated Absences	450,000	-	450,000
Lease Payable	216,331	-	216,331
Total Current Liabilities	15,561,753	213,005	15,774,758
Non-Current Liabilities			
Bonds and Notes Payable	45,166,182	-	45,166,182
Compensated Absences	3,047,411	-	3,047,411
Lease Payable	2,242,443	-	2,242,443
Other Post Employment Benefits	438,481	-	438,481
Total Non-Current Liabilities	50,894,517	-	50,894,517
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	23,671,194	3,173,123	26,844,317
Restricted for Capital Projects	1,412,072	-	1,412,072
Unrestricted	6,392,245	904,886	7,297,131
Total Net Assets	31,475,511	4,078,009	35,553,520
Total Liabilities and Net Assets	\$ 97,931,781	\$ 4,291,014	\$ 102,222,795

The accompanying notes are an integral part of these financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Statement of Activities For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities</u>				
Instruction	\$ 47,588,697	\$ 2,191,701	\$ 23,595,600	\$ -
Pupil Personnel	3,086,354	-	128,328	-
Instructional Student Support	3,980,570	-	102,662	-
Administrative and Financial Support	5,759,373	-	205,325	-
Pupil Health	1,077,289	-	236,137	-
Operation and Maintenance of Plant Services	8,567,956	111,514	1,284,159	-
Student Transportation	3,790,043	-	2,087,881	-
Central Services	1,549,985	-	51,331	-
Other Support Services	182,522	-	-	-
Student Activities	1,473,138	135,268	51,331	-
Community Services	8,476	-	-	-
Interest on Debt	2,257,227	-	-	-
Total Governmental Activities	79,321,630	2,438,483	27,742,754	-
<u>Business-Type Activities</u>				
Food Service	3,091,511	1,746,015	1,330,135	-
Asbury Woods	603,055	143,856	442,343	-
Campus Store	7,085	-	-	-
Day Care	1,145,275	1,145,951	171,730	-
Total Business-Type Activities	4,846,926	3,035,822	1,944,208	-
Total Primary Government	\$ 84,168,556	\$ 5,474,305	\$ 29,686,962	\$ -
General Revenues:				
Taxes				
Property Taxes				
Earned Income and Local Services Taxes				
Transfer Tax				
Public Utility Realty				
Fund Transfers				
Interest Earnings				
Refund of Prior Year Expenditures/Receipts				
Other income				
Total General Revenues				
Change in Net Assets				
Net Assets, July 1, 2008				
Net Assets, June 30, 2009				

The accompanying notes are an integral part of these financial statements.

Net (Expense)/Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
\$ (21,801,396)	\$ -	\$ (21,801,396)
(2,958,026)	-	(2,958,026)
(3,877,908)	-	(3,877,908)
(5,554,048)	-	(5,554,048)
(841,152)	-	(841,152)
(7,172,283)	-	(7,172,283)
(1,702,162)	-	(1,702,162)
(1,498,654)	-	(1,498,654)
(182,522)	-	(182,522)
(1,286,539)	-	(1,286,539)
(8,476)	-	(8,476)
(2,257,227)	-	(2,257,227)
<u>(49,140,393)</u>	<u>-</u>	<u>(49,140,393)</u>
-	(15,361)	(15,361)
-	(16,856)	(16,856)
-	(7,085)	(7,085)
-	172,406	172,406
-	133,104	133,104
<u>(49,140,393)</u>	<u>133,104</u>	<u>(49,007,289)</u>
42,561,926	-	42,561,926
6,314,318	-	6,314,318
607,799	-	607,799
66,330	-	66,330
(361,353)	361,353	-
560,432	4,744	565,176
(2,820)	-	(2,820)
425,304	-	425,304
<u>50,171,936</u>	<u>366,097</u>	<u>50,538,033</u>
1,031,543	499,201	1,530,744
<u>30,443,968</u>	<u>3,578,808</u>	<u>34,022,776</u>
<u>\$ 31,475,511</u>	<u>\$ 4,078,009</u>	<u>\$ 35,553,520</u>

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2009

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 12,939,637	\$ 1,795,761	\$ 14,735,398
Interfund Receivable	119,910	-	119,910
Taxes Receivable	3,042,311	-	3,042,311
Intergovernmental Receivables	983,703	-	983,703
Other Receivables	875,056	32,914	907,970
Inventories	977,754	-	977,754
Prepaid Items	368,929	-	368,929
Total Assets	<u>\$ 19,307,300</u>	<u>\$ 1,828,675</u>	<u>\$ 21,135,975</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 1,078,434	\$ 397,770	\$ 1,476,204
Accrued Salaries and Benefits	7,592,315	-	7,592,315
Interfund Payables	-	18,833	18,833
Unearned Revenue	3,110	-	3,110
Deferred Revenues	1,724,071	-	1,724,071
Total Liabilities	<u>10,397,930</u>	<u>416,603</u>	<u>10,814,533</u>
FUND BALANCES			
Reserved for Capital Projects	-	1,412,072	1,412,072
Reserved for Benefits	837,858	-	837,858
Reserved for Prepaid Items	368,929	-	368,929
Reserved for Inventories	977,754	-	977,754
Unreserved - Designated	714,189	-	714,189
Unreserved - Undesignated	6,010,640	-	6,010,640
Total Fund Balances	<u>8,909,370</u>	<u>1,412,072</u>	<u>10,321,442</u>
Total Liabilities and Fund Balances	<u>\$ 19,307,300</u>	<u>\$ 1,828,675</u>	<u>\$ 21,135,975</u>

The accompanying notes are an integral part of these financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2009

Differences in amounts reported for governmental activities in the Statements of Net Assets:

Fund balances - governmental funds		\$ 10,321,442
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds		76,631,203
Certain long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds:		
Deferred charges	\$ 183,436	
Deferred taxes	<u>1,724,071</u>	1,907,507
Other post employment benefits are reflected on the statement of net assets, but are not considered a current expenditure for the fund statements		(438,481)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable	(50,501,235)	
Lease payable	(2,458,774)	
Compensated absences	(3,497,411)	
Accrued interest payable	<u>(488,740)</u>	(56,946,160)
Net assets of governmental activities		<u>\$ 31,475,511</u>

The accompanying notes are an integral part of these financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes

in Fund Balance - Governmental Funds

For the Year Ended June 30, 2009

	General	Capital Projects	Total Governmental Funds
REVENUES			
Local Sources	\$ 52,542,250	\$ 263,601	\$ 52,805,851
State Sources	24,358,517	-	24,358,517
Federal Sources	3,384,238	-	3,384,238
Total Revenues	80,285,005	263,601	80,548,606
EXPENDITURES			
Instruction	43,808,245	-	43,808,245
Support Services	27,949,190	-	27,949,190
Noninstructional Services	1,653,511	-	1,653,511
Facilities Acquisition, Construction and Improvements	-	2,190,037	2,190,037
Debt Service	7,449,762	-	7,449,762
Total Expenditures	80,860,708	2,190,037	83,050,745
Excess of Revenues Over (Under) Expenditures	(575,703)	(1,926,436)	(2,502,139)
Other Financing Sources (Uses)			
Fund Transfers	(1,382,561)	1,021,208	(361,353)
Refund of Prior Year Expenditures	(2,820)	-	(2,820)
Change in Inventory	45,061	-	45,061
Other	15,999	-	15,999
Total Other Financing Uses	(1,324,321)	1,021,208	(303,113)
Net Change in Fund Balance	(1,900,024)	(905,228)	(2,805,252)
Fund Balance - July 1, 2008	10,809,394	2,317,300	13,126,694
Fund Balance - June 30, 2009	\$ 8,909,370	\$ 1,412,072	\$ 10,321,442

The accompanying notes are an integral part of these financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balances - total governmental funds		\$ (2,805,252)
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in Statement of Net Assets		3,282,936
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities		(4,157,928)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, or donations) is to decrease net assets		(1,830)
Revenues and other adjustments in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		
Amortization of bond premium	\$ 151,643	
Change in accrued interest	61,565	
Deferred real estate tax	<u>152,741</u>	365,949
Certain activities reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		
Change in accreted value of bonds	(448,028)	
Amortization of deferred charges	<u>(32,968)</u>	(480,996)
Other post employment benefits are reflected on the statement of net assets, but are not considered a current expenditure for the fund statements		(438,481)
Repayment of long-term debt is reported as expenditures in governmental funds, but as a reduction of long-term liabilities in the Statement of Net Assets. In current year, these amounts are:		
Bonds and note payments	5,358,077	
Capital lease payments	102,246	
Change in compensated absences	<u>(193,178)</u>	<u>5,267,145</u>
Change in net assets of governmental activities		<u>\$ 1,031,543</u>

The accompanying notes are an integral part of these financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual - General Fund

For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 54,304,463	\$ 54,351,379	\$ 52,542,250	\$ (1,809,129)
State Sources	24,597,747	24,377,478	24,358,517	(18,961)
Federal Sources	3,215,350	3,335,667	3,384,238	48,571
Total Revenues	82,117,560	82,064,524	80,285,005	(1,779,519)
EXPENDITURES				
Instruction	43,464,510	43,635,637	43,808,245	(172,608)
Support Services	29,231,550	28,991,685	27,949,190	1,042,495
Noninstructional Services	1,787,389	1,798,293	1,653,511	144,782
Debt Service	7,584,436	7,584,436	7,449,762	134,674
Total Expenditures	82,067,885	82,010,051	80,860,708	1,149,343
Excess of Revenues Over (Under) Expenditures	49,675	54,473	(575,703)	(630,176)
Other Financing Sources (Uses)				
Fund Transfers	(336,088)	(337,138)	(1,382,561)	(1,045,423)
Refund of Prior Year Expenditures	-	-	(2,820)	(2,820)
Changes in Inventory	-	-	45,061	45,061
Other	(500,000)	(506,269)	15,999	522,268
Total Other Financing Sources (Uses)	(836,088)	(843,407)	(1,324,321)	(480,914)
Net Change in Fund Balance	(786,413)	(788,934)	(1,900,024)	(1,111,090)
Fund Balance - July 1, 2008	10,809,394	10,809,394	10,809,394	-
Fund Balance - June 30, 2009	\$ 10,022,981	\$ 10,020,460	\$ 8,909,370	\$ (1,111,090)

The accompanying notes are an integral part of these financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Statement of Net Assets - Proprietary Funds

June 30, 2009

	Food Service	Asbury Woods	Campus Store	Daycare	Total Proprietary Funds
Assets					
Current Assets					
Cash	\$219,722	\$ 172,599	\$ -	\$497,903	\$ 890,224
Intergovernmental Receivables	175,751	475	-	3,803	180,029
Interfund Receivables	-	56,028	-	-	56,028
Other Receivables (Net)	15,454	61,326	-	14,778	91,558
Inventories	44,921	12,236	-	-	57,157
Total Current Assets	<u>455,848</u>	<u>302,664</u>	<u>-</u>	<u>516,484</u>	<u>1,274,996</u>
Non-Current Assets					
Land	-	78,379	-	-	78,379
Capital Assets, Net	242,399	2,852,345	-	-	3,094,744
Total Non-Current Assets	<u>242,399</u>	<u>2,930,724</u>	<u>-</u>	<u>-</u>	<u>3,173,123</u>
Total Assets	<u>\$698,247</u>	<u>\$ 3,233,388</u>	<u>\$ -</u>	<u>\$516,484</u>	<u>\$ 4,448,119</u>
Liabilities					
Current Liabilities					
Interfund Payable	\$ 67,393	\$ -	\$ -	\$ 89,712	\$ 157,105
Accounts Payable	35,251	78,379	-	12,371	126,001
Accrued Payroll and Benefits	13,029	14,879	-	59,096	87,004
Total Current Liabilities	<u>115,673</u>	<u>93,258</u>	<u>-</u>	<u>161,179</u>	<u>370,110</u>
Net Assets					
Invested in Capital Assets	242,399	2,930,724	-	-	3,173,123
Unrestricted	340,175	209,406	-	355,305	904,886
Total Net Assets	<u>582,574</u>	<u>3,140,130</u>	<u>-</u>	<u>355,305</u>	<u>4,078,009</u>
Total Liabilities and Net Assets	<u>\$698,247</u>	<u>\$ 3,233,388</u>	<u>\$ -</u>	<u>\$516,484</u>	<u>\$ 4,448,119</u>

The accompanying notes are an integral part of these financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes

in Net Assets - Proprietary Funds

For the Year Ended June 30, 2009

	Food Service	Asbury Woods	Campus Store	Daycare	Total Proprietary Funds
Operating Revenues					
Food Service Revenue	\$ 1,746,015	\$ -	\$ -	\$ -	\$ 1,746,015
Charges for Services	-	143,856	-	-	143,856
Daycare Revenue	-	-	-	1,145,951	1,145,951
Donations	-	425,227	-	-	425,227
Total Operating Revenues	1,746,015	569,083	-	1,145,951	3,461,049
Operating Expenses					
Salaries	952,111	287,399	-	869,237	2,108,747
Employee Benefits	285,986	73,319	-	210,529	569,834
Purchased Professional Services	-	18,799	-	2,418	21,217
Purchased Property Services	15,145	21,059	-	2,001	38,205
Other Purchased Services	3,138	39,651	-	3,038	45,827
Supplies and Food	128,154	57,477	-	48,089	233,720
Management Fee	1,622,657	-	-	-	1,622,657
Depreciation	55,506	96,530	-	-	152,036
Other Operating Expenses	28,814	8,821	7,085	9,963	54,683
Total Operating Expenses	3,091,511	603,055	7,085	1,145,275	4,846,926
Operating Income (Loss)	(1,345,496)	(33,972)	(7,085)	676	(1,385,877)
Nonoperating Revenues (Expenses)					
Earnings on Investments	3,758	894	-	92	4,744
State Sources	189,170	17,116	-	171,730	378,016
Federal Sources	1,140,965	-	-	-	1,140,965
Fund Transfers	-	361,353	-	-	361,353
Total Nonoperating Revenues (Expenses)	1,333,893	379,363	-	171,822	1,885,078
Change in Net Assets	(11,603)	345,391	(7,085)	172,498	499,201
Net Assets, July 1, 2008	594,177	2,794,739	7,085	182,807	3,578,808
Net Assets, June 30, 2009	\$ 582,574	\$ 3,140,130	\$ -	\$ 355,305	\$ 4,078,009

The accompanying notes are an integral part of these financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Statement of Cash Flows - Proprietary Funds

For the Year Ended June 30, 2009

	Food Service	Asbury Woods	Campus Store	Daycare	Total Proprietary Funds
Cash Flows From Operating Activities:					
Cash Received from Users	\$ 1,746,015	\$ 82,530	\$ -	\$ 1,361,302	\$ 3,189,847
Cash Received from Donations	-	425,227	-	-	425,227
Cash Payments to Employees for Services	(1,127,078)	(345,839)	-	(961,014)	(2,433,931)
Cash Payments to Suppliers for Goods and Services	(1,845,451)	(539,649)	(3,051)	(69,542)	(2,457,693)
Cash Payments for Operating Expenses	(28,814)	(8,821)	-	(9,963)	(47,598)
Net Cash From (Used for) Operating Activities	<u>(1,255,328)</u>	<u>(386,552)</u>	<u>(3,051)</u>	<u>320,783</u>	<u>(1,324,148)</u>
Cash Flows from Noncapital Financing Activities:					
State Sources	189,053	16,641	-	177,028	382,722
Federal Sources	1,128,146	-	-	-	1,128,146
Fund Transfers	-	361,353	-	-	361,353
Net Cash Provided by Noncapital Financing Activities	<u>1,317,199</u>	<u>377,994</u>	<u>-</u>	<u>177,028</u>	<u>1,872,221</u>
Cash Flows from Capital and Related Financing Activities:					
Purchase of Capital Assets	(66,963)	-	-	-	(66,963)
Net Cash (Used by) Capital and Related Financing Activities	<u>(66,963)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,963)</u>
Cash Flows from Investing Activities:					
Earnings from Investments	3,758	894	-	92	4,744
Net Cash Provided by Investing Activities	<u>3,758</u>	<u>894</u>	<u>-</u>	<u>92</u>	<u>4,744</u>
Net Increase (Decrease) in Cash	(1,334)	(7,664)	(3,051)	497,903	485,854
Cash at Beginning of Year	221,056	180,263	3,051	-	404,370
Cash at End of Year	<u>\$ 219,722</u>	<u>\$ 172,599</u>	<u>\$ -</u>	<u>\$ 497,903</u>	<u>\$ 890,224</u>
Reconciliation of Operating Income to Net Cash (Used for)					
Operating Activities:					
Operating Income (Loss)	\$(1,345,496)	\$ (33,972)	\$ (7,085)	\$ 676	\$(1,385,877)
Adjustment to Reconcile Operating Income (Loss) to Net Cash					
(Used for) Operating Activities:					
Depreciation	55,506	96,530	-	-	152,036
(Increase) Decrease in Accounts Receivables	-	(61,326)	-	(14,778)	(76,104)
(Increase) Decrease in Inventories	(15,762)	858	4,034	-	(10,870)
(Increase) Decrease in Interfund Receivables	30,597	(82,439)	-	230,129	178,287
Increase (Decrease) in Interfund Payable	67,393	(243,673)	-	89,712	(86,568)
Increase (Decrease) in Accounts Payable	(60,595)	(77,409)	-	(13,996)	(152,000)
Increase (Decrease) in Accrued Payroll	13,029	14,879	-	29,040	56,948
	<u>\$(1,255,328)</u>	<u>\$ (386,552)</u>	<u>\$ (3,051)</u>	<u>\$ 320,783</u>	<u>\$(1,324,148)</u>

The accompanying notes are an integral part of these financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Statement of Fiduciary Net Assets -

Fiduciary Funds

June 30, 2009

	Private Purpose Trust	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 736,914	\$ 209,633
Accounts Receivable	78,379	-
Other Assets	16,761	-
Total Assets	<u>\$ 832,054</u>	<u>\$ 209,633</u>
LIABILITIES		
Accounts Payable	<u>\$ 34,041</u>	<u>\$ 209,633</u>
Total Liabilities	<u>34,041</u>	<u>209,633</u>
NET ASSETS		
Held in Trust for Scholarships	<u>798,013</u>	<u>-</u>
	<u>798,013</u>	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 832,054</u>	<u>\$ 209,633</u>

The accompanying notes are an integral part of these financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets -

Fiduciary Funds

For the Year Ended June 30, 2009

	<u>Private Purpose Trust</u>
Additions:	
Investment income (loss), net	\$ (110,784)
Contributions/fundraising	<u>60,646</u>
Total Additions	<u>(50,138)</u>
Deductions:	
Scholarships	82,357
Contributions - Asbury Woods	424,050
Other Expense	<u>35,087</u>
Total Deductions	<u>541,494</u>
Change in Net Assets	(591,632)
Net Assets, July 1, 2008	<u>1,389,645</u>
Net Assets, June 30, 2009	<u>\$ 798,013</u>

The accompanying notes are an integral part of these financial statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Millcreek Township School 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 more significant of the District's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, Millcreek Township School District includes all funds that are controlled by or dependent on the School District. Control by or dependence on the School District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the School District, obligation of the School District to finance any deficits that may occur, or receipt of significant subsidies from the School District. As required by generally accepted accounting principles, the financial statement of the reporting entity includes those of the primary government (Millcreek Township School District) and its blended component unit, the Millcreek School District Foundation.

B. Government-wide and Fund Financial Statements

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary funds of the School District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for transfers from other funds and related investment earnings for capital outlays not accounted for in another fund.

The government reports the following major proprietary funds:

The Food Service Fund accounts for the activities of the school's lunch and breakfast programs.

Asbury Woods accounts for the activities of the nature center. Asbury Woods provides activities for school functions and the general public.

Daycare accounts for the activities of the daycare operations.

Additionally, the government reports the following fund types:

Trust Funds account for the activities of the government that are fiduciary in nature, except those reported as agency funds. The government acts as a trustee for resources that belong to others. Trust funds employ the *economic resources measurement focus* and *accrual basis of accounting*.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are merely clearing accounts for assets held by a government as an agent for individuals, private organizations, or other governments.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

Cash and cash equivalents are cash on hand, as well as demand deposits, investments, and certificates of deposit included in pooled cash and non-pooled investments with original maturities of three months or less.

E. Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

All investments are reported at fair value. Fair value is determined using selected basis as follows: securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

G. Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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 an inventory balance as of June 30, 2009.

A physical inventory of the Proprietary Fund's food and supplies was taken as of June 30, 2009. The inventory consisted of government donated commodities, which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method.

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District does not have any infrastructure assets. The School District maintains a \$1,500 threshold for additions to equipment. Buildings and improvements are capitalized when the value is \$20,000 or greater. 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 the assets life are not capitalized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Depreciation has been provided using the straight-line method. The estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Life - Years</u>
Buildings	30-40
Equipment	5-10
Autos, trucks, and vans	10
Improvements	15-25

I. Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General Fund. All encumbrances lapse at year end.

J. Compensated Absences

The School District does not permit the carryover of unused vacation days. Accordingly, the financial statements do not contain any provision for unused vacation time.

Teachers: The maximum number of days compensated is two hundred-fifty. Teachers may elect to receive a retirement incentive based on years of service or to apply sick days to purchase hospitalization coverage at a rate of sixty dollars a day up to a maximum of 250 days.

Administrators: Administrators may elect to receive a retirement incentive of fifty dollars a day up to two hundred-fifty days or elect to apply unlimited sick days to purchase hospitalization coverage at a rate of eighty dollars a day.

Classified Employees: The maximum number of days compensated is two hundred. Employees will receive sixty dollars per day.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For all employee groups listed above, all payments will be deposited into the District-established 403 (b) plan. There will be no cash option.

Technical Support, Secretaries, and Educational Assistants: The maximum number of days compensated is two hundred. They will receive thirty dollars a day as a one time cash payment or forty-five dollars a day to be applied to medical coverage. These payments will only be made if fifty or more days are accumulated at retirement.

Custodians: The custodians are paid twenty-two dollars a day for the first fifty days and twenty-four dollars a day thereafter. There is no limit on the number of days accumulated.

Food Service: Food service employees are paid twenty dollars a day up to one hundred fifty days for unused sick days.

All sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation or retirement.

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. 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 recognized 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. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Estimates

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Joint Venture

The Millcreek Township School District, along with other school districts located in the County of Erie, Pennsylvania, own and operate a joint venture, namely the Erie County Area Vocational-Technical School (Vo-Tech).

Students of the School District, if they so elect, may receive vocational/technical training at Vo-Tech. The School District pays the tuition for the students enrolled at the vocational-technical school. The School District paid \$904,806 in tuition for the year ended June 30, 2009.

Each school district elects one member to the operating committee of Vo-Tech. The operating committee acts as the school's governing body. Financial information relating to the Erie County Area Vocational-Technical School is included in a separate audit report for the year ended June 30, 2009. The report can be obtained at the administrative offices of the school, 8500 Oliver Road, Erie, Pennsylvania.

N. Property Tax Calendar

Property taxes are levied and billed July 1 on property values assessed as of the same date. Taxpayers received a two percent rebate for payments received by September 30. Payments from October 1 through November 30 are collected at face. Quarterly installment payments may be made from August 1 to November 30 at face. A 10% penalty is added for payments received December 1. Property taxes are considered delinquent after December 31, at which time the applicable property is subject to lien and penalties and interest are assessed.

O. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change. At June 30, 2009, the following has been designated for future expenditures:

Gus Anderson Field	\$ 250,321
09/10 budget	<u>463,868</u>
	<u>\$ 714,189</u>

NOTE 2 - BUDGETARY INFORMATION

An annual budget is adopted for the General Fund. The budget is adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. Project length financial plans are adopted for the capital projects funds.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, a proposed operating budget is submitted to the School Board for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to June 30, the budget is legally adopted through passage of an ordinance.
3. The Business Manager is authorized to transfer budgeted amounts within a specific budget object; any other transfers or revisions that alter the total expenditures of any fund must be approved by the School Board.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed by other funds because effective budgetary control is alternatively achieved through direct authorization by the School Board or the expenditures are all fixed in nature.

NOTE 3 - CASH AND INVESTMENTS

Cash

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2009, \$16,649,096 of the District's bank balance of \$17,164,281 was exposed to custodial credit risk as:

Unsecured and uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		-
Uninsured and collateral held by the pledging bank's trust department not in the District's name		<u>16,649,096</u>
		<u>\$16,649,096</u>

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Reconciliation to Financial Statements

Uncollateralized amount above	\$ 16,649,096
Plus: Insured amount	515,185
Add: Deposits in transit	-
Less: Outstanding checks	<u>(1,538,659)</u>
Total cash per financial statements	<u>\$ 15,625,622</u>

NOTE 4 - TAXES RECEIVABLES

Based upon assessments provided by the County, the School District levies property taxes at a rate of 14.14 mills.

The School District also collects earned income tax and local services tax from its residents. The tax rate for the current fiscal year is one-half percent earned income tax and \$5 local services tax.

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the Administration. A portion of the net amount estimated to be collectible, which was measurable and available under 60 days, was recognized as revenue and the balance deferred in the fund financial statements.

The balances at June 30, 2009 are as follows:

	<u>Gross Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net</u>	<u>Tax Revenue Recognized</u>	<u>Deferred Taxes</u>
Real Estate	\$ 2,552,906	\$ 340,000	\$ 2,212,906	\$ 488,835	\$ 1,724,071
Income/Local Services	<u>829,405</u>	<u>-</u>	<u>829,405</u>	<u>829,405</u>	<u>-</u>
	<u>\$ 3,382,311</u>	<u>\$ 340,000</u>	<u>\$ 3,042,311</u>	<u>\$ 1,318,240</u>	<u>\$ 1,724,071</u>

NOTE 5 - 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:

	General Fund	Food Service Fund	Asbury Woods	Daycare	Total
Federal	\$ 367,247	\$ 155,864	\$ -	\$ -	\$ 523,111
State	616,456	19,887	475	3,803	640,621
	<u>\$ 983,703</u>	<u>\$ 175,751</u>	<u>\$ 475</u>	<u>\$ 3,803</u>	<u>\$ 1,163,732</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year is as follows:

	June 30, 2008	Additions	Deletions	Transfers/ Adjustments	June 30, 2009
Governmental Activities					
Capital Assets not Depreciated:					
Land	\$ 593,196	\$ -	\$ -	\$ -	\$ 593,196
	<u>\$ 593,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 593,196</u>
Capital Assets Depreciated:					
Buildings and Improvements	\$ 111,254,131	\$ 1,066,467	\$ -	\$ -	\$ 112,320,598
Furniture and Equipment	21,057,056	2,174,511	(1,977,262)	-	21,254,305
Vehicles	1,019,658	41,958	(46,522)	-	1,015,094
Total Assets Depreciated	<u>133,330,845</u>	<u>3,282,936</u>	<u>(2,023,784)</u>	<u>-</u>	<u>134,589,997</u>
Less Accumulated Depreciation					
Buildings and Improvements	(39,282,144)	(2,669,329)	-	-	(41,951,473)
Furniture and Equipment	(16,519,112)	(1,410,287)	1,977,262	-	(15,952,137)
Vehicles	(614,760)	(78,312)	44,692	-	(648,380)
Total Accumulated Depreciation	<u>(56,416,016)</u>	<u>(4,157,928)</u>	<u>2,021,954</u>	<u>-</u>	<u>(58,551,990)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 76,914,829</u>	<u>\$ (874,992)</u>	<u>\$ (1,830)</u>	<u>\$ -</u>	<u>\$ 76,038,007</u>
Business-Type Activities					
Capital Assets Not Depreciated:					
Land	\$ 78,379	\$ -	\$ -	\$ -	\$ 78,379
Total Assets Not Depreciated	<u>\$ 78,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,379</u>
Capital Assets Being Depreciated:					
Buildings and Improvements	\$ 2,984,613	\$ -	\$ -	\$ -	\$ 2,984,613
Equipment	1,530,317	66,963	(382,106)	-	1,215,174
Total Assets Depreciated	<u>4,514,930</u>	<u>66,963</u>	<u>(382,106)</u>	<u>-</u>	<u>4,199,787</u>
Less Accumulated Depreciation					
Buildings and Improvements	(275,005)	(79,004)	-	-	(354,009)
Equipment	(1,060,108)	(73,032)	382,106	-	(751,034)
Total Accumulated Depreciation	<u>(1,335,113)</u>	<u>(152,036)</u>	<u>382,106</u>	<u>-</u>	<u>(1,105,043)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 3,179,817</u>	<u>\$ (85,073)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,094,744</u>

NOTE - 6 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
Instruction	\$ 3,961,637
Support Services:	
Student Transportation	41,488
Administration	59,791
Operation and Maintenance	<u>95,012</u>
Total Depreciation Expense- Governmental Activities	<u>\$ 4,157,928</u>
Business-type Activities:	
Food Service	\$ 55,506
Asbury Woods	<u>96,530</u>
Total Depreciation Expense- Business-type Activities	<u>\$ 152,036</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service	\$ 67,393
	Capital Projects	18,833
	Daycare	89,712
Asbury Woods	General Fund	<u>56,028</u>
		<u>\$ 231,966</u>

The outstanding balances between funds results mainly from the time lag between the date that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS
(CONTINUED)**

<u>Transfer In:</u>	<u>Transfer Out General Fund</u>
Asbury Woods	\$ 361,353
Capital Projects	1,021,208
	<u>\$ 1,382,561</u>

Transfers are used to move unrestricted funds to finance various programs.

NOTE 8 - CAPITAL LEASES

On September 14, 2006, the District entered into a lease purchase agreement for the Energy Management Project. The lease requires quarterly payments of approximately \$50,000 beginning July 1, 2007 through April 1, 2022.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 2,140,839
Less Accumulated Depreciation	<u>(285,446)</u>
	<u>\$ 1,855,393</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2009 are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>
2010	\$ 216,331
2011	222,232
2012	228,291
2013	234,514
2014	240,905
2015-2019	1,306,569
2020-2023	<u>872,371</u>
Total Minimum Lease Payments	3,321,213
Less: Amount Representing Interest	<u>(862,439)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,458,774</u>

NOTE 9 - LONG-TERM DEBT

The government issues general obligation bonds/notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds/notes have been issued for governmental activities. General obligation bonds/notes are direct general obligations of the School District. Principal and interest payments are backed by the full faith, credit, and taxing authority of the School District.

On January 14, 1998, the School District issued \$10,907,403 General Obligation Refunding Bonds Series A of 1998. The bonds mature March 15 and September 15 of each year beginning in 1998 and ending in 2013. The capital appreciation bonds have an effective yield of 4.50% to 5.25% depending on the date of maturity. These bonds have a compound accretion value of \$7,150,991 at June 30, 2009, and a maturity value of \$7,815,000.

On October 15, 2001, the School District issued \$12,095,000 General Obligation Refunding Bonds Series A of 2001 and \$1,580,000 General Obligation Bonds Series B of 2001. The bonds mature April 15 and October 15 of each year beginning in 2003 and ending in 2011. The current interest bonds pay interest ranging from 2.3% to 4.1%. At June 30, 2009, the Series A bonds outstanding amount to \$7,035,000, and \$0 for the Series B bonds.

On October 15, 2002, the School District issued \$10,655,000 General Obligation Bonds Series A of 2002, and \$1,145,000 General Obligation Bonds Series B of 2002. The bond proceeds were used to construct Asbury Elementary School, technology improvements, refinance the Series 2000 loan, and pay all costs associated with the issuance and sale of bonds. The bonds mature September 15 of each year beginning in 2002 and ending in 2013. The bonds pay interest ranging from 1.5% to 4.5% on a semi-annual basis. At June 30, 2009, the Series A bonds outstanding amount to \$9,685,000, and \$560,000 for the Series B bonds.

On March 15, 2003, the School District issued \$2,640,000 General Obligation Bonds Refunding Series of 2003. The bonds mature March 15 of each year beginning in 2003 and ending in 2011. The bonds pay interest ranging from 1.15% to 3.35% on a semi-annual basis. The bonds were used to refund the General Obligation Bonds Series of 1995. At June 30, 2009, the bonds outstanding for the 2003 issue amount to \$780,000.

On September 29, 2003, the School Board issued a general obligation note Series 2003 for \$2,000,000. The note proceeds were used for roof repairs to the District buildings. The note requires a quarterly principal payment of \$33,333 plus interest at 2.8% starting February 1, 2007 through November 1, 2018. The balance outstanding at June 30, 2009 is \$1,475,834.

On July 15, 2004, the District issued a 3.5% fixed interest General Obligation Note in the amount of \$650,000. The note requires annual principal and interest payments of \$78,355 for ten years beginning July 15, 2005. The balance outstanding at June 30, 2009 is \$416,836.

NOTE 9 - LONG-TERM DEBT (CONTINUED)

On April 15, 2005, the District issued \$19,140,000 General Obligation Bonds, Series 2005. The bonds proceeds are for the renovation of J.S. Wilson Middle School. The bonds mature July 15th of each year beginning in 2005 and ending in 2016. The bonds pay interest ranging from 2.65% to 5.0% on a semi-annual basis. The balance outstanding at June 30, 2009 is \$18,810,000.

On February 15, 2007, the School Board issued General Obligation Bonds, Series 2007 for \$3,850,000. The bonds proceeds will be used to finance the completion of an addition to the J.S. Wilson Middle School project. The bonds mature July 15th of each year beginning in 2007 and ending in 2026. The bonds pay interest ranging from 3.55% to 4.2% on a semi-annual basis. As of June 30, 2009, the balance outstanding is \$3,570,000.

The following summarizes the maturities and interest requirements for general obligation bonds/notes and notes payable as of June 30, 2009.

Governmental Activities

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 5,335,053	\$ 1,975,070	\$ 7,310,123
2011	5,367,371	1,838,075	7,205,446
2012	5,340,300	1,878,313	7,218,613
2013	5,540,356	1,605,282	7,145,638
2014	5,944,077	1,059,239	7,003,316
2015-2019	20,051,504	1,759,269	21,810,773
2020-2024	1,115,000	284,058	1,399,058
2025-2028	790,000	50,758	840,758
	<u>\$ 49,483,661</u>	<u>\$ 10,450,064</u>	<u>\$ 59,933,725</u>

Long-term liability activity for the year ended June 30, 2009 is as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and Notes Payable	\$ 54,393,710	\$ 448,028	\$ 5,358,077	\$ 49,483,661	\$ 5,335,053
Deferred Amounts:					
Bond Premium	1,169,217	-	151,643	1,017,574	-
	55,562,927	448,028	5,509,720	50,501,235	5,335,053
Compensated Absences	3,304,233	643,124	449,946	3,497,411	450,000
Lease Payable	2,561,020	-	102,246	2,458,774	216,331
	<u>\$ 61,428,180</u>	<u>\$ 1,091,152</u>	<u>\$ 6,061,912</u>	<u>\$ 56,457,420</u>	<u>\$ 6,001,364</u>

The liability for compensated absences is normally liquidated by the general fund.

NOTE 9 - LONG-TERM DEBT (CONTINUED)

The following bonds have been defeased through an irrevocable deposit of funds sufficient to retire the respective bonds when due. These bonds are not reflected in the long-term debt accounts at year end. On June 30, 2009, \$4,620,000 of bonds outstanding are considered defeased.

	<u>Maturity Value</u>
1991 Capital Appreciation Bonds	<u>\$ 4,620,000</u>

NOTE 10 - RETIREMENT PLAN

A. Plan Description

The School District contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Public School Employee Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the PSERS Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement, disability and death benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. 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 for the plan. That report may be obtained by writing to PSERS, P. O. Box 125, Harrisburg, Pennsylvania 17108-0125.

NOTE 10 - RETIREMENT PLAN (CONTINUED)

B. Funding Policy

The contribution policy is set by the Code and requires contribution by active employees and by participating employers. Plan members are required to contribute 5.25 percent of their compensation if they joined the plan before July 22, 1983, and 6.25 percent if they joined on or after that date. Under Act 2001-9, May 17, 2001, members may elect to increase their contribution rate by 1.25% as of January 1, 2002, thereby increasing their benefit. Employees hired after January 1, 2002 are required to contribute 7.5 percent. The contributions required of participating employers is 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 contributions was 4.76 percent of covered payroll. 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 contributions rate and are reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate. The School District's contributions to PSERS for years ending June 30, 2009, 2008, and 2007 were \$1,961,063, \$2,571,932 and \$2,327,153, respectively. Those amounts are equal to the required contribution for each year.

NOTE 11 - SELF INSURANCE

A. Health Insurance

The School District's self-insurance program pays accident and health insurance coverage for School District employees on a cost-reimbursement basis. Retired employees are also covered by the program, provided they pay a monthly premium to the School District. Under the program, the School District is obligated for claim payments.

A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$100,000, up to \$900,000 maximum.

During the year ended June 30, 2009, total claims expense and stop-loss insurance expense were approximately \$7,840,000. Claims expense, recorded as a General Fund expenditure, represents claims processed as of June 30, 2009 and includes estimated unprocessed claims payable.

NOTE 11 - SELF INSURANCE (CONTINUED)

The claims liability of \$748,126 is based on the requirements of Governmental Accounting Standards Board (GASB) Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability had been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims liability is as follows:

Claims liability, 6/30/07	\$ (721,870)
Current year premiums	7,063,578
Claim payments and administration	<u>(7,090,596)</u>
Claims liability, 6/30/08	(748,888)
Current year premiums	7,840,419
Claim payments and administration	<u>(7,839,657)</u>
Claims liability, 6/30/09	<u>\$ (748,126)</u>

To fund future claims, the District maintains an insurance reserve of \$837,858 and a prepaid deposit with Highmark Blue Cross Blue Shield of \$368,929.

B. Contingent Liability

The amount, if any, of future liability that may arise as a result of self-insurance is not readily determinable and cannot be reasonably estimated. Accordingly, the financial statements do not reflect a liability for any unasserted claims related to the current or prior period.

NOTE 12 - CONTRACTS AND COMMITMENTS

The School District has entered into labor agreements with bargaining units and contracts that expire as follows:

<u>Bargaining Unit</u>	<u>Contract Expires</u>
Millcreek Education Association	August 25, 2011
Millcreek Educational Support Personnel	June 30, 2011
Technical Support Group	June 30, 2011
Food Service Employees of the Millcreek Township School District	June 30, 2011
Education Assistants Association of the Millcreek Township School District	June 30, 2011
Millcreek Association of Educational Secretaries	June 30, 2011
Act 93 Administration Plan	June 30, 2012

NOTE 13 - POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

In addition to the pension benefits described in Note 10, the School District provides post-employment health insurance to retirees. The Plan is not accounted for as a trust fund, an irrevocable trust has not been established, the Plan does not issue a separate report and activity of the Plan is reported in the General Fund. The School District has implemented GASB 45 prospectively for the year ended June 30, 2009.

Hospitalization coverage as a retiree will be equivalent (single or dependent coverage) to that held by the individual at the time of retirement. As of June 30, 2009, 140 retired employees are covered by health insurance. The School District's expenses for health insurance benefits were \$300,465 (\$770,050 net of retiree contributions of \$469,585) in 2009.

Funding Policy

The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The School District covers the balance of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

The School District's annual OPEB cost is calculated based on the annual required contribution of the employees (ARC), an amount actually determined in accordance with the parameters of GASB Statement No 45. The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actuarially determined in accordance with the requirements so that if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both normal cost for each year and the amortized unfunded liability.

The following table shows the component of the School District's annual OPEB cost for the year, the amount actually contributed, and changes in the School District's net OPEB obligation:

Annual required contribution	\$ 738,946
Interest on net OPEB obligation	-
Annual OPEB cost	<u>738,946</u>
Contribution made	<u>(300,465)</u>
Increase in net OPEB obligation	438,481
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 438,481</u>

NOTE 13 - POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation were as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2009	\$ 738,946	59%	\$ 438,481
June 30, 2008	N/A	N/A	N/A
June 30, 2007	N/A	N/A	N/A

N/A - not applicable, 2009 is implementation year for GASB Statement No. 45.

The ARC for the current year was computed as of July 1, 2008 using the following actuarial assumptions: (1) actuarial cost method entry age normal; (2) an assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 3% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 3% to 0.25%; (3) Rates of withdrawal vary by age, gender, and years of service; (4) Separate rates are assumed pre-retirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation; (5) Assumed retirement rates are based on PSERS plan experience and vary by age, service, and gender; (6) The health care cost trend rate is 8.5% in 2008, decreasing .5% per year to an ultimate rate of 5% in 2015 and later and (7) Amortization is based on level dollar, 30 year open period.

The schedule of funding progress for the post-employment health insurance benefits is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)-PUC (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)</u>	<u>Funded Ratio (a)/(b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)</u>
June 30, 2009	\$ -	\$ 7,288,061	\$ 7,288,061	0.00%	\$ 37,703,965	19.33%
June 30, 2008	N/A	N/A	N/A	N/A	N/A	N/A
June 30, 2007	N/A	N/A	N/A	N/A	N/A	N/A

N/A - not applicable, 2009 is implementation year for GASB Statement No. 45.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far 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, present multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 13 - POST EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Actuarial Methods and Assumptions. Projections of 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 costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 14 - RISK MANAGEMENT

The School District is involved, in varying stages, with various pending or unasserted litigation. The District has notified its insurance carrier of these actions. Although the outcome of these proceedings is not presently determinable, it is the opinion of the District's management that resolution of these matters will not have a material adverse effect on the financial condition of the District.

The School District is also exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

During the year ended June 30, 2009 and the two previous fiscal years, no settlement exceeded insurance coverage.

NOTE 15 - SUBSEQUENT EVENTS

Effective July 1, 2009, Millcreek Township School District, in conjunction with Asbury Woods Nature Center, reached an operational agreement with Asbury Woods Partnership, a separate not-for-profit entity. As a result of this agreement, the General Fund of the District will be assuming all assets and debts of Asbury Woods Nature Center. In addition, the District will, at its expense, be providing services and activities for educational purposes and the sole benefit of students. The Partnership will provide any additional services to the public and reimburse the District for any costs incurred as per the agreement.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local Sources	\$ 54,304,463	\$ 54,351,379	\$ 52,542,250	\$ (1,809,129)
State Sources	24,597,747	24,377,478	24,358,517	(18,961)
Federal Sources	3,215,350	3,335,667	3,384,238	48,571
Total Revenues	82,117,560	82,064,524	80,285,005	(1,779,519)
Expenditures and Other Financing Uses				
Instruction				
Regular Programs	29,219,821	29,233,294	29,449,996	(216,702)
Special Education Program	9,143,456	9,184,297	9,220,220	(35,923)
Vocational Education Programs	2,899,188	2,937,208	2,850,705	86,503
Other Instructional Programs	2,167,579	2,154,620	2,136,393	18,227
Adult Education Programs	34,466	126,218	150,931	(24,713)
Total Instruction	43,464,510	43,635,637	43,808,245	(172,608)
Support Services				
Pupil Personnel	3,146,725	3,170,533	3,086,354	84,179
Instructional Staff	4,543,322	4,353,270	3,980,570	372,700
Administrative	4,751,497	4,746,881	4,466,669	280,212
Pupil Health	1,056,585	1,071,692	1,077,289	(5,597)
Business	1,068,700	1,067,700	1,232,913	(165,213)
Operation and Maintenance of				
Plant Services	8,648,588	8,590,023	8,624,333	(34,310)
Student Transportation Services	3,939,021	3,973,551	3,748,555	224,996
Central	1,892,112	1,833,035	1,549,985	283,050
Other Support Services	185,000	185,000	182,522	2,478
Total Support Services	29,231,550	28,991,685	27,949,190	1,042,495
Operation of Noninstructional Services				
Student Activities	1,767,389	1,768,793	1,645,035	123,758
Community Services	20,000	29,500	8,476	21,024
Total Noninstructional Services	1,787,389	1,798,293	1,653,511	144,782
Debt Service	7,584,436	7,584,436	7,449,762	134,674
Total Expenditures	82,067,885	82,010,051	80,860,708	1,149,343
Excess of Revenues Over/(Under) Expenditures	49,675	54,473	(575,703)	(630,176)
Other Financing Sources (Uses)				
Fund Transfers	(336,088)	(337,138)	(1,382,561)	(1,045,423)
Refund of Prior Year Revenue	-	-	(2,820)	(2,820)
Changes in Inventory	-	-	45,061	45,061
Other	(500,000)	(506,269)	15,999	522,268
Total Other Financing Uses	(836,088)	(843,407)	(1,324,321)	(480,914)
Net Change in Fund Balance	(786,413)	(788,934)	(1,900,024)	(1,111,090)
Fund Balance - July 1, 2008	10,809,394	10,809,394	10,809,394	-
Fund Balance - June 30, 2009	\$ 10,022,981	\$ 10,020,460	\$ 8,909,370	\$ (1,111,090)



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditors' 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
Millcreek Township School District
Erie, Pennsylvania

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 Millcreek Township School District as of and for the year ended June 30, 2009, which collectively comprise the Millcreek Township School District's basic financial statements and have issued our report thereon dated October 14, 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 *Government 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 Millcreek Township 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 Millcreek Township School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Millcreek Township School District's internal control over financial reporting.

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 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 School District's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

**Independent Auditors' 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*
(Continued)**

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 Millcreek Township School District's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Millcreek Township School District in a separate letter dated October 14, 2009.

This report is intended solely for the information and use of management, the members of the Board, 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.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

October 14, 2009
Erie, Pennsylvania



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report on Compliance With Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance With Circular A-133

To the Members of the Board
Millcreek Township School District
Erie, Pennsylvania

Compliance

We have audited the compliance of the Millcreek Township 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. Millcreek Township 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 Millcreek Township School District's management. Our responsibility is to express an opinion on the Millcreek Township 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 Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Millcreek Township 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 Millcreek Township School District's compliance with those requirements.

In our opinion, the Millcreek Township 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.

Independent Auditors' Report on Compliance With Requirements
Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance With Circular A-133
(Continued)

Internal Control Over Compliance

The management of the Millcreek Township 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 Millcreek Township School District's internal control over compliance with 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 Millcreek Township School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management of 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.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the members of the Board, 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.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

October 14, 2009
Erie, Pennsylvania

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2009

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	Grant Period	
				Beginning	Ending
<u>U.S. Department of Agriculture</u>					
Passed through State Dept. of Agriculture					
U.S. Donated Commodities	I	10.555	N/A	7/1/2008	6/30/2009
Passed through State Dept. of Education					
National School Lunch Program	S	N/A	N/A	7/1/2007	6/30/2008
National School Lunch Program	I	10.555	N/A	7/1/2007	6/30/2008
National School Breakfast Program	I	10.553	N/A	7/1/2007	6/30/2008
National School Lunch Program	S	N/A	N/A	7/1/2008	6/30/2009
National School Lunch Program	I	10.555	N/A	7/1/2008	6/30/2009
National School Breakfast Program	I	10.553	N/A	7/1/2008	6/30/2009
Total U.S. Dept. of Agriculture					
<u>U.S. Department of Education</u>					
Physical Education Program	D	84.215	Q215F070080	2/18/2008	2/18/2009
Passed through State Dept. of Education					
Title I Improving Basic Programs	I	84.010	013-080253	7/1/2007	9/30/2008
Title I Improving Basic Programs	I	84.010	013-090253	7/1/2008	9/30/2009
Title I Academic Achievement	I	84.010	077-070253	7/1/2006	9/30/2008
Title II Improving Teacher Quality	I	84.367	020-080253	7/1/2007	9/30/2008
Title II Improving Teacher Quality	I	84.367	020-090253	7/1/2008	9/30/2009

The accompanying notes are an integral part of this schedule.

<u>Accrued/ (Deferred) Revenue at July 1, 2008</u>	<u>Total Received for the Year</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued/ (Deferred) Revenue at June 30, 2009</u>
\$ (21,159) b)	\$ 139,818 a)	\$ 116,056	\$ 116,056 c)	\$ (44,921) d)
19,770	19,770	-	-	-
115,520	115,520	-	-	-
27,525	27,525	-	-	-
-	112,604	132,491	132,491	19,887
-	684,421	807,929	807,929	123,508
-	160,862	193,218	193,218	32,356
<u>141,656</u>	<u>1,260,520</u>	<u>1,249,694</u>	<u>1,249,694</u>	<u>130,830</u>
-	182,353	376,251	376,251	193,898
86,059	209,371	123,312	123,312	-
-	703,465	832,726	832,726	129,261
-	6,228	6,228	6,228	-
(975)	96,624	97,599	97,599	-
-	166,029	192,307	192,307	26,278

Schedule continued on next page.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2009

(Continued)

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	<u>Grant Period</u> BeginningEnding	
<u>U.S. Department of Education (Continued)</u>					
Passed through State Dept. of Education (Continued)					
Title V	I	84.298	011-080253	7/1/2007	9/30/2008
Drug Free School Program	I	84.186	100-080253	7/1/2007	9/30/2008
Drug Free School Program	I	84.186	100-090253	7/1/2008	9/30/2009
Passed through Northwest Tri County IU					
IDEA	I	84.027	N/A	7/1/2008	6/30/2009
IDEA	I	84.027	N/A	7/1/2007	6/30/2008
Total U.S. Department of Education					
Total Federal Assistance					

The accompanying notes are an integral part of this schedule.

<u>Accrued/ (Deferred) Revenue at July 1, 2008</u>	<u>Total Received for the Year</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued/ (Deferred) Revenue at June 30, 2009</u>
\$ (4,893)	\$ -	\$ -	\$ -	\$ (4,893)
8,500	8,500	-	-	-
-	9,408	19,984	19,984	10,576
-	936,126	936,126	936,126	-
<u>948,088</u>	<u>948,088</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,036,779</u>	<u>3,266,192</u>	<u>2,584,533</u>	<u>2,584,533</u>	<u>355,120</u>
<u>\$ 1,178,435</u>	<u>\$ 4,526,712</u>	<u>\$ 3,834,227</u>	<u>\$ 3,834,227</u>	<u>\$ 485,950</u>

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Footnotes and Other Information

For the Year Ended June 30, 2009

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Millcreek Township School District and is presented on the modified accrual basis of accounting. The information in this 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 this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 - LEGEND

- a) Total amount of commodities received from Department of Agriculture.
- b) Beginning inventory at July 1.
- c) Total amount of commodities used.
- d) Ending inventory at June 30.

I = Indirect funding
S = State funding
D = Direct funding

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

1. Summary of auditors' results

- (i) Type of report issued on the financial statements: Unqualified opinion.
- (ii) Significant deficiencies that were material weaknesses in internal control: N/A.
- (iii) The audit disclosed no noncompliance which is material to the financial statements.
- (iv) Significant deficiencies that are material weaknesses in internal control over major programs: N/A.
- (v) Type of report issued on compliance for major programs: Unqualified opinion.
- (vi) The audit disclosed no audit findings which are required to be reported.
- (vii) Major programs:

Title I	84.010
Physical Education Program	84.215
- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (ix) Millcreek Township School District did qualify as a low-risk auditee.

2. Findings required to be reported in accordance with generally accepted government auditing standards

None

3. Findings and questioned costs for Federal awards

None

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Year Ended June 30, 2009

1. Prior significant deficiencies: None.
2. Prior material noncompliance with provisions of laws, regulations, contracts or grant agreements related to a major program: None
3. Known questioned costs greater than \$10,000: None
4. There were no findings in the prior year.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

**Corrective Action Plan
For the Year Ended June 30, 2009**

Not applicable. There were no current year findings required to be reported.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

List of Report Distribution

June 30, 2009

The following is a listing of all agencies that the audit reports are distributed to:

1. United States Bureau of the Census
2. Commonwealth of Pennsylvania, Office of the Budget
3. Northwest Tri-County Intermediate Unit



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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October 14, 2009

To the Board of Directors of Millcreek Township
School District and Management

In planning and performing our audit of the financial statements of Millcreek Township School District as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Millcreek Township 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control 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.

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 a combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a 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 entity's internal control.

Our considerations of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The items noted below summarize our comments and suggestions concerning those matters.

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General Fund

Purchasing:

While reviewing the controls over the purchasing/disbursement procedures, we noted the following:

- Purchase orders were dated after the purchase.
- Price differences between the purchase order and the actual invoice were not approved.

To improve controls over purchasing, we recommend that the District comply with their purchasing policy.

General Billing/Cash Receipts:

While reviewing the controls over the billing/cash receipt functions, we noted the following:

- The accounts receivable clerk, prepares the billing, receives the receipts and can make adjustments to the invoices.
- There are no reconciliations of the billing invoices prepared in CSIU software to data sent from outside sources, i.e. daycare and the star student program.
- The CSIU system does not allow for credit or debit memos to invoices. To make a change to an invoice, the clerk will either manually change or cancel and reissue an invoice. There are no specific policies for changing versus cancellation of an invoice. In addition, there is no supporting documentation retained to verify these changes.
- There is no batch review of the items entered into the system to the total bills sent and payments received.

To improve controls and oversight of the billing/cash receipt function, we recommend the following:

- Someone independent of the accounts receivable function should receive the receipts and make the deposit. A copy of the receipt documentation should be forwarded to the accounts receivable clerk for posting.
- There should be a reconciliation of the information sent from the outside sources to the information input into the system. This reconciliation should be prepared by the accounts receivable clerk. The reconciliation should be reviewed by someone independent of the billing function. The review should be documented and retained for future audit.

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- A policy should be developed regarding how adjustments should be made to the invoices. All adjustments should be documented and supporting information retained. This information should be reviewed and approved by someone independent of the billing function. This should be retained for future audit.
- The accounts receivable clerk should prepare a schedule to reconcile the previous month's receivable balance, the invoices prepared and the payments received to the ending month's receivable balance. This should be reviewed by the accounting manager monthly. This reconciliation and review should be documented and retained for future audit.

Payroll/Personnel:

While reviewing the controls and oversight over the payroll/personnel function, we noted the following areas for improvement:

- To provide segregation of duties, the personnel office should input all pay rates and demographic information; the payroll department should only have access to input the hours.
- The hours from the time sheets are batched to agree to the actual hours paid per the payroll reports. The auditor recommends that an individual independent of the payroll function review the supporting documentation for the batching of the hours. This review should be documented and retained for future audits.
- The Director of Personnel did not consistently print and review the change report from CSIU software. We recommend that this report be printed and reviewed each pay period. Documentation of this review should be retained for future audit.

Food Service Fund

- Activity posted to prepaid student accounts was not reconciled to the daily cash report.
- We noted the cash and check components of the deposit per the system did not always agree with the components per the actual deposit. In some instances, the total deposit agreed; however, there were several in which the total deposit per the system did not agree to the deposit. There was no explanation for these differences noted on the reports.

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To enhance internal control over food service fund operations, we recommend the following:

- Adjustments to student accounts should only be made by managers. These adjustments should be documented and provided with the daily reports.
- The student prepayment activity should be reconciled to the daily cash reports. This would include a schedule to reconcile the beginning prepayment report and prepayment activity to the ending prepayment balance. This schedule should be reviewed by someone independent of the food service function.
- The manager should print the system prepared deposit slip as part of their daily reconciling procedures and document explanations for any differences between what was entered in the system and what was actually deposited.

Activity Funds

While reviewing disbursement and receipt procedures, we noted the following:

- Disbursements were not consistently approved by the appropriate individuals.
- There were instances in which supporting documents were not maintained for the purchase.
- One school utilized a stamp to sign checks.
- Deposits were not always made in a timely manner.
- Cash and check components of the deposits were not consistently noted.

To improve controls over the activity funds, we recommend the following:

- All schools follow the procedures as noted in the Administrator's guide to effective student activity fund policies and procedures as published by PASBO.
- The business office should periodically review the records of the schools to ensure compliance with the procedures manual.

Fixed Assets

To improve controls over computers, av equipment, music equipment and other valuable items, we recommend:

- A physical inventory by location be taken.
- The District should adopt policies and procedures to track additions, transfers, and disposals for all equipment. Based on these policies and procedures, the inventory should be updated on a quarterly basis.
- The inventory by school should be reviewed by the teachers and approved by the principal at the close of each school year. Any discrepancies should be brought to the attention of the business office.

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- Periodic inventory testing should be done by the business office.

Financial Reporting

We noted the following areas to improve oversight of financial reporting:

- Journal entries posted to the system should be reviewed by management. This review should be documented and retained for future audit.
- Bank reconciliations should be prepared monthly and reviewed by management. This review should be documented and retained.

Other

There are several organizations which are not part of the District such as Parent Teacher Association and Booster organizations. These organizations are separate legal entities; however, their activities at times involve use of District property or items purchased for the District. We recommend that the District implement a policies manual as it relates to these organizations and their relationship to the District.

We are pleased that the following prior year comments have been resolved:

- Asbury Woods will be included with the general fund activities.
- One individual has been designated to exercise grant reporting thus documentation related to report filings has been returned.

This communication is intended solely for the information and use of management, audit committee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Felix and Gloekler, P.C.

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October 14, 2009

To the Members of the Board of Directors
Millcreek Township School District
Erie, Pennsylvania

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Millcreek Township School District for the year ended June 30, 2009 and have issued our report thereon dated October 14, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 9, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 3, 2009.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Millcreek Township School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the allowance for doubtful taxes receivable is based on historical collections. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 14, 2009.

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Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of members of the Board of Directors and management of Millcreek Township School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Felix and Gloekler, P.C.

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