

# Plum Borough School District

Single Audit

June 30, 2017

**MaherDuessel**

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# PLUM BOROUGH SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2017

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## Independent Auditor's Report

**Board of Directors  
Plum Borough School District**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Plum Borough School District (School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the 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 presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2017, 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 the budgetary comparison, pension, and postemployment benefits other than pension benefits (OPEBs) information on pages i through ix and 47 through 51 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 School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis 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*, and is not a required part of the basic financial statements.

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2018 on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Maher Duessel*

Pittsburgh, Pennsylvania  
February 9, 2018

# PLUM BOROUGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

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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, 2017. 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's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental 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 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* (Uniform Guidance). 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 statement 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.

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# PLUM BOROUGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

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### 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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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, deferred outflows of resources, liabilities, and deferred inflows of resources, is one way to measure the School District's financial health or position.

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.

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# PLUM BOROUGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

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*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

The School District's net position is categorized either as net investment in capital assets, which represents the School District's capital assets less related outstanding debt; restricted, which represents net position with constraints placed on the use by outside parties; or unrestricted.

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.

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# PLUM BOROUGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

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### Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position (Deficit)

At June 30, 2017 and 2016, the School District's assets consisted of:

	<u>2017 Amount</u>	<u>Percent of Total</u>	<u>2016 Amount</u>	<u>Percent of Total</u>
Net capital assets	\$ 89,465,924	82.1%	\$ 92,048,764	87.8%
Cash and cash equivalents and investments	11,615,743	10.7%	5,053,627	4.8%
Other current assets	<u>7,921,501</u>	<u>7.27%</u>	<u>7,717,938</u>	<u>7.36%</u>
Total assets	<u>\$ 109,003,168</u>	<u>100%</u>	<u>\$ 104,820,329</u>	<u>100%</u>

At June 30, 2017, the School District's liabilities consisted of:

	<u>2017 Amount</u>	<u>Percent of Total</u>	<u>2016 Amount</u>	<u>Percent of Total</u>
Current liabilities	\$ 11,124,630	4.5%	\$ 12,844,551	5.8%
Noncurrent liabilities:				
Bonds payable	113,815,000	45.9%	104,705,000	47.3%
Net pension liability	111,701,000	45.1%	94,428,000	42.7%
OPEBs	9,385,889	3.8%	7,522,588	3.4%
Other non-current liabilities	<u>1,684,851</u>	<u>0.7%</u>	<u>1,648,896</u>	<u>0.7%</u>
Total liabilities	<u>\$ 247,711,370</u>	<u>100%</u>	<u>\$ 221,149,035</u>	<u>100%</u>

At June 30, 2017, the School District's deferred outflows and deferred inflows of resources were \$21,754,035 and \$1,645,000, respectively, and consisted of items related to the net pension liability.

At June 30, 2016, the School District's deferred outflows and deferred inflows of resources were \$7,747,980 and \$1,574,000, respectively, and consisted of items related to the net pension liability.

# PLUM BOROUGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

At June 30, 2017 and 2016, the School District's net position consisted of:

	2017 Amount	Percent of Total	2016 Amount	Percent of Total
Net investment in capital assets	\$ (10,581,726)	8.9%	\$ (16,563,673)	15.0%
Restricted	4,534,690	-3.8%	4,092,928	-3.7%
Unrestricted	<u>(112,552,131)</u>	<u>94.90%</u>	<u>(97,683,981)</u>	<u>88.68%</u>
Total net position	<u>\$ (118,599,167)</u>	<u>100%</u>	<u>\$ (110,154,726)</u>	<u>100%</u>

The change in net position (deficit) for the year ended June 30, 2017 was a decrease of \$(8,444,441), and for the year ended June 30, 2016 was a decrease of \$(9,356,705), as summarized below:

	2016-2017	2015-2016
General revenues:		
Property taxes	\$ 27,623,664	\$ 26,555,107
Earned income taxes	3,710,516	3,659,747
Other taxes levied	616,951	470,470
Grants and subsidies	14,526,318	15,226,954
Earnings on investments	44,619	39,361
Miscellaneous revenues	<u>343,835</u>	<u>173,436</u>
Total general revenues	<u>46,865,903</u>	<u>46,125,075</u>
Program revenues:		
Charges for services	1,184,907	1,245,699
Operating grants and contributions	16,734,671	10,242,343
Capital grants and contributions	<u>-</u>	<u>75,747</u>
Total program revenues	<u>17,919,578</u>	<u>11,563,789</u>
Total revenues	<u>64,785,481</u>	<u>57,688,864</u>
Expenses:		
Instruction	44,978,090	41,319,140
Support services	20,018,199	17,668,906
Operation of non-instructional	1,441,009	1,413,292
Interest on long-term debt	4,603,963	4,555,981
Food service	<u>2,188,661</u>	<u>2,088,250</u>
Total expenses	<u>73,229,922</u>	<u>67,045,569</u>
Change in net position	<u>\$ (8,444,441)</u>	<u>\$ (9,356,705)</u>

# PLUM BOROUGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

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### School District Funds

At June 30, 2017, the School District's governmental funds reported a combined fund balance of \$6,263,262, which is an increase of \$7,027,439.

The School District's general fund balance (deficit) increased from \$(4,857,283) to \$1,965,842.

The revenue for the School District, as reported on the fund financial statements, is primarily derived from local, state, and federal sources:

	<u>2016-2017</u>	<u>2015-2016</u>
Local	\$ 33,212,845	\$ 31,578,813
State revenue	28,877,563	23,224,066
Federal revenue	<u>923,899</u>	<u>725,237</u>
Total revenue	<u>\$ 63,014,307</u>	<u>\$ 55,528,116</u>

\$62,994,168 of this total was recognized as revenue by the general fund. When compared to the budgeted amount of \$59,172,953 the result is a positive variance of \$3,821,215. The primary reasons for the variance was due to Plancon reimbursements received from prior years.

Local funding is primarily from real estate taxes, totaling \$26,668,175. Collection of real estate taxes was higher than budgeted in the amount of \$192,469. The millage rate for real estate in the 2016-2017 fiscal year was increased to the Act 1 index for the first time in 10 years.

The variance in state revenues, actual to budgeted, was a positive \$3,073,911. Federal revenue differed from the budget by \$(130,899).

Actual expenditures were \$536,176 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.

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# PLUM BOROUGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2017

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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, 2017, the School District had \$89,465,924 invested in a broad range of capital assets, including land, buildings and furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$2,582,840 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 June 30, 2017, the School District had total outstanding bond and lease principal in the amount of \$114,977,424. The School District's bond and lease principal at June 30, 2016 was \$108,208,460.

Other obligations include accrued vacation pay and sick leave, net pension liability, and other postemployment benefits 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 Borough's taxable property is coded residential property. The remaining balance consists of 16% which is classified as commercial property.

The School District has increased its millage rate to the index and exemptions. 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

YEAR ENDED JUNE 30, 2017

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It is expected that the retirement rate will continue to escalate. PSERS costs have risen from 4.78% in 2009-2010 to 32.13% in 2016-2017.

The teacher contract expires at the end of the 2017-2018 fiscal year and will be renegotiated with the expectation of reducing overall expenses.

### Contacting the School District Financial Management

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

# PLUM BOROUGH SCHOOL DISTRICT

## STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 8,082,133	\$ 32,891	\$ 8,115,024
Investments	3,500,719	-	3,500,719
Taxes receivable, net	5,143,137	-	5,143,137
Internal balances	60,364	(60,364)	-
Due from other governments	122,617	5,616	128,233
State revenue receivable	1,725,421	-	1,725,421
Federal revenue receivable	151,273	-	151,273
Other receivables	204,072	18,679	222,751
Prepaid expenses	482,074	-	482,074
Inventories	-	68,612	68,612
Total current assets	19,471,810	65,434	19,537,244
Noncurrent assets:			
Capital assets, not being depreciated:			
Land	1,194,558	-	1,194,558
Capital assets, being depreciated:			
Land improvements	898,284	-	898,284
Buildings and building improvements	80,692,334	-	80,692,334
Furniture and equipment	6,305,994	74,639	6,380,633
Equipment under a capital lease	300,115	-	300,115
Total noncurrent assets	89,391,285	74,639	89,465,924
<b>Total Assets</b>	108,863,095	140,073	109,003,168
<b>Deferred Outflows of Resources:</b>			
Deferred outflows of resources for pension	21,285,985	468,050	21,754,035
<b>Total Deferred Outflows of Resources</b>	21,285,985	468,050	21,754,035
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	1,592,927	312	1,593,239
Accrued salaries and benefits	4,839,255	-	4,839,255
Payroll deductions and withholdings	2,354,020	-	2,354,020
Accrued interest on bonds	1,289,947	-	1,289,947
Current portion of long-term debt	890,000	-	890,000
Current portion of capital lease	84,597	-	84,597
Unearned revenues	40,000	33,572	73,572
Total current liabilities	11,090,746	33,884	11,124,630
Noncurrent liabilities:			
Compensated absences	1,062,239	34,893	1,097,132
Bonds payable	113,815,000	-	113,815,000
Capital lease payable	187,827	-	187,827
Net pension liability	109,353,000	2,348,000	111,701,000
Other postemployment benefits	9,385,889	-	9,385,889
Other long-term liabilities, net of amortization	399,892	-	399,892
Total noncurrent liabilities	234,203,847	2,382,893	236,586,740
<b>Total Liabilities</b>	245,294,593	2,416,777	247,711,370
<b>Deferred Inflows of Resources:</b>			
Deferred inflows of resources for pension	1,610,000	35,000	1,645,000
<b>Net Position:</b>			
Net investment in capital assets	(10,656,365)	74,639	(10,581,726)
Restricted	4,534,690	-	4,534,690
Unrestricted	(110,633,838)	(1,918,293)	(112,552,131)
<b>Total Net Position</b>	\$ (116,755,513)	\$ (1,843,654)	\$ (118,599,167)

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

**PLUM BOROUGH SCHOOL DISTRICT**

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
<b>Governmental Activities:</b>						
Instruction	\$ 44,978,090	\$ -	\$ 9,528,257	\$ -	\$ (35,449,833)	\$ (35,449,833)
Support services	20,018,199	-	3,074,017	-	(16,944,182)	(16,944,182)
Operation of non-instructional services	1,441,009	-	125,058	-	(1,315,951)	(1,315,951)
Unallocated expenses - interest on long-term debt	4,603,963	-	3,110,519	-	(1,493,444)	(1,493,444)
<b>Total governmental activities</b>	<b>71,041,261</b>	<b>-</b>	<b>15,837,851</b>	<b>-</b>	<b>(55,203,410)</b>	<b>(55,203,410)</b>
<b>Business-Type Activities:</b>						
Food service	2,188,661	1,184,907	896,820	-	(106,934)	(106,934)
<b>Total Primary Government</b>	<b>\$ 73,229,922</b>	<b>\$ 1,184,907</b>	<b>\$ 16,734,671</b>	<b>\$ -</b>	<b>(55,203,410)</b>	<b>(106,934)</b>
<b>General revenues:</b>						
Property taxes					27,623,664	27,623,664
Earned income taxes					3,710,516	3,710,516
Other taxes levied					616,951	616,951
Grants, subsidies, and contributions					14,526,318	14,526,318
Investment earnings					44,490	44,619
Miscellaneous income					343,835	343,835
<b>Total general revenues</b>					<b>46,865,774</b>	<b>46,865,903</b>
					<b>(8,337,636)</b>	<b>(106,805)</b>
						<b>(8,444,441)</b>
<b>Net Position:</b>						
Beginning of year					(108,417,877)	(1,736,849)
End of year					\$ (116,755,513)	\$ (1,843,654)
						\$ (118,599,167)

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



# PLUM BOROUGH SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 4,889,739	\$ -	\$ 3,192,394	\$ 8,082,133
Investments	2,000,541	178	1,500,000	3,500,719
Taxes receivable, net	5,143,137	-	-	5,143,137
Due from other funds	373,558	-	178	373,736
Due from other governments	122,617	-	-	122,617
State revenue receivable	1,725,421	-	-	1,725,421
Federal revenue receivable	151,273	-	-	151,273
Other receivables	204,072	-	-	204,072
Prepaid expenditures	482,074	-	-	482,074
<b>Total Assets</b>	<b>\$ 15,092,432</b>	<b>\$ 178</b>	<b>\$ 4,692,572</b>	<b>\$ 19,785,182</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>				
<b>Liabilities:</b>				
Due to other funds	\$ -	\$ 178	\$ 313,194	\$ 313,372
Accounts payable	1,510,969	-	81,958	1,592,927
Accrued salaries and benefits	4,839,255	-	-	4,839,255
Payroll deductions and withholdings	2,354,020	-	-	2,354,020
Unearned revenues	40,000	-	-	40,000
<b>Total Liabilities</b>	<b>8,744,244</b>	<b>178</b>	<b>395,152</b>	<b>9,139,574</b>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue - property taxes	4,382,346	-	-	4,382,346
<b>Fund Balance:</b>				
Nonspendable	482,074	-	-	482,074
Restricted	4,534,690	-	4,297,242	8,831,932
Committed	-	-	178	178
Unassigned	(3,050,922)	-	-	(3,050,922)
<b>Total Fund Balance</b>	<b>1,965,842</b>	<b>-</b>	<b>4,297,420</b>	<b>6,263,262</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 15,092,432</b>	<b>\$ 178</b>	<b>\$ 4,692,572</b>	<b>\$ 19,785,182</b>

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

# PLUM BOROUGH SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2017

**Total Fund Balance - Governmental Funds** \$ 6,263,262

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

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

	Capital assets, gross	\$ 138,457,705	
	Accumulated depreciation	<u>(49,066,420)</u>	89,391,285

Property taxes collected 60 days after year-end are not considered available to pay current period expenditures, and therefore, are unavailable in the funds. 4,382,346

Deferred charges on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. (399,892)

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	21,285,985	
	Deferred inflows or resources related to pension	<u>(1,610,000)</u>	19,675,985

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

	Bonds payable	(114,705,000)	
	Accrued interest on the bonds	(1,289,947)	
	Capital lease obligation	(272,424)	
	Compensated absences	(1,062,239)	
	Other postemployment benefits	(9,385,889)	
	Net pension liability	<u>(109,353,000)</u>	<u>(236,068,499)</u>

**Total Net Position - Governmental Activities** \$ (116,755,513)

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

# PLUM BOROUGH SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2017

	General Fund	Capital Reserve Funds	Capital Projects Funds	Total
<b>Revenues:</b>				
Revenues from local sources:				
Real estate taxes, current and interim	\$ 26,668,175	\$ -	\$ -	\$ 26,668,175
Delinquent real estate taxes	1,297,531	-	-	1,297,531
Earned income taxes	3,710,516	-	-	3,710,516
Other taxes	616,951	-	-	616,951
Earnings on investments	24,351	-	20,139	44,490
Federal IDEA revenue received as pass-through	562,707	-	-	562,707
Other revenues	312,475	-	-	312,475
Revenues from state sources	28,877,563	-	-	28,877,563
Revenues from federal sources	923,899	-	-	923,899
Total revenues	62,994,168	-	20,139	63,014,307
<b>Expenditures:</b>				
Instruction:				
Regular programs	31,369,941	-	78,341	31,448,282
Special programs	6,319,262	-	-	6,319,262
Vocational education	935,249	-	-	935,249
Other instructional programs	47,613	-	-	47,613
Support services:				
Students	1,650,158	-	-	1,650,158
Instructional staff	893,145	-	-	893,145
Administration	3,525,189	-	6,989	3,532,178
Pupil health	771,578	-	-	771,578
Business	434,239	-	-	434,239
Operation and maintenance of plant	4,903,555	-	150,939	5,054,494
Student transportation	4,212,266	-	135,394	4,347,660
Central	1,097,741	-	181,156	1,278,897
Other	47,380	-	-	47,380
Operation of non-instructional services:				
Student activities	1,014,094	-	-	1,014,094
Community services	275,170	-	(7,840)	267,330
Facilities, acquisition, construction, and improvement services	-	-	469,845	469,845
Debt service	7,566,710	-	184,570	7,751,280
Total expenditures	65,063,290	-	1,199,394	66,262,684
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(2,069,122)	-	(1,179,255)	(3,248,377)
<b>Other Financing Sources (Uses):</b>				
Proceeds from issuance of bonds	12,860,000	-	-	12,860,000
Proceeds from capital leases	300,440	-	-	300,440
Payments to refunding bond escrow	(2,915,984)	-	-	(2,915,984)
Interfund transfers	(1,383,569)	(178)	1,383,747	-
Refunds of prior year expenditures	31,360	-	-	31,360
Total other financing sources (uses)	8,892,247	(178)	1,383,747	10,275,816
<b>Net Change in Fund Balance</b>	6,823,125	(178)	204,492	7,027,439
<b>Fund Balance:</b>				
Beginning of year	(4,857,283)	178	4,092,928	(764,177)
End of year	\$ 1,965,842	\$ -	\$ 4,297,420	\$ 6,263,262

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

# PLUM BOROUGH SCHOOL DISTRICT

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

**Net Change in Fund Balance - Governmental Funds** \$ 7,027,439

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.

	Capital outlays	\$ 1,205,371	
	Less: depreciation expense	<u>(3,776,942)</u>	(2,571,571)

Because some property taxes will not be collected for several months after the School District's fiscal year-end, they are not considered "available" revenues in the governmental funds. The value of this item changed by this amount during the year. (342,042)

The issuance of debt is recorded as an other financing source in the governmental funds, whereas, refundings and repayment of debt principal are reported as other financing uses/expenditures in the governmental funds. These transactions increase or decrease the long-term liability in the statement of net position.

	Bond issuance and refunding	(10,000,000)	
	Bond principal payments	3,170,000	
	Capital lease principal payments	<u>61,036</u>	(6,768,964)

In the statement of activities, certain operating expenses are measured by the payroll benefit amounts earned by the employees during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used to provide these benefits. This amount represents the difference between the amount earned versus the amount used.

	Pension benefits	(3,281,621)	
	Compensated absences	(75,862)	
	Other postemployment benefits	<u>(1,863,301)</u>	(5,220,784)

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. 29,216

Amortization of bond premium, discount and deferred charge on refunding 4,085

Other - net change in prepaid items (495,015)

**Change in Net Position of Governmental Activities** \$ (8,337,636)

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

# PLUM BOROUGH SCHOOL DISTRICT

## STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2017

<b>Assets and Deferred Outflows of Resources</b>	<u>Food Service Fund</u>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 32,891
Due from other governments	5,616
Other receivables	18,679
Inventories	68,612
Total current assets	125,798
Non-current assets:	
Furniture and equipment, net	74,639
Total Assets	200,437
<b>Deferred Outflows of Resources:</b>	
Deferred outflows of resources for pension	468,050
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 668,487</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>	
<b>Liabilities:</b>	
Current liabilities:	
Due to other funds	\$ 60,364
Accounts payable	312
Unearned revenues	33,572
Total current liabilities	94,248
Noncurrent liabilities:	
Compensated absences	34,893
Net pension liability	2,348,000
Total noncurrent liabilities	2,382,893
Total Liabilities	2,477,141
<b>Deferred Inflows of Resources:</b>	
Deferred inflows of resources for pension	35,000
<b>Net Position:</b>	
Net investment in capital assets	74,639
Unrestricted	(1,918,293)
Total Net Position	(1,843,654)
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 668,487</b>

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

# PLUM BOROUGH SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2017

	<u>Food Service Fund</u>
<b>Operating Revenues:</b>	
<u>Food service revenue</u>	<u>\$ 1,184,907</u>
<b>Operating Expenses:</b>	
Salaries	668,910
Employee benefits	451,710
Purchased property services	44,704
Supplies	1,008,837
Depreciation	<u>14,500</u>
Total operating expenses	<u>2,188,661</u>
<b>Net Operating Income (Loss)</b>	<u>(1,003,754)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Earnings on investments	129
State sources	176,150
Federal sources	<u>720,670</u>
Total non-operating revenues (expenses)	<u>896,949</u>
<b>Change in Net Position</b>	(106,805)
<b>Net Position:</b>	
<u>Beginning of year</u>	<u>(1,736,849)</u>
End of year	<u><u>\$ (1,843,654)</u></u>

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

# PLUM BOROUGH SCHOOL DISTRICT

## STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2017

	Food Service Fund
<b>Cash Flows From Operating Activities:</b>	
Cash receipts from users	\$ 1,173,820
Cash payments to employees for services	(1,091,835)
Cash payments to suppliers for goods and services	(880,032)
	(798,047)
<b>Cash Flows From Noncapital Financing Activities:</b>	
State sources	178,814
Federal sources	555,013
	733,827
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Purchase of equipment	(3,231)
<b>Cash Flows From Investing Activities:</b>	
Earnings on investments	129
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(67,322)</b>
<b>Cash and Cash Equivalents:</b>	
Beginning of year	100,213
End of year	\$ 32,891
<b>Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>	
Net operating income (loss)	\$ (1,003,754)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	14,500
Donated commodities	165,657
Change in assets and liabilities:	
Receivables	(11,087)
Inventories	9,502
Deferred outflows	(308,713)
Accounts payable	(46,222)
Unearned revenues	1,458
Compensated absences	15,575
Net pension liability	363,123
Deferred inflows	1,914
	(798,047)
Net cash provided by (used in) operating activities	\$ (798,047)
<b>Non-Cash, Non-Capital Financing Transactions:</b>	
During the year, the School District received \$158,893 of USDA donated commodities in the Food Service Fund.	

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

# PLUM BOROUGH SCHOOL DISTRICT

## STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Agency Fund
<b>Assets:</b>	
<u>Cash and cash equivalents</u>	<u>\$ 93,791</u>
<b>Liabilities:</b>	
<u>Other current liabilities</u>	<u>\$ 93,791</u>

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



# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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### 1. Reporting Entity

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

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student-related activities of the School District.

In evaluating the School District as a primary government, management has addressed all potential component units. Component units are to be included within the financial reporting entity of the School District based upon the significance of their operational or financial relationships with the School District. No potential component units meet the criteria for inclusion in the School District reporting entity.

### 2. Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies of the School District are described below:

#### Basis of Presentation

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).

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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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### Government-Wide Financial Statements

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.

### 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; proprietary; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds, if existing, are summarized in a single column. The School District does not currently have any funds that are considered to be non-major funds.

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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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### 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 School District, 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).

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.

### 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 proprietary fund type:

*Enterprise Funds* are required to be used to account for operations which are to be financed primarily through a fee which is charged to external users for goods or services. 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.

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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### 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.

### Interfunds

During the course of operations, the School District 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 eliminations 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 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.

### 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

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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

### 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. Property taxes are recognized as revenues in the year for which they are levied. Earned income taxes are recognized when the underlying wages are earned. 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.

### 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 School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to pension, compensated absences, postemployment benefits, and claims and judgments,

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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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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.

### Defining Operating Revenues and Expenses

The School District's proprietary funds distinguish between operating and non-operating 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 non-operating.

### Joint Ventures

The School District is one of nine member school districts of the Forbes Road Career & Technology Center (Forbes). Forbes provides vocational-technical training and education to participating students of the member districts. Forbes is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Direct oversight of Forbes' operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Forbes. The School District's share of annual operating and capital costs for Forbes fluctuates, based on 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, 2017 was approximately \$900,000, which has been reported in the School District's General Fund. The School District has no equity interest in Forbes as of June 30, 2017. 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 Eastern. The School District's financial obligation to Eastern for the year ended June 30, 2017 was approximately \$11,000, which has been

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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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reported in the School District's General Fund. The School District has no equity interest in Eastern as of June 30, 2017. 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, Pennsylvania 15146.

### 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.

### Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments and deposit accounts:

- Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
  - Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
  - Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 provided (a) the funds are invested in investments listed above, (b) the investment company is managed so as to maintain its share at a constant net asset value, and (c) the investment company is rated in the highest category by a nationally recognized rating agency.
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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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- In March 2016, Act 10 was passed which expanded the scope of investment options available to school districts including repurchase agreements, commercial paper, negotiable certificates of deposit, and banker's acceptances. The School District elected to maintain its current investment policy due to the additional risk and oversight associated with the expanded investment options under Act 10.

### Fair Value Measurement

The School District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

### Receivables

Property taxes receivable are reported net of allowance of approximately \$1.9 million. All other receivables have been determined by management to be fully collectible, thus, no allowance has been recorded.

### Prepaid Items

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

### Inventories

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

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund, if considered material. There was no material inventory balance as of June 30, 2017.



# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated value provided by the USDA, 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, 2017 are reported as unearned revenues.

### 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 acquisition 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

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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

### 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 and discounts are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums received are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses/expenditures in the government-wide, proprietary, and governmental fund financial statements.

It is expected that the General Fund will continue to provide funds for the debt service payments.

### 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. These compensated absences are recorded as a non-current liability in the government-wide financial 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.

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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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### Postemployment Benefits

In the government-wide and proprietary fund financial statements, long-term liabilities related to postemployment benefits, including pensions, health insurance, and life insurance are calculated based on actuarial valuations as described in Notes 10 and 11.

### Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources or deferred inflows of resources. These separate financial statement elements represent a consumption (acquisition) of net position and/or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) or an inflow of resources (revenue) until then. The School District has the following items that qualify for reporting as deferred outflows/inflows of resources:

In conjunction with pension accounting requirements, differences between expected and actual experience, assumption changes, the effect of the change in the School District's proportion, the net difference between projected and actual investment earnings, and payments made to the Public School Employees' Retirement System (PSERS) subsequent to the measurement date are recorded as a deferred outflow or inflow of resources related to pensions on the government-wide and proprietary fund financial statements. These amounts are determined based on the actuarial valuation performed for the PSERS plan. Note 10 presents additional information about the PSERS plan.

Unavailable revenue is reported only on the balance sheet and represents delinquent property taxes which will not be collected within the available period. This amount will be recognized as an inflow of resources in the period the amounts become available.

### Equity Classifications

Government-Wide and Proprietary Fund Financial Statements report three components of net position:

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

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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- 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. The School District's restricted net position consists of unspent bond proceeds that will be used towards unfunded accrued actuarial liabilities in future fiscal years.
- Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Governmental Fund Financial Statements report five components of fund balance:

- 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. The School District's nonspendable fund balance consists of prepaid expenditures.
- 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

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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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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 balances as of June 30, 2017, are as follows:

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Restricted for:		
Unfunded actuarial accrued liabilities from unspent bond proceeds	\$ 4,534,690	\$ -
Future capital projects from unspent bond proceeds	<u>-</u>	<u>4,297,242</u>
Total restricted fund balance	<u>\$ 4,534,690</u>	<u>\$ 4,297,242</u>
Committed to:		
Future capital improvement projects	<u>\$ -</u>	<u>\$ 178</u>

### 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 commitments of fund balances since they do not constitute expenditure or liabilities. All appropriations lapse at year-end. There were no outstanding encumbrances at June 30, 2017.

### Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the General Fund. This is the only fund for which a budget is required and for which taxes may be levied. The General Fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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various budget transfers throughout the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2017.

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

### Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

### Adoption of Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 74, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,”* GASB Statement No. 77, *“Tax Abatement Disclosures,”* GASB Statement No. 80, *“Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14,”* and GASB Statement No. 82, *“Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73,”* were adopted in the current year by the School District. These statements had no significant impact on the School District’s financial statements.

### Pending Pronouncements

GASB has issued several statements that will become effective in future years, including Statement Nos. 75 (OPEB Employer), 81 (Split-Interest Agreements), 83 (Certain Asset Retirement Obligations), 84 (Fiduciary Activities), 85 (Omnibus 2017), 86 (Certain Debt Extinguishment Issues), and 87 (Leases). Management has not yet determined the impact of these statements on the School District’s financial statements.

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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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### 3. 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.

#### Deposits

*Custodial credit risk* - 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, 2017, \$5,592,870 of the School District's bank balance of \$5,842,870 was exposed to custodial credit risk. These deposits have a carrying amount totaling \$5,016,602.

#### Investments

As of June 30, 2017, the School District had the following investments:

Pennsylvania School District	
Liquid Asset Fund (PSDLAF)	\$ 3,192,932
Certificates of Deposit	<u>3,500,000</u>
	<u>\$ 6,692,932</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. All of the School District's investments in PSDLAF and CDs have a maturity of one year or less.

*Credit risk* - 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 PSDLAF were rated AAAM by Standard & Poor's.

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

### PSDLAF

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.

The School District can withdraw funds from PSDLAF on permitted days without restriction.

#### **4. Real Estate Taxes**

The municipal tax collector bills and collects 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 2016/2017 was 19.377 mills (\$19.377 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2016/2017 is as follows:

Tax Levy Date	July 1, 2016
2% Discount Period	Through August 31, 2016
Face Payment Period	September 1 - October 31, 2016
10% Penalty Period	November 1 until lien
Lien Filing Date	January 15, 2017



# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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.

### 5. Capital Assets

Capital asset activity for the year ended June 30, 2017 is as follows:

	Balance at July 1, 2016	Adjustments/ Additions	Transfers/ Deletions	Balance at June 30, 2017
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,194,558	\$ -	\$ -	\$ 1,194,558
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>1,194,558</u>	<u>-</u>	<u>-</u>	<u>1,194,558</u>
Capital assets, being depreciated:				
Land improvements	3,471,537	-	-	3,471,537
Buildings and building improvements	119,027,383	715,395	-	119,742,778
Furniture and equipment	13,058,665	489,976	-	13,548,641
Equipment under a capital lease	500,191	-	-	500,191
Total capital assets, being depreciated	<u>136,057,776</u>	<u>1,205,371</u>	<u>-</u>	<u>137,263,147</u>
Less: accumulated depreciation for:				
Land improvements	(2,428,179)	(145,074)	-	(2,573,253)
Buildings and building improvements	(35,986,108)	(3,064,336)	-	(39,050,444)
Furniture and equipment	(6,775,153)	(467,494)	-	(7,242,647)
Equipment under a capital lease	(100,038)	(100,038)	-	(200,076)
Total accumulated depreciation	<u>(45,289,478)</u>	<u>(3,776,942)</u>	<u>-</u>	<u>(49,066,420)</u>
Capital assets being depreciated, net	<u>90,768,298</u>	<u>(2,571,571)</u>	<u>-</u>	<u>88,196,727</u>
Governmental activities capital assets, net	<u>\$ 91,962,856</u>	<u>\$ (2,571,571)</u>	<u>\$ -</u>	<u>\$ 89,391,285</u>

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

	Balance at July 1, 2016	Adjustments/ Additions	Transfers/ Deletions	Balance at June 30, 2017
<b>Business-type Activities:</b>				
Furniture and equipment	\$ 440,177	\$ 3,231	\$ -	\$ 443,408
Less: accumulated depreciation	(354,269)	(14,500)	-	(368,769)
Business-type activities capital assets, net	\$ 85,908	\$ (11,269)	\$ -	\$ 74,639

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

Governmental activities:	
Instruction	\$ 2,521,608
Support services	1,171,948
Operation of non-instructional services	83,386
Total depreciation expense, governmental activities	\$ 3,776,942
Business-type activities:	
Food service	\$ 14,500

### 6. Interfund Balances

At June 30, 2017, interfund balances were:

	Interfund Receivable	Interfund Payable	Transfer In	Transfer Out
General Fund	\$ 373,558	\$ -	\$ -	\$ 1,383,569
Capital Reserve Fund	-	178	-	178
Capital Projects Fund	178	313,194	1,383,747	-
Food Service Fund	-	60,364	-	-
	\$ 373,736	\$ 373,736	\$ 1,383,747	\$ 1,383,747

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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.

Transfers are used to (1) provide funds from the General Fund to the Capital Projects Fund for capital improvements, and (2) move funds out of the closed Capital Reserve Fund.

### 7. Long-term Liabilities

The following are changes in the long-term liabilities for the fiscal year ended June 30, 2017:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Compensated absences payable	\$ 986,377	\$ 243,445	\$ (167,583)	\$ 1,062,239	\$ -
General obligation bonds	107,875,000	12,860,000	(6,030,000)	114,705,000	890,000
Lease purchase obligation	333,460	-	(61,036)	272,424	84,597
Net pension liability	92,443,123	16,909,877	-	109,353,000	-
Other postemployment benefits	7,522,588	2,770,617	(907,316)	9,385,889	-
Other	403,977	-	(4,085)	399,892	-
<b>Total governmental activities</b>	<b>\$ 209,564,525</b>	<b>\$ 32,783,939</b>	<b>\$ (7,170,020)</b>	<b>\$ 235,178,444</b>	<b>\$ 974,597</b>
<b>Business-type Activities:</b>					
Compensated absences payable	\$ 19,318	\$ 15,575	\$ -	\$ 34,893	\$ -
Net pension liability	1,984,877	363,123	-	2,348,000	-
<b>Total business-type activities</b>	<b>\$ 2,004,195</b>	<b>\$ 378,698</b>	<b>\$ -</b>	<b>\$ 2,382,893</b>	<b>\$ 974,597</b>

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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### 8. General Obligation Bonds

#### Current Issuances

On October 24, 2016, the School District issued \$2,100,000 of General Obligation Bonds, Tax-Exempt Series A of 2016 (2016 A Bonds) for the purchase of school buses and \$5,120,000 of General Obligation Bonds, Taxable Series B of 2016 (2016 B Bonds) to fund a portion of an unfunded actuarial accrued liability. The 2016 A Bonds bear interest ranging from 1.25% to 2.70% and mature on September 15, 2026. The 2016 B Bonds bear interest ranging from 1.871% to 4.001% and mature on September 15, 2027.

On June 29, 2017, the School District issued \$3,050,000 of General Obligation Bonds, Tax-Exempt Series A of 2017 (2017 A Bonds) to refund, on a current basis, the School District's principal and associated interest payments due September 15, 2017 in respect of its General Obligation Bonds, Series B of 2012, Series A of 2013, Series B of 2013, and Series C of 2013. Also on that date, the School District issued \$2,590,000 of General Obligation Bonds, Taxable Series B of 2017 (2017 B Bonds) to fund a portion of an unfunded actuarial accrued pension liability. The 2017 A Bonds bear interest ranging from 2.00% to 3.10% and mature on September 15, 2029. The 2017 B Bonds bear interest ranging from 2.223% to 4.737% and mature on September 15, 2031.

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

The School District's outstanding debt consists of the following:

Description	Interest Rate	Final Payment Due	Balance at June 30, 2017
Series of 2010 Build America Bonds	5.364% to 6.395%	2035	\$ 19,520,000
Series A of 2012 General Obligation Bonds	1.00% to 3.40%	2037	7,490,000
Series B of 2012 General Obligation Bonds	1.00% to 3.00%	2033	7,865,000
Series A of 2013 General Obligation Bonds	1.00% to 3.00%	2031	29,340,000
Series B of 2013 General Obligation Bonds	1.00% to 5.00%	2031	6,900,000
Series C of 2013 General Obligation Bonds	1.00% to 4.00%	2022	7,510,000
Series E of 2013 General Obligation Bonds	1.00% to 5.00%	2037	13,220,000
Series of 2014 General Obligation Bonds	2.00% to 3.75%	2040	10,000,000
Series A of 2016 General Obligation Bonds	1.25% to 2.70%	2026	2,100,000
Series B of 2016 General Obligation Bonds	1.871% to 4.001%	2027	5,120,000
Series A of 2017 General Obligation Bonds	2.00% to 3.10%	2029	3,050,000
Series B of 2017 General Obligation Bonds	2.223% to 4.737%	2031	<u>2,590,000</u>
			<u>\$ 114,705,000</u>

The debt service source for the above debt is the General Fund.

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

The annual requirements of School District funds to amortize all outstanding bonds as of June 30, 2017, including interest and sinking fund payments, are as follows:

General Obligation Bonds			
Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 890,000	\$ 4,612,896	\$ 5,502,896
2019	4,040,000	4,655,744	8,695,744
2020	4,175,000	4,519,291	8,694,291
2021	4,320,000	4,373,560	8,693,560
2022	4,470,000	4,218,641	8,688,641
2023-2027	24,600,000	18,296,050	42,896,050
2028-2032	28,945,000	13,778,433	42,723,433
2033-2037	28,180,000	7,020,088	35,200,088
2037-2041	15,085,000	778,466	15,863,466
	<u>\$ 114,705,000</u>	<u>\$ 62,253,169</u>	<u>\$ 176,958,169</u>

### 9. Capital Lease

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). Therefore, such equipment was capitalized at a cost of \$500,191. The lease obligation has been recorded at the present value of the future minimum lease payments as of the date of its inception.

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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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, 2017:

<u>Year Ended June 30,</u>	
2018	\$ 94,236
2019	94,236
2020	94,236
2021	<u>7,853</u>
	290,561
Less: amounts representing interest	<u>(18,137)</u>
Present value of minimum lease payments	<u>\$ 272,424</u>

### 10. Pension Plan

#### Summary of Significant Accounting Policies

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. The net pension liability is primarily recorded as a governmental activity expected to be paid from the General Fund. The remaining portion is recorded in the Food Service Fund.

#### 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 PSERS 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

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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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.pa.gov](http://www.psers.pa.gov).

### Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two 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 three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending 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 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.

### Health Insurance Premium Assistance Program

In addition, PSERS provides a Health Insurance Premium Assistance Program (Premium Assistance) for all eligible annuitants who qualify and elect to participate. Under this

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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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program, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible annuitants must obtain their health insurance through either their school employer or the PSERS' Health Options Program. The Premium Assistance is not included in the calculation of the net pension liability as it does not qualify under the provisions of GASB Statement No. 68.

### Contributions

#### *Member Contributions*

The following illustrates the member's contribution as a percent of the member's qualifying compensation:

Active members who joined PSERS prior to July 22, 1983:

Membership Class T-C	5.25%
Membership Class T-D	6.50%

Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001:

Membership Class T-C	6.25%
Membership Class T-D	7.50%

Members who joined PSERS after June 30, 2001, and before July 1, 2011:

Membership Class T-D	7.50%
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Members who joined PSERS after June 30, 2011:

Membership Class T-E*	7.50%
Membership Class T-F**	10.30%

\* Shared risk program could cause future contribution rates to fluctuate between 7.50% and 9.50%.

\*\* Shared risk program could cause future contribution rates to fluctuate between 10.30% and 12.30%.

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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### *Employer Contributions*

The School Districts' contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% 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.

In addition, the School District was required to contribute 0.83% of covered payroll to the Premium Assistance.

The combined contribution rate will increase to 32.57% in fiscal year 2018 and is projected to grow to 36.40% by fiscal year 2022.

The School District contributed approximately \$8.7 million towards pension benefits which were recognized by PSERS for the year ended June 30, 2017. Approximately \$8.5 million was contributed by the General Fund and approximately \$200,000 was contributed by the Food Service Fund. Approximately \$1.0 million is owed to PSERS as of June 30, 2017, which represents the School District's required contribution for the end-of-year payroll. Contributions are remitted quarterly.

In accordance with Act 29, the Commonwealth of Pennsylvania reimburses school districts for at least one-half of contributions made to PSERS. The School District recorded reimbursements from the Commonwealth approximating \$5.8 million during the current year. Because the Commonwealth payments are received as a reimbursement, and are not made directly to PSERS, they do not qualify as a special funding situation.

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

At June 30, 2017, the School District reported a liability of \$111,701,000 for its proportionate share of the net pension liability. Of this amount, \$2,348,000 is recorded in the Food Service Fund, as that is the portion that relates to the cafeteria employees. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS' total pension liability as of June 30, 2015 to June 30, 2016. 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 PSERS' total one-year reported covered payroll. At June 30, 2016, the School

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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

District's proportion was .2254%, which was an increase of .0074% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of approximately \$12.3 million. \$12.0 million was recorded as a governmental activity; \$250,000 was recorded in the Food Service Fund.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b>Governmental Activities:</b>		
Difference between expected and actual experience	\$ -	\$ 910,000
Changes in assumptions	3,947,000	-
Net difference between projected and actual investment earnings	6,095,000	-
Changes in proportion	2,526,000	700,000
Contributions subsequent to the measurement date	<u>8,717,985</u>	<u>-</u>
Balance at June 30, 2017	<u><u>\$ 21,285,985</u></u>	<u><u>\$ 1,610,000</u></u>
<b>Business-type Activities:</b>		
Difference between expected and actual experience	\$ -	\$ 20,000
Changes in assumptions	85,000	-
Net difference between projected and actual investment earnings	131,000	-
Changes in proportion	54,000	15,000
Contributions subsequent to the measurement date	<u>198,050</u>	<u>-</u>
Balance at June 30, 2017	<u><u>\$ 468,050</u></u>	<u><u>\$ 35,000</u></u>

The amount of \$8,972,359, reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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

<u>Year Ended June 30,</u>	
2018	\$ 2,162,000
2019	2,160,000
2020	3,881,000
2021	<u>2,990,000</u>
	<u>\$ 11,193,000</u>

### Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward PSERS' total pension liability as of the June 30, 2015 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.25%, includes inflation at 2.75%
- Salary increases – Effective average of 5.00%, which reflects an allowance for inflation of 2.75%, real wage growth of 1.0%, and merit or seniority increases of 1.25%
- Mortality rates were based on the RP-2014 Mortality Tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the PSERS Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 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

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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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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 PSERS 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public entity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative Investments	15.0%	6.6%
Cash	3.0%	20.0%
Financing (LIBOR)	-14.0%	0.5%
	<u>100%</u>	

### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members will be made at the current contribution rate and that the 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 of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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### Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School District's proportionate share of the net pension liability calculated using the discount rates described above, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
School District's proportionate share of the net pension liability	<u>\$ 136,640,000</u>	<u>\$ 111,701,000</u>	<u>\$ 90,745,000</u>

### Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in the PSERS Comprehensive Annual Financial Report which can be found on the PSERS' website at [www.psers.pa.gov](http://www.psers.pa.gov).

## **11. Other Postemployment Benefits**

### Plan Description

In addition to the pension benefits previously described, the School District administers a single-employer defined benefit healthcare plan (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 the union or group representing the employees. The Plan is not accounted for as a trust fund, an irrevocable trust has not been established, the Plan does not issue a separate financial report, and the activity of the Plan is reported in the School District's General Fund.

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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### Plan Provisions

The School District categorizes employees as follows: Act 93 administrators; teachers; custodians/maintenance; educational secretaries; confidential secretaries; bus drivers; cook managers; cafeteria employees; computer technicians; bus aides; mechanics; and paraprofessionals. In addition to the above, there are four contracted employees: the superintendent; the assistant superintendent; the director of business affairs; and the director of administrative services.

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. Twenty retirees, consisting of six retired teachers, received postemployment benefits during the year ended June 30, 2017.

### Medical Benefits

For employees who retire and remain in the medical plan, they have a choice of either a PPO program or an EPO program. Both programs are provided through the Allegheny County Schools Health Insurance Consortium (ACSHIC) and are administered by Highmark.

### Eligibility

To be eligible for post-retirement medical coverage, an employee must have completed at least 25 years of credited service with PSERS and at least 15 years in the 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 parent/child, parent/children, or family coverage are required to contribute \$100 plus the difference in coverage.

If a retiree attains the age of 65 and there is a covered spouse and/or a covered dependent who is under the age of 65, the spouse and other dependent(s) are permitted to continue with post-retirement medical, dental, and vision benefits provided they continue to pay their required contribution.

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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### Benefit Duration

Medical benefits are provided to the age of 65.

### Dental and Vision

Retirees are also eligible for dental and vision benefits up to age 65 only.

### Life Insurance

Retired administrators are provided with a \$10,000 life insurance benefit, pursuant to Act 93.

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.

### Funding Policy

The School District's General Fund expenditures for postemployment medical, dental, and vision benefits for all employee groups covered under the plan were approximately \$556,000 (net of approximately \$72,000 of retiree contributions) in 2017. These benefits are expensed when incurred and are financed on a pay-as-you-go basis.

### 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 No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities or funding excess over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation:



# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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Description	June 30, 2017
Annual required contribution	\$ 6,479,066
Interest on net OPEB obligation	214,394
Adjustment to annual required contribution	<u>(3,922,843)</u>
Annual OPEB cost (expense)	2,770,617
Contributions made	<u>(907,316)</u>
Decrease in net OPEB obligation	1,863,301
Net OPEB obligation, beginning of year	<u>7,522,588</u>
Net OPEB obligation, end of year	<u><u>\$ 9,385,889</u></u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 2,770,617	32.7%	\$ 9,385,889
6/30/2016	1,001,989	125.8%	7,522,588
6/30/2015	995,347	137.4%	7,780,805

The ARC for the current year was computed as of July 1, 2016 using the following actuarial assumptions:

- actuarial cost method – entry age normal;
- amortization method - level dollar;
- amortization period - 2 years open;
- discount rate – 2.85% compounded annually;
- inflation rate – 3.00%;
- healthcare cost trend rate – 7.00% decreasing by 0.25% per year to an ultimate rate of 4.50%; and
- mortality – RPH-2014 Total Dataset Mortality Table, projected using Scale MP-2016.

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

### Funding Status and Funding Progress

The schedule of funding progress for the OPEBs is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-PUC (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
July 1, 2016	\$ -	\$ 11,675,924	\$ 11,675,924	0.0%	\$ 22,227,869	52.5%

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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actual accrued liabilities for benefits.

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.

## 12. 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, 2017 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

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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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.

### 13. Risk Management

The School District is one of fifty-two 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 approximately \$5.8 million for the year ended June 30, 2017.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net assets or deficiency in net assets, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2017, the net position of the Consortium was \$47.7 million, of which \$1.1 million is attributable to the School District.

### 14. Contingencies and Other Commitments

#### Insurance

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. There have been no significant changes in insurance coverage since the prior fiscal year. Management believes the insurance coverage is sufficient to cover the School District against potential losses.

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# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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### Litigation

The School District is involved in claims and lawsuits incidental to its operations. In the opinion of the Administration, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the School District.

### **15. Subsequent Events**

In July 2017, the Board approved a line of credit for \$1,500,000.

In September 2017, the Board approved a settlement with a certain legal proceeding in the amount of \$225,000, which will be paid by the School District's insurer.

In September 2017, the Board approved the Collective Bargaining Agreement with the SEIU Local 32BJ for a three-year term commencing July 1, 2017.

In September 2017, the Board accepted the resignation of the Superintendent.

In December 2017, the Board approved a settlement with a certain legal proceeding in the amount of \$200,000, which will be paid by the School District's insurer.

## **Required Supplementary Information**

# PLUM BOROUGH SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Revenues from local sources:				
Real estate taxes, current and interim	\$ 26,475,706	\$ 26,475,706	\$ 26,668,175	\$ 192,469
Delinquent real estate taxes	957,080	957,080	1,297,531	340,451
Earned income taxes	3,884,383	3,884,383	3,710,516	(173,867)
Other taxes	237,282	237,282	616,951	379,669
Earnings on investments	29,000	29,000	24,351	(4,649)
Federal IDEA revenue received as pass-through	382,867	382,867	562,707	179,840
Other revenues	348,185	348,185	312,475	(35,710)
Revenues from state sources	25,803,652	25,803,652	28,877,563	3,073,911
Revenues from federal sources	1,054,798	1,054,798	923,899	(130,899)
<b>Total revenues</b>	<b>59,172,953</b>	<b>59,172,953</b>	<b>62,994,168</b>	<b>3,821,215</b>
<b>Expenditures:</b>				
Instruction:				
Regular programs	30,489,899	31,599,567	31,369,941	(229,626)
Special programs	6,596,166	6,005,173	6,319,262	314,089
Vocational education	779,562	779,562	935,249	155,687
Other instructional programs	95,513	97,313	47,613	(49,700)
Support services:				
Students	1,795,556	1,750,556	1,650,158	(100,398)
Instructional staff	765,505	754,605	893,145	138,540
Administration	3,323,138	3,223,059	3,525,189	302,130
Pupil health	769,471	769,471	771,578	2,107
Business	417,028	437,028	434,239	(2,789)
Operation and maintenance of plant	4,854,765	5,194,752	4,903,555	(291,197)
Student transportation	3,644,778	3,788,778	4,212,266	423,488
Central	875,009	1,186,009	1,097,741	(88,268)
Other	668,477	131,983	47,380	(84,603)
Operation of non-instructional services:				
Student activities	988,497	995,497	1,014,094	18,597
Community services	238,248	224,248	275,170	50,922
Facilities, acquisition, construction, and improvement services	1,100	1,100	-	(1,100)
Debt service	7,815,204	7,588,413	7,566,710	(21,703)
<b>Total expenditures</b>	<b>64,117,916</b>	<b>64,527,114</b>	<b>65,063,290</b>	<b>536,176</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(4,944,963)</b>	<b>(5,354,161)</b>	<b>(2,069,122)</b>	<b>3,285,039</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from issuance of bonds	5,000,000	5,000,000	12,860,000	7,860,000
Proceeds from issuance of leases	1,100,000	1,100,000	300,440	(799,560)
Payments to refunding bond escrow	-	-	(2,915,984)	(2,915,984)
Interfund transfers	177	177	(1,383,569)	(1,383,746)
Refunds of prior year expenditures	5,000	5,000	31,360	26,360
Budgetary reserve	(485,000)	(85,000)	-	85,000
<b>Total other financing sources (uses)</b>	<b>5,620,177</b>	<b>6,020,177</b>	<b>8,892,247</b>	<b>2,872,070</b>
<b>Net Change in Fund Balance</b>	<b>675,214</b>	<b>666,016</b>	<b>6,823,125</b>	<b>6,157,109</b>
<b>Fund Balance:</b>				
Beginning of year	(4,857,283)	(4,857,283)	(4,857,283)	-
End of year	\$ (4,182,069)	\$ (4,191,267)	\$ 1,965,842	\$ 6,157,109

# PLUM BOROUGH SCHOOL DISTRICT

## SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

LAST 10 FISCAL YEARS<sup>1</sup>

	2017	2016	2015
School District's proportion of the net pension liability	0.2254%	0.2180%	0.2214%
School District's proportionate share of the net pension liability	\$ 111,701,000	\$ 94,428,000	\$ 86,920,000
School District's covered-employee payroll	\$ 29,186,437	\$ 28,047,607	\$ 28,024,076
School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	383%	337%	310%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	50.14%	54.36%	57.24%

<sup>1</sup> The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.

# PLUM BOROUGH SCHOOL DISTRICT

## SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS - PSERS

LAST 10 FISCAL YEARS<sup>1</sup>

	2017	2016	2015
Contractually required contribution	\$ 8,678,345	\$ 7,311,802	\$ 6,065,178
Contributions in relation to the contractually required contribution	8,678,345	7,311,802	6,065,178
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
School District's covered employee payroll	\$ 29,947,731	\$ 28,047,607	\$ 28,573,055
Contributions as a percentage of covered employee payroll	28.98%	26.07%	21.23%

<sup>1</sup> The amounts presented for each fiscal year were determined as of the fiscal year-end date. This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

See accompanying notes to required supplementary information.



# PLUM BOROUGH SCHOOL DISTRICT

## POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs) SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2016	\$ -	\$ 14,071,033	\$ 14,071,033	0%	\$ 27,829,188	50.6%
7/1/2014	-	12,495,062	12,495,062	0%	28,014,791	44.6%
7/1/2012	-	14,071,033	14,071,033	0%	27,829,188	50.6%

See accompanying notes to required supplementary information.

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2017

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### 1. Factors and Trends Used in the Actuarial Valuation for Pension Benefits

The actuarially determined contributions are calculated as of the June 30 preceding the fiscal year in which contributions are made. That is, the contributions calculated as of the June 30, 2015 actuarial valuation were made during the fiscal year ended June 30, 2017. The following actuarial methods and assumptions were used to determine contribution rates reported in the pension required supplementary schedules:

Changes in benefit terms	None
Changes in assumptions	None
Actuarial assumptions:	
Investment rate of 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%
Benefit payments	No postretirement benefit increases assumed in the future
Multiple decrement tables	Mortality, vesting, retirement age, and withdrawal estimates are based upon tables provided by the actuary

### 2. Factors and Trends Used In the Actuarial Valuation for Postemployment Benefits Other Than Pension Benefits (OPEBs)

The information presented in the OPEBs required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	July 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level dollar
Amortization period	30 years open
Actuarial assumptions:	
Discount rate	4.0% compounded annually
Healthcare cost trend rate	7.0% decreasing by 1% per year to an ultimate rate of 4.5%

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## **Supplementary Information**

**PLUM BOROUGH SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2017**

Federal Grantor / Pass-Through Grantor / Project Title	Federal CFDA Number	Pass-Through Grantor's Number/ Grant Number	Grant Period Beginning/ Ending Dates	Program or Award Amount	Total Received for the Year	Accrued (Deferred) Revenue at July 1, 2016	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2017	Expenditures to Subrecipients
<b>U.S. Department of Education</b>										
Passed Through the Pennsylvania Department of Education:										
Title I Grants to Local Educational Agencies	84.010	013-160343	07/01/15-06/30/16	\$ 350,096	\$ 68,364	\$ 68,364	\$ -	\$ -	\$ -	\$ -
Title I Grants to Local Educational Agencies	84.010	013-170343	07/01/16-06/30/17	-	255,783	-	310,390	310,390	54,607	-
Subtotal 84.010					324,147	68,364	310,390	310,390	54,607	-
Supporting Effective Instruction State Grants	84.367	020-160343	07/01/15-06/30/16	99,895	19,690	19,979	(289)	(289)	-	-
Supporting Effective Instruction State Grants	84.367	020-170343	07/01/16-06/30/17	-	65,310	-	77,876	77,876	12,566	-
Subtotal 84.367					85,000	19,979	77,587	77,587	12,566	-
English Language Acquisition State Grants	84.365	010-160343	07/01/16-06/30/17	-	373	-	1,971	1,971	1,598	-
Passed Through the Allegheny Intermediate Unit:										
Special Education Cluster:										
Special Education - Grants to States	84.027	N/A	07/01/15-06/30/16	438,896	437,849	437,849	-	-	-	-
Special Education - Grants to States	84.027	N/A	07/01/16-06/30/17	560,802	483,916	-	560,802	560,802	76,886	-
Subtotal 84.027					921,765	437,849	560,802	560,802	76,886	-
Special Education - Preschool Grants	84.173	N/A	07/01/16-06/30/17	-	1,905	-	1,905	1,905	-	-
Total Special Education Cluster					923,670	437,849	562,707	562,707	76,886	-
Total U.S. Department of Education					1,333,190	526,192	952,655	952,655	145,657	-
<b>U.S. Department of Agriculture</b>										
Child Nutrition Cluster:										
National School Breakfast Program	10.553	N/A	07/01/16-06/30/17	N/A	63,983	998	63,656	63,656	671	-
National School Lunch Program	10.555	N/A	07/01/16-06/30/17	N/A	493,457	6,555	491,357	491,357	4,455	-
National School Lunch Program (Food Donation)	10.555	N/A	07/01/16-06/30/17	N/A	158,893	(6,764)	165,657	165,657	-	-
Subtotal 10.555					652,350	(209)	657,014	657,014	4,455	-
Total Child Nutrition Cluster					716,333	789	720,670	720,670	5,126	-
Total U.S. Department of Agriculture					716,333	789	720,670	720,670	5,126	-
<b>Total Expenditures of Federal Awards</b>					<b>\$ 2,049,523</b>	<b>\$ 526,981</b>	<b>\$ 1,673,325</b>	<b>\$ 1,673,325</b>	<b>\$ 150,783</b>	<b>\$ -</b>

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

# PLUM BOROUGH SCHOOL DISTRICT

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

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### 1. Basis of Accounting

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the Plum Borough School District (School District) under programs of the federal government for the year ended June 30, 2017. The information in this 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). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

### 2. Summary of Significant Accounting Policies

The accompanying Schedule is presented using the accrual basis of accounting. Expenditures are recognized following cost principles contained in the Uniform Guidance. The School District has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Nonmonetary assistance is reported in the Schedule at estimated value of the commodities received and disbursed. This value is provided by the USDA.

### 3. Reconciliation to Federal Subsidy Confirmation

Total received for the year	\$ 2,049,523
Less amounts received from other grantor agencies:	
Donated commodities	(158,893)
Special Education - Grants to States	(923,670)
Plus amounts not required to be reported on the Schedule of Expenditures of Federal Awards:	
Food Nutrition Services	<u>55,527</u>
Total receipts per confirmation	<u><u>\$ 1,022,487</u></u>

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# **Plum Borough School District**

Independent Auditor's Reports  
Required by the Uniform Guidance

Year Ended June 30, 2017

**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***

**Board of Directors  
Plum Borough School District**

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 (School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated February 9, 2018.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

*Mahe Duessel*

Pittsburgh, Pennsylvania  
February 9, 2018



## **Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

**Board of Directors  
Plum Borough School District**

### **Report on Compliance for Each Major Federal Program**

We have audited the Plum Borough School District’s (School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School District’s major federal programs for the year ended June 30, 2017. The 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for the School District’s major federal programs based on our audits 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 audits 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 each major federal program occurred. An audit includes examining, on a test basis, evidence about the School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for the major federal programs. However, our audits do not provide a legal determination of the School District’s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the 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 its major federal programs for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the 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 the 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.

Board of Directors  
Plum Borough School District  
Independent Auditor's Report on Compliance  
for Each Major Program

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.

*Maier Duessel*

Pittsburgh, Pennsylvania  
February 9, 2018

# PLUM BOROUGH SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

### I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

3. Noncompliance material to financial statements noted?  yes  no

4. Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

5. Type of auditor's report issued on compliance for major programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?  yes  no

7. Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

Special Education Cluster:

84.027

Special Education – Grants to States

84.173

Special Education – Preschool Grants

84.010

Title I Grants to Local Educational Agencies

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee?  yes  no

# PLUM BOROUGH SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

- II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

**No matters were reported.**

- III. Findings and questioned costs for federal awards.

**No matters were reported.**

# PLUM BOROUGH SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2017

### **FINDING 2016-001 Financial Reporting System**

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

*Criteria:* The School District's annual financial statements are prepared in accordance with GAAP. The School District relied on its auditor to prepare its annual financial statements in order to conform to GAAP.

*Status:* Finding was resolved. During the year, the previous Director of Business Affairs retired and a new Director was hired. In addition, the School District retained the use of an accounting firm to aid in the preparation of the financial statements and underlying records. As a result, the financial statements were ready to be audited and no material audit adjustments were proposed during the audit.

### **FINDING 2016-002 Reconciliation of Payroll Liabilities**

*Condition:* During testing of the General Ledger, it was noted that certain payroll liability accounts had incorrect balances.

*Criteria:* Many payroll liability accounts were not being properly recorded.

*Status:* Finding was resolved. During the year, the previous Director of Business Affairs retired and a new Director was hired. In addition, the School District retained the use of an accounting firm to aid in the preparation of the financial statements and underlying records. As a result, the financial statements were ready to be audited and no material audit adjustments were proposed during the audit.