

GOVERNOR MIFFLIN SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2015



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

GOVERNOR MIFFLIN SCHOOL DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2015

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	15
Statement of Activities	16
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	17
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
<i>Proprietary Fund</i>	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23
<i>Fiduciary Fund</i>	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
<i>Notes to the Basic Financial Statements</i>	26

GOVERNOR MIFFLIN SCHOOL DISTRICT

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2015

	Page
Required Supplementary Information	
Budgetary Comparison Schedule	49
Note to the Budgetary Comparison Schedule	50
Schedule of the School District's Proportionate Share of the Net Pension Liability	51
Schedule of the School District Contributions	52
Postemployment Benefits Other Than Pension Funding Progress	53
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	54
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With OMB Circular A-133	56
Supplementary Information - Major Federal Award Programs Audit	
Schedule of Expenditures of Federal and State Awards	58
Notes to the Schedule of Expenditures of Federal and State Awards	60
Schedule of Findings and Questioned Costs	61
Schedule of Prior Audit Findings	62

FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors
Governor Mifflin School District
Shillington, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Governor Mifflin School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Governor Mifflin School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Governor Mifflin School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Governor Mifflin School District
Shillington, Pennsylvania

Emphasis of Matter

As discussed in Note P to the financial statements, for the year ended June 30, 2015, the Governor Mifflin School District adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison information on pages 49 and 50, schedule of the school district's proportionate share of the net pension liability on page 51, schedule of school district contributions on page 52, and postemployment benefits other than pension funding progress on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Governor Mifflin School District's basic financial statements. The schedule of expenditures of federal and state awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, on our consideration of the Governor Mifflin School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Governor Mifflin School District's internal control over financial reporting and compliance.



Oaks, Pennsylvania
November 10, 2015

GOVERNOR MIFFLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

This section of the Governor Mifflin School District's Annual Financial Report presents its discussion and analysis of the School District's financial performance during the fiscal year ended June 30, 2015. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

THE DISTRICT AND ITS FACILITIES

The Governor Mifflin School District serves an area of approximately 42 square miles. It is located in Berks County and consists of Brecknock Township, Cumru Township, Kenhorst Borough, Mohnton Borough and Shillington Borough. The population of this area is 30,925.

The School District is comprised of three (3) Grades K to 4 buildings (Brecknock, Cumru and Mifflin Park Elementary Schools), one Grade 5 to 6 building (Intermediate School), a Grade 7 and 8 building (Middle School) and a Grades 9 to 12 building (High School). The School District also has an administration building, a transportation/maintenance facility and a prefab eight-room building which houses the special education offices, early intervention classrooms and gifted program.

Over the last few years, enrollment at the Governor Mifflin School District has maintained numbers between 4,050 and 4,200. It is not anticipated to deviate much from this pattern.

EMPLOYEE RELATIONS

The School District currently has 422 full-time and 131 part-time employees. There are two organizations representing School District employees. The Governor Mifflin Education Association (GMEA) represents certified employees, including teachers, librarians, guidance counselors, nurses and other educational specialists, for collective bargaining purposes. Classified employees, including clerical staff, custodians, maintenance, food service and miscellaneous positions are represented for collective bargaining purposes by the American Federation of State, County and Municipal Employees, AFL-CIO, District Council 88 and its Local 1332 (AFSCME). New contracts for both the GMEA contract and the AFSCME were approved effective July 1, 2014.

The GMEA agreement was for three years 2014-17. In 2014-15 wage increases were 2.75%, 2.25% in 2015-16 and 0% in 2016-17. The AFSCME contract was for two years. In 2014-15 the hourly rate increase was \$.40 per hour and for 2015-16 the increase was \$0.32 per hour. The District will begin the negotiations process with AFSCME in January, 2016.

ECONOMIC OUTLOOK

Moderate economic growth in the U.S. is expected to continue in the second half of 2015. The GDP will grow to about 2.7% over the last six months of the year resulting in an overall pickup of 2.5% for the full year. Strong consumer spending is playing a big role in fueling the economic resurgence helped by strong gains in disposable income and lower gasoline prices. The housing market is having a good year propelled by a stronger job market and rising wages. The unemployment rate in August dropped to 5.1% a level that the Federal Reserve defines as consistent with full employment. The Federal Reserve is expected to bump up short term interest rates by a quarter-point by the end of this year. Long term rates should remain around 2.3% just a bit above where they are now. International trade will impact the U.S. growth rate slightly as other countries struggle to boost growth. Retail sales look to gain steam in the second half of the year. Business spending overall is picking up and will likely grow this year.

GOVERNOR MIFFLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

Economic factors impact several areas in the School District's business activities. These factors are considered in the calculation of future projections and the budgeting process.

Governor Mifflin participates in the Berks County Health Trust which is comprised of 14 of the 18 school districts in Berks County. In 2012-13 the consortium went from a fully insured program to a self-insured program. The rates have stabilized over the last two years. In 2014-15 the rate increased 3.0% and for 2015-16 the rate also increased 3.0%.

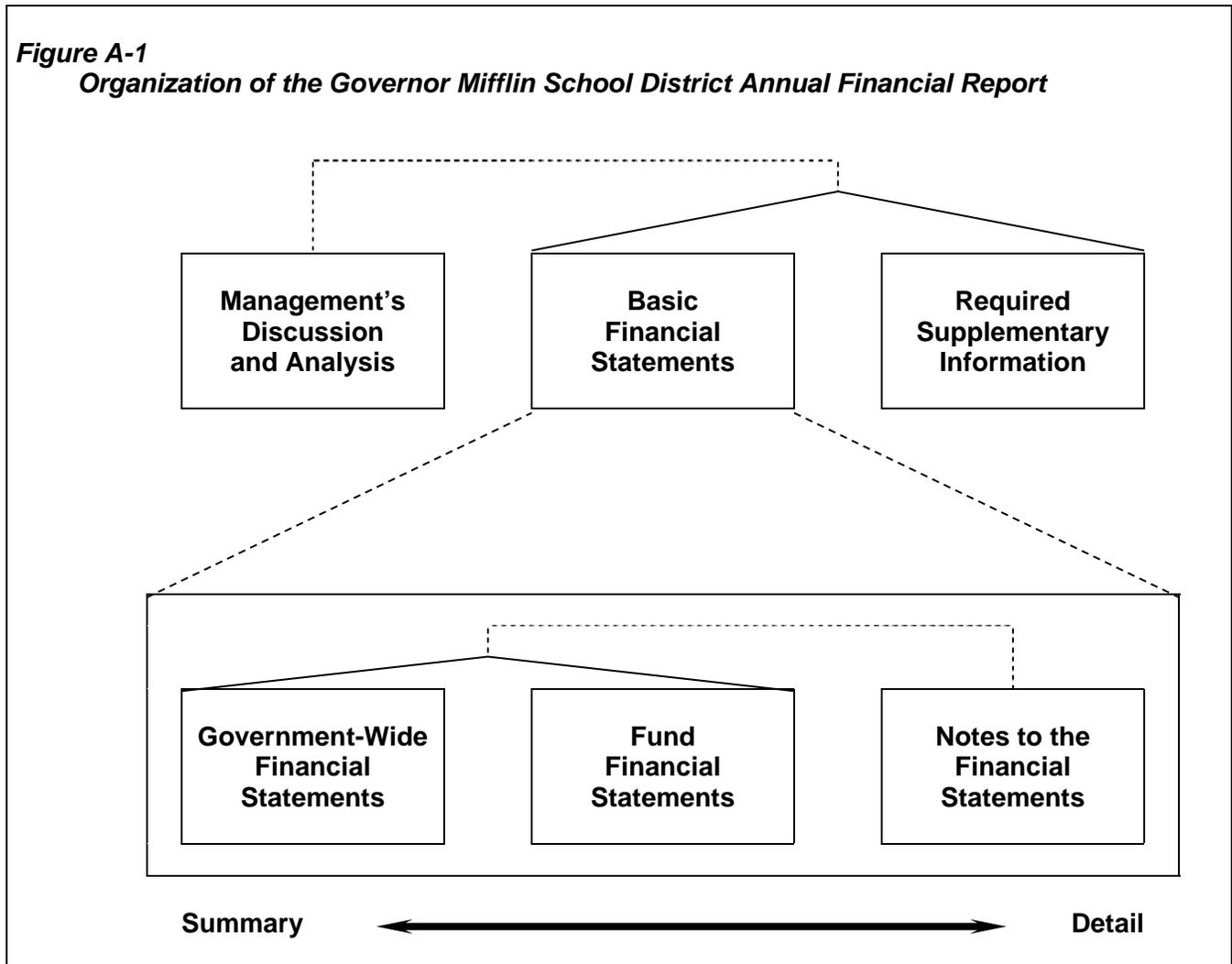
The Consortium entered into a three year contract for the administrative portion of the self-insured program as well as the Stop Loss insurance effective July 1, 2015.

FINANCIAL HIGHLIGHTS

- Net position of the School District's governmental activities decreased by 0.2%.
- Net position of the business-type activities decreased by \$169,421. Note that depreciation expense is included in the operating expenses in the amount of \$43,108.
- Program-specific revenues in the form of grants, entitlements and charges for services accounted for \$10.1 million or 16.2% of total governmental activities revenue, and the general revenue for taxes accounted for \$45.8 million or 73.3% of total governmental activities revenue.
- Governmental activities expenditures totaled \$62.7 million, of which \$37.5 million was spent on instructional services, \$17.3 million was spent on supportive services, \$1.6 million was spent on non-instructional services and \$6.1 was spent on current year debt service payments.
- The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

GOVERNOR MIFFLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

The financial statements also include notes that explain some of the information in the statements and 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 School District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



GOVERNOR MIFFLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire School District (except Fiduciary Funds)	The activities of the School District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School District operates similar to private businesses: food services and adult education	Instances in which the School District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon 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

GOVERNOR MIFFLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Revenue

- For the General Fund, the revenue generated from real estate taxes was \$1.19 million more than last year. The School District's increase in millage was the contributor towards the increase in real estate taxes.
- The School District exceeded its budget expectations in local revenues except for Interim Taxes and Delinquent Taxes.
- State aid remained the same as previous year.

Expenditures

The majority of the increase in expenditures for the 2015-16 school year is tied to the contractual raises and benefits for staff members. The increase in the retirement rate accounted for approximately \$1.0 million. The Retirement Rate is set to increase from its current rate of 25.84% in 2015-16 to over 30% by 2017-18. The State Legislature and Governor are examining ways to reduce this mandated cost.

With these large increases awaiting our future budgets, the Board began using a multi-year budget approach in earnest for the 2013-17 fiscal years.

The District was able to make adjustments in the budget for fiscal year 2015-16 that had a minimum impact on the programs being offered at Governor Mifflin. The major changes in the budget were employee retirements and one position was not replaced, reduction in utility costs, a minimum increase in healthcare and additional subsidy from the State.

With the expenditure reductions and projected increase in State Subsidy, the Board passed a budget with a .6 mil increase.

At this point, the District is estimating a tax increase for the next three years of .8 mils based on the following parameters; health care increases of 9%, the retirement rate increasing at 4.5% for the next year and then leveling out, salary increases of 3% and several more employee retirements.

GOVERNOR MIFFLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

Figure A-3
Statements of Net Position

	Governmental Activities	
	2014	2015
ASSETS		
Cash and cash equivalents	\$ 3,790,508	\$ 8,530,406
Investments	10,547,001	7,904,595
Receivables	1,212,946	1,190,612
Due from other governments	2,122,689	2,222,188
Due from other funds	166	-
Prepaid expenses	1,284	11,950
Inventories	-	-
Interest receivable	375	375
Land and improvements	21,842,726	21,845,276
Buildings and building improvements	97,773,286	98,216,707
Machinery and equipment	13,586,151	13,949,515
Accumulated depreciation	(46,921,281)	(50,644,640)
TOTAL ASSETS	103,955,851	103,226,984
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding, net	100,554	374,119
Deferred outflows of resources, pension activity	-	6,407,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	100,554	6,781,119
LIABILITIES		
Accounts payable	280,305	345,705
Accrued salaries and benefits	4,665,543	5,364,893
Accrued interest	739,106	631,752
Long-term liabilities		
Portion due or payable within one year	3,539,344	3,878,738
Bonds payable in future years	66,510,000	63,450,000
Bond premium, net of accumulated amortization	5,129,844	4,597,139
Compensated absences	463,031	446,212
Net pension liability	-	85,611,000
Other postemployment benefits payable	756,836	884,097
TOTAL LIABILITIES	82,084,009	165,209,536
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources, pension activity	-	6,162,000
NET POSITION		
Net investment in capital assets	11,356,592	11,963,838
Unrestricted	10,615,804	(73,327,271)
TOTAL NET POSITION	\$ 21,972,396	\$ (61,363,433)

Business-Type Activities		Total School District		Change
2014	2015	2014	2015	2014-2015
\$ 450,366	\$ 310,207	\$ 4,240,874	\$ 8,840,613	108.5%
-	-	10,547,001	7,904,595	-25.1%
-	-	1,212,946	1,190,612	-1.8%
39,133	19,112	2,161,822	2,241,300	3.7%
(166)	-	-	-	0.0%
-	-	1,284	11,950	830.7%
41,849	50,458	41,849	50,458	20.6%
-	-	375	375	0.0%
-	-	21,842,726	21,845,276	0.0%
-	-	97,773,286	98,216,707	0.5%
983,859	1,035,571	14,570,010	14,985,086	2.8%
(778,775)	(821,882)	(47,700,056)	(51,466,522)	-7.9%
<u>736,266</u>	<u>593,466</u>	<u>104,692,117</u>	<u>103,820,450</u>	-0.8%
-	-	100,554	374,119	272.1%
-	167,000	-	6,574,000	100.0%
-	167,000	100,554	6,948,119	6809.8%
-	4,916	280,305	350,621	25.1%
11,419	12,124	4,676,962	5,377,017	15.0%
-	-	739,106	631,752	-14.5%
-	-	3,539,344	3,878,738	9.6%
-	-	66,510,000	63,450,000	-4.6%
-	-	5,129,844	4,597,139	-10.4%
-	-	463,031	446,212	-3.6%
-	2,298,000	-	87,909,000	100.0%
-	-	756,836	884,097	16.8%
<u>11,419</u>	<u>2,315,040</u>	<u>82,095,428</u>	<u>167,524,576</u>	104.1%
-	123,000	-	6,285,000	100.0%
205,084	213,689	11,561,676	12,177,527	5.3%
<u>519,763</u>	<u>(1,891,263)</u>	<u>11,135,567</u>	<u>(75,218,534)</u>	-775.5%
\$ <u>724,847</u>	\$ <u>(1,677,574)</u>	\$ <u>22,697,243</u>	\$ <u>(63,041,007)</u>	-377.7%

GOVERNOR MIFFLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities	
	2014	2015
REVENUES		
Program revenues		
Charges for services	\$ 433,606	\$ 394,494
Operating grants and contributions	8,869,339	9,712,795
General revenues		
Taxes	44,104,012	45,798,447
State and other aid	6,432,848	6,428,671
Other	87,097	185,560
TOTAL REVENUES	59,926,902	62,519,967
EXPENSES		
Instruction	34,285,698	37,536,470
Support services	17,396,219	17,295,534
Operation of non-instructional services	1,484,836	1,602,044
Debt service	2,423,066	2,495,389
Depreciation	3,585,456	3,723,359
Food service	-	-
TOTAL EXPENSES	59,175,275	62,652,796
CHANGE IN NET POSITION	\$ 751,627	\$ (132,829)

GOVERNMENTAL ACTIVITIES

Governmental activities consist of the General Fund, the Debt Service Fund, the Capital Improvement Fund and Special Revenue Funds. The amount in pooled cash, cash equivalents and investments increased in 2014-2015. Long-term liabilities, including lease obligations, bonds payable, and net pension liability increased.

The School District depends heavily on taxes that make up approximately 73% of revenues. Other revenues consist of investment earnings, facilities rentals, interfund transfers and revenues from other sources.

<u>Business-Type Activities</u>		<u>Total School District</u>		<u>Increase (Decrease) Percentage Change</u>
<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014-2015</u>
\$ 1,084,181	\$ 1,043,294	\$ 1,517,787	\$ 1,437,788	-5.27%
1,073,971	1,158,310	9,943,310	10,871,105	9.33%
-	-	44,104,012	45,798,447	3.84%
-	-	6,432,848	6,428,671	-0.06%
<u>(24,454)</u>	<u>(24,008)</u>	<u>62,643</u>	<u>161,552</u>	157.89%
<u>2,133,698</u>	<u>2,177,596</u>	<u>62,060,600</u>	<u>64,697,563</u>	4.25%
-	-	34,285,698	37,536,470	9.48%
-	-	17,396,219	17,295,534	-0.58%
-	-	1,484,836	1,602,044	7.89%
-	-	2,423,066	2,495,389	2.98%
-	-	3,585,456	3,723,359	3.85%
<u>2,154,517</u>	<u>2,347,017</u>	<u>2,154,517</u>	<u>2,347,017</u>	8.93%
<u>2,154,517</u>	<u>2,347,017</u>	<u>61,329,792</u>	<u>64,999,813</u>	5.98%
\$ <u><u>(20,819)</u></u>	\$ <u><u>(169,421)</u></u>	\$ <u><u>730,808</u></u>	\$ <u><u>(302,250)</u></u>	-141.36%

GOVERNOR MIFFLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

BUSINESS-TYPE ACTIVITIES

Business-type activities include the Food Service Program, but the Enterprise Fund is operated separately. The programs are designed to operate at a break-even point so that the cost for the services offered will benefit the School District residents. Business-type activities received no support from tax revenues.

The Food Service Program provides approximately 2,730 lunches per day and 553 breakfasts per day. Food Service receives both federal and state subsidies for milk, lunch and breakfast programs and also receives some government commodities on a routine basis. The majority of revenues come from the students and other users of the services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

For the Governor Mifflin School District, capital assets include land, buildings, furniture and equipment, vehicles and other items that meet the following criteria:

- A. The individual asset must have a useful life greater than one year.
- B. The individual asset cost is equal to or greater than \$2,500 or was purchased with debt proceeds.

In 2015-16 the District completed its three year plan to replace computers and devices. In the Plan all the computers in the Elementary Schools were replaced and additional computer carts were added to each school. Also, the District is upgrading its wireless network in both the High School and the Middle School using Federal E-Rate funds.

The district is currently working on a technology plan that will span over the next five years.

Figure A-5
Capital Assets (Net of Depreciation, In Millions of Dollars)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2014-2015
	2014	2015	2014	2015	2014	2015	
Land and improvements	\$ 15.1	\$ 15.0	\$ -	\$ -	\$ 15.1	\$ 15.0	-0.66%
Buildings and building improvements	67.2	64.9	-	-	67.2	64.9	-3.42%
Machinery, equipment and education media	3.9	3.4	0.2	0.2	4.1	3.6	-12.20%
TOTAL	\$ 86.2	\$ 83.3	\$ 0.2	\$ 0.2	\$ 86.4	\$ 83.5	-3.36%

GOVERNOR MIFFLIN SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 YEAR ENDED JUNE 30, 2015

Figure A-6
Outstanding Long-Term Debt (In Millions of Dollars)

	Total School District		Total Percentage Change
	2014	2015	2014-2015
General obligation bonds	\$ 69.9	\$ 67.2	-3.86%
Other general obligation debt	1.4	1.5	7.14%
TOTAL	<u>\$ 71.3</u>	<u>\$ 68.7</u>	

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

The Pennsylvania School Employee Retirement System (PSERS) is projecting the rate to rise over the next several years. The State and School District share in the cost of the retirement system. In the 2014-15 school year the rate was 21.40%. The rate is anticipated to increase to 25.84%, 29.69%, 30.62%, 31.56% and 32.23% over the next five years.

In July 2015, Governor Mifflin property owners received property tax reductions of \$113.13 as a result of state revenue from slot machines. All homeowners in the District got the same amount regardless of their property assessments. The amounts were shown as deductions on the real estate bills issued in July for the 2015-16 year. To be eligible for the tax cut, property owners must apply to the County assessment office for homestead-farmstead status by March 1 for the next tax year. The County mails forms in mid-December to any property owner not currently listed in the homestead-farmstead status.

In 2005, the District began a property tax rebate program. Any Governor Mifflin homeowner eligible to receive the State Property Tax Rebate is eligible to receive a District rebate. The District rebate is calculated on Income Level as is the PA Property Tax Rebate. In 2014-15 a total of \$145,341 in rebates were issued to homeowners for the 2013-14 year. The range of rebates was between \$165-\$486.

GOVERNOR MIFFLIN SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office.

GOVERNOR MIFFLIN SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 8,530,406	\$ 310,207	\$ 8,840,613
Investments	7,904,595	-	7,904,595
Taxes receivable, net	1,190,612	-	1,190,612
Due from other governments	2,222,188	19,112	2,241,300
Prepaid expenses	11,950	-	11,950
Inventories	-	50,458	50,458
Interest receivable	375	-	375
Capital assets			
Land and land improvements	21,845,276	-	21,845,276
Buildings and building improvements	98,216,707	-	98,216,707
Machinery and equipment	13,949,515	1,035,571	14,985,086
Accumulated depreciation	(50,644,640)	(821,882)	(51,466,522)
TOTAL ASSETS	103,226,984	593,466	103,820,450
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding, net	374,119	-	374,119
Deferred outflows of resources, pension activity	6,407,000	167,000	6,574,000
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,781,119	167,000	6,948,119
LIABILITIES			
Accounts payable	345,705	4,916	350,621
Accrued salaries and benefits	5,364,893	12,124	5,377,017
Accrued interest	631,752	-	631,752
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	3,730,000	-	3,730,000
Compensated absences	148,738	-	148,738
Portion due or payable after one year			
Bonds payable	63,450,000	-	63,450,000
Bond premium, net of accumulated amortization of \$1,325,755	4,597,139	-	4,597,139
Compensated absences	446,212	-	446,212
Net pension liability	85,611,000	2,298,000	87,909,000
Other postemployment benefits	884,097	-	884,097
TOTAL LIABILITIES	165,209,536	2,315,040	167,524,576
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	6,162,000	123,000	6,285,000
NET POSITION			
Net investment in capital assets	11,963,838	213,689	12,177,527
Unrestricted	(73,327,271)	(1,891,263)	(75,218,534)
TOTAL NET POSITION	\$ (61,363,433)	\$ (1,677,574)	\$ (63,041,007)

See accompanying notes to the basic financial statements.

GOVERNOR MIFFLIN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
Instruction			
Regular programs	\$ 25,808,149	\$ 41,464	\$ 3,729,202
Special programs	9,602,186	-	2,682,925
Vocational education	1,933,585	-	152,447
Other instructional programs	192,550	-	15,117
Support services			
Pupil personnel services	1,998,420	-	124,572
Instructional staff services	2,685,450	-	166,297
Administration services	3,397,982	-	1,341,904
Pupil health services	414,798	-	25,883
Business services	1,283,093	-	79,257
Operation and maintenance of plant services	4,772,330	190,919	482,301
Student transportation services	2,375,947	-	72,832
Central services	313,549	-	-
Other services	53,965	-	-
Operation of non-instructional services			
Food services	53,110	-	-
Student activities	1,395,185	162,111	-
Community services	153,749	-	7,988
Depreciation, unallocated	3,723,359	-	-
Debt service			
Interest	2,495,389	-	832,070
TOTAL GOVERNMENTAL ACTIVITIES	<u>62,652,796</u>	<u>394,494</u>	<u>9,712,795</u>
BUSINESS-TYPE ACTIVITIES			
Food service	2,347,017	1,043,294	1,158,310
TOTAL SCHOOL DISTRICT ACTIVITIES	<u>\$ 64,999,813</u>	<u>\$ 1,437,788</u>	<u>\$ 10,871,105</u>
GENERAL REVENUES			
Taxes			
Taxes, levied for general purposes			
Public utility taxes			
Earned income taxes			
Grants and contributions not restricted to specific programs			
Investment earnings			
Miscellaneous income			
TRANSFERS			
TOTAL GENERAL REVENUES AND TRANSFERS			
CHANGE IN NET POSITION			
NET POSITION AT BEGINNING OF YEAR, restated			
NET POSITION AT END OF YEAR			

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (22,037,483)	\$ -	\$ (22,037,483)
(6,919,261)	-	(6,919,261)
(1,781,138)	-	(1,781,138)
(177,433)	-	(177,433)
(1,873,848)	-	(1,873,848)
(2,519,153)	-	(2,519,153)
(2,056,078)	-	(2,056,078)
(388,915)	-	(388,915)
(1,203,836)	-	(1,203,836)
(4,099,110)	-	(4,099,110)
(2,303,115)	-	(2,303,115)
(313,549)	-	(313,549)
(53,965)	-	(53,965)
(53,110)	-	(53,110)
(1,233,074)	-	(1,233,074)
(145,761)	-	(145,761)
(3,723,359)	-	(3,723,359)
<u>(1,663,319)</u>	-	<u>(1,663,319)</u>
<u>(52,545,507)</u>	-	<u>(52,545,507)</u>
-	(145,413)	(145,413)
<u>(52,545,507)</u>	<u>(145,413)</u>	<u>(52,690,920)</u>
41,279,961	-	41,279,961
54,375	-	54,375
4,464,111	-	4,464,111
6,428,671	-	6,428,671
94,632	992	95,624
65,928	-	65,928
25,000	(25,000)	-
<u>52,412,678</u>	<u>(24,008)</u>	<u>52,388,670</u>
(132,829)	(169,421)	(302,250)
<u>(61,230,604)</u>	<u>(1,508,153)</u>	<u>(62,738,757)</u>
<u>\$ (61,363,433)</u>	<u>\$ (1,677,574)</u>	<u>\$ (63,041,007)</u>

GOVERNOR MIFFLIN SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 8,527,943	\$ 2,463	\$ -	\$ 8,530,406
Investments	2,949,190	4,955,405	-	7,904,595
Taxes receivable, net	1,190,612	-	-	1,190,612
Due from other governments	2,222,188	-	-	2,222,188
Due from other funds	-	744,200	-	744,200
Prepaid expenses	11,950	-	-	11,950
Interest receivable	375	-	-	375
	<u>14,902,258</u>	<u>5,702,068</u>	<u>-</u>	<u>20,604,326</u>
TOTAL ASSETS	\$ 14,902,258	\$ 5,702,068	\$ -	\$ 20,604,326
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 345,705	\$ -	\$ -	\$ 345,705
Due to other funds	744,200	-	-	744,200
Accrued salaries and benefits	5,428,550	-	-	5,428,550
TOTAL LIABILITIES	<u>6,518,455</u>	<u>-</u>	<u>-</u>	<u>6,518,455</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	852,073	-	-	852,073
FUND BALANCES				
Nonspendable, prepaid expenses	11,950	-	-	11,950
Committed, future retirement rate increases	1,800,000	-	-	1,800,000
Assigned, capital projects	500,000	5,702,068	-	6,202,068
Unassigned	5,219,780	-	-	5,219,780
TOTAL FUND BALANCES	<u>7,531,730</u>	<u>5,702,068</u>	<u>-</u>	<u>13,233,798</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,902,258	\$ 5,702,068	\$ -	\$ 20,604,326

See accompanying notes to the basic financial statements.

GOVERNOR MIFFLIN SCHOOL DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES JUNE 30, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 13,233,798

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.

These assets consist of:

Land and land improvements	21,845,276
Buildings and building improvements	98,216,707
Machinery and equipment	13,949,515
Accumulated depreciation	(50,644,640)

Deferred charges on refunding used in governmental activities are not financial resources and therefore are not reported in the funds.

These assets consist of:

Deferred charge on refunding	388,717
Accumulated amortization	(14,598)

Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds

245,000

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest	(631,752)
Bonds payable, including bond premium	(71,777,139)
Compensated absences	(531,293)
Net pension liability	(85,611,000)
Other postemployment benefits	(884,097)

Some of the School District's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

852,073

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (61,363,433)

See accompanying notes to the basic financial statements.

GOVERNOR MIFFLIN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 47,191,095	\$ 6,252	\$ -	\$ 47,197,347
State sources	14,725,183	-	-	14,725,183
Federal sources	625,679	-	-	625,679
TOTAL REVENUES	<u>62,541,957</u>	<u>6,252</u>	<u>-</u>	<u>62,548,209</u>
EXPENDITURES				
Instruction	36,129,317	-	-	36,129,317
Support services	16,885,752	91,335	-	16,977,087
Operation of non-instructional services	1,498,747	-	-	1,498,747
Facilities acquisition, construction and improvement services	-	444,858	-	444,858
Debt service				
Principal and interest	-	-	6,125,512	6,125,512
Debt issuance cost	-	-	169,431	169,431
TOTAL EXPENDITURES	<u>54,513,816</u>	<u>536,193</u>	<u>6,294,943</u>	<u>61,344,952</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,028,141</u>	<u>(529,941)</u>	<u>(6,294,943)</u>	<u>1,203,257</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	744,200	6,124,013	6,893,213
Transfers out	(6,868,213)	-	-	(6,868,213)
Refunding bonds issued	-	-	9,950,000	9,950,000
Premium on refunding bonds issued	-	-	49,430	49,430
Payment to refunded bond escrow agent	-	-	(9,828,500)	(9,828,500)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,843,213)</u>	<u>744,200</u>	<u>6,294,943</u>	<u>195,930</u>
NET CHANGE IN FUND BALANCES	1,184,928	214,259	-	1,399,187
FUND BALANCES AT BEGINNING OF YEAR	<u>6,346,802</u>	<u>5,487,809</u>	<u>-</u>	<u>11,834,611</u>
FUND BALANCES AT END OF YEAR	<u>\$ 7,531,730</u>	<u>\$ 5,702,068</u>	<u>\$ -</u>	<u>\$ 13,233,798</u>

See accompanying notes to the basic financial statements.

GOVERNOR MIFFLIN SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,399,187

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period. (2,914,024)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year. 5,599

The issuance of long-term debt provides current financial resources to Governmental Funds, while the repayment of the principal of long-term debt consumes the current financial resources of Governmental Funds. Neither transaction, however, has any effect on net position. Also, Governmental Funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 3,521,270

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:

Accrued interest not reflected in Governmental Funds 107,354
Pension plan expense (2,163,000)

In the statement of activities, certain operating expenses--compensated absences (vacations and sick leave) and other postemployment benefits--are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (89,215)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (132,829)

See accompanying notes to the basic financial statements.

GOVERNOR MIFFLIN SCHOOL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2015

	Enterprise Fund <u>Food Service Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 310,207
Due from other governments	19,112
Inventories	<u>50,458</u>
TOTAL CURRENT ASSETS	<u>379,777</u>
CAPITAL ASSETS	
Machinery and equipment	1,035,571
Accumulated depreciation	<u>(821,882)</u>
TOTAL CAPITAL ASSETS	<u>213,689</u>
TOTAL ASSETS	<u>593,466</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources, pension activity	<u>167,000</u>
LIABILITIES	
Accounts payable	4,916
Accrued salaries and benefits	12,124
Long-term liabilities	
Net pension liability	<u>2,298,000</u>
TOTAL LIABILITIES	<u>2,315,040</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources, pension activity	<u>123,000</u>
NET POSITION	
Net investment in capital assets	213,689
Unrestricted	<u>(1,891,263)</u>
TOTAL NET POSITION	<u>\$ (1,677,574)</u>

See accompanying notes to the basic financial statements.

GOVERNOR MIFFLIN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2015

	Enterprise Fund <u>Food Service Fund</u>
OPERATING REVENUES	
Charges for services	\$ <u>1,043,294</u>
OPERATING EXPENSES	
Salaries	690,899
Employee benefits	376,239
Purchased professional and technical service	5,727
Purchased property service	69,841
Other purchased service	969
Supplies	1,157,564
Depreciation	43,108
Other operating expenses	2,670
TOTAL OPERATING EXPENSES	<u>2,347,017</u>
OPERATING LOSS	<u>(1,303,723)</u>
NONOPERATING REVENUES	
Interest and investment revenue	992
State sources	167,813
Federal sources	990,497
TOTAL NONOPERATING REVENUES	<u>1,159,302</u>
LOSS BEFORE TRANSFERS	(144,421)
TRANSFERS OUT	<u>(25,000)</u>
CHANGE IN NET POSITION	(169,421)
NET POSITION AT BEGINNING OF YEAR, restated	<u>(1,508,153)</u>
NET POSITION AT END OF YEAR	<u>\$ (1,677,574)</u>

See accompanying notes to the basic financial statements.

GOVERNOR MIFFLIN SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

YEAR ENDED JUNE 30, 2015

	Enterprise Fund
	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,043,294
Payments to employees	(1,046,138)
Payments to suppliers	(1,110,919)
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,113,763)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(25,000)
Federal sources	879,925
State sources	169,399
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,024,324</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition, construction and improvements of capital assets	<u>(51,712)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>992</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(140,159)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>450,366</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 310,207</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (1,303,723)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	43,108
Donated foods	129,006
Pension expense	21,000
Increase in inventories	(8,609)
Increase in accounts payable, accrued expenses and other current liabilities	<u>5,455</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (1,113,763)</u>
SUPPLEMENTAL DISCLOSURES	
Noncash activities	
Donated foods	\$ 129,006

See accompanying notes to the basic financial statements.

GOVERNOR MIFFLIN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 22,287	\$ 138,519
Investments	<u>32,483</u>	<u>-</u>
TOTAL ASSETS	54,770	<u>\$ 138,519</u>
LIABILITIES		
Accounts payable	<u>-</u>	<u>\$ 138,519</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 54,770</u>	

See accompanying notes to the basic financial statements.

GOVERNOR MIFFLIN SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2015

	<u>Trust Funds</u>
ADDITIONS	
Investment earnings	\$ 892
DEDUCTIONS	
Scholarships awarded and fees	<u>2,100</u>
CHANGE IN NET POSITION	(1,208)
NET POSITION AT BEGINNING OF YEAR	<u>55,978</u>
NET POSITION AT END OF YEAR	<u>\$ 54,770</u>

See accompanying notes to the basic financial statements.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Governor Mifflin School District (the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (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 School District's accounting policies are described below.

Reporting Entity

The School District is located in Berks County, Pennsylvania. The School District is comprised of three elementary schools, one intermediate school, one middle school and one high school.

The accompanying basic financial statements comply with the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the School District's ability to impose its will over a component unit or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. This report presents the activities of the Governor Mifflin School District. The School District is not a component unit of another reporting entity nor does it have any component units.

The tax collectors are elected officers who collect taxes on behalf of the boroughs and townships in the School District and for the School District. The School District regards the tax collectors' offices as separate entities and, therefore, does not account for their activity in the financial statements.

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Fund financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for 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 School District considers revenues to be available if they are collected within 60 days of the end of the 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. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The Proprietary Fund Type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Proprietary Fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the School District's Enterprise Fund are charges to customers for sales and services.

Operating expenses for the Enterprise Fund include cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Trust Funds are reported using the economic resources measurement focus.

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

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary and fiduciary.

Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is expended or transferred according to the general laws of Pennsylvania.

Capital Project Fund - The Capital Project Fund accounts for financial resources related to general fixed asset acquisitions, construction and improvements.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Proprietary Fund

Food Service Fund - The Food Service Fund is used to account for operations (1) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Budgets

The Board of Directors annually adopts the budget for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary control is legally maintained at the fund level. The Board of Directors also approves budgetary transfers to revise the adopted budget throughout the fiscal year.

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are valued at fair value.

Short-Term Interfund Receivables/Payables

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which, when present, are shown as internal balances.

Inventories

General Fund materials and supplies are expensed as purchased. Enterprise Fund materials and supplies are expensed as used, and year-end inventories are priced on a first-in, first-out cost basis.

Capital Assets

Capital assets, which include property, plant, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District defines a capital asset as an asset with an initial, individual cost equal to or greater than \$2,500 (by purchase order). Capital 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.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property, plant and equipment of the School District are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	5
Buildings and building improvements	20-50
Machinery and equipment	5-20
Software	3

Long-Term Obligations

In the government-wide financial statements and Proprietary Fund Type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Fund Type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. 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 Funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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 other financing uses.

Compensated Absences

It is the School District's policy to permit employees to accumulate earned but unused vacation. These benefits are accrued when incurred in the government-wide and Proprietary Fund financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has only two items that qualify for reporting in this category. They are the deferred charge on refunding reported in the government-wide statement of net position and the deferred outflow related to pension activity, reported in the government-wide statement of net position and the proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, the difference between actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The second item, deferred inflows related to pension activity, are reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred inflow related to pension activity is the result of differences between projected and actual investment earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the School District will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

The School District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the School District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- ***Restricted Fund Balance*** - Amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- ***Committed Fund Balance*** - Amounts that are constrained for specific purposes that are internally imposed by the School District through formal action of the highest level of decision-making authority and do not lapse at year-end.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Assigned Fund Balance** - Amounts that are intended to be used for specific purposes, as expressed by the Board of Directors or by an official or body to which the Board of Directors delegates authority. As of June 30, 2015, the Board has not delegated the authority to assign fund balance.
- **Unassigned** - Amounts not contained in other classifications.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a motion. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the School District for specific purposes but does not meet the criteria to be classified as restricted or committed.

The School District will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Use of Estimates

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

NOTE B - CASH AND INVESTMENTS

Cash

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$9,299,133 of the School District's bank balance of \$9,692,929 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department not in the School District's name	\$ <u>9,299,133</u>
---	---------------------

Checking and savings accounts are covered by federal depository insurance or collateralized on a pooled basis under the provisions of Act 72 of 1971. As of June 30, 2015, the School District's deposits were covered by federal depository insurance up to \$250,000. Deposits of \$9,299,133 in excess of the FDIC coverage limits were collateralized under the provisions of Act 72 of 1971.

Interest Rate Risk - The School District's investment policy limits investment maturities in accordance with the Commonwealth of Pennsylvania School Code as a means of managing its exposure to fair value losses arising from increasing interest rates.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE B - CASH AND INVESTMENTS (Continued)

Investments

As of June 30, 2015, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities		
		Less Than 1 Year	1 to 5 Years	More Than 10 Years
State investment pools	\$ 7,804,595	\$ 7,804,595	\$ -	\$ -
U.S. Treasuries	22,278	-	-	22,278
Certificates of deposit	110,205	110,205	-	-
	<u>\$ 7,937,078</u>	<u>\$ 7,914,800</u>	<u>\$ -</u>	<u>\$ 22,278</u>

Credit Risk - State law permits the School District to invest funds in the following types of investments:

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 and 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.

The School District's investment policy does not further limit its investment choices. As of June 30, 2015, the School District's investment in the state investment pool was rated AAAM by Standard & Poor's.

NOTE C - TAXES - REAL ESTATE AND OTHER

The School Board is authorized by state law to levy property taxes for School District operations, capital improvements and debt service. Property taxes are based on assessed valuations of real property within the School District.

Taxes are levied on July 1 and payable in the following periods:

Discount period July 1 to August 31 - 2% of gross levy
 Face period September 1 to October 31
 Penalty period October 31 to collection - 10% of gross levy
 Lien date January 15

Earned income taxes are assessed at 1/2 of 1% of the taxpayer's earned income.

School District taxes are billed and collected by the local elected tax collectors.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015, consisted of taxes, interest and intergovernmental grants and entitlements. All receivables are considered fully collectible due to the ability to lien property for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

A summary of accounts receivable by fund is as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Totals</u>
Taxes receivable	\$ 1,190,612	\$ -	\$ 1,190,612
Intergovernmental	2,222,188	19,112	2,241,300
Interest receivable	<u>375</u>	<u>-</u>	<u>375</u>
	<u>\$ 3,413,175</u>	<u>\$ 19,112</u>	<u>\$ 3,432,287</u>

NOTE E - INTERFUND TRANSFERS

The composition of interfund transfers as of June 30, 2015, is as follows:

Interfund Transfers

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Debt Service Fund	General Fund	\$ 6,124,013
Capital Project Fund	General Fund	744,200
General Fund	Food Service Fund	<u>25,000</u>
		<u>\$ 6,893,213</u>

The School District typically transfers funds from the General Fund to the Debt Service Fund to pay for principal and interest due on outstanding bonds and notes payable. Additionally, the Board approved a transfer of excess fund balance above the subsequent year's budget from the General Fund to the Capital Project Fund.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE F - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 14,780,338	\$ -	\$ -	\$ 14,780,338
Capital assets being depreciated				
Land improvements	7,062,388	2,550	-	7,064,938
Buildings and building improvements	97,773,287	443,420	-	98,216,707
Machinery and equipment	13,586,151	363,364	-	13,949,515
TOTAL CAPITAL ASSETS BEING DEPRECIATED	118,421,826	809,334	-	119,231,160
Accumulated depreciation				
Land improvements	(6,709,912)	(120,978)	-	(6,830,890)
Buildings and building improvements	(30,532,850)	(2,772,750)	-	(33,305,600)
Machinery and equipment	(9,678,519)	(829,631)	-	(10,508,150)
TOTAL ACCUMULATED DEPRECIATION	(46,921,281)	(3,723,359)	-	(50,644,640)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	71,500,545	(2,914,025)	-	68,586,520
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	86,280,883	(2,914,025)	-	83,366,858
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Machinery and equipment	983,859	51,712	-	1,035,571
Accumulated depreciation	(778,775)	(43,107)	-	(821,882)
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	205,084	8,605	-	213,689
CAPITAL ASSETS, net	\$ 86,485,967	\$ (2,905,420)	\$ -	\$ 83,580,547

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE G - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
GENERAL OBLIGATION BONDS					
Series A of 2006	\$ 28,005,000	\$ -	\$ (11,785,000)	\$ 16,220,000	\$ 2,620,000
Series A of 2012	33,715,000	-	(5,000)	33,710,000	5,000
Series B of 2012	8,175,000	-	(875,000)	7,300,000	900,000
Series A of 2015	-	9,950,000	-	9,950,000	205,000
TOTAL GENERAL OBLIGATION BONDS	69,895,000	9,950,000	(12,665,000)	67,180,000	3,730,000
BOND PREMIUM	5,129,844	49,430	(582,135)	4,597,139	-
COMPENSATED ABSENCES	617,375	67,242	(89,667)	594,950	148,738
NET PENSION LIABILITY	87,547,000	-	(1,936,000)	85,611,000	-
OTHER POSTEMPLOYMENT BENEFITS	756,836	357,927	(230,666)	884,097	-
TOTAL LONG-TERM LIABILITIES	\$ 163,946,055	\$ 10,424,599	\$ (15,503,468)	\$ 158,867,186	\$ 3,878,738
BUSINESS-TYPE ACTIVITIES					
NET PENSION LIABILITY	\$ 2,349,000	\$ -	\$ (51,000)	\$ 2,298,000	\$ -

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest
2016	\$ 3,730,000	\$ 2,387,607
2017	3,190,000	2,250,113
2018	4,010,000	2,119,162
2019	4,235,000	1,949,963
2020	4,585,000	1,772,412
2021-2025	24,935,000	6,236,008
2026-2029	22,495,000	1,767,350
	\$ 67,180,000	\$ 18,482,615

General Obligation Bonds, Series A of 2006

On November 15, 2006, the School District issued General Obligation Bonds, Series A of 2006. The bonds were issued to refund the School District's General Obligation Variable Rate Demand Bonds, Series of 2006, and the payment of issuance costs. These bonds were partially refunded on April 21, 2015 with the issuance of General Obligation Bonds, Series A of 2015.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE G - LONG-TERM LIABILITIES (Continued)

The bonds mature through March 15, 2021, with interest which ranges from 4.25% to 5.00% charged at varying rates per year.

General Obligation Bonds, Series A of 2012

On December 20, 2012, the School District issued General Obligation Bonds, Series A of 2012, in the amount of \$33,725,000. The bonds were issued for the purpose of refunding General Obligation Bonds, Series of 2007, 2008 and 2010, and to pay the costs of issuance of the bonds. The bonds are scheduled to periodically mature from 2013 through 2029 with interest charged at rates from 0.35% to 4.00%.

General Obligation Bonds, Series B of 2012

On December 20, 2012, the School District issued General Obligation Bonds, Series B of 2012, in the amount of \$10,405,000. The bonds were issued for the purpose of making payment of the cost of termination of three interest rate swap agreements related to the refunding of General Obligation Bonds, Series of 2007, 2008 and 2010, and to pay the costs of issuance of the bonds. The bonds are scheduled to periodically mature from 2013 through 2029 with interest charged at rates from 0.35% to 2.45%.

General Obligation Bonds, Series A of 2015

On April 21, 2015, the School District issued General Obligation Bonds, Series A of 2015, in the amount of \$9,950,000. The bonds were issued for the purpose of advance refunding a portion of the School District's outstanding General Obligation Bonds, Series A of 2006, and to pay the costs of issuance of the bonds. The bonds are scheduled to periodically mature from 2016 through 2024 with interest charged at rates from 0.50% to 4.00%. The partial refinancing of the 2006 Bonds resulted in a reduction of required cash flows for debt service of approximately \$681,710 and an approximate estimated value of savings of \$545,249.

NOTE H - DEFERRED INFLOWS OF RESOURCES - PROPERTY TAXES

General Fund

Real estate taxes collected within 60 days of the close of the fiscal year are recorded as current revenues. The noncurrent portion of real estate taxes receivable is recorded as deferred inflows of resources until such time as it becomes available. Program grants received prior to the incurrence of qualifying expenditures are recorded as deferred inflows of resources.

At June 30, 2015, deferred inflows of resources consisted of delinquent taxes receivable of \$852,073.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - PENSION PLAN

Summary of Significant Accounting Policies

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information About the Pension Plan

Plan Description - PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided - PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - PENSION PLAN (Continued)

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Contributions

Members Contributions

- Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with services rendered on or after January 1, 2002.
- Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and the Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for the fiscal year ended June 30, 2015, was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the plan from the School District were \$5,720,000 for the year ended June 30, 2015.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - PENSION PLAN (Continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the School District reported a liability of \$87,909,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School District's proportion was 0.2221%, which was an increase of 0.0025% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$7,904,000. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental Activities:		
Net difference between projected and actual investment earnings	\$ -	\$ 6,162,000
Changes in proportions	809,000	-
Difference between employer contributions and proportionate share of total contributions	28,000	-
Contributions subsequent to the measurement date	<u>5,570,000</u>	<u>-</u>
	<u>\$ 6,407,000</u>	<u>\$ 6,162,000</u>
Business-type Activities:		
Net difference between projected and actual investment earnings	\$ -	\$ 123,000
Changes in proportions	16,000	-
Difference between employer contributions and proportionate share of total contributions	1,000	-
Contributions subsequent to the measurement date	<u>150,000</u>	<u>-</u>
	<u>\$ 167,000</u>	<u>\$ 123,000</u>

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - PENSION PLAN (Continued)

\$5,720,000 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending
June 30,

Governmental activities:

2016	\$ (1,339,000)
2017	(1,339,000)
2018	(1,339,000)
2019	(1,339,000)
2020	<u>31,000</u>
	<u>\$ (5,325,000)</u>

Business-type activities:

2016	\$ (26,000)
2017	(26,000)
2018	(26,000)
2019	(26,000)
2020	<u>(2,000)</u>
	<u>\$ (106,000)</u>

Actuarial Assumptions - The total pension liability as of June 30, 2014, was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Actuarial Cost Method** - Entry Age Normal - level % of pay
- **Investment Return** - 7.5%, includes inflation at 3.00%
- **Salary Increases** - Effective average of 5.50%, which reflects an allowance for inflation of 3.00, real wage growth of 1% and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Table (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - PENSION PLAN (Continued)

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE I - PENSION PLAN (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
School District's proportionate share of the net pension liability	\$ <u>109,654,000</u>	\$ <u>87,909,000</u>	\$ <u>69,344,000</u>

Pension Plan Fiduciary Net Position - Detailed information about PSERS's fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

NOTE J - COMPENSATED ABSENCES AND EARLY RETIREMENT INCENTIVE PLAN

School District employees who are required to work on a 12-month schedule are credited with vacation at rates which vary with length of service or job classification. Vacation (for most employee categories) may be taken or accumulated within certain limits and is paid prior to retirement or termination at the employee's current rate of pay.

The liability to current employees is estimated and will change since unused vacation will be paid at the rate of pay in effect at the time of separation. These accumulated leaves are recorded as an expenditure in the period taken or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years, which was \$594,950 at June 30, 2015, is recorded in compensated absences in the statement of net position.

NOTE K - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the School District to purchase commercial insurance for the risks of loss to which it is exposed. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE L - JOINT VENTURE

The School District is a participating member of the Berks Career & Technology Center (the "Center"). The Center is controlled and governed by a joint board, which is comprised of representative school board members of the participating schools. Direct oversight of the Center operations is the responsibility of the joint board. The School District's share of annual operating and capital costs for the Center fluctuates based on the percentage of enrollment. The School District's share for the 2014-2015 year was \$1,080,157.

During the year ended June 30, 1998, the Berks Career Vocational Technical School Authority issued \$34,850,000 of Lease Rental Bonds (Berks Career & Technology Center Project), Series of 1998, and loaned the proceeds to the Center. The proceeds are being used to renovate and build an addition to the Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay its annual share of the sublease rental from current revenues based on the School District's share of taxable real estate to the total market valuation of the taxable real estate of all participating school districts. The School District's share for the 2014-2015 year was \$232,785.

NOTE M - COMMITMENTS AND CONTINGENT LIABILITIES

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amounts, if any, to be immaterial.

Transportation Contract

On May 20, 2013, the School District entered into a new contract for a term from July 1, 2013 through the school term 2017-2018. The School District's payments are based on the contracted rates and the contractor invoices the District monthly for services. Payments are made on or about the 10th day of each month. The total cost incurred under the contract for the year ended June 30, 2015, was \$1,879,583.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE N - PARTICIPATION IN PUBLIC ENTITY RISK POOL

The School District is self-insured for workers' compensation under the laws of the Commonwealth of Pennsylvania. The School District is approved for self-insured workers' compensation annually from July 1 to June 30 by the Bureau of Worker's Compensation, Pennsylvania Department of Labor and Industry. The School District belongs to the School Districts Insurance Consortium (the "Consortium"), which is an association of 78 public school districts that pool their funds under the Intergovernmental Cooperation Act, Act 180 of 1972, as amended, in order to reduce workers' compensation insurance costs. The Commonwealth holds the School District fully responsible for all workers' compensation claims which arise during the period it is self-insured. The Consortium accepts responsibility for all claims in excess of the School District's self-insured retention. The Consortium further protects the School District by acquiring excess insurance for claims of \$500,000 or more and provides coverage of \$1,000,000.

NOTE O - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The School District provides medical and prescription drug benefits to eligible retired employees, spouses and dependents. The benefits, benefits level, employee contribution and employer contribution are administered by the School Board and can be amended by the School District through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the School District's General Fund.

A summary of plan provisions has been provided below for the groups covered under the plan.

Administrator Group

Eligibility - Must be eligible for PSERS retirement.

Coverage and Premium Sharing

Coverage: Medical and prescription drug.

Premium Sharing: Member must pay full premium.

Dependents: Spouse and family included.

Duration - Member is covered until Medicare age. Spouse is covered until the earlier of member reaches Medicare age or spouse reaches Medicare age.

Groups: Non-Professional Union and Non-Professional Non-Union

Eligibility - Must be eligible for PSERS retirement.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Coverage and Premium Sharing

Coverage: Medical and prescription drug.

Premium Sharing: Member must pay full premium.

Dependents: Spouse and family included.

Duration - Member is covered until Medicare age. Spouse is covered until the earlier of member reaches Medicare age or spouse reaches Medicare age.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation to the plan are as follows:

Normal cost	\$	175,121
Amortization of unfunded actuarial accrued liability		195,211
ANNUAL REQUIRED CONTRIBUTION (ARC)		<u>370,332</u>
Interest on net OPEB obligation		34,058
Adjustment to ARC		<u>(46,463)</u>
ANNUAL OPEB EXPENSE		357,927
Net OPEB contributions during the year		<u>(230,666)</u>
INCREASE IN NET OPEB OBLIGATION		127,261
Net OPEB obligation at beginning of year		<u>756,836</u>
NET OPEB OBLIGATION AT END OF YEAR	\$	<u><u>884,097</u></u>

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 331,699	64.93%	\$ 638,506
2014	329,793	64.12%	756,836
2015	357,927	64.44%	884,097

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE O - OTHER POSTEMPLOYMENT BENEFITS (Continued)

2009 was the first year of implementation of GASB Statement No. 45. The School District has elected to implement GASB Statement No. 45 prospectively.

Funded Status and Funding Progress

As of October 1, 2013, the actuarial accrued liability for benefits was \$3,179,775 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$25,332,787 and the ratio of the UAAL to the covered payroll was 12.55%.

The projection of future benefit payments for an ongoing plan involves 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 basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 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.

In the October 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7% in 2013, decreasing by .5% per year to 5.5% in 2016. Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. A total of 60% of all employees are assumed to elect coverage. The current superintendent is assumed to elect coverage. The UAAL is being amortized as a level percentage of projected payroll on an open basis over a 30-year period.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE P - PRIOR PERIOD ADJUSTMENT

The School District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, effective July 1, 2014.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record their share of the Public School Employees' Retirement System (PSERS) unfunded liability.

For the government-wide governmental activities, the School District has treated their proportionate share of beginning of year net pension liability of \$87,547,000 and beginning of year deferred outflows of resources of \$4,344,000 as having been recognized in the period incurred. The School District has adjusted beginning net position for the governmental activities from \$21,972,396 to (\$61,230,604).

For the proprietary fund food service fund and the government-wide business-type activities, the School District has treated their proportionate share of beginning of year net pension liability of \$2,349,000 and beginning of year deferred outflows of resources of \$116,000 as having been recognized in the period incurred. The School District has adjusted beginning net position for the proprietary fund food service fund and for the business-type activities from \$724,847 to (\$1,508,153).

NOTE Q - SUBSEQUENT EVENTS

In July 2015, the School District approved the partial refinancing of the General Obligation Bond, Series A of 2006, for the aggregate principal amount of \$9,700,000. The partial refinancing of this bond will be funded through new General Obligation Bonds, Series of 2016, in the amount of \$10,000,000.

REQUIRED SUPPLEMENTARY INFORMATION

GOVERNOR MIFFLIN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Local sources	\$ 48,296,432	\$ 46,441,253	\$ 47,191,095	\$ 749,842
State sources	13,957,992	14,812,884	14,725,183	(87,701)
Federal sources	655,795	767,036	625,679	(141,357)
TOTAL REVENUES	62,910,219	62,021,173	62,541,957	520,784
EXPENDITURES				
Instruction	37,679,227	36,842,570	36,129,317	713,253
Support services	17,438,175	17,507,063	16,885,752	621,311
Operation of non-instructional services	1,664,105	1,664,105	1,498,747	165,358
Facilities acquisition, construction and improvement services	-	-	-	-
Debt service	200,000	200,000	-	200,000
Budgetary reserve	3,288,000	3,166,723	-	3,166,723
TOTAL EXPENDITURES	60,269,507	59,380,461	54,513,816	4,866,645
EXCESS OF REVENUES OVER EXPENDITURES	2,640,712	2,640,712	8,028,141	5,387,429
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
Transfers out	(6,865,712)	(6,865,712)	(6,868,213)	(2,501)
Sale of general capital assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(6,840,712)	(6,840,712)	(6,843,213)	(2,501)
NET CHANGE IN FUND BALANCE	\$ (4,200,000)	\$ (4,200,000)	1,184,928	\$ 5,384,928
FUND BALANCE AT BEGINNING OF YEAR			6,346,802	
FUND BALANCE AT END OF YEAR			\$ 7,531,730	

See accompanying note to the budgetary comparison schedule.

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2015

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for the Capital Project Fund.

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

1. Prior to March 1, the Business Manager submits to the School Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the School District offices to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of an ordinance.
4. The Business Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed for the Special Revenue Fund. Formal budgetary integration is also not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
6. Budgeted amounts are as originally adopted or as amended by the School Board.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budgets during the year).

GOVERNOR MIFFLIN SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2015

School District's proportion of the net pension liability (asset)	<u>0.2221%</u>
School District's proportionate share of the net pension liability (asset)	\$ <u>87,909,000</u>
School District's covered-employee payroll	\$ <u>28,336,379</u>
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>310.23%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>57.24%</u>

GOVERNOR MIFFLIN SCHOOL DISTRICT
SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS
YEAR ENDED JUNE 30, 2015

Contractually required contribution	\$ 5,720,000
Contributions in relation to the contractually required contribution	<u>5,720,000</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u><u>-</u></u>
School District's covered-employee payroll	\$ <u><u>28,375,575</u></u>
Contributions as a percentage of covered-employee payroll	<u><u>20.16%</u></u>

GOVERNOR MIFFLIN SCHOOL DISTRICT
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED JUNE 30, 2015

SCHEDULE OF FUNDING PROGRESS

Valuation Date October 1,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2009	-	2,643,492	2,643,492	0%	26,037,154	10.15%
2011	-	2,962,042	2,962,042	0%	25,710,233	11.52%
2013	-	3,179,775	3,179,775	0%	25,332,787	12.55%

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 Board of Directors
Governor Mifflin School District
Shillington, Pennsylvania

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Governor Mifflin School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Governor Mifflin School District's basic financial statements, and have issued our report thereon dated November 10, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Governor Mifflin School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governor Mifflin School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governor Mifflin School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Governor Mifflin School District
Shillington, Pennsylvania

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maillie LLP

Oaks, Pennsylvania
November 10, 2015

***Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance With OMB Circular A-133***

To the Board of Directors
Governor Mifflin School District
Shillington, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Governor Mifflin School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Governor Mifflin School District's major federal programs for the year ended June 30, 2015. The Governor Mifflin School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Governor Mifflin School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Governor Mifflin School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Governor Mifflin School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Governor Mifflin School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

To the Board of Directors
Governor Mifflin School District
Shillington, Pennsylvania

Report on Internal Control Over Compliance

Management of the Governor Mifflin School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Governor Mifflin School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Governor Mifflin School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Maillie LLP

Oaks, Pennsylvania
November 10, 2015

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

GOVERNOR MIFFLIN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates
U.S. DEPARTMENT OF EDUCATION			
Passed through the Pennsylvania Department of Education			
Title I	84.010	013-14-0167	July 1, 2013 to June 30, 2014
Title I	84.010	013-15-0167	July 1, 2014 to June 30, 2015
Title II Improving Teacher Quality	84.367	020-15-0167	July 1, 2014 to June 30, 2015
Title III	84.365	010-15-0167	July 1, 2014 to June 30, 2015
Passed through the Berks County Intermediate Unit			
IDEA	84.027	N/A	July 1, 2013 to June 30, 2014
IDEA	84.027	N/A	July 1, 2014 to June 30, 2015
IDEA	84.027	062-15-0032	July 1, 2014 to June 30, 2015
IDEA	84.173	N/A	July 1, 2014 to June 30, 2015
TOTAL FORWARD			
Passed through the Pennsylvania Department of Public Welfare			
Medical Assistance Reimbursement	93.778	N/A	July 1, 2013 to June 30, 2014
Medical Assistance Reimbursement	93.778	N/A	July 1, 2014 to June 30, 2015
TOTAL FORWARD			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Pennsylvania Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	N/A	July 1, 2013 to June 30, 2014
National School Lunch Program	10.555	N/A	July 1, 2014 to June 30, 2015
SUBTOTAL FORWARD			

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
\$ 411,164	\$ 218,704	\$ 218,704	\$ -	\$ -	\$ -
474,258	486,453	-	474,258	474,258	(12,195)
77,947	78,125	-	77,947	77,947	(178)
14,257	14,257	-	14,257	14,257	-
680,400	510,346	510,346	-	-	-
739,717	369,238	-	739,717	739,717	370,479
20,000	-	-	20,000	20,000	20,000
2,681	<u>2,681</u>	<u>-</u>	<u>2,681</u>	<u>2,681</u>	<u>-</u>
	<u>1,679,804</u>	<u>729,050</u>	<u>1,328,860</u>	<u>1,328,860</u>	<u>378,106</u>
N/A	3,351	3,351	-	-	-
N/A	<u>7,672</u>	<u>-</u>	<u>9,217</u>	<u>9,217</u>	<u>1,545</u>
	<u>11,023</u>	<u>3,351</u>	<u>9,217</u>	<u>9,217</u>	<u>1,545</u>
N/A (f)	30,492	30,492	-	-	-
N/A (f)	<u>727,438</u>	<u>-</u>	<u>742,060</u>	<u>742,060</u>	<u>14,622</u>
	<u>\$ 757,930</u>	<u>\$ 30,492</u>	<u>\$ 742,060</u>	<u>\$ 742,060</u>	<u>\$ 14,622</u>

GOVERNOR MIFFLIN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/ Ending Dates
U.S. DEPARTMENT OF EDUCATION			
TOTAL FORWARDED			
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
TOTAL FORWARDED			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Pennsylvania Department of Education			
Child Nutrition Cluster			
SUBTOTAL FORWARDED			
School Breakfast Program	10.553	N/A	July 1, 2013 to June 30, 2014
School Breakfast Program	10.553	N/A	July 1, 2014 to June 30, 2015
School Breakfast Program	N/A	N/A	July 1, 2013 to June 30, 2014
School Breakfast Program	N/A	N/A	July 1, 2014 to June 30, 2015
Food Nutrition Service	N/A	N/A	July 1, 2013 to June 30, 2014
Food Nutrition Service	N/A	N/A	July 1, 2014 to June 30, 2015
Passed through the Pennsylvania Department of Agriculture			
National School Lunch Program	10.555	N/A	July 1, 2014 to June 30, 2015
TOTAL U.S. DEPARTMENT OF AGRICULTURE			
TOTAL FEDERAL AND STATE AWARDS			

Footnotes:

- (a) U.S.D.A. donated foods received.
- (b) Beginning inventory at July 1, 2014.
- (c) Total value of foods used.
- (d) Ending inventory at June 30, 2015.
- (f) Federal portion of National School Lunch Program.
- (s) State funds.

See accompanying notes to the schedule of expenditures of federal and state awards.

<u>Program or Award Amount</u>	<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2015</u>
	\$ <u>1,679,804</u>	\$ <u>729,050</u>	\$ <u>1,328,860</u>	\$ <u>1,328,860</u>	\$ <u>378,106</u>
	<u>11,023</u>	<u>3,351</u>	<u>9,217</u>	<u>9,217</u>	<u>1,545</u>
	757,930	30,492	742,060	742,060	14,622
N/A (f)	5,765	5,765	-	-	-
N/A (f)	116,229	-	119,431	119,431	3,202
N/A (s)	2,403	2,403	-	-	-
N/A (s)	55,263	-	56,312	56,312	1,049
N/A (s)	472	472	-	-	-
N/A (s)	9,031	-	9,270	9,270	239
N/A	<u>129,006</u> (a)	<u>11,112</u> (b)	<u>109,451</u>	<u>109,451</u> (c)	<u>(8,443)</u> (d)
	<u>1,076,099</u>	<u>50,244</u>	<u>1,036,524</u>	<u>1,036,524</u>	<u>10,669</u>
	\$ <u><u>2,766,926</u></u>	\$ <u><u>782,645</u></u>	\$ <u><u>2,374,601</u></u>	\$ <u><u>2,374,601</u></u>	\$ <u><u>390,320</u></u>

GOVERNOR MIFFLIN SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2015

NOTE A - ORGANIZATION AND SCOPE

The federal programs as listed in the schedule of expenditures of federal and state awards are accounted for by the School District in the General Fund for U.S. Department of Education programs and in the Food Service Fund for U.S. Department of Agriculture programs.

NOTE B - DONATED FOODS

Donated foods were valued according to cost estimates provided by the U.S.D.A.

NOTE C - PROGRAM DISCLOSURES

U.S. Department of Education

Funds passed through the Pennsylvania Department of Education under Title I are used primarily to provide education to economically disadvantaged children. Funds received under other grants are used to support instructional programs.

U.S. Department of Agriculture

Funds passed through the Pennsylvania Departments of Education and Agriculture are used to provide nutritional meals to economically disadvantaged children.

GOVERNOR MIFFLIN SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Noncompliance material to financial statements noted: **No**

Federal Awards

Internal control over major programs:

Significant deficiencies identified: **No**

Significant deficiencies identified that are considered to be material weaknesses: **No**

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the Circular: **No**

Identification of major programs:

<u>Program</u>	<u>CFDA</u>
IDEA	84.027, 84.173

The threshold used for distinguishing Types A and B programs was \$300,000.

Auditee qualified as a low-risk auditee: **Yes**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

GOVERNOR MIFFLIN SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

None.