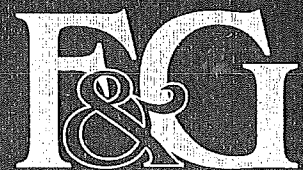


MILLCREEK TOWNSHIP SCHOOL DISTRICT

SINGLE AUDIT REPORT

JUNE 30, 2011



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

MILLCREEK TOWNSHIP SCHOOL DISTRICT
SINGLE AUDIT REPORT
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FOR THE YEAR ENDED JUNE 30, 2011

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FELIX & GLOEKLER, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive · Erie, Pennsylvania 16506

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Millcreek Township School District as of and for the year ended June 30, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, 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 November 7, 2011 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 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 assessing 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 as a whole. 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The budgetary comparison schedule and schedule of expenditures of federal awards are 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.

November 7, 2011
Erie, Pennsylvania

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2011

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, 2011. 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 2010-2011 fiscal year. Total net assets increased 4.3% over the course of the year.
- General revenues were \$52,423,897 which represents \$1,591,706 more than net program expenses.
- Total District revenues were \$88.5 million. General revenues accounted for \$52.4 million or 59.2% of all revenues. Program specific revenues in the form of charges for services and grants accounted for \$36.1 million or 40.8% of all revenues.
- The District had \$82.5 million in expenses related to governmental activities; \$31.5 million of these expenses were offset by program specific charges for services and grants. General revenue (primarily taxes and subsidies) of \$52.3 million covered the remaining expenses.
- At the end of the current fiscal year, the total unassigned fund balance of the general fund was \$5,395,233; or 6.3% 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

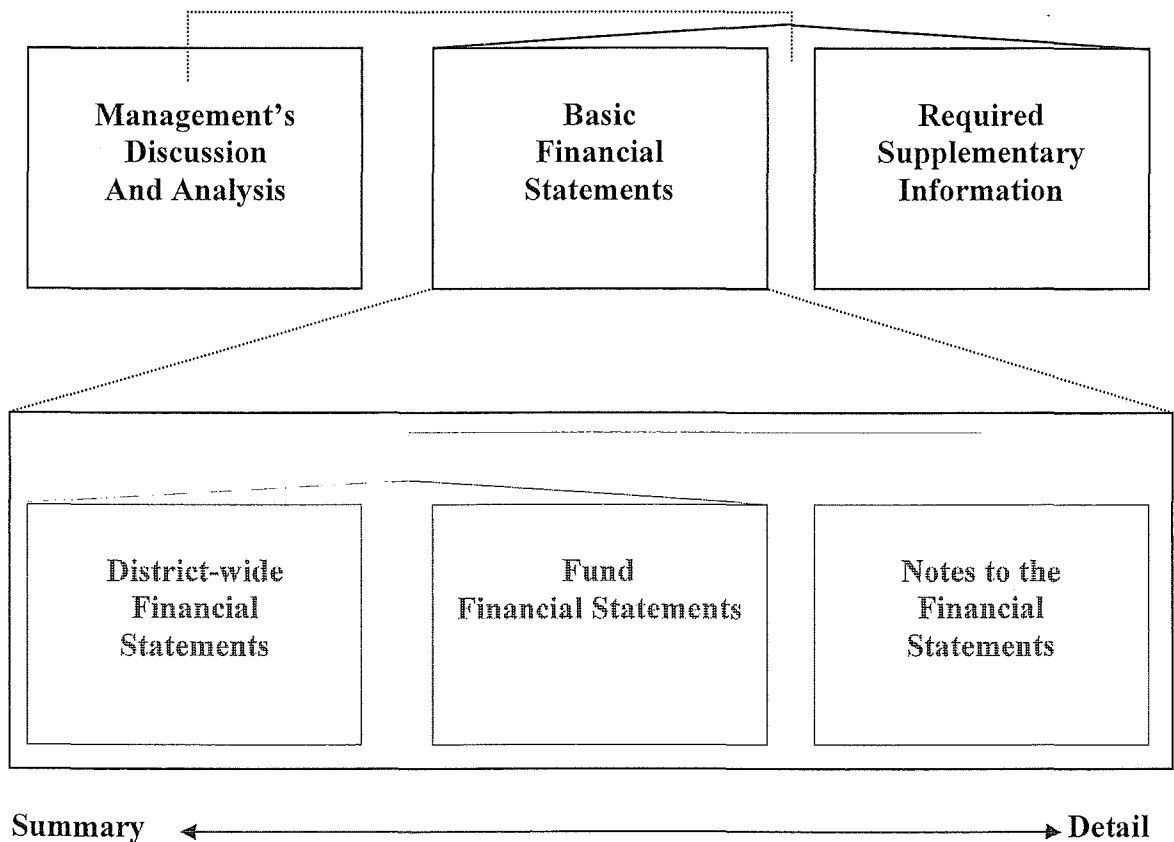
For the Year Ended June 30, 2011

(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, 2011
(Continued)

(MDA-2)

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

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2011
(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 service and daycare 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 debt.

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2011
(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 Daycare.

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 2011 and 2010 fiscal years.

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Continued)

(MDA-3)

Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current Assets	\$ 47,018,795	\$ 18,442,780	\$ 1,133,683	\$ 915,780	\$ 48,152,478	\$ 19,358,560
Non-Current Assets	310,703	822,043	-	-	310,703	822,043
Capital Assets	76,181,839	77,536,387	225,899	221,230	76,407,738	77,757,617
Total Assets	\$ 123,511,337	\$ 96,801,210	\$ 1,359,582	\$ 1,137,010	\$ 124,870,919	\$ 97,938,220
Current Liabilities	\$ 16,199,966	\$ 15,258,173	\$ 64,492	\$ 60,753	\$ 16,264,458	\$ 15,318,926
Long-Term Liabilities	70,305,624	45,910,163	-	-	70,305,624	45,910,163
Total Liabilities	86,505,590	61,168,336	64,492	60,753	86,570,082	61,229,089
Invested in Capital Assets, Net of Debt Restricted for Capital Projects	34,012,654	30,653,758	225,899	221,230	34,238,553	30,874,988
Unrestricted	-	73,841	-	-	-	73,841
Unrestricted	2,993,093	4,905,275	1,069,191	855,027	4,062,284	5,760,302
Total Net Assets	37,005,747	35,632,874	1,295,090	1,076,257	38,300,837	36,709,131
Total Liabilities and Net Assets	\$ 123,511,337	\$ 96,801,210	\$ 1,359,582	\$ 1,137,010	\$ 124,870,919	\$ 97,938,220

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Continued)

Table MDA-4 shows the revenues, expenses and changes in net assets for fiscal year 2011 and fiscal year 2010 for comparative purposes.

(MDA-4)

Statement of Revenues, Expenses and Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Charges for Services	\$ 1,877,254	\$ 3,259,076	\$ 2,716,665	\$ 2,741,264	\$ 4,593,919	\$ 6,000,340
Operating Grants	29,672,086	29,971,579	1,774,754	1,485,422	31,446,840	31,457,001
General Revenues						
Property Taxes	45,046,304	42,833,464	-	-	45,046,304	42,833,464
Earned Income and Local Services Taxes	6,416,671	6,005,065	-	-	6,416,671	6,005,065
Transfer Tax	614,944	837,215	-	-	614,944	837,215
Public Utility Realty	70,586	70,716	-	-	70,586	70,716
Interest Earnings	84,426	94,062	847	5,139	85,273	99,201
Other Income	85,884	-	104,235	-	190,119	-
Total Revenues	83,868,155	83,071,177	4,596,501	4,231,825	88,464,656	87,303,002
Program Expenses and Other Uses						
Instruction	49,047,532	48,941,349	-	-	49,047,532	48,941,349
Pupil Personnel	3,268,210	3,297,685	-	-	3,268,210	3,297,685
Instructional Student Support	4,354,958	4,644,297	-	-	4,354,958	4,644,297
Admin. & Financial Support	6,065,304	6,112,506	-	-	6,065,304	6,112,506
Pupil Health	1,125,753	1,059,363	-	-	1,125,753	1,059,363
Operation & Maint. Services	9,107,968	8,352,693	-	-	9,107,968	8,352,693
Student Transport	4,229,712	3,968,304	-	-	4,229,712	3,968,304
Central Services	1,521,218	1,579,676	-	-	1,521,218	1,579,676
Other Support Services	196,690	162,856	-	-	196,690	162,856
Student Activities	1,431,473	1,704,430	-	-	1,431,473	1,704,430
Community Services	54,341	51,783	-	-	54,341	51,783
Interest on Debt	2,092,123	2,179,004	-	-	2,092,123	2,179,004
Food Service	-	-	3,078,013	2,935,916	3,078,013	2,935,916
Day Care	-	-	1,299,655	1,157,531	1,299,655	1,157,531
Total Expenses	82,495,282	82,053,946	4,377,668	4,093,447	86,872,950	86,147,393
Increase (Decrease) in Net Assets	\$ 1,372,873	\$ 1,017,231	\$ 218,833	\$ 138,378	\$ 1,591,706	\$ 1,155,609

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Continued)

Governmental Activities

Governmental activities for 2010-2011 resulted in an increase in net assets of \$1,372,873.

The District's revenues consist of 64.6% local (taxes and other), and 35.4% state and federal revenues (subsidies and grants).

The District's expense components are 59.5% instruction, 36.2% support services, 1.8% non-instructional services and 2.5% 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 Daycare. These programs had revenues of \$4.6 million and expenses of \$4.4 million; which resulted in an increase in net assets of \$218,833 for the year ended June 30, 2011. This is up from the increase in net assets for the year ended June 30, 2010 of \$138,378.

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 \$83.9 million and expenditures of \$85.2 million. The net increase in fund balance consists of an \$890,815 decrease in the General Fund and a \$28,956,325 increase in the Capital Projects Fund.

General Fund Budgetary Highlights

During the fiscal year, the Board authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budgets compared with amounts actually paid and received is provided in the Fund Financial Statements.

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Continued)

Revenues:

2010-2011 local revenues were \$1,036,777 less than anticipated. The key factors which contributed to the results are as follows:

- Receipts from other LEA's was less than projected by \$1,182,140.
- Refund of prior years and other revenues was less than projected by \$181,586.

State sources were less than anticipated by \$1,987,972. 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 2010-2011 budget by \$1,900,620. This was primarily attributed to savings in retirement, benefits and utilities.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2011, the District had investments of \$76,407,738 in a broad range of capital assets including: land, school buildings, administrative offices, athletic facilities, furniture, equipment and vehicles. (MDA-5) This amount represents \$2,021,454 or 2.6% 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.

(MDA-5)

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 671,575	\$ 671,575	\$ -	\$ -	\$ 671,575	\$ 671,575
Construction in Progress	135,000	-	-	-	135,000	-
Building and Improvements	68,738,656	71,515,685	-	-	68,738,656	71,515,685
Furniture & Equipment	6,280,327	5,659,051	225,899	221,230	6,506,226	5,880,281
Vehicles	356,281	361,651	-	-	356,281	361,651
Total	\$ 76,181,839	\$ 78,207,962	\$ 225,899	\$ 221,230	\$ 76,407,738	\$ 78,429,192

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Management Discussion and Analysis
For the Year Ended June 30, 2011
(Continued)

Long-term Debt

Total Long-Term Debt consists of 92.4% of Bonds and Notes Payable, while 4.6% can be attributed to Compensated Absences, and 3.0% to Lease Payable. At year end, the District had \$65,816,409 in general obligation bonds and notes outstanding, \$3,513,375 of deferred bond premiums, and \$133,675 of deferred bond discounts. This is a net increase from last fiscal year of \$23,842,696 or 46.8%. This increase can be attributed to the issuance of General Obligation Bonds, Series of 2010.

Outstanding Long-Term Debt

	2010	2011	% Of Total Long-Term Debt	% Change 2010 To 2011
General Obligation Bonds & Notes	\$ 44,341,857	\$ 65,816,409	87.9%	1.0%
Deferred Amounts:				
Bond Premium	865,931	3,513,375	4.7%	3.0%
Bond Discount	-	(133,675)	(0.2%)	(0.2%)
Total Bonds & Notes Payable	45,217,788	69,196,109	92.4%	3.8%
Compensated Absences	3,445,648	3,420,522	4.6%	(2.2%)
Lease Payable	2,346,416	2,225,917	3.0%	(1.6%)
Total Other	5,792,064	5,646,439	7.6%	(3.8%)
Total Long-Term Debt	\$ 50,999,852	\$ 74,842,548		

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 27.8% of total revenue sources to fund costs supporting the District's educational programs during fiscal 2010-2011. Local sources of revenue, primarily property taxes, now support 64.6% of the costs for educational programs and services in the Millcreek Township School District. The federal government only provided 7.6% of the funds to support general operations.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Management Discussion and Analysis

For the Year Ended June 30, 2011

(Continued)

- The Pennsylvania School Employees Retirement System trustees reset the percentage of payroll that all school districts paid to 5.64% in 2010-2011 and 8.65% in 2011-2012. However, for 2012-2013 the rate is projected to be 12.19% and 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.
- The district is currently in contract negotiations with the Millcreek Education Association, the contract expired on August 25, 2011.
- The district continues to be in discussions in regards to construction and renovations.

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 26th Street, Erie, PA 16506.

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MILLCREEK TOWNSHIP SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 38,450,440	\$ 1,070,083	\$ 39,520,523
Internal Balances	292,024	(292,024)	-
Taxes Receivable, Net	3,087,774	-	3,087,774
Intergovernmental Receivables	2,856,560	216,816	3,073,376
Other Receivables	664,502	63,517	728,019
Inventories	1,275,760	75,291	1,351,051
Prepaid Items	391,735	-	391,735
Total Current Assets	<u>47,018,795</u>	<u>1,133,683</u>	<u>48,152,478</u>
Non-Current Assets			
Deferred Charges	310,703	-	310,703
Land and Other Nondepreciable Assets	806,575	-	806,575
Capital Assets, Net	75,375,264	225,899	75,601,163
Total Non-Current Assets	<u>76,492,542</u>	<u>225,899</u>	<u>76,718,441</u>
Total Assets	<u>\$ 123,511,337</u>	<u>\$ 1,359,582</u>	<u>\$ 124,870,919</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 1,099,364	\$ 39,942	\$ 1,139,306
Accrued Salaries and Benefits	8,220,065	24,550	8,244,615
Accrued Interest Payable	748,680	-	748,680
Bond and Notes Payable	5,549,521	-	5,549,521
Compensated Absences	450,000	-	450,000
Lease Payable	132,336	-	132,336
Total Current Liabilities	<u>16,199,966</u>	<u>64,492</u>	<u>16,264,458</u>
Non-Current Liabilities			
Bonds and Notes Payable	63,646,588	-	63,646,588
Compensated Absences	2,970,522	-	2,970,522
Lease Payable	2,093,581	-	2,093,581
Other Post-Employment Benefits	1,594,933	-	1,594,933
Total Non-Current Liabilities	<u>70,305,624</u>	<u>-</u>	<u>70,305,624</u>
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	34,012,654	225,899	34,238,553
Unrestricted	2,993,093	1,069,191	4,062,284
Total Net Assets	<u>37,005,747</u>	<u>1,295,090</u>	<u>38,300,837</u>
Total Liabilities and Net Assets	<u>\$ 123,511,337</u>	<u>\$ 1,359,582</u>	<u>\$ 124,870,919</u>

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

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<u>Governmental Activities</u>				
Instruction	\$ 49,047,532	\$ 1,539,053	\$ 25,156,137	\$ -
Pupil Personnel	3,268,210	-	135,244	-
Instructional Student Support	4,354,958	-	108,195	-
Administrative and Financial Support	6,065,304	-	216,391	-
Pupil Health	1,125,753	-	229,336	-
Operation and Maintenance of Plant Services	9,107,968	152,580	1,683,755	-
Student Transportation	4,229,712	-	2,061,881	-
Central Services	1,521,218	-	27,049	-
Other Support Services	196,690	-	-	-
Student Activities	1,431,473	185,621	54,098	-
Community Services	54,341	-	-	-
Interest on Debt	2,092,123	-	-	-
Total Governmental Activities	82,495,282	1,877,254	29,672,086	-
<u>Business-Type Activities</u>				
Food Service	3,078,013	1,648,886	1,543,797	-
Day Care	1,299,655	1,067,779	230,957	-
Total Business-Type Activities	4,377,668	2,716,665	1,774,754	-
Total Primary Government	\$ 86,872,950	\$ 4,593,919	\$ 31,446,840	\$ -
General Revenues:				
Taxes				
Property Taxes				
Earned Income and Local Services Taxes				
Transfer Tax				
Public Utility Realty				
Interest Earnings				
Other				
Total General Revenues				
Change in Net Assets				
Net Assets, July 1, 2010				
Net Assets, June 30, 2011				

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

Net (Expense)/Revenue and Changes in Net Assets

Governmental Activities	Business- Type Activities	Total
\$ (22,352,342)	\$ -	\$ (22,352,342)
(3,132,966)	-	(3,132,966)
(4,246,763)	-	(4,246,763)
(5,848,913)	-	(5,848,913)
(896,417)	-	(896,417)
(7,271,633)	-	(7,271,633)
(2,167,831)	-	(2,167,831)
(1,494,169)	-	(1,494,169)
(196,690)	-	(196,690)
(1,191,754)	-	(1,191,754)
(54,341)	-	(54,341)
(2,092,123)	-	(2,092,123)
<u>(50,945,942)</u>	<u>-</u>	<u>(50,945,942)</u>
-	114,670	114,670
-	(919)	(919)
-	113,751	113,751
<u>(50,945,942)</u>	<u>113,751</u>	<u>(50,832,191)</u>
45,046,304	-	45,046,304
6,416,671	-	6,416,671
614,944	-	614,944
70,586	-	70,586
84,426	847	85,273
85,884	104,235	190,119
<u>52,318,815</u>	<u>105,082</u>	<u>52,423,897</u>
1,372,873	218,833	1,591,706
<u>35,632,874</u>	<u>1,076,257</u>	<u>36,709,131</u>
<u>\$ 37,005,747</u>	<u>\$ 1,295,090</u>	<u>\$ 38,300,837</u>

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2011

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 9,136,169	\$ 29,314,271	\$ 38,450,440
Interfund Receivable	406,357	-	406,357
Taxes Receivable, Net	3,087,774	-	3,087,774
Intergovernmental Receivables	2,856,560	-	2,856,560
Other Receivables	631,588	32,914	664,502
Inventories	1,275,760	-	1,275,760
Prepaid Items	391,735	-	391,735
	<u>\$ 17,785,943</u>	<u>\$ 29,347,185</u>	<u>\$ 47,133,128</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 801,179	\$ 298,185	\$ 1,099,364
Accrued Salaries and Benefits	8,220,065	-	8,220,065
Interfund Payables	95,499	18,834	114,333
Deferred Revenues	1,606,472	-	1,606,472
	<u>10,723,215</u>	<u>317,019</u>	<u>11,040,234</u>
FUND BALANCES			
Nonspendable:			
Prepaid Items	391,735	-	391,735
Inventories	1,275,760	-	1,275,760
Restricted:			
Bond Issue Capital Projects	-	29,252,841	29,252,841
Unassigned	5,395,233	(222,675)	5,172,558
	<u>7,062,728</u>	<u>29,030,166</u>	<u>36,092,894</u>
Total Fund Balances	<u>\$ 17,785,943</u>	<u>\$ 29,347,185</u>	<u>\$ 47,133,128</u>
Total Liabilities and Fund Balances	<u>\$ 17,785,943</u>	<u>\$ 29,347,185</u>	<u>\$ 47,133,128</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, 2011

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

Fund balances - governmental funds \$ 36,092,894

Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the governmental funds 76,181,839

Certain long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds:

Deferred charges	\$ 310,703	
Deferred taxes	<u>1,606,472</u>	1,917,175

Other post-employment benefits are reflected on the Statement of Net Assets, but are not considered a current expenditure for the fund statements (1,594,933)

Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(69,196,109)	
Lease payable	(2,225,917)	
Compensated absences	(3,420,522)	
Accrued interest payable	<u>(748,680)</u>	<u>(75,591,228)</u>

Net assets of governmental activities \$ 37,005,747

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, 2011

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources	\$ 54,206,728	\$ 45,777	\$ 54,252,505
State Sources	23,344,671	-	23,344,671
Federal Sources	6,327,416	-	6,327,416
	<u>83,878,815</u>	<u>45,777</u>	<u>83,924,592</u>
EXPENDITURES			
Instruction	46,170,397	-	46,170,397
Support Services	29,904,050	-	29,904,050
Noninstructional Services	1,328,358	-	1,328,358
Facilities Acquisition, Construction and Improvements	79,247	298,185	377,432
Debt Service	7,266,745	193,213	7,459,958
	<u>84,748,797</u>	<u>491,398</u>	<u>85,240,195</u>
Excess of Revenues Over (Under) Expenditures	<u>(869,982)</u>	<u>(445,621)</u>	<u>(1,315,603)</u>
Other Financing Sources (Uses)			
Bond Proceeds	-	26,735,000	26,735,000
Discount on Bond Issuance	-	(133,675)	(133,675)
Bond Premiums	-	2,799,087	2,799,087
Refund of Prior Year Expenditures	3,050	1,534	4,584
Change in Inventory	(23,883)	-	(23,883)
	<u>(20,833)</u>	<u>29,401,946</u>	<u>29,381,113</u>
Net Change in Fund Balance	(890,815)	28,956,325	28,065,510
Fund Balance - July 1, 2010	<u>7,953,543</u>	<u>73,841</u>	<u>8,027,384</u>
Fund Balance - June 30, 2011	<u>\$ 7,062,728</u>	<u>\$ 29,030,166</u>	<u>\$ 36,092,894</u>

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, 2011

Net change in fund balances - total governmental funds		\$ 28,065,510
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in Statement of Net Assets		2,216,522
The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, or donations) is to decrease net assets		(1,699)
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities		(4,240,946)
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	(324,990)	
Deferred real estate tax	(61,021)	(234,368)
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	(191,416)	
Amortization of deferred charges	(32,968)	(224,384)
Other post-employment benefits are reflected on the Statement of Net Assets, but are not considered a current expenditure for the fund statements		(598,042)
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets		
Bond proceeds	(26,735,000)	
Deferred charges	193,203	
Bond discount	133,675	
Bond premium	(2,799,087)	(29,207,209)
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	5,451,864	
Capital lease payments	120,499	
Change in compensated absences	25,126	5,597,489
Change in net assets of governmental activities		\$ 1,372,873
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, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 55,157,313	\$ 55,243,505	\$ 54,206,728	\$ (1,036,777)
State Sources	25,988,473	25,332,643	23,344,671	(1,987,972)
Federal Sources	3,347,318	6,102,863	6,327,416	224,553
Total Revenues	84,493,104	86,679,011	83,878,815	(2,800,196)
EXPENDITURES				
Instruction	46,695,956	47,390,789	46,170,397	1,220,392
Support Services	30,618,937	30,183,059	29,904,050	279,009
Noninstructional Services	1,518,407	1,532,667	1,328,358	204,309
Facilities Acquisition, Construction and Improvements	-	76,864	79,247	(2,383)
Debt Service	7,466,038	7,466,038	7,266,745	199,293
Total Expenditures	86,299,338	86,649,417	84,748,797	1,900,620
Excess of Revenues Over (Under) Expenditures	(1,806,234)	29,594	(869,982)	(899,576)
Other Financing Sources (Uses)				
Fund Transfers	414,900	-	-	-
Refund of Prior Year Expenditures	-	-	3,050	3,050
Changes in Inventory	-	-	(23,883)	(23,883)
Total Other Financing Sources (Uses)	414,900	-	(20,833)	(20,833)
Net Change in Fund Balance	(1,391,334)	29,594	(890,815)	(920,409)
Fund Balance - July 1, 2010	7,953,543	7,953,543	7,953,543	-
Fund Balance - June 30, 2011	\$ 6,562,209	\$ 7,983,137	\$ 7,062,728	\$ (920,409)

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

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Statement of Net Assets - Proprietary Funds

June 30, 2011

	Food Service	Daycare	Total Proprietary Funds
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 272,364	\$ 797,719	\$ 1,070,083
Intergovernmental Receivables	193,513	23,303	216,816
Interfund Receivables	95,499	-	95,499
Other Receivables, Net	18,643	44,874	63,517
Inventories	75,291	-	75,291
Total Current Assets	655,310	865,896	1,521,206
Non-Current Assets			
Capital Assets, Net	225,899	-	225,899
Total Non-Current Assets	225,899	-	225,899
Total Assets	\$ 881,209	\$ 865,896	\$ 1,747,105
Liabilities			
Current Liabilities			
Interfund Payable	\$ -	\$ 387,523	\$ 387,523
Accounts Payable	15,573	24,369	39,942
Accrued Payroll and Benefits	24,550	-	24,550
Total Current Liabilities	40,123	411,892	452,015
Net Assets			
Invested in Capital Assets	225,899	-	225,899
Unrestricted	615,187	454,004	1,069,191
Total Net Assets	841,086	454,004	1,295,090
Total Liabilities and Net Assets	\$ 881,209	\$ 865,896	\$ 1,747,105

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, 2011

	Food Service	Daycare	Total Proprietary Funds
Operating Revenues			
Food Service Revenue	\$ 1,648,886	\$ -	\$ 1,648,886
Daycare Revenue	-	1,067,779	1,067,779
	1,648,886	1,067,779	2,716,665
Operating Expenses			
Salaries	986,391	970,903	1,957,294
Employee Benefits	286,625	264,150	550,775
Purchased Professional Services	-	3,440	3,440
Purchased Property Services	39,726	3,069	42,795
Other Purchased Services	2,578	2,303	4,881
Supplies and Food	151,419	40,388	191,807
Management Fee	1,537,890	-	1,537,890
Depreciation	34,345	-	34,345
Other Operating Expenses	39,039	15,402	54,441
	3,078,013	1,299,655	4,377,668
Operating Income (Loss)	(1,429,127)	(231,876)	(1,661,003)
Nonoperating Revenues (Expenses)			
Earnings on Investments	847	-	847
State Sources	199,784	230,957	430,741
Federal Sources	1,344,013	-	1,344,013
Refund of Prior Year's Expenditures	49,850	54,385	104,235
	1,594,494	285,342	1,879,836
Change in Net Assets	165,367	53,466	218,833
Net Assets, July 1, 2010	675,719	400,538	1,076,257
Net Assets, June 30, 2011	\$ 841,086	\$ 454,004	\$ 1,295,090

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, 2011

	Food Service	Daycare	Total Proprietary Funds
Cash Flows From Operating Activities:			
Cash Received from Users	\$ 1,670,232	\$ 1,049,864	\$ 2,720,096
Cash Payments to Employees for Services	(1,245,590)	(1,204,424)	(2,450,014)
Cash Payments to Suppliers for Goods and Services	(1,676,890)	(37,947)	(1,714,837)
Cash Payments for Operating Expenses	(39,039)	(15,402)	(54,441)
Net Cash From (Used for) Operating Activities	(1,291,287)	(207,909)	(1,499,196)
Cash Flows from Noncapital Financing Activities:			
State Sources	200,788	211,457	412,245
Federal Sources	1,221,628	-	1,221,628
Net Cash Provided by Noncapital Financing Activities	1,422,416	211,457	1,633,873
Cash Flows from Capital and Related Financing Activities:			
Purchase of Capital Assets	(42,580)	-	(42,580)
Proceeds From the Sale of Capital Assets	3,566	-	3,566
Net Cash (Used by) Capital and Related Financing Activities	(39,014)	-	(39,014)
Cash Flows from Investing Activities:			
Earnings from Investments	847	-	847
Net Cash Provided by Investing Activities	847	-	847
Net Increase (Decrease) in Cash and Cash Equivalents	92,962	3,548	96,510
Cash and Cash Equivalents at Beginning of Year	179,402	794,171	973,573
Cash and Cash Equivalents at End of Year	\$ 272,364	\$ 797,719	\$ 1,070,083
Reconciliation of Operating Income to Net Cash (Used for)			
Operating Activities:			
Operating Income (Loss)	\$(1,429,127)	\$ (231,876)	(1,661,003)
Adjustment to Reconcile Operating Income (Loss) to Net Cash			
(Used for) Operating Activities:			
Depreciation	34,345	-	34,345
Donated Commodities	124,978	-	124,978
(Increase) Decrease in Accounts Receivables	(3,189)	(17,915)	(21,104)
(Increase) Decrease in Inventories	(38,206)	-	(38,206)
(Increase) Decrease in Interfund Receivables	221,359	22,928	244,287
Increase (Decrease) in Interfund Payable	(193,933)	7,701	(186,232)
Increase (Decrease) in Accounts Payable	(32,049)	11,290	(20,759)
Increase (Decrease) in Other Liabilities	24,535	(37)	24,498
	\$(1,291,287)	\$ (207,909)	\$(1,499,196)

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

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Statement of Fiduciary Net Assets -

Fiduciary Funds

June 30, 2011

	Private Purpose Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 30,027	\$ 273,259
Investments, at fair value	912,956	-
Accounts Receivable	78,379	-
Other Assets	6,734	-
	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,028,096</u>	<u>\$ 273,259</u>
 LIABILITIES		
Accounts Payable	\$ 34,041	\$ 273,259
	<u> </u>	<u> </u>
Total Liabilities	<u>34,041</u>	<u>273,259</u>
 NET ASSETS		
Held in Trust for Scholarships	994,055	-
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 1,028,096</u>	<u>\$ 273,259</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, 2011

	Private Purpose Trust
Additions:	
Investment Income (Loss), Net	\$ 123,800
Contributions/Fundraising	74,385
Total Additions	198,185
Deductions:	
Scholarships	16,151
Fundraising	14,783
Fees	5,378
Change in Insurance Value	5,478
Other Expense	18,150
Total Deductions	59,940
Change in Net Assets	138,245
Net Assets, July 1, 2010	855,810
Net Assets, June 30, 2011	\$ 994,055

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

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2011

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. The Foundation is reported as a private-purpose trust in the financial statements. The Foundation does not issue its own financial statements.

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 child development 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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."

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2011.

A physical inventory of the Proprietary Fund's food and supplies was taken as of June 30, 2011. 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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
Vehicles	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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$1,122,896 in tuition for the year ended June 30, 2011.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Each school district elects one member to the operating committee of Vo-Tech. The operating committee acts as the school's governing body. For the year ended June 30, 2011, Vo-Tech's General Fund had a fund balance of \$1,381,893. Financial information relating to Vo-Tech is included in a separate audit report for the year ended June 30, 2011. 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 Balance

The District's fund balance is classified under the following components under GASB Statements No. 54:

- **Nonspendable.** The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form, or (2) legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items and inventories.
- **Restricted.** Amounts that can only be used for specific purposes, stipulated by external resource providers or through enabling legislation. The District's restricted fund balance consist of bond issue proceeds to be used for future capital projects.
- **Unassigned.** Unassigned fund balance is the residual classification for the general fund. The School District does not currently have a minimum fund balance policy. The School District policy is that committed funds will be reduced first and then unassigned amounts.

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.

NOTE 2 - BUDGETARY INFORMATION (CONTINUED)

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 CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

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, 2011, \$40,725,639 of the District's bank balance of \$41,240,823 was exposed to custodial credit risk as:

	Government and Business- Type Activities	Private Purpose Trust	Total
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	40,725,638	1	40,725,639
	<u>\$40,725,638</u>	<u>\$ 1</u>	<u>\$40,726,939</u>

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

Reconciliation to Financial Statements

	Government and Business- Type Activities	Private Purpose Trust	Total
Uninsured Amount	\$40,725,638	\$ 1	\$40,725,639
Plus Insured Amount	515,185	-	515,185
Less Outstanding Checks	(1,720,300)	-	(1,720,300)
Plus Cash Equivalents	-	30,026	30,026
	<hr/>	<hr/>	<hr/>
Total Cash and Cash Equivalents per Financial Statements	\$39,520,523	\$ 30,027	\$39,550,550

Investments

As of June 30, 2011, the School District had the following investments in its Private Purpose Trust:

<u>Investment Type</u>	<u>Fair Value</u>
Cash Equivalents	\$ 30,026
Fixed Income Agency Bonds	26,150
Fixed Income Corporate Bonds	110,411
Fixed Income Mutual Bonds	185,848
Domestic Equities	216,377
Mutual Funds	374,170
	<hr/>
	\$ 942,982

Interest Rate Risk

The School District's Private Purpose Trust does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

Credit Risk

The School District's Private Purpose Trust does not have a policy that would limit its investment choices to certain credit ratings. As of June 30, 2011, the School District's Private Purpose Trust had bonds with the following ratings:

	<u>Credit Quality Rating</u>	<u>Amount of Investment</u>	<u>Percent of Investment Type</u>
Fixed Income Agency Bonds	AAA	\$ 26,150	100%
Fixed Income Corporate Bonds	AA1	27,062	25%
	A1	54,700	50%
	A2	28,649	25%
		<u>\$ 110,411</u>	

The School District's Private Purpose Trust had bonds with the following maturities as of June 30, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Fixed Income Agency Bonds	\$ 26,150	\$ -	\$ -	\$ 26,150
Fixed Income Corporate Bonds	110,411	-	54,157	56,254
	<u>\$ 136,561</u>	<u>\$ -</u>	<u>\$ 54,157</u>	<u>\$ 82,404</u>

Concentration of Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District does not have investments in any one issuer over 5% of the total investments that are required to be reported.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The School District has no investment subject to custodial credit risk.

Reconciliation to Financial Statements

Total Investments Above	\$ 942,982
Less Cash Equivalents	<u>(30,026)</u>
Total Investments per Financial Statements	<u>\$ 912,956</u>

NOTE 4 - TAXES RECEIVABLES

Based upon assessments provided by the County, the School District levies property taxes at a rate of 14.63 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, 2011 are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net	Tax Revenue Recognized	Deferred Taxes
Real Estate	\$ 2,508,312	\$ (340,000)	\$ 2,168,312	\$ 561,840	\$ 1,606,472
Income/Local Services	919,462	-	919,462	919,462	-
	<u>\$ 3,427,774</u>	<u>\$ (340,000)</u>	<u>\$ 3,087,774</u>	<u>\$ 1,481,302</u>	<u>\$ 1,606,472</u>

NOTE 5 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2011, the following amounts are due from other governmental units:

	General Fund	Food Service Fund	Daycare	Total
Federal	\$ 253,404	\$ 173,636	\$ -	\$ 427,040
State	2,603,156	19,877	23,303	2,646,336
	<u>\$ 2,856,560</u>	<u>\$ 193,513</u>	<u>\$ 23,303</u>	<u>\$ 3,073,376</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year is as follows:

	June 30, 2010	Additions	Deletions	June 30, 2011
Governmental Activities				
Capital Assets not Depreciated:				
Land	\$ 671,575	\$ -	\$ -	\$ 671,575
Construction in Progress	-	135,000	-	135,000
	<u>\$ 671,575</u>	<u>\$ 135,000</u>	<u>\$ -</u>	<u>\$ 806,575</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 116,599,394	\$ -	\$ -	\$ 116,599,394
Furniture and Equipment	22,403,607	2,004,296	(878,802)	23,529,101
Vehicles	1,016,598	77,226	(52,287)	1,041,537
Total Assets Depreciated	<u>140,019,599</u>	<u>2,081,522</u>	<u>(931,089)</u>	<u>141,170,032</u>
Less Accumulated Depreciation				
Buildings and Improvements	(45,083,709)	(2,777,029)	-	(47,860,738)
Furniture and Equipment	(16,744,556)	(1,383,020)	878,802	(17,248,774)
Vehicles	(654,947)	(80,897)	50,588	(685,256)
Total Accumulated Depreciation	<u>(62,483,212)</u>	<u>(4,240,946)</u>	<u>929,390</u>	<u>(65,794,768)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 77,536,387</u>	<u>\$ (2,159,424)</u>	<u>\$ (1,699)</u>	<u>\$ 75,375,264</u>
Business-Type Activities				
Capital Assets Being Depreciated:				
Equipment	\$ 929,217	\$ 42,580	\$ (247,736)	\$ 724,061
Total Assets Depreciated	<u>929,217</u>	<u>42,580</u>	<u>(247,736)</u>	<u>724,061</u>
Less Accumulated Depreciation				
Equipment	(707,987)	(34,345)	244,170	(498,162)
Total Accumulated Depreciation	<u>(707,987)</u>	<u>(34,345)</u>	<u>244,170</u>	<u>(498,162)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 221,230</u>	<u>\$ 8,235</u>	<u>\$ (3,566)</u>	<u>\$ 225,899</u>

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

Governmental Activities:	
Instruction	\$ 3,854,265
Support Services:	
Student Transportation	41,659
Administration	64,478
Operation and Maintenance	116,384
Student Activities	164,160
Total Depreciation Expense- Governmental Activities	<u>\$ 4,240,946</u>
Business-type Activities:	
Food Service	\$ 34,345
Total Depreciation Expense- Business-type Activities	<u>\$ 34,345</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects	\$ 18,834
	Daycare	387,523
Food Service	General Fund	<u>95,499</u>
		<u>\$ 501,856</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 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 which range from \$51,248 to \$74,656 beginning July 1, 2007 through April 1, 2022.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Machinery and Equipment	\$ 2,140,839
Less Accumulated Depreciation	<u>(570,892)</u>
	<u>\$ 1,569,947</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2011 are as follows:

<u>Year Ending</u>	<u>Governmental Activities</u>
2012	\$ 228,291
2013	234,514
2014	240,905
2015	247,468
2016	254,207
2017-2021	1,378,642
2022-2024	<u>298,623</u>
Total Minimum Lease Payments	2,882,650
Less: Amount Representing Interest	<u>(656,733)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,225,917</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 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.

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.

NOTE 9 - LONG-TERM DEBT (CONTINUED)

On October 25, 2010, the School District issued \$26,735,000 General Obligation Bonds Series of 2010. The bonds mature January 15 and July 15 of each year beginning July 15, 2011 and ending in 2021. The bonds pay interest ranging from 1.75% to 5.00% on a semi-annual basis. The bonds will be used to fund various capital projects including, renovations and additions to the McDowell High School and McDowell Intermediate High School and improvements to the District's athletic facilities.

The following summarizes the maturities and interest requirements for general obligation bonds/notes and notes payable as of June 30, 2011.

Governmental Activities

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,549,521	\$ 3,023,757	\$ 8,573,278
2013	5,636,418	2,697,908	8,334,326
2014	5,969,077	2,357,379	8,326,456
2015	7,055,559	2,006,040	9,061,599
2016	7,355,000	1,653,548	9,008,548
2017-2021	32,765,834	3,920,127	36,685,961
2022-2026	1,210,000	182,259	1,392,259
2027-2031	275,000	11,550	286,550
	<u>\$ 65,816,409</u>	<u>\$ 15,852,568</u>	<u>\$ 81,668,977</u>

Long-term liability activity for the year ended June 30, 2011 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	\$ 44,341,857	\$ 26,926,416	\$(5,451,864)	\$ 65,816,409	\$ 5,549,521
Deferred Amounts:					
Bond Premium	865,931	2,799,087	(151,643)	3,513,375	-
Bond Discount	-	(133,675)	-	(133,675)	-
	45,207,788	29,591,828	(5,603,507)	69,196,109	5,549,521
Compensated Absences	3,445,648	597,573	(622,699)	3,420,522	450,000
Lease Payable	2,346,416	-	(120,499)	2,225,917	132,336
	<u>\$ 50,999,852</u>	<u>\$ 30,189,401</u>	<u>\$(6,346,705)</u>	<u>\$ 74,842,548</u>	<u>\$ 6,131,857</u>

The liability for compensated absences is normally liquidated by the General Fund.

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.

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, 2011, the rate of employer contributions was 5.64% 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, 2011, 2010, and 2009 were \$2,502,663, \$2,060,658, and \$1,961,063, 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, 2011, total claims expense and stop-loss insurance expense were approximately \$8,600,000. Claims expense, recorded as a General Fund expenditure, represents claims processed as of June 30, 2011 and includes estimated unprocessed claims payable.

The claims liability of \$1,201,990 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, 6/30/09	\$ (748,126)
6/30/10 Year Premiums	7,894,768
6/30/10 Payments and Administration	<u>(7,967,373)</u>
Claims Liability, 6/30/10	(820,731)
Current Year Premiums	8,210,699
Claim Payments and Administration	<u>(8,591,958)</u>
Claims Liability, 6/30/11	<u>\$ (1,201,990)</u>

To fund future claims, the District maintains an insurance reserve of \$678,215 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, 2014
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, 2014
Child Development	June 30, 2014

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, 2009.

Hospitalization coverage as a retiree will be equivalent (single or dependent coverage) to that held by the individual at the time of retirement. As of June 30, 2011, 140 retired employees are covered by health insurance. The School District's expenses for health insurance benefits were \$136,500 (\$678,688 net of retiree contributions of \$542,188) in 2011.

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 actuarily 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.

NOTE 13 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

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	<u>734,542</u>
Contribution Made	<u>136,500</u>
Increase in Net OPEB Obligation	598,042
Net OPEB Obligation - Beginning of Year	<u>996,891</u>
 Net OPEB Obligation - End of Year	 <u>\$ 1,594,933</u>

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, 2011	\$ 734,542	19%	\$ 1,594,933
June 30, 2010	734,542	24%	996,891
June 30, 2009	78,946	59%	438,481

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.

NOTE 13 - POST-EMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events 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.

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, 2011 and the two previous fiscal years, no settlement exceeded insurance coverage.

MILLCREEK TOWNSHIP SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local Sources	\$ 55,157,313	\$ 55,243,505	\$ 54,206,728	\$ (1,036,777)
State Sources	25,988,473	25,332,643	23,344,671	(1,987,972)
Federal Sources	3,347,318	6,102,863	6,327,416	224,553
Total Revenues	<u>84,493,104</u>	<u>86,679,011</u>	<u>83,878,815</u>	<u>(2,800,196)</u>
Expenditures and Other Financing Uses				
Instruction				
Regular Programs	31,802,621	32,450,372	31,031,942	1,418,430
Special Education Program	9,610,335	9,646,443	9,717,754	(71,311)
Vocational Education Programs	3,136,175	3,129,554	3,009,956	119,598
Other Instructional Programs	2,074,595	2,072,836	2,190,325	(117,489)
Adult Education Programs	72,230	91,584	220,420	(128,836)
Total Instruction	<u>46,695,956</u>	<u>47,390,789</u>	<u>46,170,397</u>	<u>1,220,392</u>
Support Services				
Pupil Personnel	3,288,588	3,272,266	3,268,210	4,056
Instructional Staff	4,432,453	4,184,084	4,411,484	(227,400)
Administrative	5,698,898	5,588,966	4,966,046	622,920
Pupil Health	1,139,337	1,139,501	1,125,753	13,748
Business	1,233,180	1,121,482	1,120,466	1,016
Operation and Maintenance of				
Plant Services	8,777,765	8,549,982	9,060,793	(510,811)
Student Transportation Services	4,243,132	4,288,057	4,188,053	100,004
Central	1,617,584	1,850,721	1,566,555	284,166
Other Support Services	188,000	188,000	196,690	(8,690)
Total Support Services	<u>30,618,937</u>	<u>30,183,059</u>	<u>29,904,050</u>	<u>279,009</u>
Operation of Noninstructional Services				
Student Activities	1,470,213	1,475,738	1,274,017	201,721
Community Services	48,194	56,929	54,341	2,588
Total Noninstructional Services	<u>1,518,407</u>	<u>1,532,667</u>	<u>1,328,358</u>	<u>204,309</u>
Facilities Acquisition, Construction and Improvements	-	76,864	79,247	(2,383)
Debt Service	7,466,038	7,466,038	7,266,745	199,293
Total Expenditures	<u>86,299,338</u>	<u>86,649,417</u>	<u>84,748,797</u>	<u>1,900,620</u>
Excess of Revenues Over/(Under) Expenditures	<u>(1,806,234)</u>	<u>29,594</u>	<u>(869,982)</u>	<u>(899,576)</u>
Other Financing Sources (Uses)				
Fund Transfers	414,900	-	-	-
Refund of Prior Year Revenue	-	-	3,050	3,050
Changes in Inventory	-	-	(23,883)	(23,883)
Total Other Financing Uses	<u>414,900</u>	<u>-</u>	<u>(20,833)</u>	<u>(20,833)</u>
Net Change in Fund Balance	(1,391,334)	29,594	(890,815)	(920,409)
Fund Balance - July 1, 2010	<u>7,953,543</u>	<u>7,953,543</u>	<u>7,953,543</u>	<u>-</u>
Fund Balance - June 30, 2011	<u>\$ 6,562,209</u>	<u>\$ 7,983,137</u>	<u>\$ 7,062,728</u>	<u>\$ (920,409)</u>



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive · Erie, Pennsylvania 16506

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, 2011, which collectively comprise the Millcreek Township School District's basic financial statements and have issued our report thereon dated November 7, 2011. 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 November 7, 2011.

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.

November 7, 2011
Erie, Pennsylvania



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report on Compliance With Requirements that Could Have a Direct and Material Effect on 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 Millcreek Township School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Millcreek Township School District's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Independent Auditors' Report on Compliance With Requirements that Could Have a
Direct and Material Effect on Each Major Program and 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 to determine the 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 was not designed to identify all deficiencies in internal control over compliance 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.

November 7, 2011
Erie, Pennsylvania

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards And Certain Nonfederal Awards
For the Year Ended June 30, 2011

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 Agriculture</u>					
Passed through State Dept. of Agriculture					
U.S. Donated Commodities	I	10.555	2-01-25-101	7/1/2010	6/30/2011
Passed through State Dept. of Education					
National School Lunch Program	S	N/A	510/512	7/1/2009	6/30/2010
National School Lunch Program	I	10.555	362	7/1/2009	6/30/2010
National School Lunch Program	S	N/A	510/512	7/1/2010	6/30/2011
National School Lunch Program	I	10.555	362	7/1/2010	6/30/2011
Subtotal					
National School Breakfast Program	S	N/A	611/513	7/1/2009	6/30/2010
National School Breakfast Program	I	10.553	365/367	7/1/2009	6/30/2010
National School Breakfast Program	S	N/A	511/513	7/1/2010	6/30/2011
National School Breakfast Program	I	10.553	365/367	7/1/2010	6/30/2011
Subtotal					
Total Child Nutrition Cluster					
Total U.S. Dept. of Agriculture					
<u>U.S. Department of Education</u>					
Physical Education Program	D	84.215	Q215F070080	7/1/2008	6/30/2010
Passed through Pennsylvania Department of Education					
Title I Improving Basic Programs	I	84.010	013-100253	7/1/2009	9/30/2010
Title I Improving Basic Programs	I	84.010	013-110253	7/1/2010	9/30/2011
Title I Academic Achievement	I	84.010	077-100253	7/1/2010	9/30/2011
Subtotal					

* Denotes Cluster Total

The accompanying notes are an integral part of this schedule.

Schedule continued on next page.

Accrued/ (Deferred) Revenue at July 1, 2010	Total Received for the Year	Revenue Recognized	Expenditures	Accrued/ (Deferred) Revenue at June 30, 2011
\$ (37,085) b)	\$ 163,184 a)	\$ 124,977	\$ 124,977 c)	\$ (75,292) d)
17,239	17,239	-	-	-
140,174	140,174	-	-	-
-	97,533	113,958	113,958	16,425
-	817,482	955,559	955,559	138,077
<u>157,413</u>	<u>1,072,428</u>	<u>1,069,517</u>	<u>1,069,517</u>	<u>154,502</u>
3,642	3,642	-	-	-
36,054	36,054	-	-	-
-	18,570	22,022	22,022	3,452
-	189,711	225,271	225,271	35,560
<u>39,696</u>	<u>247,977</u>	<u>247,293</u>	<u>247,293</u>	<u>39,012</u>
160,024	1,483,589	1,441,787	1,441,787	118,222
160,024	1,483,589	1,441,787	1,441,787	118,222
<u>75,397</u>	<u>75,397</u>	<u>-</u>	<u>-</u>	<u>-</u>
148,917	357,251	208,334	208,334	-
-	664,180	942,044	942,044	277,864
-	2,400	1,800	1,800	(600)
<u>148,917</u>	<u>1,023,831</u>	<u>1,152,178</u>	<u>1,152,178</u>	<u>277,264</u>
(e)				

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MILLCREEK TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards And Certain Nonfederal Awards
For the Year Ended June 30, 2011
(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 Pennsylvania Department of Education (Continued)					
ARRA-Title I Improving Basic Programs	I	84.389	127-100253	7/1/2010	9/30/2011
Total Title I Cluster					
Title II Improving Teacher Quality	I	84.367	020-100253	7/1/2009	9/30/2010
Title II Improving Teacher Quality	I	84.367	020-110253	7/1/2010	9/30/2011
Subtotal					
Title V	I	84.298	011-0800253	7/1/2007	9/30/2008
Drug Free School Program	I	84.186	100-100253	9/10/2009	3/31/2011
ARRA-State Fiscal Stabilization Fund	I	84.394	126-100253	7/1/2009	9/30/2011
ARRA- Education Jobs Fund	I	84.410	140-159162	8/10/2010	9/30/2011
Passed through Northwest Tri County IU					
IDEA	I	84.027	N/A	7/1/2010	6/30/2011
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 Pennsylvania Department of Education					
Medical Assistance - Admin.	I	93.778	N/A	7/1/2010	6/30/2011
Total Federal Assistance					

* Denotes Cluster Total

The accompanying notes are an integral part of this schedule.

Accrued/ (Deferred) Revenue at July 1, 2010	Total Received for the Year	Revenue Recognized	Expenditures	Accrued/ (Deferred) Revenue at June 30, 2011
\$ (19,519)	\$ 224,862	\$ 179,461	\$ 179,461	\$ (64,920)
129,398	1,248,693	1,331,639	1,331,639	212,344
44,089	52,630	8,541	8,541	-
-	205,750	246,810	246,810	41,060
44,089	258,380	255,351	255,351	41,060
(4,893)	-	-	-	(4,893)
(2,614)	5,000	7,614	7,614	-
-	1,601,577	1,601,577	1,601,577	-
-	949,103	949,103	949,103	-
-	963,627	963,627	963,627	-
-	15,979	15,979	15,979	-
-	979,606	979,606	979,606	-
241,377	5,117,756	5,124,890	5,124,890	248,511
-	34,853	34,853	34,853	-
\$ 401,401	\$ 6,636,198	\$ 6,601,530	\$ 6,601,530	\$ 366,733

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MILLCREEK TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards And Certain Nonfederal Awards
Footnotes and Other Information
For the Year Ended June 30, 2011

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, 2011. 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.
 - e) Accruals/deferrals at July 1, 2010 were adjusted to reflect proper balances:
 Title I accrual understated by \$8,453
 Title II Improving Teacher Quality accrual overstated by \$8,541
- I = Indirect funding
 S = State funding

NOTE 4 - FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards contains state funding. Federal expenditures total \$6,465,550 as follows:

Total Expenditures per Schedule of Federal Awards	\$ 6,601,530
Less: State Expenditures	
National School Lunch Program	(113,958)
National School Breakfast Program	(22,022)
	\$ 6,465,550

MILLCREEK TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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:

ARRA - State Fiscal Stabilization Fund	84.394
ARRA - Education Jobs Fund	84.410
- (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, 2011

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, 2011

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

MILLCREEK TOWNSHIP SCHOOL DISTRICT

List of Report Distribution

June 30, 2011

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, Bureau of Audits
3. Northwest Tri-County Intermediate Unit