

**Plum Borough School District
Financial Statements
June 30, 2011**

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HOSACK, SPECHT, MUETZEL & WOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS

305 MT. LEBANON BOULEVARD, SUITE 301

PITTSBURGH, PENNSYLVANIA 15234-1500

PHONE - (412) 343-9200

FAX - (412) 343-9209

HSMW@HSMWCPA.COM

WWW.HSMWCPA.COM

Independent Auditor's Report

Members of the Board
Plum Borough School District
Pittsburgh, Pennsylvania

Dear Members:

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 Plum Borough School District as of and for the year ended June 30, 2011, which collectively comprise Plum Borough School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Plum Borough School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Plum Borough School District as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, 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 our report dated January 20, 2012 on our consideration of Plum Borough School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and post-employment benefit information as shown in the table of contents 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 performed for the purpose of forming opinions on the financial statements that collectively comprise Plum Borough School District's financial statements as a whole. The accompanying schedule of expenditures of federal awards 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 Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,



HOSACK, SPECHT, MUETZEL & WOOD LLP
January 20, 2012

Plum Borough School District
Management's Discussion and Analysis
June 30, 2011

The discussion and analysis of Plum Borough School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for the State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

During 2010/2011, the School District maintained the same real estate millage rate of 22.2 mills. Revenue was 3.78% higher than budgeted with the largest decrease in the area of state subsidies which were \$3,141,245 lower than budgeted. Increases in the revenue area were real estate tax collections which exceeded budget by \$779,386 and American Recovery and Reinvestment Act (ARRA) monies which exceeded budget by \$1,720,924. Expenditures exceeded the budgeted amount by \$1,521,151. As a result of these variances, the fund balance decreased by \$560,532 during the year.

Using the Annual Financial Report

The Annual Financial Report consists of a financial section and a single audit section which is issued to comply with federal guidelines as required in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement. Within the financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Plum Borough School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements (district-wide) are government-wide financial statements - the statement of net assets and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2011**

Using the Annual Financial Report (Cont'd)

The remaining statements (fund) focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental fund statements tell how general School District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the School District operates like a business. For our School District, this is our food service fund. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another:

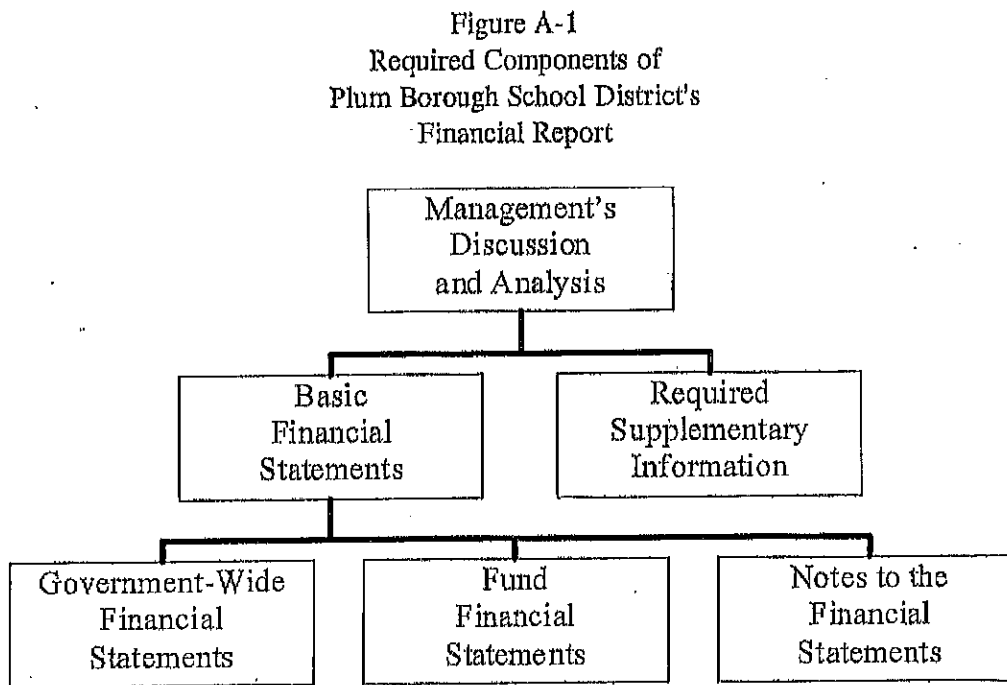


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2011**

Using the Annual Financial Report (Cont'd)

**Figure A-2
Major Features of Plum Borough School District's
Government-Wide and Fund Financial Statements**

	Government-Wide	Fund Statements		
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to someone else's resources
Required financial statements	Statement of net assets; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	Statement of net assets; statement of revenues, expenses and changes in net assets; statement of cash flows	Statement of fiduciary net assets; statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Overview of Financial Statements

Government-Wide Statements

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

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2011**

Overview of Financial Statements (Cont'd)

Government-Wide Statements (Cont'd)

The two government-wide statements report the School District's net assets and how they have changed. Net assets, the difference between the School District's assets and liabilities, are one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net assets are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the School District, you need to consider additional non-financial factors, such as changes in the School District's property tax base and the performance of the students.

The government-wide financial statements of the School District are divided into two categories:

- **Governmental activities** - All of the School District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business-type activities** - The School District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and bond requirements.

Governmental funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the financial statements.

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2011**

Overview of Financial Statements (Cont'd)

Fund Financial Statements (Cont'd)

Proprietary funds - These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides - whether to outside customers or to other units in the School District - these services are generally reported in proprietary funds. The food service fund is the School District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The School District is the trustee, or fiduciary, for activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net assets were a deficit \$(3,776,393) at June 30, 2011 and \$729,525 at June 30, 2010.

Table A-1
Years Ended June 30, 2011 and 2010
Net Assets

	2011			2010		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 33,956,816	\$461,292	\$ 34,418,108	\$ 35,378,938	\$322,267	\$ 35,701,205
Capital Assets	<u>68,646,543</u>	<u>73,023</u>	<u>68,719,566</u>	<u>69,489,237</u>	<u>85,339</u>	<u>69,574,576</u>
Total Assets	<u>\$102,603,359</u>	<u>\$534,315</u>	<u>\$103,137,674</u>	<u>\$104,868,175</u>	<u>\$407,606</u>	<u>\$105,275,781</u>
Current and Other Liabilities	\$ 9,980,215	\$246,197	\$ 10,226,412	\$ 10,200,320	\$136,259	\$ 10,336,579
Long-Term Liabilities	<u>96,665,317</u>	<u>22,338</u>	<u>96,687,655</u>	<u>94,187,217</u>	<u>22,460</u>	<u>94,209,677</u>
Total Liabilities	<u>106,645,532</u>	<u>268,535</u>	<u>106,914,067</u>	<u>104,387,537</u>	<u>158,719</u>	<u>104,546,256</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	(22,764,887)	73,023	(22,691,864)	(24,368,829)	85,339	(24,283,490)
Restricted	17,684,002	-	17,684,002	19,317,344	-	19,317,344
Unrestricted	<u>1,038,712</u>	<u>192,757</u>	<u>1,231,469</u>	<u>5,532,123</u>	<u>163,548</u>	<u>5,695,671</u>
Total Net Assets	<u>(4,042,173)</u>	<u>265,780</u>	<u>(3,776,393)</u>	<u>480,638</u>	<u>248,887</u>	<u>729,525</u>
Total Liabilities and Net Assets	<u>\$102,603,359</u>	<u>\$534,315</u>	<u>\$103,137,674</u>	<u>\$104,868,175</u>	<u>\$407,606</u>	<u>\$105,275,781</u>

Plum Borough School District
Management's Discussion and Analysis
June 30, 2011

Financial Analysis of the School District as a Whole (Cont'd)

Most of the School District's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are a combination of designated and undesignated amounts. The designated balances are amounts set aside to fund future debt service costs.

The results of this year's operations as a whole are reported in the statement of activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The two largest general revenues are the local taxes assessed to community taxpayers and the Basic Education Subsidy provided by the State of Pennsylvania.

Table A-2 takes the information from that statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-2
 Years Ended June 30, 2011 and 2010
 Changes in Net Assets

	2011			2010		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$1,243,949	\$ 1,243,949	\$ -	\$1,227,430	\$ 1,227,430
Operating Grants and Contribs.	12,348,462	591,690	12,940,152	11,442,248	622,958	12,065,206
Capital Grants and Contribs.	606,070	-	606,070	918,699	-	918,699
General Revenues						
Property Taxes	26,369,471	-	26,369,471	24,981,911	-	24,981,911
Other Taxes	3,911,620	-	3,911,620	4,088,898	-	4,088,898
Grants, Subsidies and Contribs.						
Unrestricted	11,236,513	-	11,236,513	11,220,995	-	11,220,995
Investment Earnings	176,009	549	176,558	127,749	946	128,695
Other	246,941	-	246,941	147,300	-	147,300
Total Revenues	54,895,086	1,836,188	56,731,274	52,927,800	1,851,334	54,779,134
Expenses						
Instruction	37,466,438	-	37,466,438	33,908,095	-	33,908,095
Instructional Student Support	2,744,514	-	2,744,514	2,726,349	-	2,726,349
Admin. and Fin. Support Svcs.	5,988,302	-	5,988,302	5,236,863	-	5,236,863
Operation and Maintenance of Plant Services	4,712,683	-	4,712,683	4,530,445	-	4,530,445
Pupil Transportation	2,823,176	-	2,823,176	2,593,192	-	2,593,192
Student Activities	955,610	-	955,610	709,912	-	709,912
Community Services	337,149	-	337,149	68,791	-	68,791
Interest on Long-Term Debt	4,390,025	-	4,390,025	3,913,712	-	3,913,712
Food Service	-	1,819,295	1,819,295	-	1,846,997	1,846,997
Total Expenses	59,417,897	1,819,295	61,237,192	53,687,359	1,846,997	55,534,356

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2011**

Financial Analysis of the School District as a Whole (Cont'd)

Table A-2
Years Ended June 30, 2011 and 2010
Changes in Net Assets

	2011			2010		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Increase (Decrease) in Net Assets	\$(4,522,811)	\$ 16,893	\$(4,505,918)	\$ (759,559)	\$ 4,337	\$(755,222)
Beginning Net Assets	<u>480,638</u>	<u>248,887</u>	<u>729,525</u>	<u>1,240,197</u>	<u>244,550</u>	<u>1,484,747</u>
Ending Net Assets	<u>\$(4,042,173)</u>	<u>\$ 265,780</u>	<u>\$(3,776,393)</u>	<u>\$ 480,638</u>	<u>\$248,887</u>	<u>\$ 729,525</u>

The tables below present the expenses of both the governmental activities and the business-type activities of the School District.

Table A-3 shows the School District's eight largest functions – instruction, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3
Years Ended June 30, 2011 and 2010
Governmental Activities

Functions/Programs	2011		2010	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$37,466,438	\$27,713,550	\$33,908,095	\$ 24,922,806
Instructional Student Support	2,744,514	2,280,329	2,726,349	2,533,995
Admin. and Fin. Support Svcs.	5,988,302	5,724,625	5,236,863	5,030,955
Operation and Maintenance of Plant Services	4,712,683	4,560,453	4,530,445	4,346,053
Pupil Transportation	2,823,176	1,240,668	2,593,192	986,484
Student Activities	955,610	838,381	709,912	588,400

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2011**

Financial Analysis of the School District as a Whole (Cont'd)

Table A-3 (Cont'd)
Years Ended June 30, 2011 and 2010
Governmental Activities

Functions/Programs (Cont'd)	2011		2010	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Community Services	\$ 337,149	\$ 321,404	\$ 68,791	\$ 68,353
Interest on Long-Term Debt	<u>4,390,025</u>	<u>3,783,955</u>	<u>3,913,712</u>	<u>2,849,366</u>
Total Governmental Activities	<u>\$59,417,897</u>	46,463,365	<u>\$53,687,359</u>	41,326,412
Less:				
Unrestricted Grants, Subsidies		<u>(11,236,513)</u>		<u>(11,220,995)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 35,226,852</u>		<u>\$ 30,105,417</u>

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District.

Table A-4
Years Ended June 30, 2011 and 2010
Business-Type Activities

Functions/Programs	2011		2010	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	<u>\$1,819,295</u>	\$(16,344)	<u>\$1,846,997</u>	\$(3,391)
Add:				
Investment Earnings		<u>(549)</u>		<u>(946)</u>
Total Business-Type Activities		<u>\$(16,893)</u>		<u>\$(4,337)</u>

**Plum Borough School District
Management's Discussion and Analysis
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Financial Analysis of the School District as a Whole (Cont'd)

The statement of revenues, expenses and changes in fund net assets for this proprietary fund shown will further detail the actual results of operations.

School District Funds

At June 30, 2011, the School District's governmental funds reported a combined fund balance of \$23,385,188, which is a decrease of \$2,193,940. The primary reason for this decrease is that the School District spent \$1,727,866 for capital improvement construction costs.

Nonmajor Funds Balance Change

The nonmajor fund (educational enhancement fund) balance decreased from \$5,933 to \$5,867.

Restatement of Fund Balance

The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions in the year ended June 30, 2011. The Statement, in addition to establishing criteria for classifying fund balances into specifically defined classifications as described above, also clarifies the existing governmental fund type definitions. As a result of this Statement, certain funds were reclassified to meet the fund type definitions in GASB Statement No. 54. The reclassifications are effective July 1, 2010.

The athletic fund was previously reported as a special revenue fund; however, this fund no longer meets the definitions of a special revenue fund, and the operations of that fund are now reported in the general fund.

A reconciliation of restated fund balance as a result of the implementation of GASB Statement No. 54 is detailed below:

	General Fund
Fund Balance July 1, 2010	
Previously Reported	\$6,230,502
Reclassification of Athletic Fund	<u>25,349</u>
Restated Fund Balance	
July 1, 2010	<u>\$6,255,851</u>

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2011**

School District Funds (Cont'd)

General Fund Balance Change

The School District's general fund balance decreased from \$6,255,851 to \$5,695,319. The 2010/2011 budget was designed to use up \$2,176,212 of the fund balance. Actual revenue exceeded budgeted revenue by \$94,529. Revenues that exceeded budgetary projections were: real estate taxes by \$779,386; delinquencies on taxes by \$74,340; and federal subsidies by \$2,274,409. State subsidy payments received were \$3,141,245 less than budgeted. All other combined categories exceeded budgeted by \$107,639.

Actual expenditures were \$1,521,151 less than the budgeted amount. The 2010/2011 general fund budget was balanced with a \$2,176,212 decrease in that fund balance. The combination of higher revenue and higher expenditures resulted in a fund balance decrease of \$560,532, or \$1,615,680 less than planned.

General Fund Budget

During the fiscal year, the Board of School Directors (the Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. A schedule showing the School District's original and final budget amounts compared with the amount actually paid and received is provided in the required supplementary information section of the financial statements.

The School District applies for federal, state and local grants and these grants cannot always be anticipated in the budgeting process.

Budgeted expenditures and other financing uses also increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/other financing uses occur during the year.

The budgetary reserve totaled \$290,000, or 0.52% of the budget and was utilized to balance the budget with unplanned expenditures.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2011, the School District had \$65,155,840 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$510,507, or 0.78% from last year. Table A-5 reflects the capital assets of both the governmental activities and the business-type activities of the School District.

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2011**

Capital Assets and Debt Administration (Cont'd)

Table A-5
Governmental Activities
Capital Assets - Net of Depreciation

	2011	2010
Land	\$ 372,260	\$ 372,260
Land Improvements	1,566,254	1,566,254
Buildings and Building Improvements	59,106,709	61,191,092
Furniture and Equipment	2,384,531	2,536,741
Construction in Progress	1,726,086	-

The majority of changes to the School District's capital assets are a result of the depreciation expense.

Debt Administration

As of July 1, 2010, the School District had total outstanding bond and loan principal of \$93,365,000. During the year, the School District made payments against principal of \$2,330,000. The School District's outstanding debt as of June 30, 2011, is \$91,035,000.

Table A-6
Outstanding Debt

General Obligation Loans and Bonds	2011	2010
Bonds - Series of 2010	\$19,770,000	\$19,770,000
Bonds - Series of 2006	9,060,000	9,315,000
Bonds - Series of 2005A	31,610,000	31,720,000
Bonds - Series of 2005B	9,355,000	9,630,000
Bonds - Series of 2003A	11,025,000	11,150,000
Bonds - Series of 2003B	10,170,000	10,230,000
Bonds - Series of 2003C	45,000	1,550,000
Lease Purchase Obligations	104,155	152,724

Other obligations include accrued vacation pay and sick leave for specific employees of the School District. More detailed information about our long-term liabilities is included in Note 8 of the financial statements.

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2011**

Economic Factors and Next Year's Budgets and Rates

The School District does not expect significant growth in the near future given the residential nature of the local economy. The School District expects taxable property values to increase by .75%, to 1.5% in each of the next several years due to new home construction. Overall, 84% of Plum Borough's taxable property value is coded residential property. The remaining balance consists of 16% classified as commercial.

The general fund revenue budget for the 2011/2012 year is \$602,755 less than the 2010/2011 budget. This represents a 1.12% decrease in budgeted revenues. The School District held real estate taxes at 22.2 mills for 2011/2012.

The expenditure budget for the 2011/2012 year decreased \$2,309,305, or 4.14%. Salary increases, staff changes, health care and other payroll related costs make up this net decrease.

Act 1 of 2006 - Taxpayer Relief Act this complex law imposes new mandates, deadlines, accelerated budget requirements and revenue allocation obligation on every school district in Pennsylvania. Special Session Act 1 of 2006 is supposed to deliver the largest property tax cut in Pennsylvania history. School districts will have a real and unprecedented property tax cut. Changes signed into law will affect the budget and possible referendum requirements. Limitations are imposed on tax increases and require a taxpayer's vote in the 2010 primary election if the proposed tax increase exceeds the set annual inflationary percentage. Also, school districts will be governed by back-end referendum requirements.

The comparison of revenue and expenditure categories is as follows:

Table A-7

	Budgeted Revenues	
	2011/2012	2010/2011
Local	58.6%	54.9%
State	40.2%	41.9%
Federal/Other	1.2%	3.1%
Other Financing Sources	0.0%	0.1%
	Budgeted Expenditures	
	2011/2012	2010/2011
Instruction	58.0%	57.2%
Support Services	26.1%	27.8%
Noninstructional	2.3%	1.6%
Capital	0.3%	0.4%
Fund Transfers/Debt	13.3%	13.0%

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2011**

Contacting the School District Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Director of Business Affairs at Plum Borough School District, 900 Elicker Road, Pittsburgh, PA 15239, (412) 795-0100.

**Plum Borough School District
Statement of Net Assets
June 30, 2011**

Exhibit 1

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$14,644,390	\$383,794	\$15,028,184
Investments	12,110,102	-	12,110,102
Taxes Receivable, Net	4,759,625	-	4,759,625
Internal Balances	150,077	-	150,077
Due from Other Governments	1,462,490	15,015	1,477,505
Other Receivables	365,465	6,779	372,244
Inventories	-	55,280	55,280
Prepaid Items	<u>464,667</u>	<u>424</u>	<u>465,091</u>
Total Current Assets	<u>33,956,816</u>	<u>461,292</u>	<u>34,418,108</u>
Noncurrent Assets			
Land	372,260	-	372,260
Land Improvements	1,566,254	-	1,566,254
Buildings and Building Improvements	59,106,709	-	59,106,709
Furniture and Equipment	2,384,531	73,023	2,457,554
Construction in Progress	1,726,086	-	1,726,086
Long-Term Prepayments	<u>3,490,703</u>	<u>-</u>	<u>3,490,703</u>
Total Noncurrent Assets	<u>68,646,543</u>	<u>73,023</u>	<u>68,719,566</u>
TOTAL ASSETS	<u>\$102,603,359</u>	<u>\$534,315</u>	<u>\$103,137,674</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Current Liabilities			
Internal Balances	\$ -	\$150,077	\$ 150,077
Accounts Payable	1,576,001	59,956	1,635,957
Contracts Payable	38,851	-	38,851
Current Portion of Long-Term Debt	2,683,871	-	2,683,871
Accrued Salaries and Benefits	4,283,575	-	4,283,575
Deferred Revenues	144,035	36,164	180,199
Other Current Liabilities	<u>1,253,882</u>	<u>-</u>	<u>1,253,882</u>
Total Current Liabilities	<u>9,980,215</u>	<u>246,197</u>	<u>10,226,412</u>
Noncurrent Liabilities			
Bonds Payable	88,575,000	-	88,575,000
Lease Purchase Obligations	53,284	-	53,284
Long-Term Portion of Compensated Absences	905,232	22,338	927,570
Other Post-Employment Benefits	6,767,526	-	6,767,526
Other Long-Term Liabilities	<u>364,275</u>	<u>-</u>	<u>364,275</u>
Total Noncurrent Liabilities	<u>96,665,317</u>	<u>22,338</u>	<u>96,687,655</u>
Total Liabilities	<u>106,645,532</u>	<u>268,535</u>	<u>106,914,067</u>
Net Assets			
Invested in Capital Assets (Net of Related Debt)	(22,764,887)	73,023	(22,691,864)
Restricted for Capital Projects	17,684,002	-	17,684,002
Unrestricted	<u>1,038,712</u>	<u>192,757</u>	<u>1,231,469</u>
Total Net Assets	<u>(4,042,173)</u>	<u>265,780</u>	<u>(3,776,393)</u>
TOTAL LIABILITIES AND NETS ASSETS	<u>\$102,603,359</u>	<u>\$534,315</u>	<u>\$103,137,674</u>

See Accompanying Notes

Plum Borough School District
Statement of Activities
Year Ended June 30, 2011

Exhibit 2

Functions/Programs Governmental Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern- mental Activities	Business- Type Activities	Totals
Instruction	\$ 37,466,438	\$ 9,752,888	\$ -	\$(27,713,550)	\$ -	\$(27,713,550)
Instructional Student Support	2,744,514	464,185	-	(2,280,329)	-	(2,280,329)
Administrative and Financial Support Services	5,988,302	263,677	-	(5,724,625)	-	(5,724,625)
Operation and Maintenance of Plant Services	4,712,683	152,230	-	(4,560,453)	-	(4,560,453)
Pupil Transportation	2,823,176	1,582,508	-	(1,240,668)	-	(1,240,668)
Student Activities	955,610	117,229	-	(838,381)	-	(838,381)
Community Services	337,149	15,745	-	(321,404)	-	(321,404)
Interest on Long-Term Debt	4,390,025	-	606,070	(3,783,955)	-	(3,783,955)
Total Governmental Activities	59,417,897	12,348,462	606,070	(46,463,365)	-	(46,463,365)
Business-Type Activities						
Food Service	1,819,295	591,690	-	-	16,344	16,344
Total Primary Government	\$61,237,192	\$12,940,152	\$606,070	(46,463,365)	16,344	(46,447,021)
General Revenues						
Taxes						
Property Taxes, Levied for General Purposes, Net				26,369,471	-	26,369,471
Earned Income Taxes				2,395,871	-	2,395,871
Real Estate Transfer Taxes				202,451	-	202,451
Other Taxes Levied for General Purposes, Net				1,313,298	-	1,313,298
Grants, Subsidies and Contributions not Restricted				11,236,513	-	11,236,513
Investment Earnings				176,009	549	176,558
Miscellaneous Income				246,941	-	246,941
Total General Revenues				41,940,554	549	41,941,103
Changes in Net Assets				(4,522,811)	16,893	(4,505,918)
Net Assets - July 1, 2010				480,638	248,887	729,525
Net Assets - June 30, 2011				\$(4,042,173)	\$265,780	\$(3,776,393)

See Accompanying Notes

**Plum Borough School District
Balance Sheet
Governmental Funds
June 30, 2011**

Exhibit 3

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 6,372,965	\$ 8,265,558	\$5,867	\$14,644,390
Investments	2,641,307	9,468,795	-	12,110,102
Taxes Receivable (Net)	4,759,625	-	-	4,759,625
Due from Other Funds	150,077	-	-	150,077
Due from Other Governments	1,462,490	-	-	1,462,490
Other Receivables	<u>365,465</u>	<u>-</u>	<u>-</u>	<u>365,465</u>
TOTAL ASSETS	<u>\$15,751,929</u>	<u>\$17,734,353</u>	<u>\$5,867</u>	<u>\$33,492,149</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 1,564,501	\$ 11,500	\$ -	\$ 1,576,001
Contracts Payable	-	38,851	-	38,851
Accrued Salaries and Benefits	4,283,575	-	-	4,283,575
Deferred Revenues	<u>4,208,534</u>	<u>-</u>	<u>-</u>	<u>4,208,534</u>
Total Liabilities	<u>10,056,610</u>	<u>50,351</u>	<u>-</u>	<u>10,106,961</u>
Fund Balances				
Restricted for Capital Projects	-	17,684,002	-	17,684,002
Committed	-	-	5,867	5,867
Unassigned	<u>5,695,319</u>	<u>-</u>	<u>-</u>	<u>5,695,319</u>
Total Fund Balances	<u>5,695,319</u>	<u>17,684,002</u>	<u>5,867</u>	<u>23,385,188</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$15,751,929</u>	<u>\$17,734,353</u>	<u>\$5,867</u>	<u>\$33,492,149</u>

See Accompanying Notes

Plum Borough School District
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Assets
 June 30, 2011

Exhibit 4

Total Fund Balances - Governmental Funds \$ 23,385,188

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 as assets in governmental funds. The cost of assets is \$99,055,150, and the accumulated depreciation is \$33,899,310. 65,155,840

Property taxes receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore, are deferred in the governmental funds. 4,064,499

Deferred charges on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net assets. 3,218,428

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$(91,035,000)	
Accrued Interest on the Bonds	(1,253,882)	
Capital Leases Payable	(104,155)	
Termination Payments	(140,000)	
Compensated Absences	(1,030,232)	
Other Post-Employment Benefits	<u>(6,767,526)</u>	(100,330,795)

Other
 Prepaid Items 464,667

Total Net Assets - Governmental Activities \$ (4,042,173)

See Accompanying Notes

**Plum Borough School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011**

Exhibit 5

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenues				
Local Sources	\$30,422,672	\$ 94,524	\$ 4	\$30,517,200
State Sources	19,380,244	-	-	19,380,244
Federal Sources	<u>3,931,565</u>	<u>-</u>	<u>-</u>	<u>3,931,565</u>
Total Revenues	<u>53,734,481</u>	<u>94,524</u>	<u>4</u>	<u>53,829,009</u>
Expenditures				
Instruction	31,432,722	-	-	31,432,722
Support Services	14,799,143	-	-	14,799,143
Noninstructional Services	1,118,588	1,780	70	1,120,438
Capital Outlay	118,343	1,726,086	-	1,844,429
Debt Service	<u>6,826,217</u>	<u>-</u>	<u>-</u>	<u>6,826,217</u>
Total Expenditures	<u>54,295,013</u>	<u>1,727,866</u>	<u>70</u>	<u>56,022,949</u>
Net Changes in Fund Balances	(560,532)	(1,633,342)	(66)	(2,193,940)
Fund Balances - July 1, 2010	<u>6,255,851</u>	<u>19,317,344</u>	<u>5,933</u>	<u>25,579,128</u>
Fund Balances - June 30, 2011	<u>\$ 5,695,319</u>	<u>\$17,684,002</u>	<u>\$5,867</u>	<u>\$23,385,188</u>

See Accompanying Notes

Plum Borough School District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures
 and Changes in Fund Balances
 to the Statement of Activities
 Year Ended June 30, 2011

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$(2,193,940)

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 as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation Expense	\$(2,949,172)	
Capital Outlays	<u>2,438,665</u>	(510,507)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year. 1,066,076

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,378,569

In the statement of activities, certain operating expenses - compensated absences (sick pay and vacations), special termination benefits (early retirement) and other post-employment benefits (OPEB) - are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated Absences	30,475	
Termination Payments	(113,600)	
Other Post-Employment Benefits	<u>(4,995,514)</u>	(5,078,639)

**Plum Borough School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2011**

Exhibit 6

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Net Change in Accrued Interest on Bonds	\$ 57,623
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Bond issuance costs and bond discount are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Amortization of Issuance Costs, Discount and Deferred Loss on Refunding	(264,120)
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Other Net Change in Prepaid Items	<u>22,127</u>
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Change in Net Assets of Governmental Activities	<u>\$(4,522,811)</u>
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See Accompanying Notes

Plum Borough School District
Statement of Net Assets
Proprietary Fund
June 30, 2011

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$383,794
Due from Other Governments	15,015
Other Receivables	6,779
Inventories	55,280
Prepaid Items	<u>424</u>
Total Current Assets	<u>461,292</u>
Noncurrent Assets	
Furniture and Equipment (Net)	<u>73,023</u>
TOTAL ASSETS	<u>\$534,315</u>
LIABILITIES AND NET ASSETS	
Liabilities	
Current Liabilities	
Due to Other Funds	\$150,077
Accounts Payable	59,956
Deferred Revenues	<u>36,164</u>
Total Current Liabilities	<u>246,197</u>
Noncurrent Liabilities	
Long-Term Portion of Compensated Absences	<u>22,338</u>
Total Liabilities	<u>268,535</u>
Net Assets	
Invested in Capital Assets	73,023
Unrestricted	<u>192,757</u>
Total Net Assets	<u>265,780</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$534,315</u>

See Accompanying Notes

Plum Borough School District
Statement of Revenues, Expenses and Changes
in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2011

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$1,243,949
Operating Expenses	
Salaries	604,654
Employee Benefits	226,653
Purchased Property Services	45,364
Other Purchased Services	6,414
Supplies	920,822
Depreciation	12,316
Other Operating Expenditures	<u>3,072</u>
Total Operating Expenses	<u>1,819,295</u>
Operating Income (Loss)	<u>(575,346)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	549
State Sources	106,101
Federal Sources	<u>485,589</u>
Total Nonoperating Revenues (Expenses)	<u>592,239</u>
Change in Net Assets	16,893
Net Assets - July 1, 2010	<u>248,887</u>
Net Assets - June 30, 2011	<u>\$ 265,780</u>

See Accompanying Notes

Plum Borough School District
Statement of Cash Flows
Proprietary Fund Type
Year Ended June 30, 2011

Exhibit 9

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$1,226,719
Cash Payments to Employees for Services	(795,927)
Cash Payments to Suppliers for Goods and Services	(905,826)
Cash Payments for Other Operating Expenses	<u>(3,072)</u>
Net Cash Used for Operating Activities	<u>(478,106)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	104,067
Federal Sources	<u>487,623</u>
Net Cash Provided by Non-Capital Financing Activities	<u>591,690</u>
Cash Flows from Investing Activities	
Earnings on Investments	<u>549</u>
Net Increase in Cash and Cash Flows	114,133
Cash and Cash Equivalents - July 1, 2010	<u>269,661</u>
Cash and Cash Equivalents - June 30, 2011	<u>\$ 383,794</u>

Plum Borough School District
Statement of Cash Flows
Proprietary Fund Type
Year Ended June 30, 2011

Exhibit 9

Food
Service
Fund

Operating Income (Loss)	<u>\$(575,346)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation and Net Amortization	12,316
(Increase) Decrease in Accounts Receivable and Prepaids	(17,654)
(Increase) Decrease in Inventories	(7,238)
Increase (Decrease) in Accounts Payable	55,971
Increase (Decrease) in Accrued Deferred Revenue	18,587
Increase (Decrease) in Advances from Other Funds	35,380
Increase (Decrease) in Other Current Liabilities	<u>(122)</u>
Total Adjustments	<u>97,240</u>
Cash Used for Operating Activities	<u>\$(478,106)</u>

Noncash Investing, Capital and Financing Activities

During the year ended June 30, 2011, the School District received \$98,549 of U. S. D. A. donated commodities in the food service fund.

See Accompanying Notes

Plum Borough School District
Statement of Net Assets
Fiduciary Fund
June 30, 2011

Exhibit 10

Agency
Fund

ASSETS

Cash and Cash Equivalents

\$71,119

LIABILITIES

Liabilities

Other Current Liabilities

\$71,119

See Accompanying Notes

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies

Plum Borough School District, located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of Plum Borough. The School District operates under a nine person elected Board of Directors.

The School District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the School District has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the School District has chosen not to do so. The more significant accounting policies established in GAAP and used by the School District are discussed below.

The following is a summary of the more significant policies:

A. Financial Reporting Entity

In evaluating how to define a government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP) and more specifically, the provisions of Governmental Accounting Standards Board (GASB) Statement 14, "The Financial Reporting Entity". The following summarizes the guidance provided by GASB in determining the governmental activities, organizations, functions and component units that should be included in the governing entity's financial statements. The criterion for inclusion of a component unit is if the primary government is financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, it has been determined that the School District (the primary government) has no potential component units to be included in its financial reporting entity, but does participate in a joint venture as described below.

Joint Ventures

The School District is one of nine member school districts of the Forbes Road Career & Technology Center ("Forbes"). Forbes provides vocational-technical training and education to participating students of the member districts. Forbes is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Direct oversight of Forbes' operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Forbes. The School District's share of annual operating and capital costs for Forbes fluctuates, based on

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

A. Financial Reporting Entity (Cont'd)

Joint Ventures (Cont'd)

the percentage of enrollment of each member district in the school. The School District's financial obligation to Forbes for the year ended June 30, 2011 was \$437,075, which has been reported in the School District's general fund. The School District has no equity interest in Forbes as of June 30, 2011. Complete financial statements for Forbes can be obtained from the administrative offices at 607 Beatty Road; Monroeville, Pennsylvania 15146.

The School District is also one of eight member school districts of the Eastern Area Special Schools ("Eastern"). Eastern provides special education to participating students of the member districts. Eastern is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Direct oversight of Eastern's operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Eastern. The School District's share of annual operating and capital costs for Eastern fluctuates, based on the percentage of enrollment of each member district in the school. The School District's financial obligation to Eastern for the year ended June 30, 2011 was \$4,664, which has been reported in the School District's General Fund. The School District has no equity interest in Eastern as of June 30, 2011. Eastern's outstanding debt is secured by rental payments from the member districts. Complete financial statements for Eastern can be obtained from the administrative offices at 550 Aura Drive; Monroeville, PA 15146.

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes levied but collected beyond 60 days after year end are recorded as deferred revenue to be recognized as revenue when the taxes are collected. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, investment income, rent and certain miscellaneous revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In applying the susceptible to accrual concept to intergovernmental revenues (state and federal sources), the legal and contractual requirements of the individual programs are used as guidance. There are however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the School District; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure. All other revenue items are considered to be measurable and available only when cash is received by the government.

The School District reports the following major governmental funds:

The *general fund* is the School District'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 to be used for the acquisition or construction of major capital facilities or equipment (other than those financed by proprietary funds).

The School District reports the following major proprietary fund:

The *food service fund* accounts for the revenues, food purchases, and other costs and expenses providing meals to students and/or faculty during the school year.

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)

Additionally, the School District reports the following fund type:

The *agency fund* represents the School District's student activity funds. These funds account for student activities at the various schools within the School District.

The School District also reports as a nonmajor governmental fund the following:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. The Educational Enhancement Fund is considered a special revenue fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Proprietary 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund are charges to customers for sales of food. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

D. Cash and Cash Equivalents

The School District's policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

E. Investments

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices. Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the School District and approved by the Members of the Board. The School Code states that authorized types of investments shall be: United States Treasury Bills; short-term obligations of the United States Government or its agencies or instrumentalities; deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

F. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved various budget transfers throughout the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2011.

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and, for comparative purposes, the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval.

Excess of expenditures over appropriations in the general fund is presented in the required supplementary information section.

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

G. 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 "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

H. Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2011.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2011 are reported as deferred revenue.

I. Prepaid Expenses

In both the government-wide and fund financial statements, prepaid expenses are recorded as assets in the specific governmental fund in which future benefits will be derived.

J. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

J. Capital Assets (Cont'd)

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

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

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building Improvements	20
Site Improvements	20
Furniture	10
Vehicles	8-10
Equipment	10
Technology Group	5

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 12 years.

K. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums, discount and issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

L. Compensated Absences

The School District's policies regarding vacation time under various contracts, provide for employees to accumulate sick days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract. The liability for these

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Cont'd)

L. Compensated Absences

compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

M. Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements - Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the School District classifies governmental fund balances as follows:

Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

**Plum Borough School District
Notes to Financial Statements
June 30, 2011**

Note 1 - Summary of Significant Accounting Policies (Cont'd)

M. Equity Classifications (Cont'd)

Fund Statements - Fund Balance (Cont'd)

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action by the School District's highest level of authority, school board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially constrain the money, which is the passage of a motion.

Assigned - reflects the School District's intent to use the money for a specific purpose but is not considered restricted or committed. Fund balance may be assigned by the superintendent or business manager.

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

The School District's informal policy is that it considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. It also considers committed amounts to be spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance could be used.

The unassigned balance in the general fund is held for future needs of the School District.

The restricted fund balance consists of the following:

Educational Enhancement Fund	\$ 5,867
Capital Projects Fund for Future Capital Projects from Unspent Bond Proceeds	<u>17,684,002</u>
	<u>\$17,689,869</u>

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 2 - Restatement of Fund Balance

The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions in the year ended June 30, 2011. The Statement in addition to establishing criteria for classifying fund balances into specifically defined classifications as described above also clarifies the existing governmental fund type definitions. As a result of this Statement certain funds were reclassified to meet the fund type definitions in GASB Statement 54. The reclassifications are effective July 1, 2010.

The athletic fund was previously reported as a special revenue fund, however, this fund no longer meets the definitions of a special revenue fund and the operations of that fund are now reported in the general fund.

A reconciliation of restated fund balance as a result of the implementation of GASBS No. 54 is detailed below:

	General Fund
Fund balance July 1, 2010	
Previously reported	\$6,230,502
Reclassification of Athletic Fund	<u>25,349</u>
Restated Fund Balance	
July 1, 2010	<u>\$6,255,851</u>

Note 3 - Deposits and Investments

The deposit and investment policy of the School District adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2011, \$2,138,605 of the School District's bank balance of \$2,580,628 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging	
Bank's Agent not in the School District's Name	<u>\$2,138,605</u>

**Plum Borough School District
Notes to Financial Statements
June 30, 2011**

Note 3 - Deposits and Investments (Cont'd)

Custodial Credit Risk - Deposits (Cont'd)

As of June 30, 2011, the School District had the following investments:

Investments	Fair Value
Certificates of Deposit	\$ 7,625,612
PSDLAF	8,135,989
U.S. Treasury and Agency Obligations	
Matures October 7, 2011	0.00% \$ 998,056
Matures February 15, 2012	0.16% 2,994,270
Matures May 15, 2012	0.18% 2,989,920
Matures August 15, 2012	0.24% <u>2,486,550</u>
	<u>9,468,796</u>
	<u>\$25,230,397</u>

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1E. The School District has no investment policy that would further limit its investment choices. The School District's investments in Pennsylvania School District Liquid Asset Fund (PSDLAF) was rated AAAM by Standard & Poor's.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issue.

Investments

The Pennsylvania School District Liquid Asset Fund (PSDLAF) was established as a common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the fund are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the fund is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. The fund has the characteristics of open-end mutual funds and is not subject to credit risk classification.

PSDLAF is governed by an elected board of trustees who are responsible for the overall management of the fund. The trustees are elected from the several classes of local governments participating in the fund. The fund is audited annually by independent auditors. The fund operates in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The fund uses amortized cost to report net assets to compute share prices. The fund maintains net asset value of \$1 per share. Accordingly, the fair value of the position in PSDLAF is the same as the value of PSDLAF shares.

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 4 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2010/2011 was 22.2 mills (\$22.20 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2010/2011 is as follows:

Tax Levy Date	July 1, 2010
2% Discount Period	Through August 31, 2010
Face Payment Period	September 1 - October 31, 2010
10% Penalty Period	November 1 Until Liened
Lien Filing Date	January 15, 2011

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as deferred revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$4,064,499 along with other taxes receivable of \$695,126.

Note 5 - Due from Other Governments

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

	Governmental Funds	Food Service Fund	Totals
Federal (through the state)	\$ 982,003	\$12,981	\$ 994,984
State	<u>480,487</u>	<u>2,034</u>	<u>482,521</u>
	<u>\$1,462,490</u>	<u>\$15,015</u>	<u>\$1,477,505</u>

Note 6 - Capital Assets

For the year ended June 30, 2011, capital asset activity was as follows:

	Balance 07/01/10	Additions	Disposals	Balance 06/30/11
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 372,260	\$ _____	\$ _____	\$ 372,260

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 6 - Capital Assets (Cont'd)

	Balance 07/01/10	Additions	Disposals	Balance 06/30/11
Governmental Activities (Cont'd)				
Capital Assets Being Depreciated				
Land Improvements	\$ 3,270,743	\$ -	\$ -	\$ 3,270,743
Buildings and Building Improvements	86,162,187	-	-	86,162,187
Furniture and Equipment	7,130,032	712,579	318,737	7,523,874
Construction in Progress	<u>-</u>	<u>1,726,086</u>	<u>-</u>	<u>1,726,086</u>
Total Capital Assets Being Depreciated	<u>96,562,962</u>	<u>2,438,665</u>	<u>318,737</u>	<u>98,682,890</u>
Less Accumulated Depreciation				
Land Improvements	1,704,489	-	-	1,704,489
Buildings and Building Improvements	24,971,095	2,084,383	-	27,055,478
Furniture and Equipment	<u>4,593,291</u>	<u>864,789</u>	<u>318,737</u>	<u>5,139,343</u>
Total Accumulated Depreciation	<u>31,268,875</u>	<u>2,949,172</u>	<u>318,737</u>	<u>33,899,310</u>
Total Capital Assets Being Depreciated, Net	<u>65,294,087</u>	<u>(510,507)</u>	<u>-</u>	<u>64,783,580</u>
Governmental Activities Capital Assets, Net	<u>\$65,666,347</u>	<u>\$ (510,507)</u>	<u>\$ -</u>	<u>\$65,155,840</u>
Business-Type Activities				
Furniture and Equipment	\$ 360,311	\$ -	\$ -	\$ 360,311
Less Accumulated Depreciation	<u>274,972</u>	<u>12,316</u>	<u>-</u>	<u>287,288</u>
Business-Type Capital Assets, Net	<u>\$ 85,339</u>	<u>\$ (12,316)</u>	<u>\$ -</u>	<u>\$ 73,023</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$ 2,636,728
Operation and Maintenance of Plant Services	33,467
Pupil Transportation	224,198
Student Activities	<u>54,779</u>
Total Depreciation Expense	<u>\$ 2,949,172</u>
Business-Type Activities	
Food Service	<u>\$ 12,316</u>

**Plum Borough School District
Notes to Financial Statements
June 30, 2011**

Note 7 - Interfund Balances

At June 30, 2011, interfund balances were:

	Interfund Receivable	Interfund Payable
General Fund	\$150,077	\$ -
Enterprise Fund		
Food Service Fund	-	<u>150,077</u>
	<u>\$150,077</u>	<u>\$150,077</u>

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All of the balances above are expected to be collected in the subsequent year.

Note 8 - Long-Term Debt

The following are changes in the long-term liabilities for the fiscal year ended June 30, 2011:

	Balance 07/01/10	Additions	Retirements	Balance 06/30/11	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$93,365,000	\$ -	\$2,330,000	\$91,035,000	\$2,460,000
Compensated Absences Payable	1,060,708	296,234	326,710	1,030,232	125,000
Early Retirement Incentive	26,400	144,000	30,400	140,000	48,000
Lease Purchase Obligations	<u>152,724</u>	-	<u>48,569</u>	<u>104,155</u>	<u>50,871</u>
	<u>\$94,604,832</u>	<u>\$440,234</u>	<u>\$2,735,679</u>	<u>\$92,309,387</u>	<u>\$2,683,871</u>

General Obligation Bonds

Series of 2010; 5.364% to 6.395% General Obligation Bonds; final payment due 2035.	\$19,770,000
Series of 2006; 3.50% to 4.50% General Obligation Bonds; final payment due 2032.	9,060,000

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 8 - Long-Term Debt (Cont'd)

General Obligation Bonds (Cont'd)

Series A of 2005; 3.00% - 4.50% General Obligation Bonds; final payment due 2030.	\$31,610,000
Series B of 2005; 3.00% - 4.50% General Obligation Bonds; final payment due 2031.	9,355,000
Issue of 2003; Series A; 1.0% - 4.2% General Obligation Bonds; final payment due 2022.	11,025,000
Issue of 2003; Series B; 1.0% - 3.5% General Obligation Bonds; final payment due 2015.	10,170,000
Issue of 2003; Series C; 1.0% - 2.85% General Obligation Bonds; final payment due 2011.	<u>45,000</u>
	<u>\$91,035,000</u>

The debt service source for the above debt is the general fund.

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences and termination payments) as of June 30, 2011, including interest, sinking fund payments and accretion on the capital appreciation bonds, are as follows:

Year Ended June 30,	General Obligation Bonds		
	Principal	Interest	Totals
2012	\$ 2,460,000	\$ 4,256,737	\$ 6,716,737
2013	2,550,000	4,162,733	6,712,733
2014	2,665,000	4,046,174	6,711,174
2015	2,770,000	3,940,234	6,710,234
2016-2020	14,935,000	18,141,134	33,076,134
2021-2025	17,700,000	14,759,061	32,459,061
2026-2030	21,975,000	10,234,808	32,209,808
2031-2035	<u>25,980,000</u>	<u>4,606,390</u>	<u>30,586,390</u>
	<u>\$91,035,000</u>	<u>\$64,147,271</u>	<u>\$155,182,271</u>

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 8 - Long-Term Debt (Cont'd)

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2011, \$38,215,000 of bonds outstanding are considered defeased.

Note 9 - Retirement Incentive

The School District provides for a one-time monetary incentive to those employees who retire from the Pennsylvania School Employees' Retirement System. The incentive is based upon the number of years of service in the Plum Borough School District.

25 Years - \$ 5,000
30 Years - \$10,000

In order to be eligible for this benefit, the employee must submit a letter of retirement to the School Board by January 1, prior to the coming school year in which the employee plans to retire. The School District shall pay the retiree \$800 per month or \$600 per month for a period of three (3) years, depending on the date of retirement, but will not pay the monetary incentive described above. The cost of these benefits for the year ended June 30, 2011 was \$30,400. These expenses are funded yearly through the general fund budget. There were twenty-six (26) eligible employees who received these benefits for the year ended June 30, 2011. The balance of monies due to these retirees in future years is reported as a liability.

Additional information regarding other post-employment benefits is included in Note 13.

Note 10 - Operating Leases

The School District is committed under leases for photocopiers. These leases are considered, for accounting purposes, to be operating leases. Total payments made on these leases for the year ended June 30, 2011 were \$119,922. Future minimum payments for these leases are as follows:

Year Ended June 30,	Amount
2012	\$119,922
2013	119,922
2014	119,922
2015	<u>9,993</u>
	<u>\$369,759</u>

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 11 - Public School Employees' Retirement System (PSERS)

A. Plan Description

Plum Borough School District contributes to the Public School Employees' Retirement System of Pennsylvania (PSERS), a cost-sharing, multiple-employer defined benefit pension plan administered by PSERS. PSERS provides retirement and disability benefits, legislative mandated ad hoc cost of living adjustments, and health care insurance premium assistance to qualifying annuitants.

The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended, 24 Pa. C.S. 8101-8535) assigns the authority to establish and amend benefit provisions to the PSERS Board of Trustees. PSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. That report may be obtained by writing to Public School Employees' Retirement System; P.O. Box 125; Harrisburg, PA 17108-0125.

B. Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth of Pennsylvania. Active members who joined the system prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (Membership Class TD) of the member's qualifying compensation. Members who joined the system after June 30, 2001 contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Contributions required of employers are based upon an actuarial valuation. For the fiscal year ended June 30, 2011, the rate of employer contribution was 5.64% of covered payroll, or 2.82% for both the School District and the Commonwealth.

The School District's contributions to PSERS for the years ending June 30, 2011, 2010 and 2009 were \$1,585,821, \$1,518,994 and \$1,809,447, respectively, equal to the required contributions for each year. One half of the required contributions noted above were paid by the Commonwealth of Pennsylvania as a reimbursement to the School District.

Note 12 - Contingent Liabilities

Plum Borough School District participates in a number of federally assisted grant programs, principal of which are Title I and National School Lunch Program. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2011 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any to be immaterial.

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 12 - Contingent Liabilities (Cont'd)

The School District is also involved in litigation with a contractor regarding a now completed construction project. The amount of settlement, if any, is expected to be immaterial.

Note 13 - Post-Employment Healthcare Plan

A. Plan Description

Plum Borough School District administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides medical, and in some cases dental and vision, for four groups of employees: teachers; administrators; support personnel; and service employees. The benefits provided are for the eligible retirees and their spouses through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

B. Funding Policy

1) Plan Provisions

- **Categories of Employees/Retirees**

The School District categorizes employees as follows: Act 93 administrators; teachers; custodians; administrative assistants; confidential secretaries; bus drivers; cook managers; cafeteria employees; computer technicians; bus aides; mechanics; and teacher aides. In addition to the above, there are three contracted employees: the superintendent; assistant superintendent; and the business manager.

Act 93 administrators and teachers who have met the eligibility criteria are eligible for post-retirement medical, dental, and vision benefits. All other groups are not eligible for post-retirement medical, dental, and vision benefits.

- **Medical Benefits**

For employees who retire and remain in the medical plan, they will be enrolled in the PPO program. The program is provided through the Allegheny County Schools Health Insurance Consortium (ACSHIC) and is administered by Highmark. The PPO program is referred to as PPOBlue.

- **Eligibility**

To be eligible for post-retirement medical coverage, an employee must have completed a least 25 years of credited service with PSERS and at least 15 years in the Plum Borough School District. The retiree shall receive the same medical, dental and vision coverage that is currently provided to active employees.

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 13 - Post-Employment Healthcare Plan (Cont'd)

B. Funding Policy (Cont'd)

1) Plan Provisions (Cont'd)

- Contributions

Eligible retirees are required to contribute \$100 per month in order to maintain coverage. Eligible retirees electing family coverage are required to contribute \$100 plus the difference between family and husband/wife coverage.

If a retiree attains the age of 65 and there is a covered spouse who is under the age of 65, the spouse is permitted to continue with post-retirement medical, dental and vision benefits without paying any required contributions.

- Benefit Duration

Medical benefits are provided to the age of 65.

- Dental

Retirees are also eligible for dental benefits. Dental benefits are provided up to age 65 only.

- Vision

Eligible retirees are provided with vision coverage.

- Life Insurance

Retired administrators are provided with a \$10,000 life insurance benefit.

Retired custodians and administrative assistants are provided with a \$3,000 life insurance benefit.

All other employee groups, including teachers, are not provided with retiree life insurance.

C. Annual OPEB Cost and Net OPEB Obligation

The School District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (funding excess) over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation.

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 13 - Post-Employment Healthcare Plan (Cont'd)

C. Annual OPEB Cost and Net OPEB Obligation (Cont'd)

Annual Required Contribution	\$3,873,433
Interest on Net OPEB Obligation	190,185
Adjustment to Annual Required Contribution	<u>(266,698)</u>
Annual OPEB Cost (Expense)	3,796,920
Contributions as Calculated	<u>1,504,327</u>
Increase in OPEB Obligation	2,292,593
Net OPEB Obligation - Beginning of Year	1,772,012
Actuarial Correction - Beginning of Year	<u>2,702,921</u>
Net OPEB Obligation - End of Year	<u>\$6,767,526</u>

The School District's OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the years ended June 30, 2011, 2010 and 2009, is as follows:

The School District implemented the statement prospectively.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/11	\$3,796,920	39.6%	\$6,767,526
06/30/10 (Restated)	3,936,805	44.06%	4,474,933
06/30/09	3,974,055	42.8%	2,272,489

D. Funded Status and Funding Progress

As of July 1, 2010, the actuarial accrued liability for benefits was \$14,602,231, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$28,614,111 and the ratio of unfunded actuarial accrued liability to the covered payroll was 51.03%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding

**Plum Borough School District
Notes to Financial Statements
June 30, 2011**

Note 13 - Post-Employment Healthcare Plan (Cont'd)

D. Funded Status and Funding Progress (Cont'd)

progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 4.5%; an annual healthcare cost trend rate of 9% initially decreasing by 1% per year to an ultimate rate of 5%. The method used to determine the actuarial value of assets is not applicable since there are no plan assets. The unfunded actuarial accrued liability is being amortized using the level dollar method. The amortization period for the most recent actuarial valuation is thirty years. The period is open.

For the year ended June 30, 2011, the School District contributed \$1,028,162. Plan members receiving benefits contributed \$106,634. The plan is financed on a pay-as-you-go basis.

Note 14 - Risk Management

The School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$5,662,450 and \$5,402,814 for the years ended June 30, 2011 and 2010, respectively.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net assets or deficiency in net assets, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2011, the assets of the Consortium were \$56,972,610 of which \$1,403,293 is attributable to the School District.

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 14 - Risk Management (Cont'd)

The School District participates in an insurance program offered by a commercial insurance company. It purchases commercial insurance policies for risks of losses for casualty, workmen's compensation and liability claims.

The School District is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note 15 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2011 was \$2,249,275.

This includes \$939,792 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and \$1,309,483 to the federal government for social security and Medicare taxes for the year ended June 30, 2011. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Note 16 - Capital Leases

The School District has entered into lease agreements as lessee for financing the acquisition of lighting retrofit upgrade at various School District buildings, a copier and school buses. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term), and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The assets acquired through capital leases are as follows:

Assets	Governmental Activities
Machinery and Equipment	\$1,029,788
Less: Accumulated Depreciation	<u>(686,561)</u>
Total	<u>\$ 343,227</u>

Plum Borough School District
Notes to Financial Statements
June 30, 2011

Note 16 - Capital Leases (Cont'd)

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

Year Ended June 30,	Governmental Activities
2012	\$ 55,808
2013	<u>55,808</u>
Total minimum lease payments	111,616
Less: Amount Representing Interest	<u>(7,461)</u>
Present Value of Minimum Lease Payments	<u>\$104,155</u>

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

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Plum Borough School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$24,524,011	\$24,524,011	\$25,303,397	\$ 779,386
Public Utility Realty Taxes	40,685	40,685	41,197	512
Current Per Capita Taxes - Sec. 679	81,250	81,250	109,217	27,967
Current Per Capita Taxes - Act 511	81,250	81,250	109,217	27,967
Local Services Taxes	18,500	18,500	19,327	827
Earned Income Taxes	3,150,000	3,150,000	2,395,871	(754,129)
Real Estate Transfer Taxes	190,000	190,000	202,451	12,451
Delinquencies on Taxes	960,000	960,000	1,034,340	74,340
Earnings on Investments	109,914	109,914	81,481	(28,433)
Other Local Revenues				
Revenue from Student Activities	27,930	27,930	81,534	53,604
Federal Revenues from IUs	173,500	173,500	765,686	592,186
Contributions and Donations from				
Private Sources	15,000	15,000	43,726	28,726
Rentals	9,000	9,000	8,004	(996)
Tuition from Patrons	16,700	16,700	19,843	3,143
Svcs. Prov. Other Local Gov't. Units	22,000	22,000	32,017	10,017
Refunds of Prior Year's Expenditures	<u>41,207</u>	<u>41,207</u>	<u>175,364</u>	<u>134,157</u>
Total Revenues from Local Sources	<u>29,460,947</u>	<u>29,460,947</u>	<u>30,422,672</u>	<u>961,725</u>
State Sources				
Basic Instruct. and Oper. Subsidies				
Basic Instructional Subsidy	12,914,637	12,914,637	10,510,505	(2,404,132)
Charter Schools - Nonpublic	155,381	155,381	127,703	(27,678)
Subsidies for Spec. Educ. Programs				
Vocational Education	1,200	1,200	-	(1,200)
Driver Education - Student	6,000	6,000	-	(6,000)
Special Education of Excep. Pupils	2,205,196	2,205,196	2,279,309	74,113
Subsidies for Noneduc. Programs				
Transportation (Regular and Add'l.)	1,170,000	1,170,000	1,216,185	46,185
Rentals and Sinking Fund Payments	1,368,582	1,368,582	606,070	(762,512)
Health Services	87,000	87,000	80,131	(6,869)

**Plum Borough School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Cont'd)				
State Sources (Cont'd)				
Subsidies for Noneduc. Programs (Cont'd)				
State Property Tax Reduction	\$ 1,653,234	\$ 1,653,234	\$ 1,653,234	\$ -
PA Accountability Grants	601,852	601,852	564,380	(37,472)
Dual Enrollment Funding	-	-	86,336	86,336
Other State Revenue	-	-	49,000	49,000
Social Security Payments	1,134,877	1,134,877	1,286,350	151,473
State Retirement Revenue	<u>1,223,530</u>	<u>1,223,530</u>	<u>921,041</u>	<u>(302,489)</u>
 Total Revenues from State Sources	 <u>22,521,489</u>	 <u>22,521,489</u>	 <u>19,380,244</u>	 <u>(3,141,245)</u>
 Federal Sources				
Restricted Grants-in-Aid from the Fed. Gov't. through the Commonwealth				
Other Restricted Federal	-	-	598,305	598,305
Title I	371,000	371,000	404,380	33,380
Title II	127,495	127,495	110,652	(16,843)
Other Restricted Grants-in-Aid	93,100	93,100	87,759	(5,341)
ARRA - Title I, IDEA - Section 619	157,464	157,464	102,382	(55,082)
ARRA - Title I, Part A & D	411,957	411,957	59,365	(352,592)
ARRA - Title I, School Improvement	186,500	186,500	-	(186,500)
ARRA - Title I, State Fiscal Stabilization	-	-	1,453,766	1,453,766
ARRA - Education Jobs Fund	-	-	861,332	861,332
Medical Assistance - Access	310,000	310,000	252,447	(57,553)
School-Based Leader	<u>-</u>	<u>-</u>	<u>1,177</u>	<u>1,177</u>
 Total Revenues from Federal Sources	 <u>1,657,516</u>	 <u>1,657,516</u>	 <u>3,931,565</u>	 <u>2,274,049</u>
 Total Revenues	 <u>53,639,952</u>	 <u>53,639,952</u>	 <u>53,734,481</u>	 <u>94,529</u>

**Plum Borough School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Instruction				
Other Purchased Services	\$ -	\$ -	\$ 9,074	\$ (9,074)
Regular Programs				
Personal Services				
Salaries	18,077,330	18,077,330	17,837,788	239,542
Employee Benefits	6,157,482	6,157,482	5,434,441	723,041
Purchased Prof. and Tech. Services	-	-	8,876	(8,876)
Purchased Property Services	211,143	227,741	240,897	(13,156)
Other Purchased Services	483,429	483,429	505,404	(21,975)
Supplies	1,054,068	1,035,916	955,620	80,296
Property	97,737	97,291	83,094	14,197
Other Objects	5,470	5,470	9,268	(3,798)
Total Regular Programs	<u>26,086,659</u>	<u>26,084,659</u>	<u>25,075,388</u>	<u>1,009,271</u>
Special Programs				
Personal Services				
Salaries	2,279,641	2,355,641	2,398,867	(43,226)
Employee Benefits	731,833	731,833	689,334	42,499
Purchased Prof. and Tech. Services	758,368	832,058	875,200	(43,142)
Purchased Property Services	150	150	100	50
Other Purchased Services	1,057,685	903,330	1,544,938	(641,608)
Supplies	7,694	7,694	31,884	(24,190)
Other Objects	250	250	225	25
Total Special Programs	<u>4,835,621</u>	<u>4,830,956</u>	<u>5,540,548</u>	<u>(709,592)</u>
Vocational Education Programs				
Other Purchased Services	490,000	490,000	377,543	112,457
Other Objects	-	4,665	-	4,665
Total Vocational Educ. Programs	<u>490,000</u>	<u>494,665</u>	<u>377,543</u>	<u>117,122</u>

**Plum Borough School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Instruction (Cont'd)				
Other Instructional Programs				
Personal Services				
Salaries	\$ 296,253	\$ 296,253	\$ 310,428	\$ (14,175)
Employee Benefits	85,562	85,562	79,553	6,009
Purchased Prof. and Tech. Services	37,500	37,500	32,500	5,000
Purchased Property Services	35,000	35,000	-	35,000
Other Purchased Services	34,600	34,600	7,688	26,912
Supplies	<u>6,500</u>	<u>6,500</u>	<u>-</u>	<u>6,500</u>
Total Other Instructional Programs	<u>495,415</u>	<u>495,415</u>	<u>430,169</u>	<u>65,246</u>
Total Instruction	<u>31,907,695</u>	<u>31,905,695</u>	<u>31,432,722</u>	<u>472,973</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	885,023	885,023	862,996	22,027
Employee Benefits	328,162	328,162	292,366	35,796
Purchased Prof. and Tech. Services	11,150	11,150	8,650	2,500
Purchased Property Services	900	900	-	900
Other Purchased Services	5,266	5,266	1,901	3,365
Supplies	6,726	6,726	1,136	5,590
Other Objects	<u>475</u>	<u>475</u>	<u>302</u>	<u>173</u>
Total Pupil Personnel	<u>1,237,702</u>	<u>1,237,702</u>	<u>1,167,351</u>	<u>70,351</u>
Instructional Staff				
Personal Services				
Salaries	426,534	426,534	372,236	54,298
Employee Benefits	82,211	82,211	59,986	22,225
Purchased Prof. and Tech Services	59,667	59,667	12,000	47,667
Purchased Property Services	<u>14,304</u>	<u>14,304</u>	<u>12,965</u>	<u>1,339</u>

**Plum Borough School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Instructional Staff (Cont'd)				
Other Purchased Services	\$ 19,425	\$ 19,425	\$ 4,263	\$ 15,162
Supplies	84,984	84,984	77,616	7,368
Property	<u>8,000</u>	<u>8,000</u>	<u>4,657</u>	<u>3,343</u>
Total Instructional Staff	<u>695,125</u>	<u>695,125</u>	<u>543,723</u>	<u>151,402</u>
Administration				
Personal Services				
Salaries	1,764,173	1,764,173	1,748,104	16,069
Employee Benefits	642,424	642,424	569,464	72,960
Purchased Prof. and Tech. Services	358,690	358,690	353,505	5,185
Purchased Property Services	11,000	11,000	2,700	8,300
Other Purchased Services	62,801	62,801	55,161	7,640
Supplies	30,913	30,913	21,554	9,359
Property	14,736	14,736	4,652	10,084
Other Objects	<u>223,100</u>	<u>223,100</u>	<u>165,620</u>	<u>57,480</u>
Total Administration	<u>3,107,837</u>	<u>3,107,837</u>	<u>2,920,760</u>	<u>187,077</u>
Pupil Health				
Personal Services				
Salaries	441,206	441,206	448,506	(7,300)
Employee Benefits	127,236	127,236	113,785	13,451
Purchased Prof. and Tech. Services	15,650	15,650	15,498	152
Purchased Property Services	11,636	11,636	9,694	1,942
Other Purchased Services	500	500	152	348
Supplies	<u>13,043</u>	<u>13,043</u>	<u>11,090</u>	<u>1,953</u>
Total Pupil Health	<u>609,271</u>	<u>609,271</u>	<u>598,725</u>	<u>10,546</u>

Plum Borough School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Business				
Personal Services				
Salaries	\$ 257,854	\$ 257,854	\$ 245,150	\$ 12,704
Employee Benefits	111,166	111,166	103,152	8,014
Other Purchased Services	4,300	3,900	1,395	2,505
Supplies	12,150	12,150	8,447	3,703
Property	2,000	2,000	270	1,730
Other Objects	<u>1,200</u>	<u>1,200</u>	<u>772</u>	<u>428</u>
Total Business	<u>388,670</u>	<u>388,270</u>	<u>359,186</u>	<u>29,084</u>
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	2,023,103	2,019,034	1,942,937	76,097
Employee Benefits	926,067	926,067	763,275	162,792
Purchased Property Services	938,950	941,163	990,001	(48,838)
Other Purchased Services	183,999	184,574	175,937	8,637
Supplies	497,150	532,330	480,775	51,555
Property	99,400	56,200	50,156	6,044
Other Objects	<u>2,000</u>	<u>2,800</u>	<u>3,098</u>	<u>(298)</u>
Total Oper. and Maint. of Plant Svcs.	<u>4,670,669</u>	<u>4,662,168</u>	<u>4,406,179</u>	<u>255,989</u>
Student Transportation Services				
Personal Services				
Salaries	1,575,073	1,575,073	1,516,146	58,927
Employee Benefits	352,833	352,833	300,335	52,498
Purchased Prof. and Tech. Services	7,470	7,470	5,462	2,008
Purchased Property Services	11,200	11,200	8,464	2,736
Other Purchased Services	24,000	39,000	38,378	622
Supplies	464,632	449,632	461,045	(11,413)
Property	<u>268,367</u>	<u>268,367</u>	<u>268,768</u>	<u>(401)</u>
Total Student Transportation Services	<u>2,703,575</u>	<u>2,703,575</u>	<u>2,598,598</u>	<u>104,977</u>

**Plum Borough School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Central				
Personal Services				
Salaries	\$ 294,406	\$ 294,406	\$ 284,056	\$ 10,350
Employee Benefits	105,029	105,029	94,633	10,396
Purchased Prof. and Tech. Services	18,500	22,569	21,098	1,471
Purchased Property Services	55,534	55,534	57,685	(2,151)
Other Purchased Services	4,000	4,000	4,021	(21)
Supplies	49,060	49,060	49,480	(420)
Property	<u>471,500</u>	<u>471,500</u>	<u>444,917</u>	<u>26,583</u>
 Total Central	 <u>998,029</u>	 <u>1,002,098</u>	 <u>955,890</u>	 <u>46,208</u>
 Other				
Personal Services				
Employee Benefits	1,121,115	1,121,115	1,205,672	(84,557)
Other Purchased Services	<u>-</u>	<u>-</u>	<u>43,059</u>	<u>(43,059)</u>
 Total Other	 <u>1,121,115</u>	 <u>1,121,115</u>	 <u>1,248,731</u>	 <u>(127,616)</u>
 Total Support Services	 <u>15,531,993</u>	 <u>15,527,161</u>	 <u>14,799,143</u>	 <u>728,018</u>
 Noninstructional Services				
Student Activities				
Personal Services				
Salaries	461,951	461,951	476,449	(14,498)
Employee Benefits	100,781	100,781	80,359	20,422
Purchased Prof. and Tech. Services	-	218,042	246,408	(28,366)
Other Purchased Services	10,850	10,850	9,858	992
Property	<u>-</u>	<u>4,832</u>	<u>4,832</u>	<u>-</u>
 Total Student Activities	 <u>573,582</u>	 <u>796,456</u>	 <u>817,906</u>	 <u>(21,450)</u>

**Plum Borough School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Noninstructional Services (Cont'd)				
Community Services				
Personal Services				
Salaries	\$ 211,889	\$ 211,889	\$ 211,494	\$ 395
Employee Benefits	39,541	39,541	31,469	8,072
Purchased Prof. and Tech. Services	35,000	35,000	40,219	(5,219)
Supplies	4,000	4,000	2,500	1,500
Other Objects	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total Community Services	<u>305,430</u>	<u>305,430</u>	<u>300,682</u>	<u>4,748</u>
Total Noninstructional Services	<u>879,012</u>	<u>1,101,886</u>	<u>1,118,588</u>	<u>(16,702)</u>
Site Improvement Services - Replacement Property	<u>-</u>	<u>49,000</u>	<u>1,961</u>	<u>47,039</u>
Facilities Acquisition, Construction and Improvement Services				
Purchased Prof. and Tech. Services	1,800	1,800	-	1,800
Property	<u>211,100</u>	<u>162,100</u>	<u>116,382</u>	<u>45,718</u>
Total Facilities Acquisition, Construction and Improvement Services	<u>212,900</u>	<u>163,900</u>	<u>116,382</u>	<u>47,518</u>
Debt Service				
Interest	4,446,522	4,449,952	4,447,648	2,304
Redemption of Principal	<u>2,330,000</u>	<u>2,378,570</u>	<u>2,378,569</u>	<u>1</u>
Total Debt Service	<u>6,776,522</u>	<u>6,828,522</u>	<u>6,826,217</u>	<u>2,305</u>
Total Expenditures	<u>55,308,122</u>	<u>55,576,164</u>	<u>54,295,013</u>	<u>1,281,151</u>

**Plum Borough School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Uses				
Fund Transfers				
Special Revenue Fund	\$ 218,042	\$ -	\$ -	\$ -
Budgetary Reserve	<u>290,000</u>	<u>240,000</u>	<u>-</u>	<u>240,000</u>
Total Other Financing Uses	<u>508,042</u>	<u>240,000</u>	<u>-</u>	<u>240,000</u>
Total Expenditures and Other Financing Uses	<u>55,816,164</u>	<u>55,816,164</u>	<u>54,295,013</u>	<u>1,521,151</u>
Net Change in Fund Balance	(2,176,212)	(2,176,212)	(560,532)	1,615,680
Fund Balance - July 1, 2010 (Restated - See Note 2)	<u>6,700,000</u>	<u>6,700,000</u>	<u>6,255,851</u>	<u>(444,149)</u>
Fund Balance - June 30, 2011	<u>\$ 4,523,788</u>	<u>\$ 4,523,788</u>	<u>\$ 5,695,319</u>	<u>\$ 1,171,531</u>

**Plum Borough School District
 Required Supplementary Information
 Other Post-Employment Benefits
 June 30, 2011**

Schedule of Funding Progress for Retiree Health Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
07/01/11	\$ -	\$ 14,602,231	\$14,602,231	0.0%	\$28,614,111	51.03%
07/01/10	-	11,914,079	11,914,079	0.0%	27,393,788	43.5%
07/01/09	-	14,654,250	14,654,250	0.0%	27,719,804	52.8%

SINGLE AUDIT SECTION

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HOSACK, SPECHT, MUETZEL & WOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS

305 MT. LEBANON BOULEVARD, SUITE 301

PITTSBURGH, PENNSYLVANIA 15234-1500

PHONE - (412) 343-9200

FAX - (412) 343-9209

HSMW@HSMWCPA.COM

WWW.HSMWCPA.COM

Members of the Board
Plum Borough School District
Pittsburgh, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Plum Borough School District for the period ended June 30, 2011 were prepared to fulfill the requirements of the Office of Management and Budget's Circular A-133. A summary of the reports are as follows:

- A. 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*
- B. 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
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

Hosack, Specht, Muetzel & Wood, LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP

January 20, 2012

HOSACK, SPECHT, MUETZEL & WOOD LLP**CERTIFIED PUBLIC ACCOUNTANTS****305 MT. LEBANON BOULEVARD, SUITE 301****PITTSBURGH, PENNSYLVANIA 15234-1500****PHONE - (412) 343-9200****FAX - (412) 343-9209****HSMW@HSMWCPA.COM****WWW.HSMWCPA.COM****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***

Members of the Board
Plum Borough School District
Pittsburgh, Pennsylvania

Dear Members:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Plum Borough School District of and for the year ended June 30, 2011, which collectively comprise Plum Borough School District's basic financial statements and have issued our report thereon dated January 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Plum Borough School District in a separate letter dated January 20, 2012.

This report is intended solely for the information and use of management, Members of the Board, others within the entity, 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.

Respectfully submitted,

Hosack, Specht, Muetzel & Wood, LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
January 20, 2012

HOSACK, SPECHT, MUETZEL & WOOD LLP**CERTIFIED PUBLIC ACCOUNTANTS****305 Mt. Lebanon Boulevard, Suite 301****Pittsburgh, Pennsylvania 15234-1500****Phone - (412) 343-9200****Fax - (412) 343-9209****HSMW@HSMWCFA.COM****WWW.HSMWCFA.COM****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**

Members of the Board
Plum Borough School District
Pittsburgh, Pennsylvania

Dear Members:

Compliance

We have audited Plum Borough School District's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Plum Borough School District's major federal programs for the year ended June 30, 2011. Plum Borough School 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 Plum Borough School District's management. Our responsibility is to express an opinion on Plum Borough School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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 Plum Borough School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Plum Borough School District's compliance with those requirements.

In our opinion, Plum Borough School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of management, Members of the Board, others within the entity, 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.

Respectfully submitted,



HOSACK, SPECHT, MUETZEL & WOOD LLP
January 20, 2012

Plum Borough School District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2011

Exhibit C

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued was unqualified.

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs was unqualified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010, 84.389	Title I Cluster
84.391 - A	ARRA - IDEA
84.394	ARRA Fiscal Stabilization
84.410	ARRA Education Jobs
84.027	IDEA B

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Plum Borough School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Exhibit C

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Status of Prior Year's Findings

Not applicable.

Plum Borough School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2011

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/10	Expenditures	Accrued or (Deferred) Revenue 06/30/11
U. S. Department of Education Passed through the Pennsylvania Department of Education									
Title I	I	84-010	013-100343	07/01/09-09/30/10	\$ 392,594	\$ 236,530	\$ (42,750)	\$ 279,280	\$ -
Title I	I	84-010	013-110343	07/01/10-09/30/11	385,574	231,407	-	125,100	(106,307)
Academic Achievement	I	84-010	077-100343	07/01/09-09/30/10	5,400	5,400	5,400	-	-
Title II	I	84-367	020-100343	07/01/09-09/30/10	127,667	76,600	2,269	74,331	-
Title II	I	84-367	020-110343	07/01/10-09/30/11	127,088	59,498	-	36,321	(23,177)
Drug-Free Schools	I	84-186	100-100343	07/01/09-09/30/10	10,935	7,290	7,290	-	-
ARRA - Title I Part A Grants	I	84-389	127-100343	07/01/09-09/30/10	218,507	50,977	(22,940)	59,365	(14,552)
ARRA - Fiscal Stabilization-Basic Ed.	I	84-394	126-100343	07/01/09-06/30/10	1,489,819	248,303	248,303	-	-
ARRA - Fiscal Stabilization-Basic Ed.	I	84-394	126-110343	07/01/10-06/30/11	1,453,766	848,080	-	1,453,766	605,736
ARRA - Education Jobs Act	I	84-410	140-159221	08/10/10-06/30/11	861,332	861,332	-	861,332	-
Passed through Allegheny Intermediate Unit									
ARRA - Title I - A	I	84-391A	128-100003	07/01/09-09/30/10	596,675 (D)	333,240	333,240	-	-
ARRA - IDEA	I	84-391A	128-110003	07/01/10-09/30/11	102,382	102,382	-	102,382	-
IDEA B Grant	I	84-027	06Z-110003	07/01/10-09/30/11	381,565	140,235	-	381,565	241,130
Total U. S. Department of Education						3,201,224	530,812	3,373,242	702,830
U.S. Department of Health & Human Services Passed through the Pennsylvania Department of Public Welfare									
Medical Assistance - Access	I	93-778	N/A	07/01/09-09/30/10	1,176	1,176	-	1,176	-
U.S. Department of Homeland Security Passed through the Pennsylvania Emergency Management Grants									
Disaster Grants - Public Assistance	I	97-036	N/A	N/A	N/A	6,532	6,532	-	-
U. S. Department of Agriculture Passed through the Pennsylvania Department of Education									
Natl. School Lunch Program	I	10-555	N/A	07/01/10-06/30/11	N/A	353,309	-	364,804	11,495
Natl. School Breakfast Program	I	10-553	N/A	07/01/10-06/30/11	N/A	36,314	-	37,800	1,486
Passed through the Pennsylvania Department of Agriculture									
National School Lunch Program (Donated Commodities Noncash Assistance)	I	10-555	N/A	07/01/10-06/30/11	N/A	98,549	(2,459)	82,984	(18,024)
Total U. S. Department of Agriculture						488,172	(2,459)	485,588	(5,043)
Total Federal Financial Assistance						\$3,697,104	\$534,885	\$3,860,006	\$ 697,787

Plum Borough School District
Schedule of Expenditures of Federal Awards

Exhibit D

Footnotes
June 30, 2011

Note A - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

Note B - Source Code

The source code (I) indicates funds received indirectly.

Note C - Reconciliation with Subsidy Confirmation

Amount Received Per Schedule	\$3,697,104
Add State Share - Lunch Program	57,948
Add State Share - Breakfast Program	4,244
Add Access Reimbursement	252,447
Add State Dual Enrollment Program	44,700
Less Allegheny IU IDEA	(473,474)
Less Allegheny AIU ARRA	(102,382)
Less FEMA Grant	(6,532)
Less Donated Commodities	(98,549)
Less Access	<u>(1,176)</u>
Per Subsidy Confirmation	<u>\$3,374,330</u>

Note D - Restatement

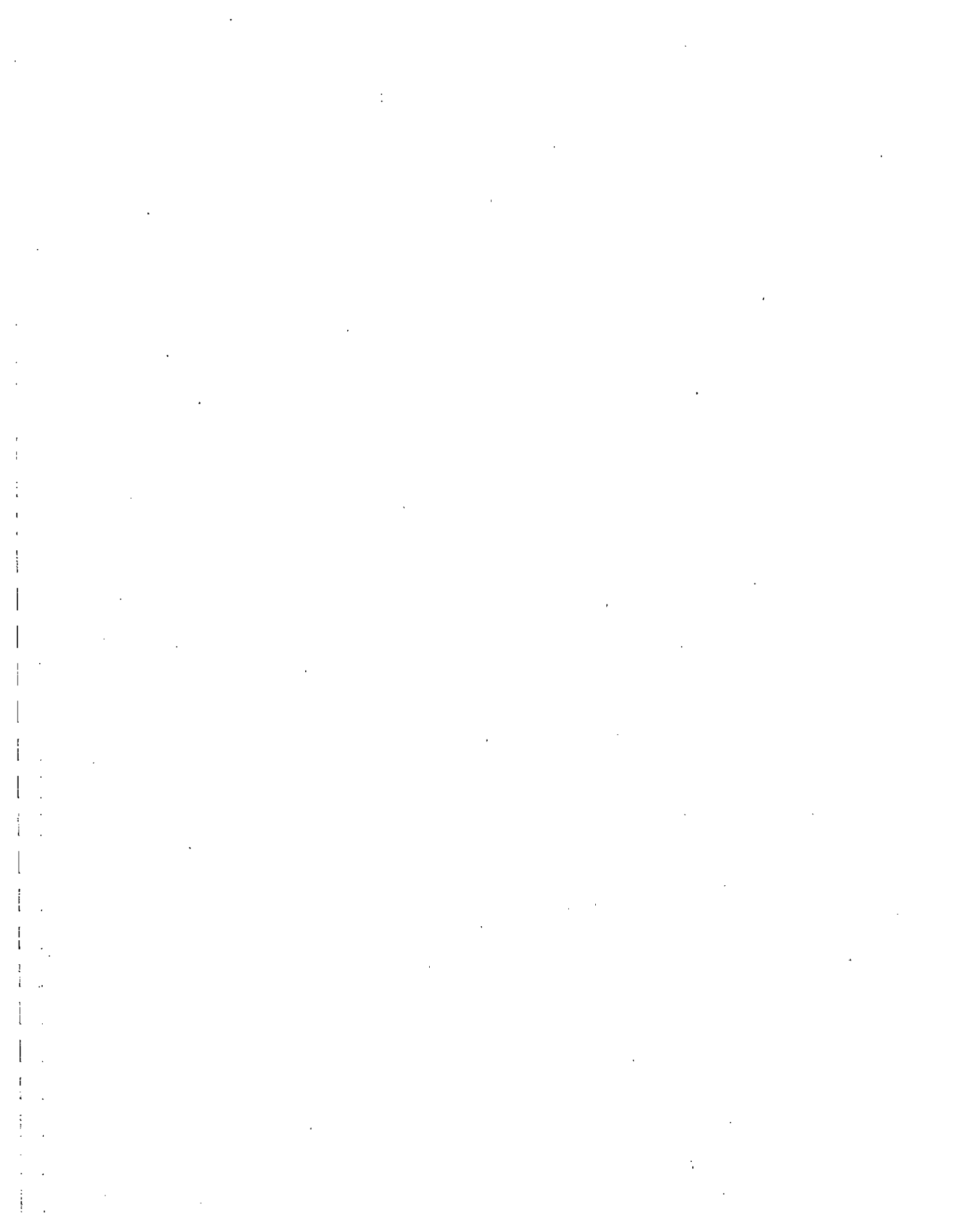
Beginning Title I receivable balance restated.

Phum Borough School District
List of Report Distribution
June 30, 2011

Exhibit E

1 Copy - Bureau of Audits

1 Copy - Bureau of the Census



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