

**PLUM BOROUGH SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**



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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Plum Borough School District
Pittsburgh, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Plum Borough School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Plum Borough School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Plum Borough School District as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule on pages 3-8 and 46 and the Schedule of Funding Progress, Schedule on District's Proportionate Share of Net Pension Liability, and the Schedule on District's Contributions – Pension on pages 47-49, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic Plum Borough School District's basic financial statements. The combining and individual fund statements and schedules, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017, 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* in considering Plum Borough School District's internal control over financial reporting and compliance.



March 16, 2017

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2016**

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, 2016. The intent of this discussion and analysis is to look 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 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.

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 are 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 position and the statements of activities. These provide both long-term and short-term information about the School District's overall financial status.

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.

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 position 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.

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

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2016**

Over time, increases or decreases in the School District's net position 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 position and the statement of activities) and governmental funds is reconciled in the financial statements.

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 position. 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

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

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2016**

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.

Assets, Liabilities Deferred Inflows and Net Position (Deficit)

At June 30, 2016, the District had total assets of \$112,568,309 with 81.7% of those assets \$(91,962,856) being the net value of land, land improvements, buildings and building improvements, and furniture and equipment. Of the remaining balance, 4.5% is cash, cash equivalents and investments and 13.7% is comprised of receivables, prepaid expenses, inventories and long-term prepayments.

The total liabilities and deferred outflows of \$222,723,035 are comprised of 93.5% of those liabilities being long term \$(208,304,484). These liabilities include bonds payable, compensated absences, capital lease and other postemployment benefits. Current liabilities include the current portion of long-term debt of \$3,170,000.

The resulting \$(110,154,726) of net position (deficit) includes \$(16,563,673) in capital assets, \$4,092,928 as restricted and \$(97,684,159) as unrestricted. The change in net position (deficit) for the year ended June 30, 2016 was a decrease of \$(9,356,705).

Revenue

The Revenue for the school district is primarily derived from local, state, and federal sources. During the 2015-2016 fiscal year, there was \$31,550,570 in local funds, \$23,224,065 in state funds, and \$725,237 in federal funds. The \$55,499,872 in total was recognized as revenue by the general fund. When compared to the budgeted amount of \$59,715,765 the result is a negative variance of \$4,215,893. The primary reasons for the variance was due to the local real estate assessed value and Plancon reimbursements not being received.

Local funding is primarily from taxes levied \$29,660,710. Collection of real estate taxes was significantly lower than budgeted in the amount of \$(2,380,722). There was no change in the millage rate for real estate in the 2015-2016 fiscal year.

The variance in state revenues, actual to budgeted, resulted in a negative \$1,295,268. There was a reduction of \$1,200,00 in state revenues because an anticipated pension reimbursement was never received in the fiscal year.

The budgeted Federal revenue expectation differed by \$(110,454) due to excess funding not being drawn within 2015-2016 school year.

	<u>2015-2016</u>	<u>2014-2015</u>
Local	\$ 31,578,813	\$ 31,444,004
State Revenue	23,224,066	23,326,587
Federal Revenue	<u>725,237</u>	<u>1,086,690</u>
Total Revenue	<u>\$ 55,528,116</u>	<u>\$ 55,857,181</u>

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2016**

General Revenues

	<u>2015-2016</u>	<u>2014-2015</u>
Property taxes	\$ 26,555,107	\$ 25,425,565
Earned Income Taxes	3,659,747	3,789,451
Other Taxes Levied	470,470	413,285
Grants & Subsidies	15,226,954	14,621,201
Earnings on Investments	39,361	31,154
Miscellaneous Revenues	<u>173,436</u>	<u>198,687</u>
Total General Revenues	<u>\$ 46,125,075</u>	<u>\$ 44,479,343</u>

Program Revenues

	<u>Total</u>	<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Local Sources	\$ 616,184	\$ --	\$ 616,184	\$ --
State Sources	8,205,621	--	8,129,874	75,747
Federal Sources	674,459	--	674,459	--
Food Service	<u>2,067,525</u>	<u>1,245,699</u>	<u>821,826</u>	<u>--</u>
Total Program Revenues	<u>\$ 11,563,789</u>	<u>\$ 1,245,699</u>	<u>\$ 10,242,343</u>	<u>\$ 75,747</u>

Total 2014-2015 General and Program revenues \$57,109,310.

Program Expenses

	<u>2015-2016</u>	<u>2014-2015</u>	<u>Increase/Decrease</u>
Instruction	\$ 41,319,140	\$ 36,530,597	\$ 4,788,543
Instruction-Student Support	3,207,071	2,889,521	317,550
Admin/Financial Support	6,055,514	6,050,735	4,779
Operation/Plant Maintenance	4,838,513	4,912,009	(73,496)
Pupil Transportation	3,567,808	3,132,888	434,920
Student Activities	1,110,385	963,648	146,737
Community Services	302,907	260,567	42,340
Scholarships & Grants	-	23,655	(23,655)
Interest on Long Term Debt	4,555,981	4,417,418	138,563
Food Service	<u>2,088,250</u>	<u>2,027,883</u>	<u>60,367</u>
Total Program Expenses	<u>\$ 67,045,569</u>	<u>\$ 61,208,921</u>	<u>\$ 5,836,648</u>

School District Funds

At June 30, 2015, the School District's governmental funds reported a combined net position (deficit) of \$(110,154,726), which is a decrease of \$(9,356,705).

The nonmajor fund (educational enhancement fund) was closed during the fiscal year.

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2016**

General Fund Balance Change

The School District's general fund balance (deficit) increased from \$(453,838) to \$(4,857,283). Actual revenue was less than budgeted revenue by \$(4,215,893).

Actual expenditures were \$14,057 greater than the budgeted amount.

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.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2016, the School District had \$91,962,856 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$550,404 from last year.

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

Debt Administration

As of July 1, 2016, the School District had total outstanding bond and loan principal in the amount of \$111,000,000. The School District's outstanding debt at June 30, 2015 was \$107,875,000.

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 the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The School District expects small growth of property value due to an increase in residential property assessments. The school District expects taxable property values to increase by 0.75%, to 1.5% in each of the next several years due to the construction of new homes. Overall, 84% of Plum Boroughs taxable property is coded residential property. The remaining balance consists of 16% which is classified as commercial property.

The general fund revenue budget for the 2016-2017 year is substantially more than the 2015-2016 budget, with budgeted revenues of \$65,278,129. This represents a pension bond reimbursement of \$5,000,000 and a loan of \$1,100,000 for transportation bussing. The school District has increase its millage rate from 18.758 to 19.377. This is the maximum rate allowed with the Act 1 index and there is an expectation for this trend to continue.

**Plum Borough School District
Management's Discussion and Analysis
June 30, 2016**

The District expects stagnant revenue from state and federal sources. However, the District has received its Plancon reimbursement that was backlogged in the amount over \$3.1 million whereas the budget only included the \$1.2 million to be reimbursed.

The expenditure budget for the 2016-2017 year increased to \$64,604,416, or 4.7%. The increase in salaries, pensions, obligations, health care, and other payroll related costs make up the majority of the net increase. It is expected that the retirement rate will continue to escalate. PSERS costs have rose from 4.78% in 2009-2010 to 30.03% in 2016-2017.

Several contracts will be expiring at the end of the 2016-2017 fiscal school year and will be renegotiated with the expectation of reducing overall expenses. Cyber school costs have continued to increase and have double over the past five years. The expectation is that the cost will exceed over \$1.3 million during the 2016-2017 school year. The District will continue to operate a cyber school as long as necessary.

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 Flicker Road, Pittsburgh, PA 15239, 412-795-0100.

**PLUM BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 2,027,829	\$ 100,213	\$ 2,128,042
Investments	2,925,585	--	2,925,585
Taxes receivable, net	5,438,528	--	5,438,528
Internal balances	103,437	(103,437)	--
Due from other governments	1,647,063	8,280	1,655,343
Other receivables	43,346	7,592	50,938
Prepaid expenses	495,015	--	495,015
Inventories	<u>--</u>	<u>78,114</u>	<u>78,114</u>
TOTAL CURRENT ASSETS	<u>12,680,803</u>	<u>90,762</u>	<u>12,771,565</u>
Noncurrent Assets			
Capital assets not being depreciated			
Land	1,194,558	--	1,194,558
Capital assets, net of depreciation			
Land improvements	1,043,358	--	1,043,358
Building and building improvements	83,041,275	--	83,041,275
Furniture and equipment	6,283,512	85,908	6,369,420
Equipment under a capital lease	<u>400,153</u>	<u>--</u>	<u>400,153</u>
TOTAL NONCURRENT ASSETS	<u>91,962,856</u>	<u>85,908</u>	<u>92,048,764</u>
TOTAL ASSETS	<u>104,643,659</u>	<u>176,670</u>	<u>104,820,329</u>
DEFERRED OUTFLOWS OF RESOURCES			
DEFERRED OUTFLOWS-PENSIONS	<u>7,588,643</u>	<u>159,337</u>	<u>7,747,980</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 112,232,302</u>	<u>\$ 336,007</u>	<u>\$ 112,568,309</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 1,662,797	\$ 3,461	\$ 1,666,258
Accrued salaries and benefits	4,587,187	--	4,587,187
Payroll deductions and withholdings	1,975,593	--	1,975,593
Accrued interest on bonds	1,319,163	--	1,319,163
Current portion of long term debt	3,170,000	--	3,170,000
Current portion of capital lease	94,236	--	94,236
Deferred revenues	<u>--</u>	<u>32,114</u>	<u>32,114</u>
TOTAL CURRENT LIABILITIES	<u>12,808,976</u>	<u>35,575</u>	<u>12,844,551</u>

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

PLUM BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION (DEFICIT) - CONTINUED
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Noncurrent liabilities			
Compensated absences	\$ 986,377	\$ 19,318	\$ 1,005,695
Bonds payable	104,705,000	--	104,705,000
Capital lease payable	239,224	--	234,224
Other postemployment benefits	7,522,588	--	7,522,588
Net pension liability	92,443,123	1,984,877	94,428,000
Other long term liabilities net of amortization	<u>403,977</u>	<u>--</u>	<u>403,977</u>
TOTAL NONCURRENT LIABILITIES	<u>206,300,289</u>	<u>2,004,195</u>	<u>208,304,484</u>
TOTAL LIABILITIES	<u>219,109,265</u>	<u>2,039,770</u>	<u>221,149,035</u>
DEFERRED INFLOWS OF RESOURCES			
DEFERRED INFLOWS-PENSIONS	<u>1,540,914</u>	<u>33,086</u>	<u>1,574,000</u>
NET POSITION (DEFICIT)			
Invested in capital assets, net of related debt	(16,649,581)	85,908	(16,563,673)
Restricted	4,092,928	--	4,092,928
Committed	178	--	178
Unrestricted	<u>(95,861,402)</u>	<u>(1,822,757)</u>	<u>(97,684,159)</u>
TOTAL NET POSITION (DEFICIT)	<u>(108,417,877)</u>	<u>(1,736,849)</u>	<u>(110,154,726)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	<u>\$ 112,232,302</u>	<u>\$ 336,007</u>	<u>\$ 112,568,309</u>

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

**PLUM BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
Instruction	\$ 41,319,140	\$ --	\$ 6,393,783	\$ --	\$ (34,925,357)	\$ --	\$ (34,925,357)
Instructional student support	3,207,071	--	746,114	--	(2,460,957)	--	(2,460,957)
Administration and financial support	6,055,514	--	352,154	--	(5,703,360)	--	(5,703,360)
Operation and maintenance of plant	4,838,513	--	266,409	--	(4,572,104)	--	(4,572,104)
Pupil transportation	3,567,808	--	1,454,526	--	(2,113,282)	--	(2,113,282)
Student activities	1,110,385	--	170,849	--	(939,536)	--	(939,536)
Community services	302,907	--	36,682	--	(266,225)	--	(266,225)
Interest on long term debt	4,555,981	--	--	75,747	(4,480,234)	--	(4,480,234)
Total Governmental Activities	<u>64,957,319</u>	<u>--</u>	<u>9,420,517</u>	<u>75,747</u>	<u>(55,461,055)</u>	<u>--</u>	<u>(55,461,055)</u>
Business-Type Activities							
Food Service	2,088,250	1,245,699	821,826	--	--	(20,725)	(20,725)
Total Primary Government	<u>67,045,569</u>	<u>1,245,699</u>	<u>10,242,343</u>	<u>75,747</u>	<u>(55,461,055)</u>	<u>--</u>	<u>(55,481,780)</u>
General Revenues							
Property taxes					26,555,107	--	26,555,107
Earned income taxes					3,659,747	--	3,659,747
Other taxes levied					470,470	--	470,470
Grants, subsidies, and contributions					15,226,954	--	15,226,954
Investment earnings					39,218	143	39,361
Miscellaneous income					173,436	--	173,436
Total General Revenues					<u>46,124,932</u>	<u>143</u>	<u>46,125,075</u>
CHANGES IN NET POSITION					(9,336,123)	(20,582)	(9,356,705)
NET POSITION (DEFICIT) – JULY 1, 2015					<u>(99,081,754)</u>	<u>(1,716,267)</u>	<u>(100,798,021)</u>
NET POSITION (DEFICIT) – JUNE 30, 2016					<u>\$(108,417,877)</u>	<u>\$ (1,736,849)</u>	<u>\$(110,154,726)</u>

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

**PLUM BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 270,117	\$ --	\$ 1,757,712	\$ 2,027,829
Investments	223,411	178	2,701,996	2,925,585
Taxes receivable (net)	5,438,528	--	--	5,438,528
Due from other funds	171,470	--	--	171,470
Due from other governments	165,699	--	--	165,699
State revenue receivable	938,266	--	--	938,266
Federal revenue receivable	543,098	--	--	543,098
Other receivables	<u>43,346</u>	<u>--</u>	<u>--</u>	<u>43,346</u>
TOTAL ASSETS	<u>\$ 7,793,935</u>	<u>\$ 178</u>	<u>\$ 4,459,708</u>	<u>\$ 12,253,821</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Due to other funds	--	--	68,033	68,033
Accounts payable	1,364,050	--	298,747	1,662,797
Accrued salaries and benefits	4,587,187	--	--	4,587,187
Payroll deductions and withholdings	<u>1,975,593</u>	<u>--</u>	<u>--</u>	<u>1,975,593</u>
TOTAL LIABILITIES	<u>7,926,830</u>	<u>--</u>	<u>366,780</u>	<u>8,293,610</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues – property taxes	<u>4,724,388</u>	<u>--</u>	<u>--</u>	<u>4,724,388</u>
DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)				
Fund Balances				
Restricted	--	--	4,092,928	4,092,928
Committed	--	178	--	178
Unassigned	<u>(4,857,283)</u>	<u>--</u>	<u>--</u>	<u>(4,857,283)</u>
TOTAL FUND BALANCES (DEFICIT)	<u>(4,857,283)</u>	<u>178</u>	<u>4,092,928</u>	<u>(764,177)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 7,793,935</u>	<u>\$ 178</u>	<u>\$ 4,459,708</u>	<u>\$ 12,253,821</u>

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

**PLUM BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2016**

Fund Balance (Deficit) – Governmental Fund		\$ (764,177)
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 \$137,252,334 accumulated depreciation is \$45,289,478	91,962,856	
Property taxes are not available to pay current period expenditures, and therefore, are deferred in the funds.	4,724,388	
Deferred charges on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position.	(403,977)	
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	7,588,643	
Deferred inflows of resources related to pensions	(1,540,914)	
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Liabilities at year-end consist of:		
Bonds payable	\$(107,875,000)	
Accrued interest on the bonds and note	(1,319,163)	
Capital lease obligation	(333,460)	
Compensated absences	(986,377)	
Other post-employment benefits	(7,522,588)	
Net pension liability	<u>(92,443,123)</u>	
		(210,479,711)
Other		
Prepaid items		<u>495,015</u>
Net Position (Deficit) – Governmental Activities		\$ <u>(108,417,877)</u>

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

**PLUM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes Levied/ Assessed	\$ 29,660,710	\$ --	\$ --	\$ 29,660,710
Delinquent Taxes Levied	931,536	--	--	931,536
Earnings On Investments	10,974	178	28,066	39,218
Revenues from Student Act.	92,898	--	--	92,898
Revenues from Intermediate	438,896	--	--	438,896
Other Revenue Sources	415,555	--	--	415,555
Basic Instructional and Operating	12,699,460	--	--	12,699,460
Subsidies for Specific	2,334,112	--	--	2,334,112
Subsidies for Non-Educational	2,986,803	--	--	2,986,803
Extra Grants	618,345	--	--	618,345
Subsidies for State Paid Benefits	4,585,346	--	--	4,585,346
Unrestricted Grants in Aid	205,008	--	--	205,008
Restricted Grants in Aid	450,736	--	--	450,736
Restricted Grants in Aid	66,947	--	--	66,947
Medical Assistance Reimbursements	2,546	--	--	2,546
	<u>55,499,872</u>	<u>178</u>	<u>28,066</u>	<u>55,528,116</u>
TOTAL REVENUES				
EXPENDITURES				
Instruction	29,307,696	--	1,067	29,308,763
Special programs	6,338,845	--	--	6,338,845
Vocational education	678,532	--	--	678,532
Other instruction	114,635	--	--	114,635
Instruction student support	1,609,622	--	687	1,610,309
Support services - instruction	832,505	--	--	832,505
Administrative & financial support	3,299,055	--	3,869	3,302,924
Pupil health	764,257	--	--	764,257
Business	391,229	--	--	391,229
Plant	4,763,851	--	10,688	4,774,539
Transportation	3,006,318	--	1,281,122	4,287,440
Central support	1,023,694	--	--	1,023,694
Other support	839,273	--	11,271	850,544
Student activities	988,416	--	--	988,416
Community service	280,560	--	--	280,560
Replacement Site Improvements	5,000	--	15,465	20,465
Other Replacements	18,527	--	2,998,085	3,016,612
Debt Service payments	7,425,969	--	369,140	7,795,109
	<u>61,687,984</u>	<u>--</u>	<u>4,691,394</u>	<u>66,379,378</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>(6,188,112)</u>	<u>178</u>	<u>(4,663,328)</u>	<u>(10,851,262)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers	<u>1,784,667</u>	<u>(1,784,667)</u>	<u>--</u>	<u>--</u>

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

**PLUM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ <u>1,784,667</u>	\$ <u>(1,784,667)</u>	\$ <u> --</u>	\$ <u> --</u>
CHANGE IN FUND BALANCES	(4,403,445)	(1,784,489)	(4,663,328)	(10,851,262)
FUND BALANCES (DEFICIT) – JULY 1, 2015	<u>(453,838)</u>	<u>1,784,667</u>	<u>8,756,256</u>	<u>10,087,085</u>
FUND BALANCES (DEFICIT) – JUNE 30, 2016	\$ <u>(4,857,283)</u>	\$ <u> 178</u>	\$ <u>4,092,928</u>	\$ <u>(764,177)</u>

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

**PLUM BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Total Net Change in Fund Balances (Deficit) – Governmental Funds \$(10,851,262)

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 capital outlays exceeds depreciation expense in the period.

Depreciation expense	\$(3,795,377)	
Capital outlays	<u>4,345,781</u>	550,404

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year. 14,718

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

Bond payments	3,125,000	
Capital lease payment	<u>94,236</u>	3,219,236

In the statement of activities, 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 these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated absences	(65,547)	
Other post-employment benefits	<u>258,217</u>	192,670

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		16,405
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The accompanying notes are an integral part of the financial statements.

**PLUM BOROUGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) TO THE STATEMENT OF ACTIVITIES
- CONTINUED
FOR THE YEAR ENDED JUNE 30, 2016**

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 bond premium discount and deferred loss on Refunding	\$ (235,504)
--	--------------

Governmental Funds report district pension contributions as expenditures; however, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	(2,234,704)
--	-------------

Other Net change in prepaid items	<u>(8,086)</u>
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Change in Net Position (Deficit) of Governmental Activities	\$ <u>(9,336,123)</u>
--	------------------------------

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

**PLUM BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION (DEFICIT)
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Food Service Fund
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 100,213
Due from other governments	8,280
Other receivables	7,592
Inventories	<u>78,114</u>
Total Current Assets	<u>194,199</u>
Noncurrent Assets	
Furniture & equipment (net)	<u>85,908</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	<u>159,337</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 439,444</u>
LIABILITIES	
Current Liabilities	
Due to other funds	\$ 103,437
Accounts payable	3,461
Deferred revenues	<u>32,114</u>
Total Current Liabilities	<u>139,012</u>
Noncurrent Liabilities	
Long-term portion of compensated absences	19,318
Net pension liability	<u>1,984,877</u>
Total Noncurrent Liabilities	<u>2,004,195</u>
TOTAL LIABILITIES	<u>2,143,207</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	<u>33,086</u>
NET POSITION (DEFICIT)	
Invested in capital assets, net of related debt	85,908
Unrestricted	<u>(1,822,757)</u>
TOTAL NET POSITION (DEFICIT)	<u>(1,736,849)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)	<u>\$ 439,444</u>

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

**PLUM BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION (DEFICIT)
PROPRIETARY FUND
JUNE 30, 2016**

	Food Service Fund
OPERATING REVENUES	
Food service revenue	\$ <u>1,245,699</u>
OPERATING EXPENSES	
Salaries	709,332
Employee Benefits	425,517
Purchased property services	44,327
Supplies	894,510
Depreciation	<u>14,564</u>
TOTAL OPERATING EXPENSES	<u>2,088,250</u>
OPERATING LOSS	<u>(842,551)</u>
NON-OPERATING REVENUES	
Earnings on investments	143
State sources	115,246
Federal sources	<u>706,580</u>
TOTAL NON-OPERATING REVENUES	<u>821,969</u>
CHANGE IN NET POSITION	(20,582)
NET POSITION (DEFICIT) – JULY 1, 2015	<u>(1,716,267)</u>
NET POSITION (DEFICIT) – JUNE 30, 2016	<u>\$ (1,736,849)</u>

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

**PLUM BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
JUNE 30, 2016**

	Food Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from users	\$ 1,245,699
Cash payments to employees for services	(1,081,312)
Cash payments to suppliers for goods and services	<u>(973,331)</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>(808,944)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State sources	115,246
Federal sources	<u>706,580</u>
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>821,826</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Equipment acquisitions	<u>(7,500)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	<u>143</u>
NET DECREASE IN CASH AND CASH FLOWS	5,525
CASH AND CASH EQUIVALENTS – JULY 1, 2015	<u>94,688</u>
CASH AND CASH EQUIVALENTS – JUNE 30, 2016	<u>\$ 100,213</u>
OPERATING LOSS	<u>\$ (842,551)</u>
ADJUSTMENT TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES	
Depreciation	14,564
(Increase) decrease in receivables	11,853
(Increase) decrease in inventories	(29,356)
(Increase) decrease in deferred outflows	(31,818)
Increase (decrease) in accounts payable	(3,744)
Increase (decrease) in deferred revenue	(5,155)
Increase (decrease) in compensated absences	(3,018)
Increase (decrease) in advances from other funds	(5,031)
Increase (decrease) in deferred inflows	(74,245)
Increase (decrease) in net pension liability	<u>159,557</u>
TOTAL ADJUSTMENTS	<u>33,607</u>
CASH USED FOR OPERATING ACTIVITIES	<u>\$ (808,944)</u>

Noncash noncapital financing activities:

During the year ended June 30, 2016, the School District received \$125,990 of USDA donated commodities in the food service fund.

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

**PLUM BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2016**

Agency Fund

ASSETS

Cash and cash equivalents

\$ 133,792

LIABILITIES

Other current liabilities

\$ 133,792

NET POSITION

\$ --

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

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basic Financial Statements – Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School District. 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. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the Government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

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.

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

B. Basic Financial Statements – Fund Financial Statements

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; propriety; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The School District reports these major governmental funds and fund types:

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 reserve 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).

PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 activities reported in these funds are reported as governmental activities in the government-wide financial statements.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School District reports the following propriety fund type:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The food service fund accounts for the revenues, food purchases and other costs and expenses for providing meals to students and/or faculty during the school year.

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and are therefore not available to support School District programs. The reporting focus is on net position and changes in net position. The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, or agency). The School District reports the following fiduciary fund type:

The *agency fund* represents the School District's student activity funds. These funds account for student activities in the high school and middle school.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain limitations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

1. Accrual

The government-wide financial statements and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

2. Modified Accrual

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental revenues, interest, rent and certain miscellaneous income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

D. 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

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

annual operating and capital costs for Forbes fluctuates, based on 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, 2016 was \$667,794, which has been reported in the School District's General Fund. The School District has no equity interest in Forbes as of June 30, 2016. 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 had no financial obligation to Eastern for the year ended June 30, 2016. The School District has no equity interest in Eastern as of June 30, 2016. 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.

E. Financial Statement Amounts

1. 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.

2. 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.

3. 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".

4. 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.

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2016.

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, 2016 are reported as deferred revenue.

5. Prepaid Items

In both the government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

6. 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.

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:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	20-40
Land Improvements	20
Furniture	10
Vehicles	8-10
Equipment	10
Computers	5

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

PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. 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 position. 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 premiums bond and discount, as well as bond issuance costs, during the current period. The face amount of debt issued 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.

8. Compensated Absences

The School District's policies regarding vacation and sick time are provided through various contracts. Employees can accumulate sick and/or vacation 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 and their years of service liability for these 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 amount of reimbursable unused vacation or sick leave to employees who have terminated their employment as of the end of the fiscal year, while the proprietary funds report the liability as it is incurred.

9. Defining Operating Revenues and Expenses

The School District's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the School District's food service fund consist of charges for meals and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

10. Equity Classifications

Government-Wide Statements

Equity is classified as net position 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, other borrowing that are attributable to the acquisition, construction, improvement of those assets.

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

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

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Committed – the portion of fund balance that can only be used for specific purposes as a result of formal action, approval of a motion by the majority of the School Board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially commit the money.

Assigned – reflects the School District’s intent to use the money for a specific purpose but is not considered restricted or committed. The assignment of fund balance can be assigned by management in the business office.

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 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 purposes of the restricted and committed fund balance as of June 30, 2016, are as follows:

The restricted fund balance consists of the following:

Capital Projects Fund for future capital projects from unspent bond proceeds	\$ <u>4,092,928</u>
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The committed fund balance consists of the following:

Capital Reserve Fund for future capital improvement projects	\$ <u>178</u>
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11. Interfund Activity

Interfund activity is reported as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation of the government-wide financial statements.

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Encumbrances

Encumbrances accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditure or liabilities. All appropriations lapse a year-end. There were no outstanding encumbrances at June 30, 2016.

13. Income Taxes

The Income Taxes Topic of the FASB ASC No. 275 clarifies the accounting and reporting for uncertainties in income tax law. This guidance prescribes a comprehensive model for the financial statement recognitions, measurement, presentation, and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Effective July 1, 2009, the School District adopted the provisions of the topic related to uncertainties. Management believes that there is no liability related to uncertain tax positions at June 30, 2016.

14. Fair Value Measurements

The Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic on *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value of financial assets. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the ASC are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School District has the ability to access;

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

There have been no changes in the methodologies used at June 30, 2016. All of the School District's investments in cash equivalents are valued at the net asset value ("NAV") at year end (level 1 inputs).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

15. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has only two items that qualify for reporting in this category. They are the deferred charge on refunding reported in the government-wide statement of net position and the deferred outflow related to pension activity, reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow related to pension activity is the result of changes in the School District's proportionate share of the total plan from year to year, the difference between actual employer contributions and the School District's proportionate share of total contributions, and actual contributions subsequent to the measurement date.

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

16. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2016.

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 sections.

G. Impact of Recently Issued Accounting Principle

Recently Issued and Adopted Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements in which:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets are legally protected from creditors of the plan members.

NOTE 2 – CASH 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, 2016, \$1,045,563 of the School District's bank balance of \$1,295,563 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>1,045,563</u>
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**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – CASH AND INVESTMENTS – CONTINUED

As of June 30, 2016, the School District had the following investments:

	<u>Fair Value</u>
Investments – PSDLAF	\$ <u>4,522,349</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. 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 position 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.

NOTE 3 – 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 2015/2016 was 18.758 mills (\$18.758 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2015/2016 is as follows:

Tax Levy Date	July 1, 2015
2% Discount Period	Through August 31, 2015
Face Payment Period	September 1 – October 31, 2015
10% Penalty Period	November 1 Until Liened
Lien Filing Date	January 15, 2016

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 a deferred outflow of resources on the balance sheet until they are received.

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2016, the following amounts are due from other governmental units:

	Governmental Funds
Federal	\$ 543,098
State	938,266
Local	<u>165,699</u>
	<u>\$ 1,647,063</u>

NOTE 5 – INVENTORIES

Materials, supplies and food commodities of \$78,114 shown in the food service fund includes \$15,944 from the U.S. Department of Agriculture. Inventory in the general fund is recorded as an expenditure when incurred.

NOTE 6 – CAPITAL ASSETS

For the year ended June 30, 2016, capital asset activity was as follows:

	Balance at July 1, 2015	Additions	Disposals	Balance at June 30, 2016
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ <u>1,194,558</u>	\$ <u> --</u>	\$ <u> --</u>	\$ <u>1,194,558</u>
Capital assets being depreciated				
Land improvements	3,643,002	--	171,465	3,471,537
Buildings and improvements	116,070,524	3,463,270	506,411	119,027,383
Furniture and equipment	14,020,945	1,332,231	2,294,511	13,058,665
Construction in Progress	449,720	--	449,720	--
Equipment under capital lease	<u>500,191</u>	<u> --</u>	<u> --</u>	<u>500,191</u>
Total capital assets being depreciated	<u>134,684,382</u>	<u>4,795,501</u>	<u>3,422,107</u>	<u>136,057,776</u>
Less accumulated depreciation				
Land improvements	2,451,268	148,376	171,465	2,428,179
Buildings and improvements	34,020,505	2,472,014	506,411	35,986,108
Furniture and equipment	7,994,715	1,074,949	2,294,511	6,775,153
Equipment under capital lease	<u> --</u>	<u>100,038</u>	<u> --</u>	<u>100,038</u>
Total accumulated depreciation	<u>44,466,488</u>	<u>3,795,377</u>	<u>2,972,387</u>	<u>45,289,478</u>
Total capital assets being depreciated, net	<u>90,217,894</u>	<u>1,000,124</u>	<u>449,720</u>	<u>90,768,298</u>
Governmental activities capital asset, net	<u>\$ 91,412,452</u>	<u>\$ 1,000,124</u>	<u>\$ 449,720</u>	<u>\$ 91,962,856</u>

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – CAPITAL ASSETS – CONTINUED

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2016</u>
Business-type activities				
Furniture and equipment	\$ 432,677	\$ 7,500	\$ --	\$ 440,177
Less accumulated depreciation	<u>339,705</u>	<u>14,564</u>	<u>--</u>	<u>354,269</u>
Business-type capital assets, net	<u>\$ 92,972</u>	<u>\$ (7,064)</u>	<u>\$ --</u>	<u>\$ 85,908</u>

Depreciation expense was charged to functions/programs as follows:

	<u>June 30, 2016</u>
Governmental activities	
Instruction	\$ 3,237,173
Operation and maintenance of plant services	209,950
Pupil transportation	338,020
Student activities	<u>10,234</u>
Total governmental activities depreciation expense	<u>\$ 3,795,377</u>
Business-type activities	
Food service	<u>\$ 14,564</u>

NOTE 7 – INTERFUND BALANCES

At June 30, 2016, interfund balances were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 171,470	\$ --
Capital Projects Fund	--	68,033
Food Service Fund	<u>--</u>	<u>103,437</u>
	<u>\$ 171,470</u>	<u>\$ 171,470</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 – ACCOUNTS PAYABLE

Payables in the general, capital projects and proprietary funds are composed of payables to vendors.

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – LONG-TERM DEBT

The following are changes in the long-term liabilities for the fiscal year ended June 30, 2016:

<u>Governmental Activities</u>	<u>Balance 07/01/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 06/30/16</u>	<u>Amounts Due Within One Year</u>
General obligation bonds	\$ 111,000,000	\$ --	\$ 3,125,000	\$ 107,875,000	\$ 3,170,000
Compensated absences payable	920,830	93,971	28,424	986,377	--
Other post-employment benefits	7,780,805	1,001,989	1,260,206	7,522,588	1,001,989
Lease purchase obligations	<u>471,180</u>	<u>--</u>	<u>94,236</u>	<u>376,944</u>	<u>94,236</u>
	<u>\$ 120,172,815</u>	<u>\$ 1,095,960</u>	<u>\$ 4,507,866</u>	<u>\$ 116,760,909</u>	<u>\$ 4,266,225</u>
Business-type activities					
Compensated absences payable	<u>\$ 22,335</u>	<u>\$ 3,163</u>	<u>\$ 6,180</u>	<u>\$ 19,318</u>	<u>\$ --</u>

Current General Obligation Bond Issue

On December 14, 2016, the School District issued \$10,000,000 of General Obligation Bonds for construction of public school facilities.

General Obligation Bonds:

	<u>Balance at June 30, 2016</u>
Series of 2010 – 5.364 to 6.395%, general obligation (“Build America”) bonds, final payment due 2035	\$ 19,565,000
Series A of 2012 – 1.00% to 3.40%, general obligation bonds, final payment due 2037	7,495,000
Series B of 2012 – 1.00 to 3.00%, general obligation bonds, final payment due 2033	8,735,000
Series A of 2013 – 1.00 to 3.00% general obligation bonds, final payment due 2031	29,905,000
Series B of 2013 – 1.00 to 5.00%, general obligation bonds, final payment due 2031	7,610,000
Series C of 2013 – 1.00 to 4.00%, general obligation bonds, final payment due 2022	9,590,000
Series D of 2013 – 1.00 to 3.00%, general obligation bonds, final payment due 2016	1,500,000

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – LONG-TERM DEBT – CONTINUED

	<u>Balance at June 30, 2016</u>
Series E of 2013 – 1.00 to 5.00%, general obligation bonds, final payment due 2037	\$ 13,475,000
Series of 2014 – 2.00 to 3.750%, general obligation bonds, final payment due 2037	<u>10,000,000</u>
	<u>\$ 107,875,000</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, 2016, including interest and sinking fund payments, are as follows:

	General Obligation Bonds		
	Principal	Interest	Totals
2017	\$ 3,170,000	\$ 4,477,451	\$ 7,647,451
2018	3,165,000	4,376,656	7,541,656
2019	3,290,000	4,263,889	7,553,889
2020	3,405,000	4,145,203	7,550,203
2021-2025	3,530,000	4,020,086	7,550,086
2026-2030	19,505,000	17,820,515	37,325,515
2031-2035	23,205,000	14,028,146	37,233,146
2036-2041	<u>48,605,000</u>	<u>10,196,369</u>	<u>58,801,369</u>
	<u>\$ 107,875,000</u>	<u>\$ 63,328,315</u>	<u>\$ 171,203,315</u>

On June 30, 2015, the School District entered into a lease purchase agreement as lessee for financing and acquisition of copier equipment. The lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term) and therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The following is an analysis of equipment leased under the capital lease as of June 30, 2016:

Copier Equipment	\$ <u>500,191</u>
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**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – LONG-TERM DEBT – CONTINUED

The following is a schedule of the future minimum lease payments under this capital lease and the present value of the net minimum lease payments at June 30, 2016:

<u>Year Ended June 30</u>	<u>General Long- Term Debt</u>	
2017	\$ 94,236	
2018	94,236	
2019	94,236	
2020	<u>94,236</u>	
	376,944	
Less: Amounts representing interest	<u>43,484</u>	
Present value of future minimum lease payments	<u>\$ 333,460</u>	

NOTE 10 – PENSION PLAN

Pensions

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

General Information about the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 – PENSION PLAN – CONTINUED

years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Contributions

Member Contributions

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause them membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School Districts' contractually required contribution rate for fiscal year ended June 30, 2016 was 23.42% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$7,311,802 for the year ended June 30, 2016.

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

At June 30, 2016, the School District reported a liability of \$94,428,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 – PENSION PLAN – CONTINUED

to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the District's portion was .2180 percent, which was a decrease of .0034 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$8,353,376. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual Experience	\$ --	\$ 390,000
Net difference between projected and actual investment earnings	--	190,000
(Increase) Decrease in school district's proportion of covered payroll	--	994,000
Proportionate share of deferred inflows	436,178	--
Contributions subsequent to the measurement date	<u>7,311,802</u>	<u>--</u>
Balance at June 30, 2016	<u>\$ 7,747,980</u>	<u>\$ 1,574,000</u>

The amount of \$7,747,980, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2016	\$ (810,000)
2017	(810,000)
2018	(810,000)
2019	<u>854,000</u>
	<u>\$ (1,576,000)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal -level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 – PENSION PLAN – CONTINUED

- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	<u>(14.0)%</u>	1.1%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

Discount Rate

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

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 – PENSION PLAN – CONTINUED

of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
District’s proportionate share of the net pension liability	<u>\$ 116,391,000</u>	<u>\$ 94,428,000</u>	<u>\$ 75,967,000</u>

Pension Plan Fiduciary Net Position

Detailed information about PSERS’ fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System’s website at www.psers.state.pa.us.

NOTE 11 – CONTINGENT LIABILITIES

The 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, 2016 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.

NOTE 12 – POST-EMPLOYMENT HEALTHCARE PLAN

A. Plan Description

The 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.

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 – POST-EMPLOYMENT HEALTHCARE PLAN – CONTINUED

B. Funding Policy

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.

- 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.

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 – POST-EMPLOYMENT HEALTHCARE PLAN – CONTINUED

- 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.

	<u>6/30/16</u>	<u>6/30/15</u>
Annual required contribution	\$ 1,140,722	\$ 1,140,722
Interest on net OPEB obligation	311,232	326,133
Adjustment to annual required contribution	<u>(449,965)</u>	<u>(471,508)</u>
Annual OPEB cost (expense)	1,001,989	995,347
Contributions as calculated	<u>(1,260,206)</u>	<u>(1,367,871)</u>
Increase (decrease) in OPEB obligation	(258,217)	(372,524)
Net OPEB obligation – beginning of year	<u>7,780,805</u>	<u>8,153,329</u>
Net OPEB obligation – end of year	<u>\$ 7,522,588</u>	<u>\$ 7,780,805</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, 2016 and 2015, is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Contributed</u>	<u>Net OPEB Obligation</u>
6/30/16	\$ 1,001,989	125.80%	\$ 7,522,588
6/30/15	995,347	137.40%	7,780,805

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 – POST-EMPLOYMENT HEALTHCARE PLAN – CONTINUED

D. Funded Status and Funding Progress

As of July 1, 2014, the date of the last actuarial report, the actuarial accrued liability for benefits was \$12,495,062, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$28,014,791 and the ratio of unfunded actuarial accrued liability to the covered payroll was 44.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actual 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, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 4.0%, an inflation rate of 2.75%; an annual healthcare cost trend rate of 7.0% initially decreasing by 1% per year to an ultimate rate of 4.5%. 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.

NOTE 13 – 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 \$6,020,968 and \$5,902,622 for the years ended June 30, 2016 and 2015, 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 position or deficiency in net position, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2016, the net position of the Consortium was \$43,916,293 of which \$1,083,766 is to the School District.

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14 – ON-BEHALF PAYMENTS

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.

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2016 was \$5,047,038.

This includes \$3,713,695 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 \$1,333,343 to the federal government for social security and Medicare taxes for the year ended June 30, 2016. 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 15 – SUBSEQUENT EVENTS

In September 2016, the School District issued \$2,100,000 General Obligation Bonds, Tax Exempt Series A of 2016 and \$5,120,000 General Obligation Bonds, Taxable Series B of 2016.

Proceeds of the Series A Bonds will be used to: (1) purchase school buses; and (2) pay the costs associated with issuing the Series A Bonds. Proceeds of the Series B Bonds will be used to: (1) fund a portion of an unfunded actuarial accrued liability; and (2) pay the costs associated with issuing the Series B Bonds.

In July 2016, the School District was also approved for a \$1,850,000 Time Note to provide short-term capital until school tax revenue is collected. The draw and maturity date is 90 days. The note was not used.

REQUIRED SUPPLEMENTARY INFORMATION

**PLUM BOROUGH SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes Levied/ Assessed	\$ 32,041,432	\$ 32,041,432	\$ 29,660,710	\$ (2,380,722)
Delinquent Taxes Levied	757,080	757,080	931,536	174,456
Earnings on Investments	29,000	29,000	10,974	(18,026)
Revenues from Student Act.	105,130	105,130	92,898	(12,232)
Revenues from Intermediate	382,867	382,867	438,896	56,029
Other Revenue Sources	233,455	233,455	415,555	182,100
Basic Instructional and Operating	12,870,672	12,870,672	12,699,460	(171,212)
Subsidies for Specific	2,883,617	2,883,617	2,334,112	(549,505)
Subsidies for Non-Educational	4,282,071	4,282,071	2,986,803	(1,295,268)
Extra Grants	239,350	239,350	618,345	378,995
Subsidies for State Paid Benefits	4,814,308	4,814,308	4,585,346	(228,962)
Unrestricted Grants in Aid	404,783	404,783	205,008	(199,775)
Restricted Grants in Aid	467,515	467,515	450,736	(16,779)
Restricted Grants in Aid	86,485	86,485	66,947	(19,538)
Medical Assistance Reimbursements	113,000	113,000	2,546	(110,454)
Refund Prior Yr. Expenditures	5,000	5,000	--	(5,000)
TOTAL REVENUES	<u>59,715,765</u>	<u>59,715,765</u>	<u>55,499,872</u>	<u>(4,215,893)</u>
EXPENDITURES				
Instruction	29,524,948	29,348,666	29,307,696	40,970
Special Programs	5,937,855	6,347,718	6,338,845	8,873
Vocational education	483,200	678,993	678,532	461
Other instruction	89,841	89,841	114,635	(24,794)
Instruction student support	1,641,662	1,608,247	1,609,622	(1,375)
Support services - instruction	852,563	842,313	832,505	9,808
Administrative & financial support	3,377,867	3,299,267	3,299,055	212
Pupil Health	741,261	741,261	764,257	(22,996)
Business	397,393	397,393	391,229	6,164
Plant	4,968,914	4,790,705	4,763,851	26,854
Transportation	2,599,043	3,006,995	3,006,318	677
Central support	1,012,084	1,012,084	1,023,694	(11,610)
Other support	985,071	826,641	839,273	(12,632)
Student activities	924,713	984,713	988,416	(3,703)
Community service	253,514	253,514	280,560	(27,046)
Replacement Site Improvements	--	--	5,000	(5,000)
Other Replacements	15,300	15,300	18,527	(3,227)
Debt Service payments	7,510,667	7,458,390	7,425,969	32,421
Budgetary Reserve	386,145	--	--	--
TOTAL EXPENDITURES	<u>61,702,041</u>	<u>61,702,041</u>	<u>61,687,984</u>	<u>14,057</u>
OTHER FINANCING SOURCES				
Interfund Transfers	1,940,076	1,940,076	1,784,667	(155,409)
NET CHANGE IN FUND BALANCE (DEFICIT)	<u>\$ (46,200)</u>	<u>\$ (46,200)</u>	<u>(4,403,445)</u>	<u>\$ (4,449,645)</u>
FUND BALANCE, (DEFICIT) JULY 1, 2015			<u>(453,838)</u>	
FUND BALANCE, (DEFICIT) JUNE 30, 2016			<u>\$ (4,857,283)</u>	

**PLUM BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS
YEAR ENDED JUNE 30, 2016**

Schedule of Funding Progress for Retiree Health Plan

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio (AVA/AAL)</u>	<u>Covered Payroll</u>	<u>UAAL as % of Payroll</u>
07/01/12	--	14,071,033	14,071,033	0.0%	27,829,188	50.60%
07/01/14	--	12,495,062	12,495,062	0.0%	28,014,791	44.60%

**PLUM BOROUGH SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICTS PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2016**

	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability (Asset)	0.2180%	0.2214%
School District's Proportionate Share of the Net Pension Liability	\$ 94,428,000	\$86,920,000
School District's Covered Employee Payroll	\$ 28,047,607	\$28,024,076
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	218%	310%

**PLUM BOROUGH SCHOOL DISTRICT
SCHEDULE OF THE SCHOOL DISTRICTS CONTRIBUTIONS – PSERS
YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 7,311,802	\$ 6,065,178
Contributions in Relation to the Contractually Required Contribution	<u>7,311,802</u>	<u>6,065,178</u>
Contribution Deficiency (Excess)	\$ <u> --</u>	\$ <u> --</u>
School District's Covered Employee Payroll	\$ 28,047,607	\$28,573,055
Contributions as a Percentage of Covered Employee Payroll	21.80%	21.22%

**SUPPLEMENTARY REPORTS AS REQUIRED BY GOVERNMENT
AUDITING STANDARDS AND UNIFORM GUIDANCE**

**PLUM BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
ENDED JUNE 30, 2016**

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period	Program or Award Amount	Total Received For Year	Accrued or (Deferred) Revenue 7/1/2015	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 6/30/2016
Passed through the Pennsylvania Department of Education										
Title I-Improving Basic Programs	I	84.010	013-150343	07/01/14-06/30/15	\$ 354,953	\$ 171,487	\$ 45,714	\$ -	\$ 45,714	\$ -
Title I-Improving Basic Programs	I	84.010	013-160343	07/01/15-06/30/16	350,096	281,732	-	350,096	350,096	68,364
					<u>705,049</u>	<u>453,219</u>	<u>45,714</u>	<u>350,096</u>	<u>395,810</u>	<u>68,364</u>
Title II-Improving Teacher Quality	I	84.367	020-150343	07/01/14-06/30/15	99,740	53,160	(7,780)	7,780	-	-
Title II-Improving Teacher Quality	I	84.367	020-160343	07/01/15-06/30/16	99,895	79,916	-	99,895	99,895	19,979
					<u>199,635</u>	<u>133,076</u>	<u>(7,780)</u>	<u>107,675</u>	<u>99,895</u>	<u>19,979</u>
Title III-Language Instruction	I	84.365	010-160343	07/01/15-06/30/16	745	745	-	745	745	-
					<u>905,429</u>	<u>587,040</u>	<u>37,934</u>	<u>458,516</u>	<u>496,450</u>	<u>88,343</u>
Passed through the Allegheny Intermediate Unit										
IDEA B Grant	I	84.027	N/A	07/01/14-06/30/15	460,177	457,162	(457,162)	-	-	-
IDEA B Grant	I	84.027	N/A	07/01/15-06/30/16	438,896	1,047	-	438,896	438,896	437,849
					<u>899,073</u>	<u>458,209</u>	<u>(457,162)</u>	<u>438,896</u>	<u>438,896</u>	<u>437,849</u>
TOTAL U.S. DEPARTMENT OF EDUCATION					<u>1,804,502</u>	<u>1,045,249</u>	<u>(419,228)</u>	<u>897,412</u>	<u>935,346</u>	<u>526,192</u>
Department of Agriculture										
National School Lunch Program	I	10.555	N/A	07/01/15-06/30/16	N/A	507,061	-	513,616	513,616	6,555
National School Breakfast Program	I	10.553	N/A	07/01/15-06/30/16	N/A	68,637	-	69,635	69,635	998
					<u>N/A</u>	<u>575,698</u>	<u>-</u>	<u>583,251</u>	<u>583,251</u>	<u>7,553</u>
(Value USDA Donated Comm.)	I	10.555	N/A	07/01/15-06/30/16	123,329	123,329	(11,354)	123,329	118,739	(6,764)
TOTAL U.S. DEPARTMENT OF AGRICULTURE					<u>123,329</u>	<u>699,027</u>	<u>(11,354)</u>	<u>706,580</u>	<u>701,990</u>	<u>789</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE					<u>\$ 1,927,831</u>	<u>\$ 1,744,276</u>	<u>\$ (430,582)</u>	<u>\$ 1,603,992</u>	<u>\$ 1,637,336</u>	<u>\$ 526,981</u>

Funding source code I-Indirect

**PLUM BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Plum Borough School District and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements

NOTE 2 – FOOD DONATION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

NOTE 3 – INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. No indirect costs were charged to the District's Federal awards for the year ended June 30, 2016.



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Harry Coon, Jr., C.P.A. (1947-2004)

**INDEPENDENT AUDITOR'S 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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Plum Borough School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Plum Borough School District's basic financial statements and have issued our report thereon dated March 16, 2017.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2016-01).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies (2016-2).

Compliance and Other Matters

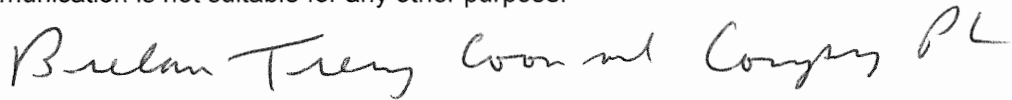
As part of obtaining reasonable assurance about whether the Plum Borough School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

Plum Borough School District's Response to Findings

Plum Borough School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Plum Borough School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Brian Tracy" followed by "Accounting Company PC".

March 16, 2017



BIELAU, TIERNEY, COON & COMPANY, P.C.
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board
Plum Borough School District
Pittsburgh, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Plum Borough School District's compliance with the types of compliance requirements described in the *OMB Uniform Guidance 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, 2016. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Plum Borough School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and The Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Plum Borough School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Plum Borough School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management Plum Borough School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Plum Borough School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

A handwritten signature in black ink, appearing to read "Brian Tracy". The signature is written in a cursive style and is positioned above the date.

March 16, 2017

**PLUM BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Plum Borough School District.
2. Two significant deficiencies disclosed during the audit of the financial statements are reported in this schedule. One was reported as a material weakness.
3. No instances of noncompliance and other matters material to the financial statements of the Plum Borough School District, which is required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Plum Borough School District expresses an unqualified opinion.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.51(a).
7. The programs tested as major programs include:
 - National School Lunch Program Cluster – CFDA 10.555, 10.553
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Plum Borough School District did qualify to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Material Weaknesses

2016-1 Preparation of Financial Statements

Condition: During the audit, the District did not present financial statements reported in compliance with accounting principles generally accepted in the United States of America.

Criteria: The District's annual financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The District relies on Bielau, Tierney, Coon & Company, P.C. as its auditors, to prepare its annual financial statements in order to conform to accounting principles generally accepted in the United States of America.

Cause: We realize that additional staffing costs would be needed to acquire the internal expertise to perform this function which could significantly outweigh the benefits derived. As your auditors can propose adjustments to assist the District in assembling and drafting the financial statements; however, we cannot establish or maintain the District's controls over preventing or detecting material misstatements in the preparation of the financial statements. We proposed and you approved 33 adjusting journal entries to

**PLUM BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
YEAR ENDED JUNE 30, 2016**

properly report on the modified accrual basis of accounting, and 12 journal entries to convert District books from modified accrual to full accrual in order to properly report in accordance with GASB 34. All of these journal entries were presented to the District along with the letter of representation, in which you took responsibility and approved each of those entries.

Effect: District Financial Statements could be materially misstated according to accounting principles generally accepted in the United States of America.

Recommendations: If feasible, procedures should be established to prepare the necessary entries in advance of the audit.

Management Response and Corrective Action Plan: The District agrees that it should prepare the journal entries. The District has contracted with a third party auditing firm to assist in building the procedures needed to prepare financial statements independently.

Significant Deficiency

2016-2 Reconciliation of Payroll Liabilities

Condition: During our testing of the General Ledger, we noted that certain payroll liability accounts had incorrect balances.

Criteria: We noted during preliminary testing that many of the payroll liability accounts were not being properly recorded.

Cause: Plum Borough School District does not reconcile the payroll liability accounts in a timely manner.

Effect: District Financial Statements could be misstated according to accounting principles generally accepted in the United States of America.

Recommendation: A review should be made of the invoice coding to determine if the invoice is being posted to the same general ledger account as the payroll withholding. Also to be considered would be combining and eliminating some of the withholding accounts.

Management Response and Corrective Action Plan: The District agrees with the finding and has successfully reconciled the benefit accounts at the end of each month starting in the new school year.

C. FINDINGS – FEDERAL AWARDS AUDIT

None.

**PLUM BOROUGH SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

No findings were reported.