

Single Audit or Program-Specific Audit Reporting Package Checklist

Subrecipient Name:

Fiscal Year End: Format: MM/DD/YYYY

Address:

Contact Name:

Contact Title:

Contact Number: Format: (XXX)XXX-XXXX

The subrecipient who qualifies to submit a complete **Single Audit Reporting Package** must include the following essential elements:

- Independent Auditor's Report on the financial statements
- Financial statements and notes to the financial statements
- Independent Auditor's Report on the Schedule of Expenditures of Federal Awards (SEFA)
- Schedule of Expenditures of Federal Awards (SEFA)
- A report on compliance & internal control at the financial statement level in accordance with Government Auditing Standards
- A report on compliance & internal control at the federal level in accordance with OMB Circular A-133
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings (if applicable)
- Corrective Action Plan (if applicable)
- Data Collection Form
- Management Letter (if applicable)

The subrecipient who qualifies to submit a complete **Program-Specific Audit Reporting Package** must include the following essential elements:

- Independent Auditor's Report on the federal program's financial statements or the federal program's SEFA
- Financial statements or SEFA of the federal program and notes to the program's financial statements or SEFA
- A report on compliance & internal control related to the federal program
- Schedule of Findings and Questioned Costs
- Summary Schedule of Prior Audit Findings (if applicable)
- Corrective Action Plan (if applicable)
- Data Collection Form
- Management Letter (if applicable)

[Print Checklist](#)



**SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE
MORRISVILLE, PENNSYLVANIA
BUCKS COUNTY**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

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INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
School District of Borough of Morrisville
Morrisville, Pennsylvania**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District of Borough of Morrisville, Morrisville, Pennsylvania, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District of Borough of Morrisville's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the financial statements of the School District of Borough of Morrisville as of and for the year ended June 30, 2011 and, in our report dated December 14, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the School District of Borough of Morrisville, Morrisville, Pennsylvania, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 17, 2013, on our consideration of the School District of Borough of Morrisville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison schedule – general fund and other post employment benefits schedule of funding progress on pages 3 through 13 and 41 and 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District of Borough of Morrisville's financial statements as a whole. The accompanying schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations," and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule of expenditures of federal awards and certain state grants has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and certain state grants is fairly stated in all material respects in relation to the financial statements as a whole.

BBD, LLP

Philadelphia, Pennsylvania
January 17, 2013

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

Management's discussion and analysis ("**MD&A**") of the financial performance of the School District of Borough of Morrisville (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2012. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of two schools – one elementary and an intermediate/high school consisting of approximately 1,010 students including those attending the Bucks County Tech High School and other out-of-District placements. The District is located in southeastern Bucks County and encompasses a total land area of 1.8 square miles. The District borders the Delaware River to the east, the Township of Falls to the south and west, and the Township of Lower Makefield to the north, and lies approximately 20 miles northeast of Philadelphia, Pennsylvania. The District employs approximately 132 full and part-time employees. The teaching staff and administration consists of 73 professionals.

The mission of the District is to prepare confident students who are knowledgeable and capable of utilizing academic and social skills necessary to thrive in a complex society by providing a superior education in a stimulating, secure environment through the effective use of challenging instructional strategies, technology and extra-curricular activities that are designed to meet the needs of individual students, capitalizing upon its unique position as a small district within a large area rich in historic and cultural resources.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, including all governmental activities and business-type activities, the assets of the District exceeded liabilities resulting in total net assets at the close of the 2011-2012 fiscal year of \$2,162,675. During the 2011-2012 fiscal year, the District had a decrease in total net assets of \$704,345. The net assets of governmental activities decreased by \$715,839 and net assets of business-type activities increased by \$11,494.
- The General Fund reported a decrease in fund balance of \$1,076,778, bringing the cumulative balance to \$1,347,419 at the conclusion of the 2011-2012 fiscal year.
- At June 30, 2012, the General Fund fund balance includes \$17,069 which is considered nonspendable, \$762,484 committed for the payments of early retirement incentive benefits, \$267,166 committed for anticipated increases in the District's required share of retirement contributions, and \$210,700 committed to balance the 2012-2013 budget and unassigned amounts of \$90,000 or 0.50% of the \$18,007,364 2012-2013 General Fund expenditure budget. This is in compliance with guidelines prescribed by the Pennsylvania Department of Education which allows a District to maintain an unassigned maximum General Fund fund balance of 8% of the following year's expenditure budget.
- The Capital Projects Fund reported a decrease in fund balance of \$254,040 related to the expending of proceeds from general obligation debt and resources accumulated for capital expenditures. The cumulative remaining fund balance in the Capital Projects Fund was \$227,840 at the conclusion of the 2011-2012 fiscal year which is restricted for future capital expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

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

Governmental Activities

Most of the District's basic services are included here, such as regular and special education, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 14 and 15 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the two major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

The governmental fund financial statements can be found on Pages 16 through 19 of this report.

Proprietary Funds

The District maintains one type of proprietary fund. The Food Service Fund is reported as an enterprise fund of the proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The proprietary fund financial statements can be found on Pages 20 through 22 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 23 and 24 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 25 through 40 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund and a schedule concerning the District's progress in funding its obligation to provide other post-employment benefits.

The required supplementary information can be found on Pages 41 and 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net assets may serve over time as a useful indicator of the District's financial position. At the close of the 2011-2012 fiscal year the District's assets exceeded liabilities by \$ 2,162,675. The following table presents condensed information for the *Statement of Net Assets* of the District at June 30, 2012 and 2011.

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current assets	\$ 3,132,628	\$ 4,975,244	\$76,499	\$70,802	\$ 3,209,127	\$ 5,046,046
Noncurrent assets	<u>10,060,243</u>	<u>9,781,959</u>	<u>24,290</u>	<u>19,679</u>	<u>10,084,533</u>	<u>9,801,638</u>
Total assets	<u>13,192,871</u>	<u>14,757,203</u>	<u>100,789</u>	<u>90,481</u>	<u>13,293,660</u>	<u>14,847,684</u>
LIABILITIES						
Current liabilities	1,009,037	1,610,117	67,699	68,885	1,076,736	1,679,002
Non-current liabilities	<u>10,054,249</u>	<u>10,301,662</u>	<u>-</u>	<u>-</u>	<u>10,054,249</u>	<u>10,301,662</u>
Total liabilities	<u>11,063,286</u>	<u>11,911,779</u>	<u>67,699</u>	<u>68,885</u>	<u>11,130,985</u>	<u>11,980,664</u>
NET ASSETS						
Invested in capital assets, net of related debt	1,725,822	1,286,132	24,290	19,679	1,750,112	1,305,811
Restricted	227,840	481,880	-	-	227,840	481,880
Unrestricted	<u>175,923</u>	<u>1,077,412</u>	<u>8,800</u>	<u>1,917</u>	<u>184,723</u>	<u>1,079,329</u>
Total net assets	<u>\$ 2,129,585</u>	<u>\$ 2,845,424</u>	<u>\$33,090</u>	<u>\$21,596</u>	<u>\$ 2,162,675</u>	<u>\$ 2,867,020</u>

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

The District's total assets as of June 30, 2012 were \$13,293,660 of which \$1,630,292 or 12.26% consisted of cash and \$9,918,211 or 74.61% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2012 were \$10,930,985 of which \$8,334,421 or 76.25% consisted of general obligation debt used to acquire and construct capital assets.

Of the District's total net assets at June 30, 2012, \$184,723 is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors. The District's unrestricted net assets decreased by \$894,606 during 2011-2012 primarily due to the results of current year operations.

A portion of the District's net assets is its restricted net assets which totaled \$227,840 as of June 30, 2012. All of the District's restricted net assets related to amounts restricted for capital expenditures through Board resolution.

The largest portion of the District's net assets reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2012, the District's investment in capital assets, net of related debt, increased by \$444,301 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with funding sources other than long-term debt.

The following table presents condensed information for the *Statement of Activities* of the District for 2012 and 2011:

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues						
Charges for services	\$ 71,914	\$ 70,006	\$158,869	\$147,079	\$ 230,783	\$ 217,085
Operating grants and contributions	3,118,026	3,932,196	254,428	232,773	3,372,454	4,164,969
Capital grants and contributions		-	-	-	-	-
General revenues						
Property taxes levied for general purposes	10,806,707	10,707,963	-	-	10,806,707	10,707,963
Other taxes	15,133	15,521	-	-	15,133	15,521
Grants and entitlements not restricted to specific programs	3,355,922	2,918,276	-	-	3,355,922	2,918,276
Investment earnings	9,866	31,036	7	35	9,873	31,071
Total revenues	<u>17,377,568</u>	<u>17,674,998</u>	<u>413,304</u>	<u>379,887</u>	<u>17,790,872</u>	<u>18,054,885</u>

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
EXPENSES						
Instruction	13,141,113	13,154,170	-	-	13,141,113	13,154,170
Instructional student support services	844,608	829,212	-	-	844,608	829,212
Administrative and financial support services	1,383,048	1,794,323	-	-	1,383,048	1,794,323
Operation and maintenance of plant services	1,373,419	1,397,701	-	-	1,373,419	1,397,701
Pupil transportation	615,802	529,007	-	-	615,802	529,007
Student activities	322,935	400,531	-	-	322,935	400,531
Community services	34,156	42,539	-	-	34,156	42,539
Interest and amortization expense related to non-current liabilities	358,326	355,648	-	-	358,326	355,648
Food service	-	-	421,810	414,151	421,810	414,151
Total expenses	<u>18,073,407</u>	<u>18,503,131</u>	<u>421,810</u>	<u>414,151</u>	<u>18,495,217</u>	<u>18,917,282</u>
Change in net assets before transfers	(695,839)	(828,133)	(8,506)	(34,264)	(704,345)	(862,397)
Transfers	<u>(20,000)</u>	<u>(29,000)</u>	<u>20,000</u>	<u>29,000</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>\$ (715,839)</u>	<u>\$ (857,133)</u>	<u>\$ 11,494</u>	<u>\$ (5,264)</u>	<u>\$ (704,345)</u>	<u>\$ (862,397)</u>

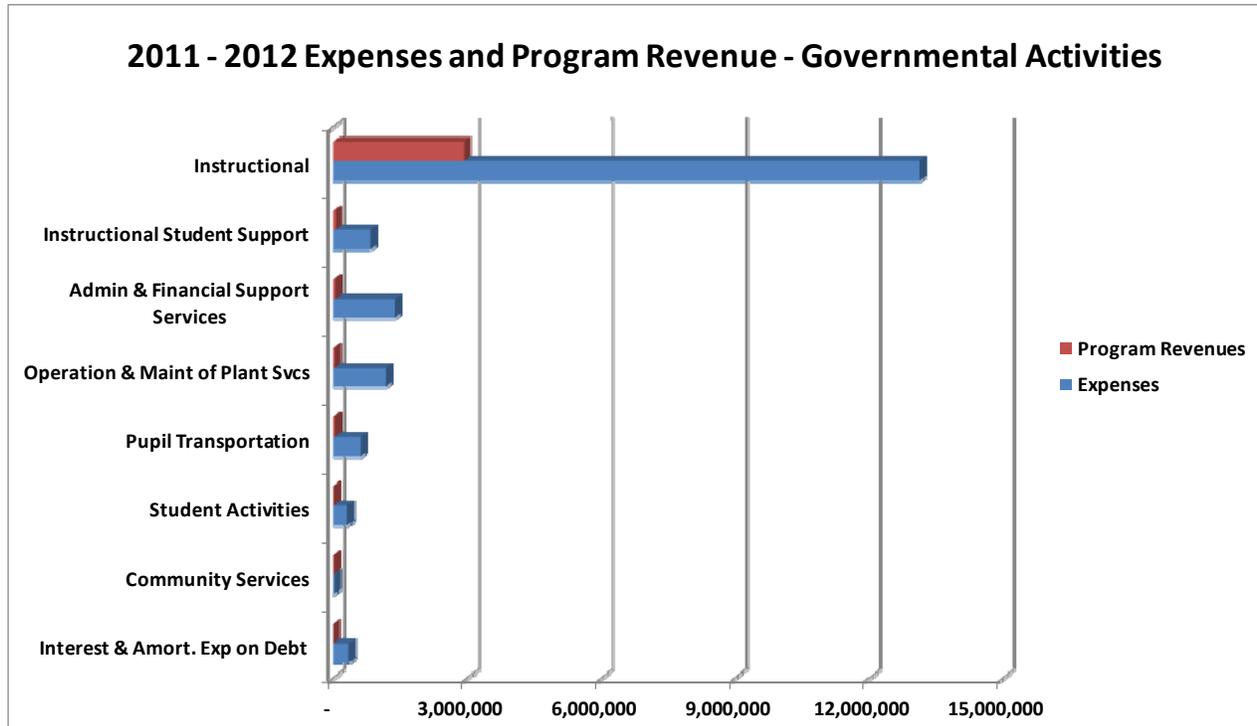
During 2011-2012, the District's net assets decreased by \$704,345 in part due to increased medical costs and pension contributions, state-mandated programs and changes in negotiated contracts. Management of the District continues to aggressively implement expense efficiency measures and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed tax base drives the majority of the revenue generated. The District consists solely of the Borough of Morrisville which has little commercial or industrial tax revenue and limited opportunity to expand its property tax base.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

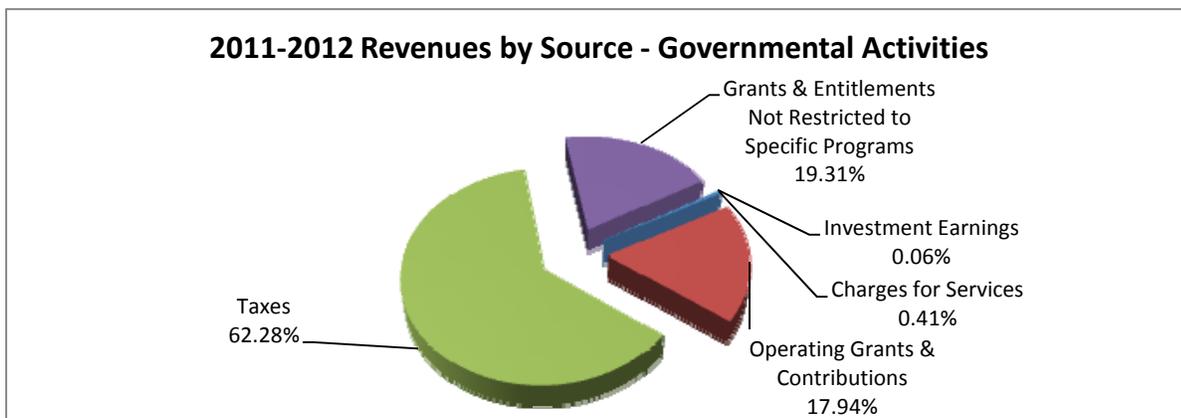
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting, raising enough program revenue to cover their costs, as most traditional governmental services are not.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues and grants end entitlements not restricted for specific programs to finance its governmental activities.



SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

GOVERNMENTAL FUNDS

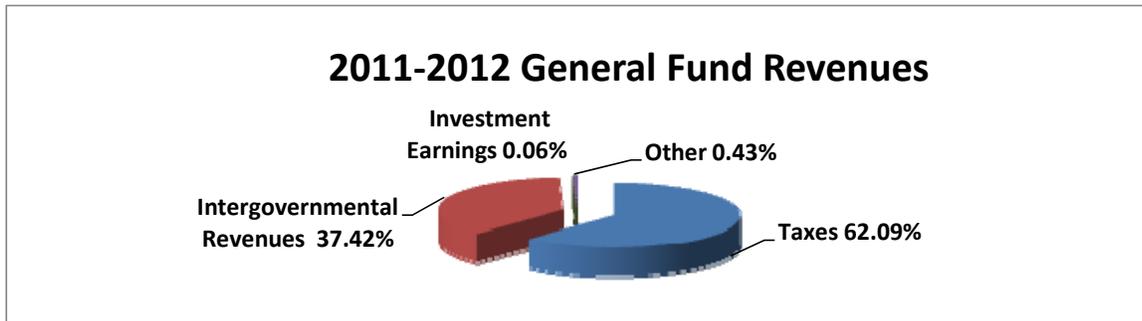
The governmental fund financial statements provide detailed information of the District's major funds. Some funds are required to be established by State statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2012, the District's governmental funds reported a combined fund balance of \$1,575,259 which is a decrease of \$1,330,818 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2012 and 2011 and the total 2012 change in governmental fund balances.

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>
General Fund	\$1,347,419	\$2,424,197	\$(1,076,778)
Capital Projects Fund	<u>227,840</u>	<u>481,880</u>	<u>(254,040)</u>
	<u>\$1,575,259</u>	<u>\$2,906,077</u>	<u>\$(1,330,818)</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2011-2012 fiscal year, the General Fund fund balance was \$1,347,419 representing a decrease of \$1,076,778 in relation to the prior year. The decrease in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2011-2012 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 62.09% of General Fund revenues are derived from local taxes.



General Fund Revenues

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Taxes	\$10,738,822	\$10,815,875	\$ (77,053)	(0.71)
Intergovernmental revenues	6,472,031	6,850,000	(377,969)	(5.52)
Investment earnings	9,735	28,365	(18,630)	(65.68)
Other	<u>73,832</u>	<u>70,482</u>	<u>3,350</u>	<u>4.75</u>
	<u>\$17,294,420</u>	<u>\$17,764,722</u>	<u>\$(470,302)</u>	<u>(2.65)</u>

Although the real estate tax millage remained unchanged at 177.30 mills in 2011-2012 compared to 2010-2011, decreases in the District's real estate tax collection rates during 2011-2012 in relation to 2010-2011 was the primary reason for the overall decrease in tax revenues.

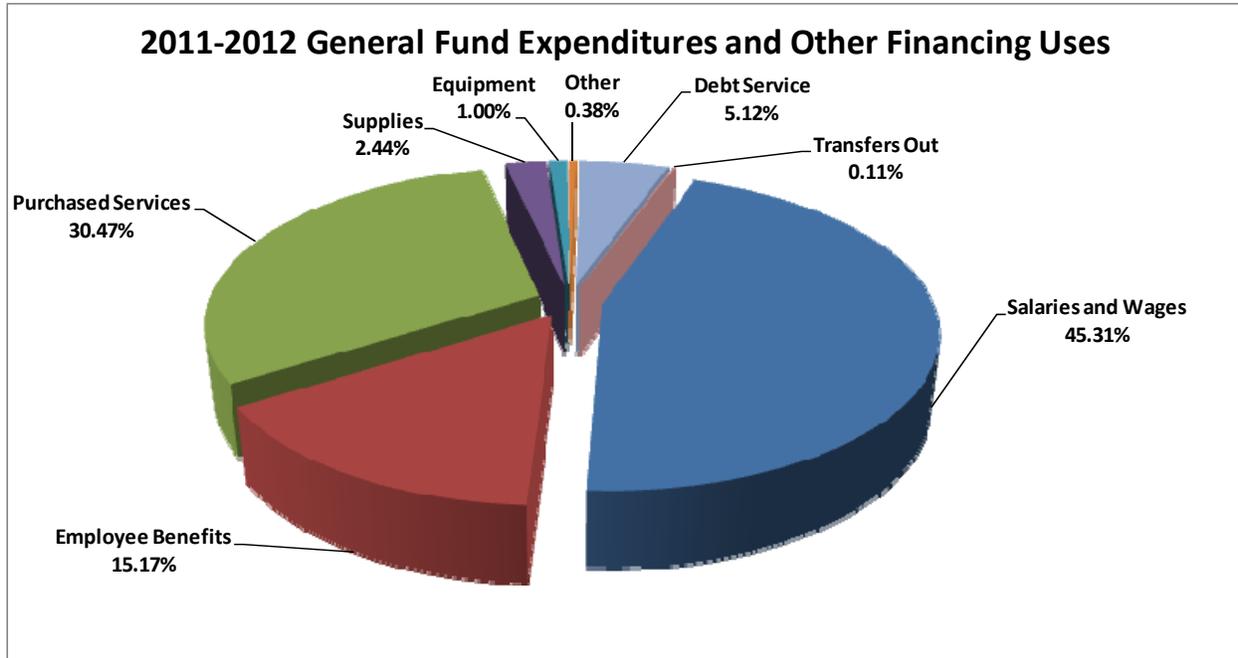
Intergovernmental revenues decreased in 2011-2012 compared to 2010-2011 as a result of the expiration of funding received through the American Recovery and Reinvestment Act at the conclusion of 2010-2011 and reductions in funding from the State.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Sources

	<u>2012</u>	<u>2011</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$ 8,324,032	\$ 8,569,169	\$(245,137)	(2.86)
Employee benefits	2,787,360	2,764,618	22,742	0.82
Purchased services	5,597,459	5,262,611	334,848	6.36
Supplies	448,063	484,022	(35,959)	(7.43)
Equipment	184,520	105,456	79,064	74.97
Other	69,174	54,050	15,124	27.98
Debt service	940,590	936,737	3,853	0.41
Transfers Out	<u>20,000</u>	<u>29,000</u>	<u>(9,000)</u>	<u>(31.03)</u>
	<u>\$18,371,198</u>	<u>\$18,205,663</u>	<u>\$ 165,535</u>	<u>0.91</u>

Salaries and wages decreased by \$245,137 or 2.86% in 2011-2012 compared to 2010-2011 in part due to the early retirement incentive plan offered at the end of 2010-2011 school year. Early retirement plans are structured to encourage older employees to retire before conventional retirement age by providing them certain incentives and replacing them with younger employees with reduced salaries and benefits. In addition to the early retirement incentive plan, the District was able to decrease costs related to salaries and wages by not replacing or delaying certain staff vacancies, reducing support staff hours where practical and combining job assignments.

The District's expense for retirement increased by \$214,277 as a result of the increase in the required annual retirement contribution from 5.64% in 2010-2011 to 8.65% in 2011-2012 which was offset by a decrease in other benefits as a result of the early retirement incentive plan and not replacing or delaying certain staff vacancies as described above.

Purchased services increased by \$334,848 or 6.36% in 2011-2012 compared to 2010-2011 primarily due to increased costs for special education tuition and transportation and an increase in the District's proportionate share of operating costs for the Bucks County Technical High School. Increases were offset by decreases in energy costs as a result of the District actively controlling and monitoring energy consumption as well as implementing energy efficient improvements to District facilities.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

Equipment costs increased as a direct result of three vans purchased in 2011-2012 totaling approximately \$79,000.

CAPITAL PROJECTS FUND

The Capital Projects Fund fund balance decreased by \$254,040 as proceeds from general obligation debt and resources accumulated for capital expenditures were expended. The remaining fund balance of \$227,840 as of June 30, 2012 is restricted for capital expenditures.

GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

Actual revenues were \$316,584 more than budgeted amounts and actual expenditures and other financing uses were \$1,143,362 more than budgeted amounts resulting in a net overall negative variance of \$826,778. Major budgetary highlights for 2011-2012 were as follows:

- Actual state source revenues were \$259,903 more than budgeted amounts due to revisions in the State budget that resulted in increased funding to the District subsequent to the adoption of the District's final budget.
- Actual federal source revenues were \$128,201 more than budgeted amounts due to additional funding received in 2011-2012 for the 21st Century Community Learning Centers program and through the Medical ACCESS program not originally budgeted.
- Total instruction expenditures were \$1,190,975 more than budgeted amounts primarily within the regular and special education functions. Budgeted amounts for instruction expenditures were overspent primarily due to unanticipated expenditures for special education tuition and transportation and expenditures not originally budgeted associated with additional federal source grant funding received in 2011-2012.
- Total support service expenditures were \$165,461 less than budgeted amounts primarily within the operation and maintenance of plant services function. Expenditures under budgeted amounts were realized due to energy savings as a result of the District actively controlling and monitoring energy consumption as well as implementing energy efficient improvements to the District's facilities.
- Total operation of non-instructional services expenditures were \$124,963 more than budgeted amounts as a result of more than anticipated expenditures related to student athletics.

BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUND

The business-type activities and proprietary fund of the District both report the activities of the District's food service operations. The net assets of the business-type activities and proprietary fund increased by \$11,494. As of June 30, 2012, the business-type activities and proprietary fund had net assets of \$33,090. The 2011-2012 operating loss in the food service fund was subsidized by an operating transfer of \$20,000 from the General Fund.

CAPITAL ASSETS

The District's investment in capital asset for its governmental and business-type activities as of June 30, 2012 amounted to \$9,918,211 net of accumulated depreciation. This investment in capital assets includes construction-in-progress, land improvements, buildings and improvements and furniture and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$295,369 or 3.07%. Current year capital additions were \$730,971 depreciation expense was \$434,552, and net disposals were \$1,050.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

Major capital additions for the current fiscal year included the following:

- Intermediate/High School and Grandview Elementary energy savings project \$427,096
- Grandview Elementary School parking lot project \$153,491
- Three student transportation vans \$ 79,308

NON-CURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$8,334,421 consisting of \$5,630,000 in bonds payable, a \$1,699,000 in notes payable and a \$1,005,421 bond premium. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt decreased by \$161,406 or 1.90% during the fiscal year. During 2011-2012, the District issued General Obligation Note, Series of 2011, in the amount of \$446,000. The proceeds from the issuance of the note were used to finance an energy savings lighting project at the Intermediate/High School and Grandview Elementary School and to pay for the costs of issuance.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The current debt limitation for the District is \$39,857,603 which is in excess of the District's outstanding general obligation debt.

Other non-current liabilities consist of the District's liabilities for compensated absences, early retirement incentive plans, a claim payable and its net obligation for post-employment benefits, which totaled \$1,719,828 as of June 30, 2012. These liabilities decreased by \$86,007 or 4.76% during the fiscal year. The net decrease in other non-current liabilities is primarily due to the payment of approved early retirement incentive benefits to retired professional staff during 2011-2012.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

- In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the State level. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education from property owners. This new legislation has put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to either change their taxing strategies to make up for the shortfall of increased real estate tax refunds or seek the taxpayers' approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduces certain new requirements on school districts which include the following:
 - ◆ That in the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state, (1.7% for School District of Borough of Morrisville for 2012-2013) the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2012

- ◆ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.
- ◆ Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders. (Act 1 permitted slot machine gambling in Pennsylvania.)
- On November 23, 2010, Governor Edward Rendell signed Pension Reform Legislation ("**House Bill 2497**") into law. The legislation is now known as Act 120 of 2010. House Bill 2497 includes a series of actuarial and funding changes to the public school employees' retirement system ("**PSERS**") and benefit reductions for individuals who become new members of PSERS on or after July 1, 2011. House Bill 2497 will not impact the pension benefits of current or retired PSERS members. As a result of the legislation, the employer contribution rate for 2013-2014 is projected at 16.93%. Currently, the employer contribution rate for 2012-2013 is 12.36% which is an increase of 42.89% from the 2011-2012 employer contribution rate of 8.65%. The increase in the employer contribution rate in 2012-2013 is estimated to increase the District's retirement contribution by approximately \$114,300 of which the District's share is \$57,150.
- The District adopted a balanced 2012-2013 budget totaling \$18,007,364 which used \$718,869 of General Fund fund balance as of June 30, 2012 and the real estate tax millage remained unchanged.
- The District settled a new three-year collective bargaining agreement with the Morrisville Education Association which expires at the conclusion of 2014-2015 school year. The collective bargaining agreement with the Morrisville Educational Support Personnel Association expired at the conclusion of 2011-2012 and a new agreement continues to be negotiated.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Administrator, School District of Borough of Morrisville, 550 West Palmer Street, Morrisville, PA 19067-2195.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

STATEMENT OF NET ASSETS

June 30, 2012 with summarized comparative totals for 2011

	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
ASSETS				
CURRENT ASSETS				
Cash	\$ 1,589,249	\$41,043	\$ 1,630,292	\$ 2,910,786
Investments	-	-	-	595,000
Taxes receivable	723,801	-	723,801	675,516
Due from other governments	666,817	8,260	675,077	553,938
Internal balances	(20,000)	20,000	-	-
Other receivables	155,692	-	155,692	154,888
Prepaid expenses	17,069	-	17,069	149,659
Inventories	-	7,196	7,196	6,259
Total current assets	<u>3,132,628</u>	<u>76,499</u>	<u>3,209,127</u>	<u>5,046,046</u>
NON-CURRENT ASSETS				
Capital assets, net	9,893,921	24,290	9,918,211	9,622,842
Debt issuance costs, net	166,322	-	166,322	178,796
Total non-current assets	<u>10,060,243</u>	<u>24,290</u>	<u>10,084,533</u>	<u>9,801,638</u>
Total assets	<u>13,192,871</u>	<u>100,789</u>	<u>13,293,660</u>	<u>14,847,684</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	460,417	67,699	528,116	1,156,668
Accrued salaries, payroll withholdings and benefits	475,321	-	475,321	440,243
Deferred revenues	-	-	-	2,527
Accrued interest payable	73,299	-	73,299	79,564
Total current liabilities	<u>1,009,037</u>	<u>67,699</u>	<u>1,076,736</u>	<u>1,679,002</u>
NON-CURRENT LIABILITIES				
Due within one year	1,085,275	-	1,085,275	1,127,849
Due in more than one year	8,968,974	-	8,968,974	9,173,813
Total non-current liabilities	<u>10,054,249</u>	<u>-</u>	<u>10,054,249</u>	<u>10,301,662</u>
Total liabilities	<u>11,063,286</u>	<u>67,699</u>	<u>11,130,985</u>	<u>11,980,664</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,725,822	24,290	1,750,112	1,305,811
Restricted	227,840	-	227,840	481,880
Unrestricted	175,923	8,800	184,723	1,079,329
Total net assets	<u>\$ 2,129,585</u>	<u>\$33,090</u>	<u>\$ 2,162,675</u>	<u>\$ 2,867,020</u>

See accompanying notes

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

STATEMENT OF ACTIVITIES

Year ended June 30, 2012 with summarized comparative totals for 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>	
							<u>2012</u>	<u>2011</u>
GOVERNMENTAL ACTIVITIES								
Instruction	\$13,141,113	\$ 44,682	\$2,900,452	\$ -	\$(10,195,979)	\$ -	\$(10,195,979)	\$(9,399,311)
Instructional student support services	844,608	-	65,913	-	(778,695)	-	(778,695)	(770,277)
Administrative and financial support services	1,383,048	-	52,702	-	(1,330,346)	-	(1,330,346)	(1,728,949)
Operation and maintenance of plant services	1,373,419	-	34,798	-	(1,338,621)	-	(1,338,621)	(1,361,261)
Pupil transportation	615,802	-	41,103	-	(574,699)	-	(574,699)	(487,433)
Student activities	322,935	2,473	14,933	-	(305,529)	-	(305,529)	(384,018)
Community services	34,156	24,759	-	-	(9,397)	-	(9,397)	(22,160)
Interest and amortization expense related to non-current liabilities	<u>358,326</u>	<u>-</u>	<u>8,125</u>	<u>-</u>	<u>(350,201)</u>	<u>-</u>	<u>(350,201)</u>	<u>(347,520)</u>
Total governmental activities	<u>18,073,407</u>	<u>71,914</u>	<u>3,118,026</u>	<u>-</u>	<u>(14,883,467)</u>	<u>-</u>	<u>(14,883,467)</u>	<u>(14,500,929)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	<u>421,810</u>	<u>158,869</u>	<u>254,428</u>	<u>-</u>	<u>-</u>	<u>(8,513)</u>	<u>(8,513)</u>	<u>(34,299)</u>
Total primary government	<u>\$18,495,217</u>	<u>\$230,783</u>	<u>\$3,372,454</u>	<u>\$ -</u>	<u>(14,883,467)</u>	<u>(8,513)</u>	<u>(14,891,980)</u>	<u>(14,535,228)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					10,806,707	-	10,806,707	10,707,963
Other taxes					15,133	-	15,133	15,521
Grants and entitlements not restricted to specific programs					3,355,922	-	3,355,922	2,918,276
Investment earnings					9,866	7	9,873	31,071
Transfers					<u>(20,000)</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>14,167,628</u>	<u>20,007</u>	<u>14,187,635</u>	<u>13,672,831</u>
CHANGE IN NET ASSETS					(715,839)	11,494	(704,345)	(862,397)
NET ASSETS								
Beginning of year					<u>2,845,424</u>	<u>21,596</u>	<u>2,867,020</u>	<u>3,729,417</u>
End of year					<u>\$ 2,129,585</u>	<u>\$33,090</u>	<u>\$ 2,162,675</u>	<u>\$ 2,867,020</u>

See accompanying notes

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2012 with summarized comparative totals for 2011

	<u>Major Funds</u>		<u>Totals</u>	
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>2012</u>	<u>2011</u>
ASSETS				
Cash	\$1,304,098	\$285,151	\$1,589,249	\$2,885,147
Investments	-	-	-	595,000
Taxes receivable	723,801	-	723,801	675,516
Due from other governments	666,817	-	666,817	544,034
Other receivables	155,692	-	155,692	154,888
Prepaid items	<u>17,069</u>	<u>-</u>	<u>17,069</u>	<u>149,659</u>
Total assets	<u>\$2,867,477</u>	<u>\$285,151</u>	<u>\$3,152,628</u>	<u>\$5,004,244</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 403,106	\$ 57,311	\$ 460,417	\$1,090,310
Due to other funds	20,000	-	20,000	29,000
Accrued salaries, payroll withholdings and benefits	475,321	-	475,321	440,243
Deferred revenues	<u>621,631</u>	<u>-</u>	<u>621,631</u>	<u>538,614</u>
Total liabilities	<u>1,520,058</u>	<u>57,311</u>	<u>1,577,369</u>	<u>2,098,167</u>
FUND BALANCES				
Nonspendable				
Prepaid items	17,069	-	17,069	149,659
Restricted for				
Capital projects	-	227,840	227,840	481,880
Committed to				
Early retirement incentive	762,484	-	762,484	1,119,999
Employer retirement rate stabilization	267,166	-	267,166	636,300
Balance 2012-2013 budget	210,700	-	210,700	
Compensated absences	-	-	-	108,757
Contingency	-	-	-	250,000
Capital purchases	-	-	-	74,700
Unassigned	<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>84,782</u>
Total fund balances	<u>1,347,419</u>	<u>227,840</u>	<u>1,575,259</u>	<u>2,906,077</u>
Total liabilities and fund balances	<u>\$2,867,477</u>	<u>\$285,151</u>	<u>\$3,152,628</u>	<u>\$5,004,244</u>

See accompanying notes

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

June 30, 2012

TOTAL GOVERNMENTAL FUND BALANCES	\$ 1,575,259
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	9,893,921
Deferred charges for debt issuance costs are currently expensed in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net assets.	166,322
Some of the District's property taxes 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 governmental funds balance sheet.	621,631
Non-current liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(10,054,249)
Accrued interest payable on long-term liabilities is included in the statement of net assets, but is excluded from the governmental funds balance sheet until due and payable.	<u>(73,299)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,129,585</u>

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year ended June 30, 2012 with summarized comparative totals for 2011

	Major Funds		Totals	
	General Fund	Capital Projects Fund	2012	2011
REVENUES				
Local sources	\$ 10,822,389	\$ 130	\$ 10,822,519	\$ 10,917,389
State sources	5,076,552	-	5,076,552	4,798,271
Federal sources	1,395,479	-	1,395,479	2,051,729
Total revenues	<u>17,294,420</u>	<u>130</u>	<u>17,294,550</u>	<u>17,767,389</u>
EXPENDITURES				
Current				
Instruction	13,105,138	-	13,105,138	12,324,029
Support services	3,938,626	13,042	3,951,668	4,479,013
Operation of noninstructional services	347,911	-	347,911	433,314
Facilities acquisition, construction and improvement services	-	687,128	687,128	1,868,662
Debt service	940,590	-	940,590	936,737
Total expenditures	<u>18,332,265</u>	<u>700,170</u>	<u>19,032,435</u>	<u>20,041,755</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,037,845)</u>	<u>(700,040)</u>	<u>(1,737,885)</u>	<u>(2,274,366)</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	(18,933)	-	(18,933)	(3,576)
Issuance of debt	-	446,000	446,000	-
Transfers out	(20,000)	-	(20,000)	(29,000)
Total other financing sources (uses)	<u>(38,933)</u>	<u>446,000</u>	<u>407,067</u>	<u>(32,576)</u>
NET CHANGE IN FUND BALANCES	<u>(1,076,778)</u>	<u>(254,040)</u>	<u>(1,330,818)</u>	<u>(2,306,942)</u>
FUND BALANCES				
Beginning of year	<u>2,424,197</u>	<u>481,880</u>	<u>2,906,077</u>	<u>5,213,019</u>
End of year	<u>\$ 1,347,419</u>	<u>\$ 227,840</u>	<u>\$ 1,575,259</u>	<u>\$ 2,906,077</u>

See accompanying notes

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2012

NET CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS \$(1,330,818)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay expenditures	\$ 720,789	
Depreciation expense	<u>(430,031)</u>	290,758

Because some property will not be collected for several months after the 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.

Deferred tax revenues at June 30, 2011	(538,614)	
Deferred tax revenues at June 30, 2012	<u>621,631</u>	83,017

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 the governmental funds. Neither transaction, however, has any effect on the change in net assets of governmental activities. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when long-term debt is 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.

Issuance of debt	(446,000)	
Repayment of bonds and notes payable	532,000	
Amortization of issuance costs and bond premiums	<u>62,932</u>	148,932

Some expenses reported in the statement of activities do not require the use of current financial resources, and, therefore are not reported as expenditures in governmental funds.

Current year change in accrued interest payable	6,265	
Current year change in early retirement incentive	357,515	
Current year change in compensated absences	15,979	
Current year change in net post employment benefit (OPEB) obligation	(87,487)	
Current year change in claim payable	<u>(200,000)</u>	<u>92,272</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (715,839)

See accompanying notes

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

STATEMENT OF NET ASSETS – PROPRIETARY FUND

June 30, 2012 with summarized comparative totals for 2011

	<u>Major Fund</u>	
	<u>Food Service Fund</u>	
	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 41,043	\$25,639
Due from other governments	8,260	9,904
Due from other funds	20,000	29,000
Inventories	<u>7,196</u>	<u>6,259</u>
Total current assets	<u>76,499</u>	<u>70,802</u>
NON-CURRENT ASSETS		
Capital assets, net	<u>24,290</u>	<u>19,679</u>
Total assets	<u>100,789</u>	<u>90,481</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	67,699	66,358
Deferred revenues	<u>-</u>	<u>2,527</u>
Total liabilities	<u>67,699</u>	<u>68,885</u>
NET ASSETS		
Invested in capital assets	24,290	19,679
Unrestricted	<u>8,800</u>	<u>1,917</u>
Total net assets	<u>\$ 33,090</u>	<u>\$21,596</u>

See accompanying notes

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS –
PROPRIETARY FUND**

Year ended June 30, 2012 with summarized comparative totals for 2011

	Major Fund	
	Food Service Fund	
	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Charges for services	\$ 158,869	\$ 147,079
OPERATING EXPENSES		
Salaries	178,435	178,507
Employee benefits	40,710	41,610
Purchased services	36,092	35,222
Supplies	161,002	154,314
Depreciation	<u>4,521</u>	<u>4,498</u>
Total operating expenses	<u>420,760</u>	<u>414,151</u>
Operating loss	<u>(261,891)</u>	<u>(267,072)</u>
NON-OPERATING REVENUES (EXPENSES)		
Earnings on investments	7	35
State sources	14,923	13,549
Federal sources	239,505	219,224
Loss on disposal of assets	<u>(1,050)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>253,385</u>	<u>232,808</u>
Net loss before transfers	(8,506)	(34,264)
Transfers in	<u>20,000</u>	<u>29,000</u>
CHANGE IN NET ASSETS	11,494	(5,264)
NET ASSETS		
Beginning of year	<u>21,596</u>	<u>26,860</u>
End of year	<u>\$ 33,090</u>	<u>\$ 21,596</u>

See accompanying notes

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

STATEMENT OF CASH FLOWS – PROPRIETARY FUND

Year ended June 30, 2012 with summarized comparative totals for 2011

	Food Service Fund	
	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 156,342	\$ 148,343
Cash paid for operating expenses	<u>(400,971)</u>	<u>(390,222)</u>
Net cash used for operating activities	<u>(244,629)</u>	<u>(241,879)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	14,991	13,731
Federal sources	226,217	204,605
Transfers in	<u>29,000</u>	<u>11,688</u>
Net cash provided by noncapital financing activities	<u>270,208</u>	<u>230,024</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	<u>(10,182)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	<u>7</u>	<u>35</u>
Net increase (decrease) in cash	15,404	(11,820)
CASH		
Beginning of year	<u>25,639</u>	<u>37,459</u>
End of year	<u>\$ 41,043</u>	<u>\$ 25,639</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$(261,891)	\$(267,072)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	4,521	4,498
Donated commodities used	14,864	16,611
(Increase) decrease in Inventories	(937)	2,478
Increase (decrease) in Accounts payable	1,341	342
Deferred revenue	<u>(2,527)</u>	<u>1,264</u>
Net cash used for operating activities	<u>\$(244,629)</u>	<u>\$(241,879)</u>
SUPPLEMENTAL DISCLOSURE		
Noncash noncapital financing activity		
USDA donated commodities	<u>\$ 14,864</u>	<u>\$ 16,611</u>

See accompanying notes

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

STATEMENT OF NET ASSETS – FIDUCIARY FUNDS

June 30, 2012

	Private- Purpose Trust	<u>Agency</u>
ASSETS		
Cash	<u>\$28,106</u>	<u>\$19,370</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>\$19,370</u>
NET ASSETS		
Net assets held in trust for scholarships	<u>\$28,106</u>	

See accompanying notes

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

STATEMENT OF CHANGES IN NET ASSETS – FIDUCIARY FUND

Year ended June 30, 2012 with summarized comparative totals for 2011

	Private-Purpose Trust Fund	
	<u>2012</u>	<u>2011</u>
ADDITIONS		
Local contributions	\$ 2,475	\$ 2,263
DEDUCTIONS		
Scholarships awarded and fees paid	<u>4,000</u>	<u>2,264</u>
CHANGE IN NET ASSETS	(1,525)	(1)
NET ASSETS		
Beginning of year	<u>29,631</u>	<u>29,632</u>
End of year	<u>\$28,106</u>	<u>\$29,631</u>

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The School District of Borough of Morrisville (the "**District**") operates one elementary school and an intermediate/high school to provide education and related services to the residents of the Borough of Morrisville. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

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

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

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

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

The government-wide financial statements report net assets in one of three components. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net assets arising from special revenue and capital projects funds. Unrestricted net assets consist of net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

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

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred revenue is reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as deferred revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following major proprietary fund:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust and agency fund. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. The agency fund accounts for funds held on behalf of the students in the District. The measurement focus and basis of accounting for the private-purpose trust is the same as for proprietary funds, while the agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Cash and Cash Equivalents

The 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 stated at fair value based upon quoted market prices.

Receivables and Payables

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

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Property Taxes

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

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

The Bucks County Board of Assessments determines assessed valuations of property, and the District's taxes are billed and collected by a local elected tax collector. The tax on real estate for public school purposes for fiscal 2011-2012 was 177.30 mills (\$177.30 for \$1,000 of assessed valuation). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers who have a primary residence within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	-	August 15
Installment Two	-	October 15
Installment Three	-	December 15

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Prepaid Items and Inventories

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

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and composite assets of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 10-50 years; land improvements – 15-20 years and furniture and equipment – 5-20 years.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment should be measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2012.

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a non-current liability in the government-wide financial statements. The portion of the liability resulting from employee resignations and retirements, if applicable, is reported as a liability in the governmental funds' financial statements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred amounts on refunding are recorded as a decrease to debt payable and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

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

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Non-spendable

Non-spendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Administrator or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The School Board has set a policy to maintain an unassigned General Fund fund balance of not less than .5% and a maximum General Fund fund balance of 15% of the following year's expenditure budget. Unassigned General Fund fund balance in excess of .5% of the following year's expenditure budget may be appropriated by the School Board for nonrecurring expenditures.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Use of Estimates

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

New Accounting Pronouncements

GASB has issued the following statements not yet implemented by the District. The District's management has not yet determined the effect, if any, these statements will have on the District's financial statements.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, will be effective for the District for the year ending June 30, 2013. The objective of this statement is to improve financial reporting by addressing issues related to service concession arrangements ("**SCAs**"), which are a type of public-private or public-public partnership. As used in this statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, will be effective for the District for the year ending June 30, 2013. The objective of this Statement is to modify certain requirements for inclusion of component units in the financial reporting entity. This Statement amends Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, will be effective for the District for the year ending June 30, 2013. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, will be effective for the District for the year ending June 30, 2013. The objective of this Statement is to standardize the presentation of deferred balances and their effects on a government's net position.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the Housing Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and include the effect of approved budget amendments.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Excess of Expenditures over Appropriations

The following General Fund functions incurred expenditures and other financing uses in excess of appropriations in the following amounts for the year ended June 30, 2012:

Instruction	
Regular programs	\$245,327
Special programs	\$940,572
Other instructional programs	\$ 6,247
Support services	
Pupil support services	\$ 6,149
Business services	\$ 4,697
Student transportation services	\$ 27,702
Information services	\$ 27,819
Other support services	\$ 3,496
Operation of non-instructional services	
Student activities	\$114,807
Community services	\$ 10,156
Other financing sources (uses)	
Refund of prior year receipts	\$ 18,933
Transfers out	\$ 20,000

The excess of expenditures over appropriations was financed by revenues received over budgeted amounts, expenditures under budget with other functions and the use of accumulated fund balance.

(3) DEPOSITS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's investment pools or mutual funds.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. At June 30, 2012, the carrying amount of the District's deposits was \$1,677,768 and the bank balance was \$2,131,868. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any other political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$274,307 was covered by federal depository insurance, and \$115,939 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District are in the Pennsylvania School District Liquid Asset Fund ("**PSDLAF**") and the Pennsylvania Local Government Investment Trust ("**PLGIT**"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to independent annual audit. As of June 30, 2012, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

(4) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction-in-progress	\$ -	\$ 4,121	\$ -	\$ 4,121
Capital assets being depreciated:				
Buildings and improvements	16,845,362	469,240	-	17,314,602
Land improvements	693,396	156,766	-	850,162
Furniture and equipment	<u>470,665</u>	<u>90,662</u>	-	<u>561,327</u>
Total capital assets being depreciated	<u>18,009,423</u>	<u>716,668</u>	-	<u>18,726,091</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,573,990)	(362,518)	-	(7,936,508)
Land improvements	(568,840)	(19,799)	-	(588,639)
Furniture and equipment	<u>(263,430)</u>	<u>(47,714)</u>	-	<u>(311,144)</u>
Total accumulated depreciation	<u>(8,406,260)</u>	<u>(430,031)</u>	-	<u>(8,836,291)</u>
Total capital assets being depreciated, net	<u>9,603,163</u>	<u>286,637</u>	-	<u>9,889,800</u>
Governmental activities, net	<u>\$ 9,603,163</u>	<u>\$ 290,758</u>	<u>\$ -</u>	<u>\$ 9,893,921</u>
Business-type activities				
Machinery and equipment	\$ 94,225	\$ 10,182	\$ 4,500	\$ 99,907
Less accumulated depreciation	<u>(74,546)</u>	<u>(4,521)</u>	<u>(3,450)</u>	<u>(75,617)</u>
Business-type activities, net	<u>\$ 19,679</u>	<u>\$ 5,661</u>	<u>\$ 1,050</u>	<u>\$ 24,290</u>

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

Governmental activities	
Instruction	\$338,223
Instructional student support services	21,119
Administrative and financial support services	34,603
Operation and maintenance of plant services	27,988
Student activities	<u>8,098</u>
Total depreciation expense – governmental activities	<u>\$430,031</u>
Business-type activities	<u>\$ 4,521</u>

As of June 30, 2012, the District had outstanding construction projects to be completed. Construction commitments and the amount completed as of June 30, 2012 are as follows:

<u>Description</u>	<u>Project Amount</u>	<u>Completed Through June 30, 2012</u>	<u>Commitment</u>
3 rd grade security door project	<u>\$110,000</u>	<u>\$4,121</u>	<u>\$105,879</u>

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Food Service Fund	<u>\$20,000</u>	General Fund	<u>\$20,000</u>

Interfund balances between funds represent amounts due from General Fund to subsidize the net loss generated in the Food Service Fund.

A summary of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Food Service Fund	<u>\$20,000</u>	General Fund	<u>\$20,000</u>

Transfers represent monies to subsidize costs associated with food service operations.

(6) NON-CURRENT LIABILITIES

The following summarizes the changes in non-current liabilities for the year ended June 30, 2012:

	<u>Balance July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2012</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 6,065,000	\$ -	\$ 435,000	\$ 5,630,000	\$ 455,000
Notes payable	1,350,000	446,000	97,000	1,699,000	161,000
Bond premium	<u>1,080,827</u>	<u>-</u>	<u>75,406</u>	<u>1,005,421</u>	<u>75,406</u>
Total general obligation debt	<u>8,495,827</u>	<u>446,000</u>	<u>607,406</u>	<u>8,334,421</u>	<u>691,406</u>
Other long-term liabilities					
Early retirement incentive	1,119,999	-	357,515	762,484	393,869
Compensated absences	526,164	296,020	311,999	510,185	-
OPEB obligation	159,672	302,112	214,625	247,159	-
Claim payable	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Total other long-term liabilities	<u>1,805,835</u>	<u>798,132</u>	<u>884,139</u>	<u>1,719,828</u>	<u>393,869</u>
Total long-term liabilities	<u>\$10,301,662</u>	<u>\$1,244,132</u>	<u>\$1,491,545</u>	<u>\$10,054,249</u>	<u>\$1,085,275</u>

Non-current liabilities are generally liquidated by the General Fund.

General Obligation Debt

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and are payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

General obligation debt outstanding as of June 30, 2012 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 1998	4.55%	\$2,000,000	07/01/2013	\$ 370,000
Series of 2006	3.50% – 5.00%	\$6,500,000	04/01/2026	<u>5,260,000</u>
Total general obligation bonds				<u>5,630,000</u>
General obligation notes				
Series of 2001	4.084%	\$3,000,000	09/25/2021	1,253,000
Series of 2011	1.585%	\$446,000	09/25/2018	<u>446,000</u>
Total general obligation notes				<u>1,699,000</u>
Total general obligation debt				<u>\$7,329,000</u>

Annual debt service requirements to maturity on these obligations is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 616,000	\$ 324,004	\$ 940,004
2014	642,000	299,993	941,993
2015	469,000	278,686	747,686
2016	490,000	258,848	748,848
2017	511,000	238,060	749,060
2018-2022	2,721,000	845,458	3,566,458
2023-2026	<u>1,880,000</u>	<u>240,750</u>	<u>2,120,750</u>
	<u>\$7,329,000</u>	<u>\$2,485,799</u>	<u>\$9,814,799</u>

General Obligation Note Series of 2011

On September 26, 2011, the District issued General Obligation Note, Series of 2011, in the amount of \$446,000. The note is payable in annual installments from September 2012 through September 2018, and bears interest payable monthly at 1.585%. The proceeds from the issuance of the note were used to finance an energy savings lighting project at the Intermediate/High School and Grandview Elementary School and to pay for the costs of issuance.

In-Substance Defeasance – Prior Year

On February 13, 2008, the District partially defeased general obligation bond Series of 2006 in the amount of \$22,000,000 which was placed in an irrevocable trust under an Escrow Agreement between the District and the Escrow Holder. The Escrow Holder used the proceeds to purchase a portfolio of obligations of the United States of America. The government obligations will have maturities and interest rates sufficient to pay principal and interest payments and redemption premiums on the defeased bonds on the date the payments are due. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2012, \$18,840,000 of bonds outstanding are considered defeased. The District has authorized to call the remaining defeased bonds for redemption on October 1, 2016.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Interest Rate Management Plan

The General Obligation Notes of the District have been issued to the Delaware Valley Regional Finance Authority ("**DVRFA**"). The DVRFA was formed by certain counties in Southeastern Pennsylvania to provide financing to local government units ("**participants**") for various projects. DVRFA obtained the funds used to finance these projects by issuing its Local Government Revenue Bonds. In order to reduce the interest costs of participants in its loan program and to enhance their ability to manage their interest rate risks, DVRFA and the participants in its loan program, including the District, have entered into an Interest Rate Management Plan, the provisions of which allow the participants to select fixed or variable rates of interest on their loans. In order to provide this option to the participants, DVRFA has entered into an interest rate swap agreement with a financial institution. In the event that the swap agreement between DVRFA and the financial institution is terminated and the value of the swap to DVRFA at the time of termination is a liability, the participants are required to pay their proportionate share of the liability. The value of the swap agreement relative to the General Obligation Notes at June 30, 2012 was an asset of \$200,452. The value of the swap agreement relative to the General Obligation Notes is not reflected on the District's statement of net assets.

Early Retirement Incentive

The District from time to time offers additional retirement incentives known as early retirement incentive plans ("**ERIP**") to senior professional staff and administrators contemplating retirement. There is no contractual requirement for the District to offer ERIP incentives. An ERIP is formally approved by School Board action in the year an ERIP plan is implemented.

In order for an employee to retire and participate in a District sponsored ERIP, the District must first decide whether or not to offer an ERIP in the year the employee is retiring and a specified minimum number of employees must opt into the ERIP. The District's various ERIP plans provide for the payment of specific annuity amounts to the participating retiree or the payment of a specified dollar amount to be applied toward participating retiree healthcare premiums through Medicare eligible age.

The District's liability for its ERIP plans has been reported at the discounted present value of expected future benefit payments in the government-wide financial statements. For the year ended June 30, 2012, 23 retirees received benefits under the District's ERIP plans and the District paid \$411,686 in ERIP benefits to retirees.

Other Post-Employment Benefits

The District's other post-employment benefits plan is a single-employer defined benefit plan that provides medical and life insurance to certain eligible retirees and their spouses. The School Board has the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("**ARC**"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 8 years. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2012, 2011 and 2010 were as follows:

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$302,112	71.04%	\$247,159
2011	\$179,948	81.32%	\$159,672
2010	\$185,273	73.04%	\$126,062

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

Annual required contribution	\$ 325,884
Interest on net OPEB obligation	7,185
Adjustment to annual required contribution	<u>(30,957)</u>
Annual OPEB cost (expense)	302,112
Contributions made	<u>(214,625)</u>
Increase in net OPEB obligation	87,487
Net OPEB obligation – beginning of year	<u>159,672</u>
Net OPEB obligation – end of year	<u>\$ 247,159</u>

Funded Status and Funding Progress

As of March 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,381,100, all of which was unfunded. The covered payroll (annual payroll of active employees) was \$7,650,685, and the ratio of the UAAL to the covered payroll was 18.05%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and benefit cost trends. Amounts determined regarding the funded status and the annual required contribution of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on substantive benefits (the benefits as understood by the District and employees) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and retirees to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of calculations.

In the most recent actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.50% discount rate and an annual healthcare cost trend rate of 8.00%, decreasing 0.50% per year to an ultimate rate of 5.50% in 2016 and later. The UAAL is being amortized based on the level dollar, 6-year open period.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

(7) LEASES

Lessee

The District leases office equipment and modular classrooms under non-cancelable leases expiring at various dates through May 2014. Rent expense for the office equipment and modular classrooms was \$97,326 for 2011-2012.

Future minimum lease payments under these agreements are as follows:

2013	\$32,891
2014	<u>21,113</u>
	<u>\$54,004</u>

Lessor

The District leases a building to a private entity under a non-cancelable lease agreement that expires on June 16, 2014, provides for monthly rent and may be extended for an additional five-year term at the option of the tenant. Under the terms of the lease agreement, the tenant is responsible for all expenses associated with the building.

Future minimum lease payments to be received under this agreement are as follows:

2013	\$20,016
2014	<u>20,016</u>
	<u>\$40,032</u>

(8) PENSION PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System ("**PSERS**"), a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Pennsylvania Public School Employees' Retirement System. The PSERS provides retirement and disability, legislatively mandated *ad hoc* cost-of-living adjustments and certain health care insurance premium assistance to plan members and beneficiaries. The Public School Employees' Retirement Code (Act No. 96, of October 2, 1975, as amended) provides the authority to establish and amend benefit provisions. The PSERS issues a comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained by writing to Public School Employees' Retirement System, 5 North 5th Street, Harrisburg, PA 17101-0125; or by accessing its website at <http://www.psers.state.pa.us/publications/general/cafr.htm>.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers and the Commonwealth. Individual employees contribute between 5.25% and 10.30% of annual salary depending on their membership status. Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2012, the rate of employer contribution was 8.65% of covered payroll. The District's contributions to PSERS for the years ended June 30, 2012, 2011 and 2010 were \$662,219, \$447,942 and \$369,911, respectively, equal to the required contribution for each year. The Commonwealth contributes to PSERS by reimbursing the District 50% of its contribution each year.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

(9) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Bucks County Technical High School

The District and five other Bucks County school districts participate in the Bucks County Technical High School (the "**BCTHS**"). The BCTHS provides vocational-technical training and education to students of the participating school districts. The BCTHS is controlled by a joint board comprised of representative school board members of the participating school districts. District oversight of the BCTHS operations is the responsibility of the joint board. The District's share of operating costs for the BCTHS fluctuates based on the District's percentage of enrollment. The District share of operating costs for 2011-2012 was \$930,293.

Bucks County Technical School Authority

The District and five other Bucks County school districts also participate in a joint venture for the operation of the Bucks County Technical School Authority (the "**Authority**"). The Authority oversees acquiring, holding, constructing, improving and maintaining the BCTHS school buildings. The Authority is controlled by a joint board comprised of representative school board members of the participating school districts in the BCTHS. The participating school districts have entered into a long-term lease agreement with the Authority to provide rental payments sufficient to retire the Authority's outstanding debt obligations. The agreement expires on August 15, 2018 unless the related debt is retired earlier. The District's share of rent expense for 2011-2012 was \$59,030.

The District's annual lease rental payments are as follows:

Year ending June 30,

2013	\$ 58,788
2014	58,789
2015	58,729
2016	58,759
2017	58,717
2018-2019	<u>117,166</u>
	<u>\$410,948</u>

Both the BCTHS and the Authority prepare financial statements that are available to the public from their administrative offices located at 610 Wistar Road, Fairless Hills, PA 19030.

Bucks County Intermediate Unit

The District and the other Bucks County school districts are participating members of the Bucks County Intermediate Unit (the "**BCIU**"). The BCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the BCIU but the participating districts have no ongoing fiduciary interest or responsibility to the BCIU. The BCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

(10) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

Litigation

The District is a defendant in various matters of litigation and claims. These matters result from the normal course of business. At June 30, 2012, the District has recorded a claim payable of \$200,000 in the government-wide Statement of Net Assets for the estimated net loss that it expected to incur as a result of an outstanding claim. The claim payable has not been recorded in the Balance Sheet – Governmental Funds because it was not due and payable as of June 30, 2012. However, due to the uncertainty in the settlement process, it is at least reasonably possible that the amount of loss could change materially in the long-term.

(11) RISK MANAGEMENT

The 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. Significant losses are covered by commercial insurance for all major programs including workers compensation and employee health and accident insurance. For insured programs, there were no significant reductions in insurance coverages during 2011-2012. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

(12) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 17, 2013, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2012 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$10,893,909	\$10,893,909	\$10,822,389	\$ (71,520)
State sources	4,816,649	4,816,649	5,076,552	259,903
Federal sources	<u>1,267,278</u>	<u>1,267,278</u>	<u>1,395,479</u>	<u>128,201</u>
Total revenues	<u>16,977,836</u>	<u>16,977,836</u>	<u>17,294,420</u>	<u>316,584</u>
EXPENDITURES				
Instruction				
Regular programs	7,366,105	7,278,762	7,524,089	(245,327)
Special programs	2,931,752	3,182,654	4,123,226	(940,572)
Vocational programs	1,176,786	1,168,548	1,167,377	1,171
Other instructional programs	12,465	1,599	7,846	(6,247)
Pre-kindergarten	<u>280,800</u>	<u>282,600</u>	<u>282,600</u>	<u>-</u>
Total instruction	<u>11,767,908</u>	<u>11,914,163</u>	<u>13,105,138</u>	<u>(1,190,975)</u>
Support services				
Pupil support services	579,862	542,825	548,974	(6,149)
Instructional staff services	151,269	139,378	116,494	22,884
Administrative services	722,690	673,111	664,353	8,758
Pupil health	156,529	144,666	137,516	7,150
Business services	331,793	316,487	321,184	(4,697)
Operation and maintenance of plant services	1,497,631	1,280,995	1,084,463	196,532
Student transportation services	476,369	667,408	695,110	(27,702)
Information services	371,725	327,393	355,212	(27,819)
Other support services	<u>8,000</u>	<u>11,824</u>	<u>15,320</u>	<u>(3,496)</u>
Total support services	<u>4,295,868</u>	<u>4,104,087</u>	<u>3,938,626</u>	<u>165,461</u>
Operation of non-instructional services				
Student activities	153,270	198,948	313,755	(114,807)
Community services	<u>24,000</u>	<u>24,000</u>	<u>34,156</u>	<u>(10,156)</u>
Total operation of non-instructional services	<u>177,270</u>	<u>222,948</u>	<u>347,911</u>	<u>(124,963)</u>
Debt service	<u>986,790</u>	<u>986,638</u>	<u>940,590</u>	<u>46,048</u>
Total expenditures	<u>17,227,836</u>	<u>17,227,836</u>	<u>18,332,265</u>	<u>(1,104,429)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(250,000)</u>	<u>(250,000)</u>	<u>(1,037,845)</u>	<u>(787,845)</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year receipts	-	-	(18,933)	(18,933)
Transfers out	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(38,933)</u>	<u>(38,933)</u>
NET CHANGE IN FUND BALANCE	<u>(250,000)</u>	<u>(250,000)</u>	<u>(1,076,778)</u>	<u>(826,778)</u>
FUND BALANCE				
Beginning of year	<u>2,424,197</u>	<u>2,424,197</u>	<u>2,424,197</u>	<u>-</u>
End of year	<u>\$ 2,174,197</u>	<u>\$ 2,174,197</u>	<u>\$ 1,347,419</u>	<u>\$ (826,778)</u>

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

OTHER POST-EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Year ended June 30, 2012

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
03/01/2011	\$ -	\$1,381,100	\$1,381,100	0.00%	\$7,650,685	18.05%
03/01/2008	\$ -	\$1,065,868	\$1,065,868	0.00%	\$7,413,545	14.38%

SINGLE AUDIT

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2011</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2012</u>
<u>U.S. Department of Education</u>										
<u>Passed-Through the Pennsylvania Department of Education</u>										
Title I – Improving Basic Programs	I	84.010	013-110267	07/01/10 – 09/30/12	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ 50,000	\$ -
Title I – Improving Basic Programs	I	84.010	013-120267	07/01/11 – 09/30/12	143,362	143,373	-	143,362	143,362	(11)
ARRA – Education Jobs Fund	I	84.410	140-657584	07/01/11 – 06/30/12	3,217	-	-	3,217	3,217	3,217
Title II – Improving Teacher Quality	I	84.367	020-120267	07/01/11 – 09/30/12	47,387	47,645	-	47,387	47,387	(258)
Title III – Language Instruction LEP/ Immigrant Students	I	84.365	010-120267	07/01/11 – 09/30/12	17,151	11,452	-	17,151	17,151	5,699
Child Nutrition Discretionary Grants	I	10.579	146-000028	07/01/11 – 06/30/12	5,437	5,437	-	5,437	5,437	-
21 st Century Community Learning Centers	I	84.287	FC #41-00043153	07/01/10 – 06/30/11	185,756	46,090	46,090	-	-	-
21 st Century Community Learning Centers	I	84.287	FC #41-00052166	07/01/10 – 06/30/11	586,337	153,026	153,026	-	-	-
21 st Century Community Learning Centers	I	84.287	FC #41-00052166	07/01/11 – 06/30/12	499,133	416,525	-	499,133	499,133	82,608
21 st Century Community Learning Centers	I	84.287	FC #41-00058698	07/01/11 – 09/30/12	499,199	124,800	-	252,417	252,417	127,617
<u>Passed Through the Bucks County I. U.</u>										
I.D.E.A. – Part B – Section 611	I	84.027	062-110022	07/01/10 – 06/30/11	225,055	67,614	67,614	-	-	-
I.D.E.A. – Part B – Section 611	I	84.027	062-120022 B1	07/01/11 – 06/30/12	202,166	3,947	-	202,166	202,166	198,219
I.D.E.A. – Part B – Section 619	I	84.173	131-110022 D	07/01/11 – 06/30/12	1,615	-	-	1,615	1,615	1,615
ARRA – I.D.E.A. – Part B	I	84.391	128-100022 A	02/17/09 – 09/30/11	265,168	48,523	48,523	-	-	-
<u>Passed Through Intermediate Unit 1</u>										
Inclusive Practices Mini-Grant	I	84.027	RA 062-11-0-032	08/01/10 – 06/30/11	19,547	12,897	12,897	-	-	-
Total U.S. Department of Education						<u>1,131,329</u>	<u>328,150</u>	<u>1,221,885</u>	<u>1,221,885</u>	<u>418,706</u>

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2011</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2012</u>
<u>U.S. Department of Agriculture</u>										
<u>Passed-Through the Pennsylvania Department of Education</u>										
National School Lunch Program	I	10.555	N/A	07/01/10 – 06/30/11	N/A	7,660	7,660	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/11 – 06/30/12	N/A	192,015	-	198,416	198,416	6,401
Breakfast Program	I	10.553	N/A	07/01/10 – 06/30/11	N/A	1,644	1,644	-	-	-
Breakfast Program	I	10.553	N/A	07/01/11 – 06/30/12	N/A	24,898	-	26,225	26,225	1,327
State Matching Share	S	N/A	N/A	07/01/10 – 06/30/11	N/A	600	600	-	-	-
State Matching Share	S	N/A	N/A	07/01/11 – 06/30/12	N/A	14,391	-	14,923	14,923	532
<u>Passed-Through the Pennsylvania Department of Agriculture</u>										
USDA Donated Commodities	I	10.555	N/A	07/01/11 – 06/30/12	N/A	<u>14,864</u>	<u>-</u>	<u>14,864</u>	<u>14,864</u>	<u>-</u>
Total U.S. Department of Agriculture						<u>256,072</u>	<u>9,904</u>	<u>254,428</u>	<u>254,428</u>	<u>8,260</u>
Total Federal Awards and Certain State Grants						<u>\$1,387,401</u>	<u>\$338,054</u>	<u>\$1,476,313</u>	<u>\$1,476,313</u>	<u>\$426,966</u>

Source Codes
D – Direct Funding
I – Indirect Funding
S – State Share

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2012

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555, USDA Donated Commodities, represent federal surplus food consumed by the District during the 2011-2012 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2012 was \$153,592.

(5) EARLY RETIREE REINSURANCE PROGRAM

The District participates in the Early Retiree Reinsurance Program ("**ERRP**") which is a program created by the Affordable Care Act that provides reimbursements for a portion of the costs of health benefits for early retirees and early retirees' spouses, surviving spouses and dependents. Reimbursements are federal source revenues but are not considered federal financial assistance. The amount of ERRP funding recognized for the year ended June 30, 2012 was \$20,002.

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2012

There were no audit findings for the year ended June 30, 2011.



**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***

**Board of School Directors
School District of Borough of Morrisville
Morrisville, Pennsylvania**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the School District of Borough of Morrisville, Morrisville, Pennsylvania (the "*District*"), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 17, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of School Directors, management, the Commonwealth of Pennsylvania and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BBD, LLP

Philadelphia, Pennsylvania
January 17, 2013



REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

**Board of School Directors
School District of Borough of Morrisville
Morrisville, Pennsylvania**

Compliance

We have audited the compliance of the School District of Borough of Morrisville, Morrisville, Pennsylvania (the "**District**"), 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 its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

This report is intended solely for the information and use of the Board of School Directors, management, the Commonwealth of Pennsylvania and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BBD, LLP

Philadelphia, Pennsylvania
January 17, 2013

SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2012

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the School District of Borough of Morrisville.
2. No deficiencies relating to the audit of the financial statements of the School District of Borough of Morrisville are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the School District of Borough of Morrisville, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No deficiencies in internal control over major federal award programs are reported in the report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the School District of Borough of Morrisville expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was:

21st Century Community Learning Centers – CFDA Number 84.287
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The School District of Borough of Morrisville did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

FORM SF-SAC (5-18-2010)

U.S. DEPT. OF COMM.— Econ. and Stat. Admin.— U.S. CENSUS BUREAU ACTING AS COLLECTING AGENT FOR OFFICE OF MANAGEMENT AND BUDGET

Data Collection Form for Reporting on AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS for Fiscal Year Ending Dates in 2010, 2011, or 2012

Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

PART I

GENERAL INFORMATION (To be completed by auditee, except for Items 6, 7, and 8)

1. Fiscal period ending date for this submission (Month Day Year: 06 / 30 / 2012)
2. Type of Circular A-133 audit (1 [X] Single audit, 2 [] Program-specific audit)
3. Audit period covered (1 [X] Annual, 2 [] Biennial, 3 [] Other - [] Months)

4. Auditee Identification Numbers
a. Primary Employer Identification Number (EIN): 23-6003997
d. Data Universal Numbering System (DUNS) Number: []-[]-[]
b. Are multiple EINs covered in this report? 1 [] Yes 2 [X] No
e. Are multiple DUNS covered in this report? 1 [] Yes 2 [X] No
c. If Part I, Item 4b = "Yes," complete Part I, Item 4c on the continuation sheet on Page 4.
f. If Part I, Item 4e = "Yes," complete Part I, Item 4f on the continuation sheet on Page 4.

5. AUDITEE INFORMATION

a. Auditee name: SCHOOL DISTRICT OF BOROUGH OF MORRISVILLE
b. Auditee address (Number and street): 550 WEST PALMER AVENUE, MORRISVILLE, PA 19006-2195
c. Auditee contact Name: PAUL DEANGELO, Title: BUSINESS ADMINISTRATOR
d. Auditee contact telephone: (215) 736-5932
e. Auditee contact FAX: (215) 736-0695
f. Auditee contact E-mail: PDEANGELO@MV.ORG

6. PRIMARY AUDITOR INFORMATION (To be completed by auditor)

a. Primary auditor name: BBD, LLP
b. Primary auditor address (Number and street): 1835 MARKET STREET 26TH FLOOR, PHILADELPHIA, PA 19103-
c. Primary auditor contact Name: CARL HOGAN, Title: MANAGER
d. Primary auditor contact telephone: (215) 567-7770
e. Primary auditor contact FAX: (215) 567-6081
f. Primary auditor contact E-mail: CHOGAN@BBD CPA.COM

g. AUDITEE CERTIFICATION STATEMENT - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in Parts I, II, and III of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

g. AUDITOR STATEMENT - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9g, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in Parts II and III of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Auditee certification [Signature] Date 1/23/2013

ELECTRONICALLY CERTIFIED 1/23/2013

Name of certifying official

PAUL DEANGELO

Title of certifying official

BUSINESS ADMINISTRATOR

7a. Add Secondary auditor information? (Optional)

1 [] Yes 2 [X] No

b. If "Yes," complete Part I, Item 8 on the continuation sheet on page 5.

Auditor certification [Signature] Date 1/23/2013

ELECTRONICALLY CERTIFIED 1/23/2013

PART II FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report

Mark either: 1 Unqualified opinion **OR**
any combination of: 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report? 1 Yes 2 No

3. Is a significant deficiency disclosed? 1 Yes 2 No

4. Is a material weakness disclosed? 1 Yes 2 No

5. Is a material noncompliance disclosed? 1 Yes 2 No

PART III FEDERAL PROGRAMS (To be completed by auditor)

1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 13) 1 Yes 2 No

2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b)) \$ 300,000

3. Did the auditee qualify as a low-risk auditee? (§ .530) 1 Yes 2 No

4. Is a significant deficiency disclosed for any major program? (§ .510(a)(1)) 1 Yes 2 No

5. Is a material weakness disclosed for any major program? (§ .510(a)(1)) 1 Yes 2 No

6. Are any known questioned costs reported? (§ .510(a)(3) or (4)) 1 Yes 2 No

7. Were Prior Audit Findings related to direct funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b)) 1 Yes 2 No

8. Indicate which Federal agency(ies) have current year audit findings related to direct funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to direct funding. (Mark (X) all that apply or None)

- | | | | |
|--|---|--|--|
| 98 <input type="checkbox"/> U.S. Agency for International Development | 39 <input type="checkbox"/> General Services Administration | 89 <input type="checkbox"/> National Archives and Records Administration | 19 <input type="checkbox"/> U.S. Department of State |
| 10 <input type="checkbox"/> Agriculture | 93 <input type="checkbox"/> Health and Human Services | 05 <input type="checkbox"/> National Endowment for the Arts | 20 <input type="checkbox"/> Transportation |
| 23 <input type="checkbox"/> Appalachian Regional Commission | 97 <input type="checkbox"/> Homeland Security | 06 <input type="checkbox"/> National Endowment for the Humanities | 21 <input type="checkbox"/> Treasury |
| 11 <input type="checkbox"/> Commerce | 14 <input type="checkbox"/> Housing and Urban Development | 47 <input type="checkbox"/> National Science Foundation | 64 <input type="checkbox"/> Veterans Affairs |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 03 <input type="checkbox"/> Institute of Museum and Library Services | 07 <input type="checkbox"/> Office of National Drug Control Policy | 00 <input checked="" type="checkbox"/> None |
| 12 <input type="checkbox"/> Defense | 15 <input type="checkbox"/> Interior | 59 <input type="checkbox"/> Small Business Administration | <input type="checkbox"/> Other - Specify: |
| 84 <input type="checkbox"/> Education | 16 <input type="checkbox"/> Justice | 96 <input type="checkbox"/> Social Security Administration | |
| 81 <input type="checkbox"/> Energy | 17 <input type="checkbox"/> Labor | | |
| 66 <input type="checkbox"/> Environmental Protection Agency | 09 <input type="checkbox"/> Legal Services Corporation | | |
| | 43 <input type="checkbox"/> National Aeronautics and Space Administration | | |

PART III FEDERAL PROGRAMS - Continued

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR										10. AUDIT FINDINGS		
CFDA Number	Research and development	A R R A3	Name of Federal program	Amount expended	Direct award	Major program	Major program	Type(s) of compliance requirement(s)	Audit finding reference number(s)			
Federal Agency Prefix ¹	Extension ²	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(a)	(b)	
8 4	.010		TITLE I	\$ 193,362 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	0			N/A	
8 4	.410		EDUCATION JOBS FUND	\$ 3,217 .00	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	0			N/A	
8 4	.367		TITLE II	\$ 47,387 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	0			N/A	
8 4	.365		TITLE III	\$ 17,151 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	0			N/A	
1 0	.579		CHILD NUTRITION DISCRETIONARY GRANTS	\$ 5,437 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	0			N/A	
8 4	.287		21ST CENTURY COMMUNITY LEARNING CENTERS	\$ 751,550 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	0			N/A	
8 4	.027		I.D.E.A. - PART B - SECTION 611	\$ 202,166 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	0			N/A	
8 4	.173		I.D.E.A. - PART B - SECTION 619	\$ 1,615 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	0			N/A	
1 0	.555		NATIONAL SCHOOL LUNCH PROGRAM	\$ 213,280 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	0			N/A	
1 0	.553		BREAKFAST PROGRAM	\$ 26,225 .00	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	0			N/A	
TOTAL FEDERAL AWARDS EXPENDED				\$ 1,461,390 .00								

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.

² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)

³ American Recovery and Reinvestment Act of 2009 (ARRA).

⁴ If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.

⁵ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, significant deficiency (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

- A. Activities allowed or unallowed
- B. Allowable costs/cost principles
- C. Cash management
- D. Davis - Bacon Act
- E. Eligibility
- F. Equipment and real property management
- G. Matching, level of effort, earmarking
- H. Period of availability of Federal funds
- I. Procurement and suspension and debarment
- J. Program income
- K. Real property acquisition and relocation assistance
- L. Reporting
- M. Subrecipient monitoring
- N. Special tests and provisions
- O. None
- P. Other

⁶ N/A for NONE

PART I GENERAL INFORMATION - Continued

8. Part I, Item 8, Secondary Auditor's Contact Information. (List the Secondary Auditor's Contact information)

1. a. Secondary Auditor name N / A		2. a. Secondary Auditor name		3. a. Secondary Auditor name	
b. Secondary Auditor address (Number and street)		b. Secondary Auditor address (Number and street)		b. Secondary Auditor address (Number and street)	
City		City		City	
State ZIP + 4 Code		State ZIP + 4 Code		State ZIP + 4 Code	
c. Secondary Auditor contact Name ARR		c. Secondary Auditor contact Name ARR		c. Secondary Auditor contact Name ARR	
Title		Title		Title	
d. Secondary Auditor contact telephone ---		d. Secondary Auditor contact telephone ---		d. Secondary Auditor contact telephone ---	
e. Secondary Auditor contact FAX ---		e. Secondary Auditor contact FAX ---		e. Secondary Auditor contact FAX ---	
f. Secondary Auditor contact E-mail		f. Secondary Auditor contact E-mail		f. Secondary Auditor contact E-mail	
4. a. Secondary Auditor name		5. a. Secondary Auditor name		6. a. Secondary Auditor name	
b. Secondary Auditor address (Number and street)		b. Secondary Auditor address (Number and street)		b. Secondary Auditor address (Number and street)	
City		City		City	
State ZIP + 4 Code		State ZIP + 4 Code		State ZIP + 4 Code	
c. Secondary Auditor contact Name		c. Secondary Auditor contact Name		c. Secondary Auditor contact Name	
Title		Title		Title	
d. Secondary Auditor contact telephone ---		d. Secondary Auditor contact telephone ---		d. Secondary Auditor contact telephone ---	
e. Secondary Auditor contact FAX ---		e. Secondary Auditor contact FAX ---		e. Secondary Auditor contact FAX ---	
f. Secondary Auditor contact E-mail		f. Secondary Auditor contact E-mail		f. Secondary Auditor contact E-mail	