

**MILLCREEK TOWNSHIP SCHOOL DISTRICT**

**SINGLE AUDIT REPORT**

**JUNE 30, 2010**

**MILLCREEK TOWNSHIP SCHOOL DISTRICT**  
**SINGLE AUDIT REPORT**  
**TABLE OF CONTENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Page</u>
<b>Independent Auditors' Report</b>	3-4
<b>Management Discussion and Analysis</b>	5-15
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets	17
Statement of Activities	18-19
<b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds	20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	24
Statement of Net Assets - Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Statement of Fiduciary Net Assets - Fiduciary Funds	28
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	29
<b>Notes to Financial Statements</b>	30-50
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	51
<b>Single Audit/Grants Compliance Schedules</b>	
Independent Auditors' Reports	52-55
Schedule of Expenditures of Federal Awards	56-59
Schedule of Expenditures of Federal Awards Footnotes and Other Information	60
Schedule of Findings and Questioned Costs	61
Summary Schedule of Prior Audit Findings	62
Corrective Action Plan	63
List of Report Distribution	64



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, 2010, 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2010 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.

**Independent Auditors' Report**  
**(Continued)**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Felix and Gloekler, P.C.*

Felix and Gloekler, P.C.

October 14, 2010  
Erie, Pennsylvania

## MILLCREEK TOWNSHIP SCHOOL DISTRICT

### Management Discussion and Analysis

For the Year Ended June 30, 2010

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, 2010. 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 2009-2010 fiscal year. Total net assets increased 3.30% over the course of the year.
- General revenues were \$49,845,661 which represents \$1,155,609 more than net program expenses.
- Total District revenues were \$87.3 million. General revenues accounted for \$49.8 million or 57% of all revenues. Program specific revenues in the form of charges for services and grants accounted for \$37.5 million or 43% of all revenues.
- The District had \$82.0 million in expenses related to governmental activities; \$33.2 million of these expenses were offset by program specific charges for services and grants. General revenue (primarily taxes and subsidies) of \$49.8 million covered the remaining expenses.
- At the end of the current fiscal year, the total fund balance of the general fund was \$7,953,543; or 9% 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

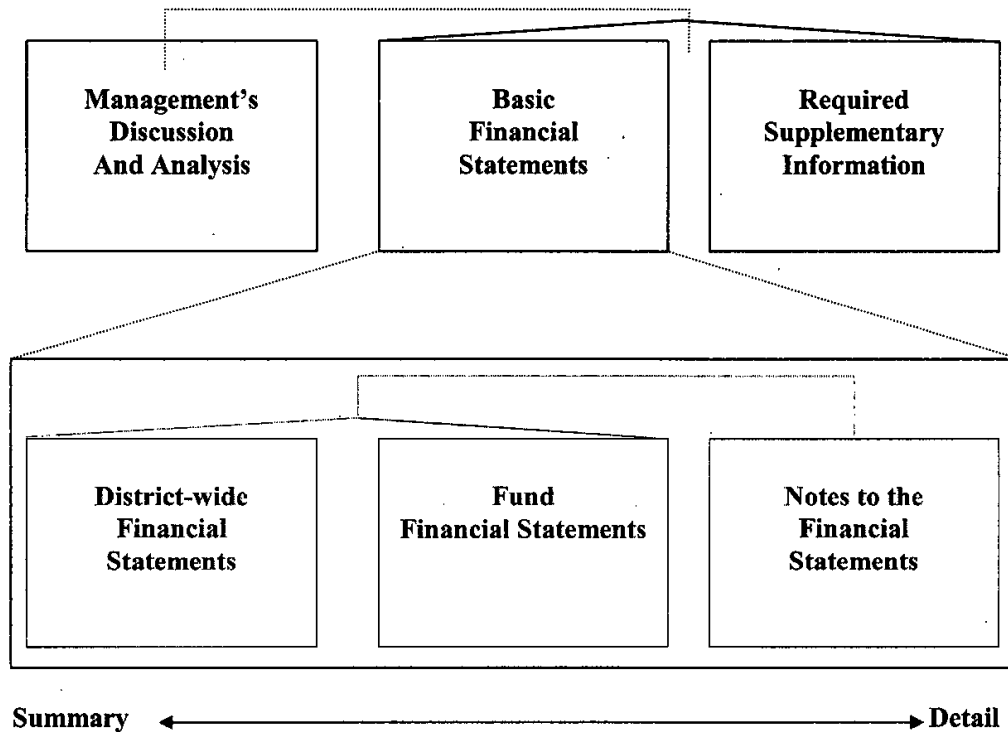
For the Year Ended June 30, 2010

(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, 2010

(Continued)

(MDA-2)

<b>Major Features of the District-Wide and Fund Financial Statements</b>				
	<b>District-Wide Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during 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, 2010

(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, 2010

(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 two enterprise funds, food service and Child Development.

**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 2010 and 2009 fiscal years.

# MILLCREEK TOWNSHIP SCHOOL DISTRICT

## Management Discussion and Analysis

For the Year Ended June 30, 2010

(Continued)

(MDA-3)

### Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current Assets and Other Assets	\$ 18,442,780	\$ 21,117,142	\$ 915,780	\$ 1,117,893	\$ 19,358,560	\$ 22,235,035
Non Current Assets	822,043	776,632	-	78,379	822,043	855,011
Capital Assets	77,536,387	76,038,007	221,230	3,094,744	77,757,617	79,132,751
<b>Total Assets</b>	<b>\$ 96,801,210</b>	<b>\$ 97,931,781</b>	<b>\$ 1,137,010</b>	<b>\$ 4,291,016</b>	<b>\$ 97,938,220</b>	<b>\$ 102,222,797</b>
Current Liabilities and Other	\$ 15,258,173	\$ 15,561,753	\$ 60,753	\$ 213,005	\$ 15,318,926	\$ 15,774,758
Long-Term Liabilities	45,910,163	50,894,517	-	-	45,910,163	50,894,517
<b>Total Liabilities</b>	<b>61,168,336</b>	<b>66,456,270</b>	<b>60,753</b>	<b>213,005</b>	<b>61,229,089</b>	<b>66,669,275</b>
Invested in Capital Assets Net of Debt	30,653,758	23,671,194	221,230	3,173,123	30,874,988	26,844,317
Restricted for Capital Projects	73,841	1,412,072	-	-	73,841	1,412,072
Unrestricted	4,905,275	6,392,245	855,027	904,888	5,760,302	7,297,133
<b>Total Net Assets</b>	<b>35,632,874</b>	<b>31,475,511</b>	<b>1,076,257</b>	<b>4,078,011</b>	<b>36,709,131</b>	<b>35,553,522</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 96,801,210</b>	<b>\$ 97,931,781</b>	<b>\$ 1,137,010</b>	<b>\$ 4,291,016</b>	<b>\$ 97,938,220</b>	<b>\$ 102,222,797</b>

# MILLCREEK TOWNSHIP SCHOOL DISTRICT

## Management Discussion and Analysis

For the Year Ended June 30, 2010

(Continued)

Table MDA-4 shows the revenues, expenses and changes in net assets for fiscal year 2010 and fiscal year 2009 for comparative purposes.

(MDA-4)

### Statement of Revenues, Expenses and Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Charges for Services	\$ 3,259,076	\$ 2,438,483	\$ 2,741,264	\$ 3,035,822	\$ 6,000,340	\$ 5,474,305
Operating Grants	29,971,579	27,742,754	1,485,422	1,944,208	31,457,001	29,686,962
Capital Grants	-	-	-	-	-	-
<b>General Revenues</b>						
Property Taxes	42,833,464	42,561,926	-	-	42,833,464	42,561,926
Earned Income and Local Services Taxes	6,005,065	6,314,318	-	-	6,005,065	6,314,318
Transfer Tax	837,215	607,799	-	-	837,215	607,799
Public Utility Realty	70,716	66,330	-	-	70,716	66,330
Transfers	-	(361,353)	-	361,353	-	-
Interest Earnings	94,062	560,432	5,139	4,744	99,201	565,176
Miscellaneous Income	-	422,484	-	-	-	422,484
<b>Total Revenues</b>	<b>83,071,177</b>	<b>80,353,173</b>	<b>4,231,825</b>	<b>5,346,127</b>	<b>87,303,002</b>	<b>85,699,300</b>
<b>Program Expenses and Other Uses</b>						
Instruction	48,941,349	47,588,697	-	-	48,941,349	47,588,697
Pupil Personnel	3,297,685	3,086,354	-	-	3,297,685	3,086,354
Instructional Student Support	4,644,297	3,980,570	-	-	4,644,297	3,980,570
Admin. & Financial Support	6,112,506	5,759,373	-	-	6,112,506	5,759,373
Pupil Health	1,059,363	1,077,289	-	-	1,059,363	1,077,289
Operation & Maint. Services	8,352,693	8,567,956	-	-	8,352,693	8,567,956
Student Transport	3,968,304	3,790,043	-	-	3,968,304	3,790,043
Central Services	1,579,676	1,549,985	-	-	1,579,676	1,549,985
Student Activities	1,704,430	1,473,138	-	-	1,704,430	1,473,138
Community Services	51,783	8,476	-	-	51,783	8,476
Other Support	162,856	182,522	-	-	162,856	182,522
Interest on Debt	2,179,004	2,257,227	-	-	2,179,004	2,257,227
Food Service	-	-	2,935,916	3,091,511	2,935,916	3,091,511
Asbury Woods	-	-	-	603,055	-	603,055
Campus Store	-	-	-	7,085	-	7,085
Day Care	-	-	1,157,531	1,145,275	1,157,531	1,145,275
<b>Total Expenses and Other Uses</b>	<b>82,053,946</b>	<b>79,321,630</b>	<b>4,093,447</b>	<b>4,846,926</b>	<b>86,147,393</b>	<b>84,168,556</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 1,017,231</b>	<b>\$ 1,031,543</b>	<b>\$ 138,378</b>	<b>\$ 499,201</b>	<b>\$ 1,155,609</b>	<b>\$ 1,530,744</b>

## **MILLCREEK TOWNSHIP SCHOOL DISTRICT**

### **Management Discussion and Analysis**

**For the Year Ended June 30, 2010**

**(Continued)**

#### **Governmental Activities**

Governmental activities for 2009-2010 resulted in an increase in net assets of \$1,017,231.

The District's revenues consist of 60% local (taxes and other), and 40% state and federal revenues (subsidies and grants).

The District's net expense components are 59.60% instruction, 35.59% support services, 2.15% non-instructional services and 2.66% 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 and Child Development. These programs had revenues of \$4.2 million and expenses and other uses of \$4.1 million; which resulted in an increase in net assets of \$138,378 at June 30, 2010. This is down from the increase in net assets at June 30, 2009 of \$499,201.

This change is due to the Asbury Woods Nature Center activities being included with the general fund effective July 1, 2009 based on an agreement between the District and Asbury Woods Partnership.

#### **School District's Funds**

Financial information related to the School District's major funds starts on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$83.1 million and expenditures of \$85.9 million. The overall decrease in fund balances consists of a \$1,165,235 decrease in the General Fund Balance and a \$1,338,231 decrease in the Capital Projects Fund Balance.

**MILLCREEK TOWNSHIP SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**For the Year Ended June 30, 2010**  
**(Continued)**

**General Fund Budgetary Highlights**

**Revenues:**

2009-2010 local revenues were \$1,584,415 less than anticipated. The key factors which contributed to the results are as follows:

- Revenues from Current Real Estate Taxes and Earned Income Taxes were \$264,785 and \$230,219, respectively, lower than projected.
- Interest revenue received was \$282,168 less than budgeted, reflecting the consistent recurring decline in interest rates over the 2009-2010 fiscal year.
- Receipts from other LEA's was less than projected by \$838,005.

State sources were less than anticipated by \$2,394,265. This was mainly due to a reduction in the Basic Ed Subsidy.

**Expenditures:**

Overall, the actual expenditures were less than the anticipated expenditures in the 2009-2010 budget by \$2,206,970. This was primarily attributed to savings in retirement, benefits and utilities.

**Capital Asset and Debt Administration**

**Capital Assets**

At June 30, 2010, the District had investments of \$78,429,192 in a broad range of capital assets including: land, school buildings, administrative offices, athletic facilities, furniture, equipment and vehicles. (MDA-5) This amount represents \$1,375,134 or 1.7% decrease to capital assets for the year. The decrease is attributed to depreciation and the disposal and sale of obsolete items and annual depreciation charged to operations.

# MILLCREEK TOWNSHIP SCHOOL DISTRICT

## Management Discussion and Analysis

For the Year Ended June 30, 2010

(Continued)

(MDA-5)

### Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 671,575	\$ 593,196	\$ -	\$ 78,379	\$ 671,575	\$ 671,575
Building & Building Improvements	71,515,685	70,369,125	-	2,630,604	71,515,685	72,999,729
Furniture & Equipment	5,659,051	5,302,168	221,230	464,140	5,880,281	5,766,308
Vehicles	361,651	366,714	-	-	361,651	366,714
<b>Total</b>	<b>\$ 78,207,962</b>	<b>\$ 76,631,203</b>	<b>\$ 221,230</b>	<b>\$ 3,173,123</b>	<b>\$ 78,429,192</b>	<b>\$ 79,804,326</b>

### 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

	2009	2010	% Of Total Long-Term Debt	% Change 2009 To 2010
General Obligation Bonds & Notes	\$ 49,483,661	\$ 44,341,857	86.9%	-10.4%
Deferred Amounts:				
Bond Premium	1,017,574	865,931	1.7%	-15.0%
<b>Total Bonds &amp; Notes Payable</b>	<b>50,501,235</b>	<b>45,217,788</b>	<b>88.6%</b>	<b>-10.5%</b>
Compensated Absences	3,497,411	3,445,648	6.8%	-1.5%
Lease Payable	2,458,774	2,346,416	4.6%	-4.6%
<b>Total Other</b>	<b>5,956,185</b>	<b>5,792,064</b>	<b>11.4%</b>	<b>-2.8%</b>
<b>Total Long-Term Debt</b>	<b>\$ 56,457,420</b>	<b>\$ 50,999,852</b>		

## **MILLCREEK TOWNSHIP SCHOOL DISTRICT**

### **Management Discussion and Analysis**

**For the Year Ended June 30, 2010**

**(Continued)**

#### **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 29% of total revenue sources to fund costs supporting the District's educational programs during fiscal year 2009-2010. Local sources of revenue, primarily property taxes, now support 60% of the costs for educational programs and services in the Millcreek Township School District. The federal government only provided 11% of the funds to support general operations.
- The Pennsylvania School Employees Retirement System trustees reset the percentage of payroll that all school districts paid to 7.13% in 2007-2008, 4.76% in 2008-2009, and 4.78% in 2009-2010. However, for 2010-2011 the rate was initially set at 8.22%, later reduced to 5.64%. PSERS anticipates a continuing increase in rates 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.
- After a four year period of no tax increase, the District did raise millage from 14.14 to 14.63 to support the 2010-2011 budget.

#### **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 Linnea K. Lincoln, Business Manager, at Millcreek Township School District, 3740 West 26<sup>th</sup> Street, Erie, PA 16506.

# MILLCREEK TOWNSHIP SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 9,911,825	\$ 973,573	\$ 10,885,398
Internal Balances	338,204	(338,204)	-
Taxes Receivable, Net	3,150,205	-	3,150,205
Intergovernmental Receivables	1,866,586	200,913	2,067,499
Other Receivables	1,484,581	42,413	1,526,994
Inventories	1,299,644	37,085	1,336,729
Prepaid Items	391,735	-	391,735
Total Current Assets	18,442,780	915,780	19,358,560
Non-Current Assets			
Deferred Charges	150,468	-	150,468
Land and Other Nondepreciable Assets	671,575	-	671,575
Capital Assets, Net	77,536,387	221,230	77,757,617
Total Non-Current Assets	78,358,430	221,230	78,579,660
Total Assets	\$ 96,801,210	\$ 1,137,010	\$ 97,938,220
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	\$ 682,925	\$ 60,701	\$ 743,626
Other Payable	81,489	-	81,489
Accrued Salaries and Benefits	7,983,489	52	7,983,541
Accrued Interest Payable	423,690	-	423,690
Bond and Notes Payable	5,414,348	-	5,414,348
Compensated Absences	450,000	-	450,000
Lease Payable	222,232	-	222,232
Total Current Liabilities	15,258,173	60,753	15,318,926
Non-Current Liabilities			
Bonds and Notes Payable	39,793,440	-	39,793,440
Compensated Absences	2,995,648	-	2,995,648
Lease Payable	2,124,184	-	2,124,184
Other Post Employment Benefits	996,891	-	996,891
Total Non-Current Liabilities	45,910,163	-	45,910,163
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Related Debt	30,653,758	221,230	30,874,988
Restricted for Capital Projects	73,841	-	73,841
Unrestricted	4,905,275	855,027	5,760,302
Total Net Assets	35,632,874	1,076,257	36,709,131
Total Liabilities and Net Assets	\$ 96,801,210	\$ 1,137,010	\$ 97,938,220

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



# MILLCREEK TOWNSHIP SCHOOL DISTRICT

## Statement of Activities For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b><u>Governmental Activities</u></b>				
Instruction	\$ 48,941,349	\$ 2,978,074	\$ 25,370,714	\$ -
Pupil Personnel	3,297,685	-	131,720	-
Instructional Student Support	4,644,297	-	105,376	-
Administrative and Financial Support	6,112,506	-	210,751	-
Pupil Health	1,059,363	-	230,603	-
Operation and Maintenance of Plant Services	8,352,693	131,343	1,692,285	-
Student Transportation	3,968,304	-	2,124,754	-
Central Services	1,579,676	-	52,688	-
Other Support Services	162,856	-	-	-
Student Activities	1,704,430	149,659	52,688	-
Community Services	51,783	-	-	-
Interest on Debt	2,179,004	-	-	-
Total Governmental Activities	82,053,946	3,259,076	29,971,579	-
<b><u>Business-Type Activities</u></b>				
Food Service	2,935,916	1,656,776	1,370,372	-
Day Care	1,157,531	1,084,488	115,050	-
Total Business-Type Activities	4,093,447	2,741,264	1,485,422	-
Total Primary Government	\$ 86,147,393	\$ 6,000,340	\$ 31,457,001	\$ -
<b>General Revenues:</b>				
Taxes				
Property Taxes				
Earned Income and Local Services Taxes				
Transfer Tax				
Public Utility Realty				
Interest Earnings				
Total General Revenues				
Change in Net Assets				
Net Assets, July 1, 2009				
Net Assets, June 30, 2010				

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>
\$ (20,592,561)	\$ -	\$ (20,592,561)
(3,165,965)	-	(3,165,965)
(4,538,921)	-	(4,538,921)
(5,901,755)	-	(5,901,755)
(828,760)	-	(828,760)
(6,529,065)	-	(6,529,065)
(1,843,550)	-	(1,843,550)
(1,526,988)	-	(1,526,988)
(162,856)	-	(162,856)
(1,502,083)	-	(1,502,083)
(51,783)	-	(51,783)
(2,179,004)	-	(2,179,004)
<u>(48,823,291)</u>	<u>-</u>	<u>(48,823,291)</u>
-	91,232	91,232
-	42,007	42,007
-	133,239	133,239
<u>(48,823,291)</u>	<u>133,239</u>	<u>(48,690,052)</u>
42,833,464	-	42,833,464
6,005,065	-	6,005,065
837,215	-	837,215
70,716	-	70,716
94,062	5,139	99,201
<u>49,840,522</u>	<u>5,139</u>	<u>49,845,661</u>
1,017,231	138,378	1,155,609
<u>34,615,643</u>	<u>937,879</u>	<u>35,553,522</u>
<u>\$ 35,632,874</u>	<u>\$ 1,076,257</u>	<u>\$ 36,709,131</u>

# MILLCREEK TOWNSHIP SCHOOL DISTRICT

## Balance Sheet - Governmental Funds

June 30, 2010

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 9,852,065	\$ 59,760	\$ 9,911,825
Interfund Receivable	646,973	-	646,973
Taxes Receivable	3,150,205	-	3,150,205
Intergovernmental Receivables	1,866,586	-	1,866,586
Other Receivables	1,451,667	32,914	1,484,581
Inventories	1,299,644	-	1,299,644
Prepaid Items	391,735	-	391,735
Total Assets	<u>\$ 18,658,875</u>	<u>\$ 92,674</u>	<u>\$ 18,751,549</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 682,925	\$ -	\$ 682,925
Other Payable	81,489	-	81,489
Accrued Salaries and Benefits	7,983,489	-	7,983,489
Interfund Payables	289,936	18,833	308,769
Deferred Revenues	1,667,493	-	1,667,493
Total Liabilities	<u>10,705,332</u>	<u>18,833</u>	<u>10,724,165</u>
<b>FUND BALANCES</b>			
Reserved for Capital Projects	-	73,841	73,841
Reserved for Benefits	676,373	-	676,373
Reserved for Prepaid Items	391,735	-	391,735
Reserved for Inventories	1,299,644	-	1,299,644
Unreserved - Designated	714,189	-	714,189
Unreserved - Undesignated	4,871,602	-	4,871,602
Total Fund Balances	<u>7,953,543</u>	<u>73,841</u>	<u>8,027,384</u>
Total Liabilities and Fund Balances	<u>\$ 18,658,875</u>	<u>\$ 92,674</u>	<u>\$ 18,751,549</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, 2010**

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

Fund balances - governmental funds		\$ 8,027,384
Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds		78,207,962
Certain long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds:		
Deferred charges	\$ 150,468	
Deferred taxes	<u>1,667,493</u>	1,817,961
Other post employment benefits are reflected on the Statement of Net Assets, but are not considered a current expenditure for the fund statements		(996,891)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable	(45,207,788)	
Lease payable	(2,346,416)	
Compensated absences	(3,445,648)	
Accrued interest payable	<u>(423,690)</u>	<u>(51,423,542)</u>
Net assets of governmental activities		<u>\$ 35,632,874</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, 2010

	General	Capital Projects	Total Governmental Funds
REVENUES			
Local Sources	\$ 53,154,945	\$ 1,231	\$ 53,156,176
State Sources	24,024,413	-	24,024,413
Federal Sources	5,947,166	-	5,947,166
Total Revenues	83,126,524	1,231	83,127,755
EXPENDITURES			
Instruction	45,596,340	-	45,596,340
Support Services	29,160,672	-	29,160,672
Noninstructional Services	1,832,902	-	1,832,902
Facilities Acquisition, Construction and Improvements	-	1,731,962	1,731,962
Debt Service	7,616,891	-	7,616,891
Total Expenditures	84,206,805	1,731,962	85,938,767
Excess of Revenues Over (Under) Expenditures	(1,080,281)	(1,730,731)	(2,811,012)
Other Financing Sources (Uses)			
Fund Transfers	(392,500)	392,500	-
Refund of Prior Year Expenditures	(2,108)	-	(2,108)
Change in Inventory	309,654	-	309,654
Total Other Financing Sources (Uses)	(84,954)	392,500	307,546
Net Change in Fund Balance	(1,165,235)	(1,338,231)	(2,503,466)
Fund Balance - July 1, 2009	9,118,778	1,412,072	10,530,850
Fund Balance - June 30, 2010	\$ 7,953,543	\$ 73,841	\$ 8,027,384

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, 2010**

Net change in fund balances - total governmental funds		\$ (2,503,466)
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in Statement of Net Assets		2,959,189
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets		(699)
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities		(4,312,455)
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	65,050	
Deferred real estate tax	<u>(56,578)</u>	160,115
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	(292,825)	
Amortization of deferred charges	<u>(32,968)</u>	(325,793)
Other post employment benefits are reflected on the Statement of Net Assets, but are not considered a current expenditure for the fund statements		(558,410)
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	5,434,629	
Capital lease payments	112,358	
Change in compensated absences	<u>51,763</u>	5,598,750
Change in net assets of governmental activities		<u>\$ 1,017,231</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, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ 54,667,982	\$ 54,739,360	\$ 53,154,945	\$ (1,584,415)
State Sources	26,379,846	26,418,678	24,024,413	(2,394,265)
Federal Sources	4,535,241	6,219,784	5,947,166	(272,618)
<b>Total Revenues</b>	<b>85,583,069</b>	<b>87,377,822</b>	<b>83,126,524</b>	<b>(4,251,298)</b>
<b>EXPENDITURES</b>				
Instruction	46,369,312	46,638,856	45,596,340	1,042,516
Support Services	30,277,241	30,354,074	29,160,672	1,193,402
Noninstructional Services	1,768,928	1,785,085	1,832,902	(47,817)
Facilities Acquisition, Construction and Improvements	-	54,308	-	54,308
Debt Service	7,621,452	7,581,452	7,616,891	(35,439)
<b>Total Expenditures</b>	<b>86,036,933</b>	<b>86,413,775</b>	<b>84,206,805</b>	<b>2,206,970</b>
Excess of Revenues Over (Under) Expenditures	(453,864)	964,047	(1,080,281)	(2,044,328)
<b>Other Financing Sources (Uses)</b>				
Fund Transfers	-	24,308	(392,500)	(416,808)
Refund of Prior Year Expenditures	-	(80,000)	(2,108)	77,892
Changes in Inventory	-	-	309,654	309,654
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(55,692)</b>	<b>(84,954)</b>	<b>(29,262)</b>
<b>Net Change in Fund Balance</b>	<b>(453,864)</b>	<b>908,355</b>	<b>(1,165,235)</b>	<b>(2,073,590)</b>
<b>Fund Balance - July 1, 2009</b>	<b>9,118,778</b>	<b>9,118,778</b>	<b>9,118,778</b>	<b>-</b>
<b>Fund Balance - June 30, 2010</b>	<b>\$ 8,664,914</b>	<b>\$ 10,027,133</b>	<b>\$ 7,953,543</b>	<b>\$ (2,073,590)</b>

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

# MILLCREEK TOWNSHIP SCHOOL DISTRICT

## Statement of Net Assets - Proprietary Funds

June 30, 2010

	Food Service	Daycare	Total Proprietary Funds
<b>Assets</b>			
Current Assets			
Cash	\$ 179,402	\$ 794,171	\$ 973,573
Intergovernmental Receivables	197,110	3,803	200,913
Interfund Receivables	267,008	22,928	289,936
Other Receivables (Net)	15,454	26,959	42,413
Inventories	37,085	-	37,085
Total Current Assets	696,059	847,861	1,543,920
Non-Current Assets			
Capital Assets, Net	221,230	-	221,230
Total Non-Current Assets	221,230	-	221,230
Total Assets	\$ 917,289	\$ 847,861	\$ 1,765,150
<b>Liabilities</b>			
Current Liabilities			
Interfund Payable	\$ 193,933	\$ 434,207	\$ 628,140
Accounts Payable	47,622	13,079	60,701
Accrued Payroll and Benefits	15	37	52
Total Current Liabilities	241,570	447,323	688,893
<b>Net Assets</b>			
Invested in Capital Assets	221,230	-	221,230
Unrestricted	454,489	400,538	855,027
Total Net Assets	675,719	400,538	1,076,257
Total Liabilities and Net Assets	\$ 917,289	\$ 847,861	\$ 1,765,150

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, 2010

	Food Service	Daycare	Total Proprietary Funds
Operating Revenues			
Food Service Revenue	\$ 1,656,776	\$ -	\$ 1,656,776
Daycare Revenue	-	1,084,488	1,084,488
Total Operating Revenues	1,656,776	1,084,488	2,741,264
Operating Expenses			
Salaries	934,897	899,700	1,834,597
Employee Benefits	263,942	216,822	480,764
Purchased Professional Services	-	560	560
Purchased Property Services	20,962	3,417	24,379
Other Purchased Services	7,446	2,024	9,470
Supplies and Food	143,007	35,008	178,015
Management Fee	1,509,872	-	1,509,872
Depreciation	46,604	-	46,604
Other Operating Expenses	9,186	-	9,186
Total Operating Expenses	2,935,916	1,157,531	4,093,447
Operating Income (Loss)	(1,279,140)	(73,043)	(1,352,183)
Nonoperating Revenues (Expenses)			
Earnings on Investments	1,913	3,226	5,139
State Sources	133,548	115,050	248,598
Federal Sources	1,236,824	-	1,236,824
Fund Transfers	-	-	-
Total Nonoperating Revenues (Expenses)	1,372,285	118,276	1,490,561
Change in Net Assets	93,145	45,233	138,378
Net Assets, July 1, 2009	582,574	355,305	937,879
Net Assets, June 30, 2010	\$ 675,719	\$ 400,538	\$ 1,076,257

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, 2010

	Food Service	Daycare	Total Proprietary Funds
Cash Flows From Operating Activities:			
Cash Received from Users	\$ 1,656,776	\$ 1,072,307	\$ 2,729,083
Cash Payments to Employees for Services	(1,352,321)	(854,014)	(2,206,335)
Cash Payments to Suppliers for Goods and Services	(1,548,476)	(40,301)	(1,588,777)
Cash Payments for Operating Expenses	(9,186)	-	(9,186)
Net Cash From (Used for) Operating Activities	<u>(1,253,207)</u>	<u>177,992</u>	<u>(1,075,215)</u>
Cash Flows from Noncapital Financing Activities:			
State Sources	132,554	115,050	247,604
Federal Sources	1,103,855	-	1,103,855
Net Cash Provided by Noncapital Financing Activities	<u>1,236,409</u>	<u>115,050</u>	<u>1,351,459</u>
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(25,435)	-	(25,435)
Net Cash (Used by) Capital and Related Financing Activities	<u>(25,435)</u>	<u>-</u>	<u>(25,435)</u>
Cash Flows from Investing Activities:			
Earnings from Investments	1,913	3,226	5,139
Net Cash Provided by Investing Activities	<u>1,913</u>	<u>3,226</u>	<u>5,139</u>
Net Increase (Decrease) in Cash	(40,320)	296,268	255,948
Cash at Beginning of Year	<u>219,722</u>	<u>497,903</u>	<u>717,625</u>
Cash at End of Year	<u>\$ 179,402</u>	<u>\$ 794,171</u>	<u>\$ 973,573</u>
Reconciliation of Operating Income to Net Cash (Used for)			
Operating Activities:			
Operating Income (Loss)	\$(1,279,140)	\$ (73,043)	(1,352,183)
Adjustment to Reconcile Operating Income (Loss) to Net Cash			
(Used for) Operating Activities:			
Depreciation	46,604	-	46,604
Donated Commodities	112,604	-	112,604
(Increase) Decrease in Accounts Receivables	-	(12,181)	(12,181)
(Increase) Decrease in Inventories	7,836	-	7,836
(Increase) Decrease in Interfund Receivables	(267,008)	(22,928)	(289,936)
Increase (Decrease) in Interfund Payable	126,540	344,495	471,035
Increase (Decrease) in Accounts Payable	12,371	708	13,079
Increase (Decrease) in Accrued Payroll	(13,014)	(59,059)	(72,073)
	<u>\$(1,253,207)</u>	<u>\$ 177,992</u>	<u>\$(1,075,215)</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, 2010

	Private Purpose Trust	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 799,260	\$ 213,434
Accounts Receivable	78,379	-
Other Assets	12,212	-
Total Assets	<u>\$ 889,851</u>	<u>\$ 213,434</u>
LIABILITIES		
Accounts Payable	\$ 34,041	\$ 213,434
Total Liabilities	<u>34,041</u>	<u>213,434</u>
NET ASSETS		
Held in Trust for Scholarships	855,810	-
Total Liabilities and Net Assets	<u>\$ 889,851</u>	<u>\$ 213,434</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, 2010

	Private Purpose Trust
Additions:	
Investment Income (Loss), Net	\$ 86,939
Contributions/Fundraising	47,378
Total Additions	134,317
Deductions:	
Scholarships	23,915
Fundraising	24,238
Fees	6,003
Change in Insurance Value	4,549
Other Expense	17,815
Total Deductions	76,520
Change in Net Assets	57,797
Net Assets, July 1, 2009	798,013
Net Assets, June 30, 2010	\$ 855,810

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

## MILLCREEK TOWNSHIP SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2010

#### 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.

**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, 2010.

A physical inventory of the Proprietary Fund's food and supplies was taken as of June 30, 2010. 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 asset's 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 two hundred-fifty 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, 2010.

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, 2010. 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 ten percent 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, 2010, the following has been designated for future expenditures:

Gus Anderson Field	\$ 250,321
10/11 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, 2010, \$12,020,540 of the District's bank balance of \$ 12,535,725 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		12,020,540
		<u>\$12,020,540</u>

### NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

#### Reconciliation to Financial Statements

Uninsured Amount	\$ 12,020,540
Plus: Insured Amount	515,185
Less: Outstanding Checks	<u>(1,650,327)</u>
Total Cash Per Financial Statements	<u>\$ 10,885,398</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, 2010 are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net	Tax Revenue Recognized	Deferred Taxes
Real Estate	\$ 2,561,118	\$ (340,000)	\$ 2,221,118	\$ 553,625	\$ 1,667,493
Income/Local Services	929,087	-	929,087	929,087	-
	<u>\$ 3,490,205</u>	<u>\$ (340,000)</u>	<u>\$ 3,150,205</u>	<u>\$ 1,482,712</u>	<u>\$ 1,667,493</u>

## NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2010, the following amounts are due from other governmental units:

	General Fund	Food Service Fund	Daycare	Total
Federal	\$ 275,725	\$ 176,229	\$ -	\$ 451,954
State	1,590,861	20,881	3,803	1,615,545
	<u>\$ 1,866,586</u>	<u>\$ 197,110</u>	<u>\$ 3,803</u>	<u>\$ 2,067,499</u>

## NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year is as follows:

	June 30, 2009	Additions	Deletions	Transfers/ Adjustments	June 30, 2010
<b>Governmental Activities</b>					
Capital Assets not Depreciated:					
Land	\$ 593,196	\$ -	\$ -	\$ 78,379	\$ 671,575
	<u>\$ 593,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,379</u>	<u>\$ 671,575</u>
Capital Assets Depreciated:					
Buildings and Improvements	\$ 112,320,598	\$ 1,298,061	\$ -	\$ 2,980,735	\$ 116,599,394
Furniture and Equipment	21,254,305	1,587,214	(753,182)	315,270	22,403,607
Vehicles	1,015,094	73,914	(72,410)	-	1,016,598
Total Assets Depreciated	<u>134,589,997</u>	<u>2,959,189</u>	<u>(825,592)</u>	<u>3,296,005</u>	<u>140,019,599</u>
Less Accumulated Depreciation					
Buildings and Improvements	(41,951,473)	(2,783,463)	-	(348,773)	(45,083,709)
Furniture and Equipment	(15,952,137)	(1,450,714)	753,182	(94,887)	(16,744,556)
Vehicles	(648,380)	(78,278)	71,711	-	(654,947)
Total Accumulated Depreciation	<u>(58,551,990)</u>	<u>(4,312,455)</u>	<u>824,893</u>	<u>(443,660)</u>	<u>(62,483,212)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 76,038,007</u>	<u>\$ (1,353,266)</u>	<u>\$ (699)</u>	<u>\$ 2,852,345</u>	<u>\$ 77,536,387</u>
<b>Business-Type Activities</b>					
Capital Assets Not Depreciated:					
Land	\$ 78,379	\$ -	\$ -	\$ (78,379)	\$ -
Total Assets Not Depreciated	<u>\$ 78,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (78,379)</u>	<u>\$ -</u>
Capital Assets Being Depreciated:					
Buildings and Improvements	\$ 2,984,613	\$ -	\$ -	\$ (2,984,613)	\$ -
Equipment	1,215,174	25,435	-	(311,392)	929,217
Total Assets Depreciated	<u>4,199,787</u>	<u>25,435</u>	<u>-</u>	<u>(3,296,005)</u>	<u>929,217</u>
Less Accumulated Depreciation					
Buildings and Improvements	(354,009)	-	-	354,009	-
Equipment	(751,034)	(46,604)	-	89,651	(707,987)
Total Accumulated Depreciation	<u>(1,105,043)</u>	<u>(46,604)</u>	<u>-</u>	<u>443,660</u>	<u>(707,987)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 3,094,744</u>	<u>\$ (21,169)</u>	<u>\$ -</u>	<u>\$ (2,852,345)</u>	<u>\$ 221,230</u>

**NOTE - 6 CAPITAL ASSETS (CONTINUED)**

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

Governmental Activities:	
Instruction	\$ 3,936,171
Support Services:	
Student Transportation	40,420
Administration	65,470
Operation and Maintenance	112,538
Student Activities	<u>157,856</u>
Total Depreciation Expense- Governmental Activities	<u>\$ 4,312,455</u>
Business-type Activities:	
Food Service	<u>\$ 46,604</u>
Total Depreciation Expense- Business-type Activities	<u>\$ 46,604</u>

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service	\$ 193,933
	Capital Projects	18,833
	Daycare	434,207
Food Service	General Fund	267,008
Daycare	General Fund	<u>22,928</u>
		<u>\$ 936,909</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)**

	Transfer Out
Transfer In:	Capital Projects
General Fund	\$ 392,500
	<u>\$ 392,500</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:

Asset	Governmental Activities
Machinery and Equipment	\$ 2,140,839
Less Accumulated Depreciation	<u>(428,169)</u>
	<u>\$ 1,712,670</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2010 are as follows:

<u>Year Ending</u>	Governmental Activities
2011	\$ 222,232
2012	228,291
2013	234,514
2014	240,905
2015	247,468
2016-2020	1,059,101
2021-2024	<u>872,371</u>
Total Minimum Lease Payments	3,104,882
Less: Amount Representing Interest	<u>(758,466)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,346,416</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.

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%.

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.

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.

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.

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.

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 15 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.

## NOTE 9 - LONG-TERM DEBT (CONTINUED)

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 15 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.

The following summarizes the maturities and interest requirements for general obligation bonds/notes and notes payable as of June 30, 2010.

### Governmental Activities

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,414,348	\$ 1,791,098	\$ 7,205,446
2012	5,442,325	1,776,288	7,218,613
2013	5,584,669	1,560,969	7,145,638
2014	5,944,077	1,173,779	7,117,856
2015	6,960,604	822,878	7,783,482
2016-2020	13,295,834	913,524	14,209,358
2021-2025	1,160,000	192,775	1,352,775
2026-2029	540,000	50,758	590,758
	<u>\$ 44,341,857</u>	<u>\$ 8,282,069</u>	<u>\$ 52,623,926</u>

Long-term liability activity for the year ended June 30, 2010 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	\$ 49,483,661	\$ 292,825	\$ 5,434,629	\$ 44,341,857	\$ 5,414,348
Deferred Amounts:					
Bond Premium	1,017,574	-	151,643	865,931	-
	50,501,235	292,825	5,586,272	45,207,788	5,414,348
Compensated Absences	3,497,411	591,999	643,762	3,445,648	450,000
Lease Payable	2,458,774	-	112,358	2,346,416	222,232
	<u>\$ 56,457,420</u>	<u>\$ 884,824</u>	<u>\$ 6,342,392</u>	<u>\$ 50,999,852</u>	<u>\$ 6,086,580</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, 2010, \$4,620,000 of bonds outstanding are considered defeased.

	Maturity Value
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% of their compensation if they joined the plan before July 22, 1983, and 6.25% 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%. 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, 2010, the rate of employer contributions was 4.78% 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, 2010, 2009, and 2008 were \$2,060,658, \$1,961,063 and \$2,571,932, 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, 2010, total claims expense and stop-loss insurance expense were approximately \$7,900,000. Claims expense, recorded as a General Fund expenditure, represents claims processed as of June 30, 2010 and includes estimated unprocessed claims payable.

#### NOTE 11 - SELF INSURANCE (CONTINUED)

The claims liability of \$820,731 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, 6/30/08	\$ (748,888)
Current Year Premiums	7,840,419
Claim Payments and Administration	<u>(7,839,657)</u>
Claims Liability, 6/30/09	(748,126)
Current Year Premiums	7,894,768
Claim Payments and Administration	<u>(7,967,373)</u>
Claims Liability, 6/30/10	<u>\$ (820,731)</u>

To fund future claims, the District maintains an insurance reserve of \$676,373 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, 2010
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
Millcreek Education Classified Employees	June 30, 2010
Child Development	June 30, 2010

## 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 Statement No. 45 prospectively for the year ended June 30, 2010.

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, 2010, 140 retired employees are covered by health insurance. The School District's expenses for health insurance benefits were \$176,132 (\$661,951 net of retiree contributions of \$485,819) in 2010.

### 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/Adjustment	(4,404)
Annual OPEB Cost	734,542
Contribution Made	(176,132)
Increase in Net OPEB Obligation	558,410
Net OPEB Obligation - Beginning of Year	438,481
Net OPEB Obligation - End of Year	\$ 996,891

# 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, 2010	\$ 734,542	24%	\$ 996,891
June 30, 2009	738,946	59%	438,481
June 30, 2008	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 post-retirement 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>
July 1, 2008	N/A	\$ 7,288,061	\$ 7,288,061	0.00%	\$ 37,703,965	19.33%
July 1, 2006	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, 2010 and the two previous fiscal years, no settlement exceeded insurance coverage.

#### **NOTE 15 - ASBURY WOODS AGREEMENT**

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. The District will, at its expense, provide services and activities for educational purposes and the benefit of the students. The Partnership will provide any additional services to the public and reimburse the District for any costs incurred.

In prior years, activity related to Asbury Woods was reported as a proprietary fund of Millcreek Township School District. Since operations of Asbury Woods have been transferred to a separate non-profit organization, the assets and liabilities related to Asbury Woods have been combined with the General Fund as of July 1, 2009.

The effect of this combination on the financial statements as of July 1, 2009 is as follows:

	Governmental Activities	General Fund
Beginning Balance	\$ 31,475,511	\$ 8,909,370
Adjust Beginning Fund Balance/ Net Assets:		
Cash and Other Assets	329,077	329,077
Liabilities	(119,669)	(119,669)
Capital Assets	2,930,724	-
	<u>\$ 34,615,643</u>	<u>\$ 9,118,778</u>

# MILLCREEK TOWNSHIP SCHOOL DISTRICT

## Schedule of Revenues, Expenditures and Changes in

### Fund Balance - Budget and Actual - General Fund

For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Local Sources	\$ 54,667,982	\$ 54,739,360	\$ 53,154,945	\$ (1,584,415)
State Sources	26,379,846	26,418,678	24,024,413	(2,394,265)
Federal Sources	4,535,241	6,219,784	5,947,166	(272,618)
Total Revenues	85,583,069	87,377,822	83,126,524	(4,251,298)
<b>Expenditures and Other Financing Uses</b>				
<b>Instruction</b>				
Regular Programs	31,213,505	31,394,902	30,610,061	784,841
Special Education Program	9,645,625	9,646,498	9,548,113	98,385
Vocational Education Programs	3,020,210	3,021,847	3,023,233	(1,386)
Other Instructional Programs	2,435,264	2,488,941	2,268,011	220,930
Adult Education Programs	54,708	86,668	146,922	(60,254)
Total Instruction	46,369,312	46,638,856	45,596,340	1,042,516
<b>Support Services</b>				
Pupil Personnel	3,165,756	3,170,434	3,297,685	(127,251)
Instructional Staff	4,855,671	4,898,411	4,699,299	199,112
Administrative	5,412,331	5,405,302	4,887,778	517,524
Pupil Health	1,038,476	1,046,476	1,059,363	(12,887)
Business	1,113,220	1,113,220	1,219,567	(106,347)
<b>Operation and Maintenance of</b>				
Plant Services	8,700,593	8,583,671	8,326,564	257,107
Student Transportation Services	4,191,587	4,193,849	3,927,884	265,965
Central	1,614,607	1,757,711	1,579,676	178,035
Other Support Services	185,000	185,000	162,856	22,144
Total Support Services	30,277,241	30,354,074	29,160,672	1,193,402
<b>Operation of Noninstructional Services</b>				
Student Activities	1,662,205	1,662,067	1,781,119	(119,052)
Community Services	106,723	123,018	51,783	71,235
Total Noninstructional Services	1,768,928	1,785,085	1,832,902	(47,817)
<b>Facilities Acquisition, Construction and Improvements</b>	-	54,308	-	54,308
<b>Debt Service</b>	7,621,452	7,581,452	7,616,891	(35,439)
Total Expenditures	86,036,933	86,413,775	84,206,805	2,206,970
Excess of Revenues Over/(Under) Expenditures	(453,864)	964,047	(1,080,281)	(2,044,328)
<b>Other Financing Sources (Uses)</b>				
Fund Transfers	-	24,308	(392,500)	(416,808)
Refund of Prior Year Revenue	-	(80,000)	(2,108)	77,892
Changes in Inventory	-	-	309,654	309,654
Total Other Financing Uses	-	(55,692)	(84,954)	(29,262)
Net Change in Fund Balance	(453,864)	908,355	(1,165,235)	(2,073,590)
Fund Balance - July 1, 2009	9,118,778	9,118,778	9,118,778	-
Fund Balance - June 30, 2010	\$ 8,664,914	\$ 10,027,133	\$ 7,953,543	\$ (2,073,590)



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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

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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, 2010, which collectively comprise the Millcreek Township School District's basic financial statements and have issued our report thereon dated October 14, 2010. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

**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)**

**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, 2010.

This report is intended solely for the information and use of management, members of the Board, others within the entity, and federal awarding agencies and pass-through agencies 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, 2010  
Erie, Pennsylvania



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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

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**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 OMB Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2010. 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 Millcreek Township School District's management. Our responsibility is to express an opinion on 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 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 of Millcreek Township School District's compliance with those requirements.

In our opinion, 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, 2010.

**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

Management of Millcreek Township School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Millcreek Township School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Millcreek Township School District's internal control over compliance.

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

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 deficiencies, 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, members of the Board, others within the entity, and federal awarding agencies and pass-through agencies 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, 2010  
Erie, Pennsylvania

# MILLCREEK TOWNSHIP SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

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	7/1/2009	6/30/2010
Passed through State Dept. of Education					
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 Lunch Program	S	N/A	N/A	7/1/2009	6/30/2010
National School Lunch Program	I	10.555	N/A	7/1/2009	6/30/2010
Subtotal					
National School Breakfast Program	I	10.553	N/A	7/1/2008	6/30/2009
National School Breakfast Program	I	10.553	N/A	7/1/2009	6/30/2010
Subtotal					
Total Child Nutrition Cluster					
ARRA-Child Nutrition Discretionary Grant	I	10.579	129-000062	7/1/2009	6/30/2010
Total U.S. Dept. of Agriculture					
<u>U.S. Department of Education</u>					
Physical Education Program	D	84.215	Q215F070080	7/1/2007	6/30/2010
Passed through State Dept. of Education					
Drug Free School Program	I	84.186	100-090253	7/1/2008	9/30/2009
Drug Free School Program	I	84.186	100-100253	7/1/2009	9/30/2010
Subtotal					
Title I Improving Basic Programs	I	84.010	013-090253	7/1/2008	9/30/2009
Title I Improving Basic Programs	I	84.010	013-100253	7/1/2009	9/30/2010
Title I Academic Achievement	I	84.010	077-100253	7/1/2009	9/30/2010
Subtotal					

The accompanying notes are an integral part of this schedule.  
Schedule continued on next page.

<u>Accrued/ (Deferred) Revenue at July 1, 2009</u>	<u>Total Received for the Year</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued/ (Deferred) Revenue at June 30, 2010</u>
\$ (44,921) b)	\$ 112,604 a)	\$ 120,440	\$ 120,440 c)	\$ (37,085) d)
19,887	19,887	-	-	-
123,508	123,508	-	-	-
-	112,666	133,547	133,547	20,881
-	758,650	898,824	898,824	140,174
<u>98,474</u>	<u>1,127,315</u>	<u>1,152,811</u>	<u>1,152,811</u>	<u>123,970</u>
32,356	32,356	-	-	-
-	180,373	216,427	216,427	36,054
<u>32,356</u>	<u>212,729</u>	<u>216,427</u>	<u>216,427</u>	<u>36,054</u>
* <u>130,830</u>	<u>1,340,044</u>	<u>1,369,238</u>	<u>1,369,238</u>	<u>160,024</u>
* <u>-</u>	<u>8,968</u>	<u>8,968</u>	<u>8,968</u>	<u>-</u>
<u>130,830</u>	<u>1,349,012</u>	<u>1,378,206</u>	<u>1,378,206</u>	<u>160,024</u>
* <u>193,898</u>	<u>435,423</u>	<u>316,922</u>	<u>316,922</u>	<u>75,397</u>
10,576	10,975	399	399	-
-	20,269	17,655	17,655	(2,614)
* <u>10,576</u>	<u>31,244</u>	<u>18,054</u>	<u>18,054</u>	<u>(2,614)</u>
129,261	281,572	152,311	152,311	-
-	713,236	853,700	853,700	140,464
-	3,000	3,000	3,000	-
<u>129,261</u>	<u>997,808</u>	<u>1,009,011</u>	<u>1,009,011</u>	<u>140,464</u>



# MILLCREEK TOWNSHIP SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

(Continued)

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	<u>Grant Period</u> Beginning      Ending	
<u>U.S. Department of Education (Continued)</u>					
Passed through State Dept. of Education (Continued)					
ARRA-Title I Improving Basic Programs	I	84.389	127-100253	7/1/2009	9/30/2010
Total Title I Cluster					
Title II Improving Teacher Quality	I	84.367	020-090253	7/1/2008	9/30/2009
Title II Improving Teacher Quality	I	84.367	020-100253	7/1/2009	9/30/2010
Subtotal					
Title V	I	84.298	011-100253	7/1/2009	9/30/2010
ARRA-State Fiscal Stabilization Fund	I	84.394	126-100253	7/1/2009	9/30/2010
Passed through Northwest Tri County IU					
IDEA	I	84.027	N/A	7/1/2009	6/30/2010
ARRA-IDEA	I	84.391	N/A	2/17/2010	9/30/2011
Total Special Education Cluster					
Total U.S. Department of Education					
<u>U.S. Department of Health and Human Services</u>					
Passed through State Dept. of Education					
Medical Assistance - Admin.	I	93.778	N/A	7/1/2009	6/30/2010
Total Federal Assistance					

\* Denotes CFDA/Cluster Total

The accompanying notes are an integral part of this schedule.

	Accrued/ (Deferred) Revenue at July 1, 2009	Total Received for the Year	Revenue Recognized	Expenditures	Accrued/ (Deferred) Revenue at June 30, 2010
	\$ -	\$ 374,977	\$ 355,458	\$ 355,458	\$ (19,519)
*	129,261	1,372,785	1,364,469	1,364,469	120,945
	26,278	92,238	65,960	65,960	-
	-	210,521	263,151	263,151	52,630
*	26,278	302,759	329,111	329,111	52,630
*	(4,893)	-	-	-	(4,893)
*	-	1,580,966	1,580,966	1,580,966	-
	-	984,895	984,895	984,895	-
	-	1,145,274	1,145,274	1,145,274	-
*	-	2,130,169	2,130,169	2,130,169	-
	355,120	5,853,346	5,739,691	5,739,691	241,465
*	-	53,412	53,412	53,412	-
	\$ 485,950	\$ 7,255,770	\$ 7,171,309	\$ 7,171,309	\$ 401,489

## MILLCREEK TOWNSHIP SCHOOL DISTRICT

### Schedule of Expenditures of Federal Awards

#### Footnotes and Other Information

For the Year Ended June 30, 2010

#### NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Millcreek Township School District under programs of the federal government for the year ended June 30, 2010. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-profit Organizations*. Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of Millcreek Township School District.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein contained types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

#### NOTE 3 - 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

#### NOTE 4 - FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards contains state funding. Federal expenditures total \$7,037,762 as follows:

Total Expenditures per Schedule of Federal Awards	\$ 7,171,309
Less: State Expenditures	
National School Lunch Program	<u>(133,547)</u>
	<u>\$ 7,037,762</u>

## MILLCREEK TOWNSHIP SCHOOL DISTRICT

### Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2010

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:
  - Child Nutrition Cluster
    - National School Lunch Program 10.555
    - School Breakfast Program 10.553
  - Title I Cluster
    - Title I 84.010
    - AARA - Title I 84.389
    - AARA - Fiscal Stabilization 84.394
  - Special Education Cluster
    - IDEA 84.027
    - ARRA-IDEA 84.391
  - Title II Improving Teacher Quality 84.367
- (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, 2010**

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, 2010**

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

## **MILLCREEK TOWNSHIP SCHOOL DISTRICT**

### **List of Report Distribution**

**June 30, 2010**

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



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October 14, 2010

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, 2010, 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.

A 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 material weakness is a significant deficiency, or a combination of deficiencies in internal control that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

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.

**Accounts Receivable and Cash Receipts**

**Segregation of duties:**

The accounts receivable clerk prepares the billing, receives the receipts and can make adjustments to the invoices. Allowing these functions to be controlled by the same person increases the risk that errors or misappropriation could occur and go undetected.

We recommend that cash receipts be opened and controlled by a person independent of the person responsible for the accounts receivable subsidiary ledger. That individual could open the mail, endorse the checks and prepare the deposit slip and daily list of receipts. The cash and deposit slip would then be forwarded to another individual for deposit. The daily list of receipts would be forwarded to the accounts receivable clerk to post the customer's accounts.



To the Board of Directors of Millcreek Township  
School District and Management  
October 14, 2010  
Page 2

**Prepare accounts receivable reconciliation:**

The following reconciliations are not being prepared:

- Billing invoices entered in CSIU to data used to prepare those invoices (i.e. daycare and star student).
- Cash receipts listing receipts posted.
- Accounts receivable detail to the general ledger.
- Beginning month receivables, plus invoices entered, less payments received to end of month receivables.

In order to ensure proper valuation of the above accounts, we recommend that these reconciliations be prepared monthly and that reconciling items be resolved promptly. In addition, we recommend that accounting management review and initial the reconciliations to ensure and completeness.

**Purchase Orders**

Our audit tests indicated that purchase orders are occasionally prepared after items are received. This practice may defeat the control a purchase order system is intended to provide. To help monitor the volume of purchases due to budget restraints and ensure that purchases are initialed with proper approvals, we recommend that purchase orders be prepared and approved before items are received or ordered by other means.

**Payroll**

To improve controls and oversight over the processing of payroll, we recommend:

The personnel director should review the payroll change report for the following items on a random basis.

- Trace employee names to employment authorization forms.
- Trace changes to pay rates to authorization forms.
- Any changes to withholdings or deductions and trace to supporting documents.

The business manger should review the following on a test basis:

- The batching of the hours per the time sheets to the payroll register.
- The clerical accuracy of the payroll.
- The account distribution for reasonableness.

These reviews should be documented and retained for subsequent audit.

To the Board of Directors of Millcreek Township  
School District and Management  
October 14, 2010  
Page 3

### **Food Service Fund**

#### **Student account balances:**

The student account balances are not reconciled to the daily cash reports. In order to ensure proper valuation of these balances, we recommend that this reconciliation be done daily. This would include a schedule to reconcile the beginning month balance and monthly activity to the ending report balances. In addition, we recommend that accounting management review and initial the reconciliations to ensure propriety and completeness.

#### **Credit card account:**

During our review of the control procedures and the credit card transactions, we noted that the credit card account was not reconciled throughout the year. To ensure all transactions have been recorded properly, we recommend that there be a monthly reconciliation of the account to the general ledger. In addition, we recommend that the reconciliation be reviewed and approved by the business manager.

### **Fixed Assets**

The School District has a significant investment in fixed assets and we recommend that controls be strengthened in this area. Fixed assets have not been physically inventoried in several years. We recommend that a periodic physical count of property, especially removable equipment items, be taken and compared to a listing of assets. The added controls will do the following:

- Assist in planning for capital expenditures.
- Help determine accurate amounts and value of insurable assets.
- Help detect the loss or unauthorized use of valuable School District property.

### **Financial Reporting**

#### **Approve journal entries:**

Our review of the general journal entries revealed that many entries lack proper supporting data, explanation, and approval. We recommend the adoption of a policy whereby all journal entries be properly supported, include a detailed explanation of the entry, and be approved by the business manager prior to posting. All entries should be initialed by both the individual preparing the entry and the business manager.

To the Board of Directors of Millcreek Township  
School District and Management  
October 14, 2010  
Page 4

Bank reconciliations:

The cornerstone of internal controls over cash receipts and cash disbursements is the preparation and review of the monthly bank reconciliation. To enhance the District's internal control and ensure accurate monthly financial reports we recommend all bank accounts be reconciled and approved monthly.

Activity Funds

In reviewing compliance with the activity fund policies and procedures manual, we noted the following:

- Disbursements at Walnut Creek were not consistently approved by the Student Treasurer.
- The cash and check components of the receipts were not noted for Westlake and MIHS.

To improve controls over the activity funds, we recommend that the schools follow the District's policies and procedures manual. To ensure this compliance, we recommend that management periodically review the records and document this review.

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

- Improved segregation of duties between the personnel and payroll departments in regards to entering data.
- Explanations for differences with cash and check components between the system and the actual deposit were documented in the food service fund.
- Supporting documents were maintained for purchases in the activity funds.

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.

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