

**Peters Township School District  
Financial Statements  
June 30, 2015**

**Peters Township School District  
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**Independent Auditor's Report**

Members of the Board  
Peters Township School District  
McMurray, Pennsylvania

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Peters Township School District, as of and for the year ended June 30, 2015, 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 representation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Report on the Financial Statements (Cont'd)**

### ***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 Peters Township School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements in the year ended June 30, 2015, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Peters Township School District's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

**Report on the Financial Statements (Cont'd)**

***Other Matters (Cont'd)***

***Other Information (Cont'd)***

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 March 15, 2016, on our consideration of Peters Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Peters Township School District's internal control over financial reporting and compliance.

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
March 15, 2016

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

The discussion and analysis of Peters Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

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

**Financial Highlights**

During the 2014/2015 fiscal year, Peters Township School District experienced a decline in student population growth of 22 students. Poor economic conditions resulting in a slowdown in new housing starts was the major factor for the slow enrollment growth.

During the 2014/2015 school year, the capital projects fund included four major expenditures: \$1,258,498 for the first part of the renovations to McMurray Elementary; \$345,811 to replace the air conditioning at the administrative office; \$173,412 to purchase and install security cameras at the High School; and \$170,825 to purchase two new school buses for use by the transportation department and a forklift vehicle utilized by the maintenance department throughout the School District.

Expenditures in the general fund increased by \$554,689 compared to the 2013/2014 school year due to the School District experiencing an increase of 37% in its pension obligations.

Analyzing the revenue part of the equation, Peters Township School District experienced a minor increase in the local earned income tax collections due in part to the new Act 32 county-wide collection system. The School District experienced an increase of over \$131,000 in local income tax collections. Local assessed value grew by just over \$4,000,000, generating additional local property taxes, but was \$4,000,000 less than the historic average of the past thirteen years. Local real estate tax collections increased by \$1,725,000 as a direct result of a 5.142 mill tax increase.

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

**Using the Annual Financial Report**

The Annual Financial Report consists of a financial section, including this Management's Discussion and Analysis, and notes to the financial section that provide additional information regarding the School District. These statements are organized so that the reader can understand Peters Township School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

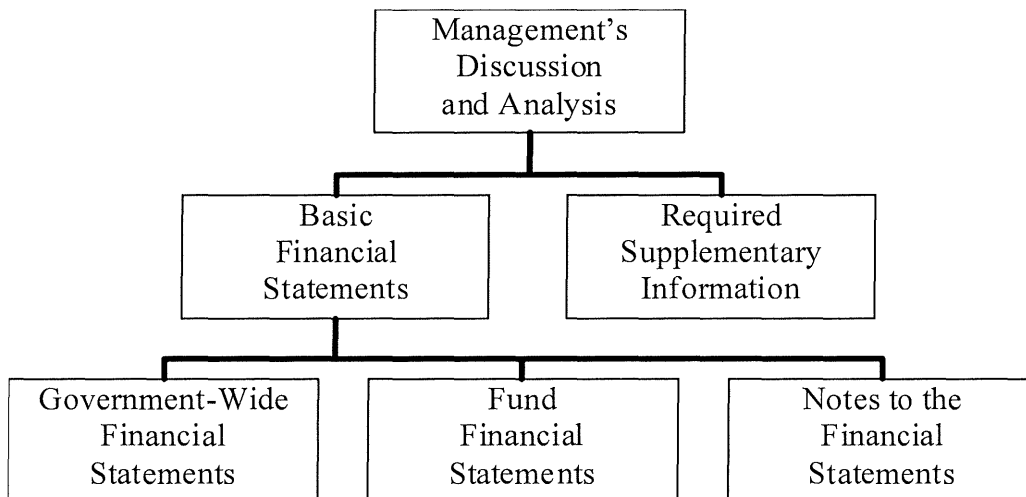
The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental funds 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 this 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 to explain some of the information in the financial statements and provide more detailed data.

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

Figure A-1  
Required Components of  
Peters Township School District's  
Financial Report





**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

**Using the Annual Financial Report (Cont'd)**

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

Figure A-2  
Major Features of Peters Township School District's  
Government-Wide and Fund Financial Statements

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

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

## **Overview of Financial Statements**

### Government-Wide Statements

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

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

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. The food service operation has not, nor is projected to require financial support from the general fund.

### Fund Financial Statements

The School District's fund financial statements, which begin with Exhibit 3 of the annual financial report, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and by bond requirements.

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

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

**Overview of Financial Statements (Cont'd)**

Fund Financial Statements (Cont'd)

*Proprietary funds* - These funds are used to account for the School District activities that are similar to business operation 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 certain student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on Exhibit 10 and changes in net position on Exhibit 11. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

**Financial Analysis of the School District as a Whole**

The School District's total net position was a deficit \$(68,962,258) at June 30, 2015 and was restated at June 30, 2014. The activity for the year ended June 30, 2014 shown below is as originally reported. The adaptation of GASB Statement of net position was treated prospectively. The difference between the years ended June 30, 2015 and 2014 are a direct result of these new items.

Table A-1  
Years Ended June 30, 2015 and 2014  
Net Position

	2015			2014		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 33,078,979	\$ 129,526	\$ 33,208,505	\$24,749,805	\$145,586	\$24,895,391
Capital Assets	<u>46,178,079</u>	<u>31,546</u>	<u>46,209,625</u>	<u>46,875,762</u>	<u>37,683</u>	<u>46,913,445</u>
Total Assets	<u>79,257,058</u>	<u>161,072</u>	<u>79,418,130</u>	<u>71,625,567</u>	<u>183,269</u>	<u>71,808,836</u>
Deferred Outflows of Resources	<u>11,923,358</u>	<u>126,271</u>	<u>12,049,629</u>	<u>1,768,901</u>	-	<u>1,768,901</u>
Current and Other Liabilities	9,192,596	59,584	9,252,180	9,320,841	81,033	9,401,874
Noncurrent Liabilities						
Due Within One Year	3,390,000	-	3,390,000	3,400,000	-	3,400,000
Due in More Than One Year	<u>140,602,855</u>	<u>1,035,982</u>	<u>141,638,837</u>	<u>48,595,811</u>	<u>30,888</u>	<u>48,626,699</u>
Total Liabilities	<u>153,185,451</u>	<u>1,095,566</u>	<u>154,281,017</u>	<u>61,316,652</u>	<u>111,921</u>	<u>61,428,573</u>

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

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

Table A-1 (Cont'd)  
Years Ended June 30, 2015 and 2014  
Net Position

	2015			2014		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Deferred Inflows of Resources	\$ <u>6,076,993</u>	\$ <u>72,007</u>	\$ <u>6,149,000</u>	\$ _____	\$ _____	\$ _____
Net Position						
Net Investment in Capital Assets	2,806,757	31,546	2,838,303	4,323,411	37,683	4,361,094
Restricted	13,958,838	-	13,958,838	6,492,623	-	6,492,623
Unrestricted	<u>(84,847,623)</u>	<u>(911,776)</u>	<u>(85,759,399)</u>	<u>1,261,782</u>	<u>33,665</u>	<u>1,295,447</u>
Total Net Position	\$ <u>(68,082,028)</u>	\$ <u>(880,230)</u>	\$ <u>(68,962,258)</u>	\$ <u>12,077,816</u>	\$ <u>71,348</u>	\$ <u>12,149,164</u>

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

The results of this year's operations as a whole are reported in the statement of activities on Exhibit 2. 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 largest general revenues are the local taxes (property and earned income) assessed to community taxpayers.

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

Table A-2  
Years Ended June 30, 2015 and 2014  
Changes in Net Position

	2015			2014		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 810,451	\$ 810,451	\$ -	\$ 835,169	\$ 835,169
Operating Grants and Contribs.	8,033,652	249,589	8,283,241	6,968,663	241,583	7,210,246
Capital Grants and Contribs.	544,765	-	544,765	591,582	-	591,582

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

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

Table A-2 (Cont'd)  
Years Ended June 30, 2015 and 2014  
Changes in Net Position

	2015			2014		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
<b>Revenues (Cont'd)</b>						
<b>General Revenues</b>						
Property Taxes	\$ 34,713,972	\$ -	\$ 34,713,972	\$32,480,833	\$ -	\$32,480,833
Other Taxes	7,614,333	-	7,614,333	7,172,099	-	7,172,099
Grants, Subs. and Contribs.						
Unrestricted	5,898,498	-	5,898,498	5,895,146	-	5,895,146
Investment Earnings	50,550	222	50,772	44,637	229	44,866
Miscellaneous Income	<u>596,544</u>	<u>-</u>	<u>596,544</u>	<u>293,901</u>	<u>-</u>	<u>293,901</u>
<b>Total Revenues</b>	<u>57,452,314</u>	<u>1,060,262</u>	<u>58,512,576</u>	<u>53,446,861</u>	<u>1,076,981</u>	<u>54,523,842</u>
<b>Expenses</b>						
Instruction	39,023,840	-	39,023,840	36,806,819	-	36,806,819
Instructional Student Support	4,700,593	-	4,700,593	4,674,717	-	4,674,717
Admin. and Financial Support Svcs.	5,057,179	-	5,057,179	4,233,977	-	4,233,977
Operation and Maintenance of						
Plant Services	5,017,747	-	5,017,747	5,461,051	-	5,461,051
Pupil Transportation	2,507,530	-	2,507,530	2,364,875	-	2,364,875
Student Activities	1,630,312	-	1,630,312	1,517,512	-	1,517,512
Community Services	3,178	-	3,178	4,100	-	4,100
Interest on Long-Term Debt	1,776,725	-	1,776,725	1,770,794	-	1,770,794
Food Service	<u>-</u>	<u>1,088,851</u>	<u>1,088,851</u>	<u>-</u>	<u>1,050,792</u>	<u>1,050,792</u>
<b>Total Expenses</b>	<u>59,717,104</u>	<u>1,088,851</u>	<u>60,805,955</u>	<u>56,833,845</u>	<u>1,050,792</u>	<u>57,884,637</u>
Increase (Decrease) in Net Position	(2,264,790)	(28,589)	(2,293,379)	(3,386,984)	26,189	(3,360,795)
Beginning Net Position (Restated - See Note 2)	(65,817,238)	(851,641)	(66,668,879)	15,464,800	45,159	15,509,959
Ending Net Position	<u>\$(68,082,028)</u>	<u>\$(880,230)</u>	<u>\$(68,962,258)</u>	<u>\$12,077,816</u>	<u>\$ 71,348</u>	<u>\$12,149,164</u>

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

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

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

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

Table A-3  
Years Ended June 30, 2015 and 2014  
Governmental Activities

Functions/Programs	2015		2014	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$39,023,840	\$33,538,150	\$36,806,819	\$32,202,446
Instructional Student Support	4,700,593	4,238,655	4,674,717	4,274,184
Administrative and Fin. Support Svcs.	5,057,179	4,757,673	4,233,977	4,004,754
Operation and Maintenance of Plant Svcs.	5,017,747	4,758,139	5,461,051	5,224,886
Pupil Transportation	2,507,530	1,406,288	2,364,875	1,271,004
Student Activities	1,630,312	1,239,139	1,517,512	1,147,328
Community Services	3,178	3,178	4,100	4,020
Interest on Long-Term Debt	<u>1,776,725</u>	<u>1,197,465</u>	<u>1,770,794</u>	<u>1,144,978</u>
Total Governmental Activities	<u>\$59,717,104</u>	51,138,687	<u>\$56,833,845</u>	49,273,600
Less:				
Unrestricted Grants, Subsidies		<u>(5,898,498)</u>		<u>(5,895,146)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$45,240,189</u>		<u>\$43,378,454</u>

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

Table A-4  
Years Ended June 30, 2015 and 2014  
Business-Type Activities

Functions/Programs	2015		2014	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	<u>\$1,088,851</u>	\$28,811	<u>\$1,050,792</u>	\$(25,960)

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

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

Table A-4 (Cont'd)  
Years Ended June 30, 2015 and 2014  
Business-Type Activities

	2015		2014	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs (Cont'd)				
Less:				
Investment Earnings		\$ <u>(222)</u>		\$ <u>(229)</u>
Total Business-Type Activities		\$ <u>28,589</u>		\$ <u>(26,189)</u>

The statement of revenues, expenses and changes in fund net position for this proprietary fund shown on Exhibit 8 will further detail the actual results of operations.

**School District Funds**

At June 30, 2015, the School District's general fund reported a fund balance of \$9,953,686, which is an increase of \$1,052,501 of the previous year's balance. Overall expenditures were less than budgeted amounts by \$540,737. The general fund revenues exceeded the budget amount by \$493,442.

**General Fund Budget**

During the fiscal year, the administration recommends that the Board of School Directors authorize revisions to the original budget to accommodate actual expenditures. These budget transfers reallocate unencumbered funds designated for one purpose to another part of the budget to be used for a different purpose. Subsequent to June 30, 2015, year-end budget transfers, not prohibited by state law, were approved. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the supplementary information section of the financial statements.

The School District received \$248,391 less than the budgeted amount for real estate taxes and \$710,656 more in earned income taxes than the budgeted amount. Act 32 was implemented beginning January 1, 2013 authorizing the state-mandated earned income tax collection system resulting in increased current collections.

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

**School District Funds (Cont'd)**

General Fund Budget (Cont'd)

The School District also saw a reduction to the amount of delinquent taxes collected in part because of the implementation of the state-mandated earned income tax collection system.

Earnings on investments were less than the budgeted amount by \$22,789. The net result of local revenues compared to the budgeted amount was a positive \$805,866.

Regular education program actual costs were \$381,382 under budget due mostly to retirements, resulting in lower salary and benefits costs. This helped to offset the increase in costs associated with higher than anticipated enrollment in the Cyber Charter School programs. Special education program actual costs were \$218,784 under budget. The School District continues to reclassify tuition payments and purchased professional technical services to assure the correct posting of payments as they are made. Student support services actual costs were over budget by \$28,852 due to severance payments. Instructional support services realized a savings against budget of \$324,964 due to staff turnover and a reduction in registration fees. Administration was under budget by \$49,405 despite legal fees for negotiations being over budget by \$109,234.

The budgetary reserve account includes amounts funded by the designated fund balance for planned opportunities of expenditures for improvements/enhancements to the School District's operations. These amounts are normally only appropriated into expenditure categories if the fiscal results of the prior year end with a positive addition to the fund balance, or if one-time revenues are realized during the fiscal year. The School Board has historically not been required to utilize its fund balance nor raise taxes to balance the budget and did have to in 2014/2015. The School District's current 107.142 mill real estate tax reflects a 5.142 mill rate increase above 2013/2014 and is only 32.142 greater than the 1994/1995 rate. Without a significant improvement in the local economy or increases in state funding, tax increases will be needed in future budgets.

**Capital Assets and Debt Administration**

Capital Assets

At June 30, 2015, the School District's governmental funds had \$46,178,079 invested in a broad range of capital assets, including land, land improvements, buildings, furniture and equipment and construction in progress. The amount represents a net decrease (including additions, deletions, and depreciation) of \$697,683 from June 30, 2014 as outlined in Table A-5.



**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

**Capital Assets and Debt Administration (Cont'd)**

Capital Assets (Cont'd)

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

	2015	2014
Land	\$ 926,000	\$ 926,000
Buildings and Building Improvements	41,258,283	43,745,101
Furniture and Equipment	2,190,784	2,204,661
Construction in Progress	1,803,012	-

Debt Administration

As of July 1, 2014, the School District had total outstanding bond and note principal of \$44,325,000. In October 2014, the School District authorized the incurring of additional general obligation bonds totaling \$10,000,000 to finance renovations to McMurray Elementary School and other capital projects of the School District facilities. The School District retired debt of \$3,175,000 during the year resulting in a total outstanding bond principal balance as of June 30, 2015, of \$51,150,000 as outlined in Table A-6.

The School District retired debt of \$3,210,000 and issued the Series of 2014 bonds in the amount of \$10,000,000 resulting in a total outstanding bond and note principal balance as of June 30, 2015, of \$51,115,000, as outlined in Table A-6.

Table A-6  
Outstanding Debt

General Obligation Bonds/Notes	As of 6/30/15	As of 6/30/14
Series B 2003	\$ -	\$ 1,815,000
Series 2006	2,825,000	2,910,000
Series B 2010	715,000	755,000
Series 2010	5,995,000	7,035,000
Series 2011	4,775,000	4,810,000
Series of 2012	18,125,000	18,135,000
Series of 2013A	2,995,000	3,000,000
Series of 2013B	5,685,000	5,865,000
Series of 2014	10,000,000	-

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

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

**Bond Rating**

The School District's general obligation bond rating is a stand-alone unsecured Moodys Aa2 and a Standard & Poor's bond rating of AA+. Security for the bonds is provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program and an insurance policy provided by Financial Security Assurance, Inc. The Act provides for undistributed state aid to be diverted to bond holders in the event of default.

**Economic Factors and the School District's Future**

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

- Enrollment - The School District expects a slight growth in enrollment in the future. Enrollment has increased by more than 280 students over the past ten (10) years, from 3,940 in June 2004 to 4,226 in June 2015, and is projected to begin to stabilize in the near future. The School District projects that the high school enrollment will continue to hold steady even as total enrollment stabilizes. Student population growth in specific grade levels will impact staffing, current building utilization, future building needs and programming and may require building alterations or additions. Enrollment will continue to be monitored to identify future needs. Enrollment declines in the elementary program could result in staff reductions and savings in the future.
- Staffing - The School District projects reduction in both professional and support staff to adjust for enrollment changes while maintaining a quality educational program. The teachers and custodial/maintenance contracts expired as of June 30, 2015. Negotiations for both contracts are ongoing at this point in time.
- Facilities - Future projects being considered by the School District include the renovation of the High School. The School District is also monitoring a potential future project estimated to possibly exceed \$1.5 million at McMurray Elementary school caused by pyrite expansion in the soil beneath the building.
- Benefits - Increases in the state retirement contribution rate are projected to increase annually, with a pension crisis forecasted for the 2015/2016 fiscal year. This will place a significant financial burden on the School District in the future. Minimal increases in health insurance premiums are a bright spot on the financial horizon. Employee premium co-payments and plan benefit changes have been negotiated to minimize the impact of any future increases.
- Special Education - Cost increases in special education programs continue to exceed the budget average. A 6.6% increase during the 2014/2015 fiscal year makes special education an area of concern. Special education costs now represent 11.2% of the annual School District expenditures. This represents a substantial increase in expenditures from the 5.7% of the School District budget in the 2000/2001 fiscal year. Related special education cost increases, including transportation, are a direct result of a growing special education population.

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

**Economic Factors and the School District's Future (Cont'd)**

- Act 1 Real Estate Tax - Act 1 limits the School District's ability to increase real estate taxes above a state imposed index. This restricts the School District's ability to replace revenues lost from state funding cuts. The School District will have to seriously consider requesting referendum exceptions or ballot referendums in the future.

The School District expects the historical trend for greater local tax effort to fund instructional programs and services to continue as state and federal funding for public education are expected to decline. The Commonwealth of Pennsylvania provided only 23.6% of total revenue sources to fund costs supporting the School District's educational programs during fiscal 2015. Local sources of revenue, primarily property taxes, now support 76% of the costs for educational programs and services in Peters Township School District. The federal government provided 0.4% of the funds to support general operations.

**Securities and Exchange Commission Continued Disclosure**

In accordance with the Securities and Exchange Commission Rule 15c2-12, the School District must annually disclose certain financial information and operating data.

**OPERATING AND FINANCIAL DATA**

Enrollment Data

<u>School Year Ending June 30,</u>	<u>Actual Enrollments</u>		<u>Totals</u>
	<u>Elementary</u>	<u>Secondary</u>	
2009	2,308	2,151	4,459
2010	2,302	2,140	4,442
2011	2,267	2,186	4,453
2012	2,201	2,168	4,360
2013	2,192	2,121	4,313
2014	2,107	2,141	4,248
2015	2,092	2,132	4,224
2016 <sup>(1)</sup>	2,031	2,173	4,204

<u>School Year Ending June 30,</u>	<u>Projected Enrollments</u>	<u>Totals</u>
2016		4,213
2017		4,175
2018		4,187
2019		4,209
2020		4,177

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

**Securities and Exchange Commission Continued Disclosure (Cont'd)**

OPERATING AND FINANCIAL DATA (CONT'D)

Enrollment Data (Cont'd)

Source: School District Officials.

<sup>(1)</sup> Reflects actual enrollment for the beginning of the 2016 school year.

SCHEDULE OF DIRECT AND OVERLAPPING DEBT AND DEBT RATIOS

Shown below is a summary of the School District's outstanding debt (including issuance of the bonds):

	<u>Gross</u>	<u>MVAR</u>	<u>Project Reimbursement</u>	<u>Local Share</u>
General Obligation Debt				
General Obligation Bonds, Series of 2014	\$10,000,000	0.4721	0.0000	\$10,000,000
General Obligation Bonds, Series A of 2013	2,995,000	0.4721	0.0000	2,995,000
General Obligation Bonds, Series B of 2013	5,685,000	0.4721	0.3718	4,687,130
General Obligation Notes, Taxable Series of 2012	18,125,000	0.4721	0.2394	16,076,499
General Obligation Bonds, Series of 2011	4,775,000	0.4721	0.0000	4,775,000
General Obligation Bonds, Series of 2010	5,995,000	0.4721	0.2453	5,300,742
General Obligation Notes, SPSBA 2010 QSCB	715,000	0.4721	0.0000	715,000
General Obligation Bonds, Refunding Series of 2006	<u>2,825,000</u>	0.4721	0.2849	<u>2,445,034</u>
 Total Direct Debt	 <u>51,115,000</u>			 <u>46,994,405</u>
 Peters Township <sup>(1)</sup>	 11,843,669			 11,843,669
Washington County <sup>(2)</sup>	<u>9,191,512</u>			<u>9,191,512</u>
 Total Overlapping Debt	 <u>21,035,181</u>			 <u>21,035,181</u>
 Total Direct and Overlapping Debt	 <u>\$72,150,181</u>			 <u>\$68,029,586</u>

<sup>(1)</sup> Source: Pennsylvania Department of Community and Economic Development, as of December 1, 2015. 100% overlapping.

<sup>(2)</sup> Source: Pennsylvania Department of Community and Economic Development. 21.08% overlapping. As of December 1, 2015, Washington County had outstanding debt of \$43,602,997. The School District's share is calculated by dividing the assessed value of Peters Township by the assessed value of the County and multiplying that ratio by the outstanding debt of the County.

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

**Securities and Exchange Commission Continued Disclosure (Cont'd)**

SCHEDULE OF DIRECT AND OVERLAPPING DEBT AND DEBT RATIOS (CONT'D)

Debt Ratio Calculations (including issuance of the bonds)

	<u>Gross Outstanding</u>	<u>Local Share</u>
Net Direct Debt Per Capita	\$2,409.61	\$2,215.36
Net Direct Debt to Market Value	2.25%	2.07%
Net Direct and Overlapping Debt Per Capita	\$3,401.11	\$3,206.98
Net Direct and Overlapping Debt to Market Value	3.18%	3.00%
 Population (2010 census)	 21,213	
2015 Market Value	\$2,269,148,667	

**Future Financing**

The School District is contemplating a high school addition/renovation project within the next five years. The scope of this potential project has not yet been determined, but could be up to \$50 million.

**Real Estate Tax Collection Data**

Year	Market Valuation	Assessed Valuation	Millage	Current Levy	Current Collections	Current Collections as a % of Levy	Total Collections (\$000s)	Total Collections as a % of Levy
2006-2007	\$1,547,992,600	\$288,200,000	89.500	25,793,900	\$24,911,309	96.6%	\$25,428,327	98.6%
2007-2008	1,631,311,800	299,000,000	89.500	6,760,500	25,774,157	96.3%	26,362,301	98.5%
2008-2009	1,766,906,500	305,000,000	92.500	7,297,500	26,470,705	97.0%	26,930,875	98.7%
2009-2010	1,803,086,400	313,000,000	92.500	8,952,500	27,410,648	94.7%	27,938,773	96.5%
2010-2011	1,943,754,522	317,000,000	95.180	0,172,060	28,558,454	94.7%	29,314,460	97.2%
2011-2012	1,904,201,810	323,540,027	96.510	1,224,848	29,563,055	94.7%	30,104,871	96.4%
2012-2013	1,940,685,467	330,313,614	100.300	,130,458	31,477,139	95.0%	31,986,179	96.5%
2013-2014	2,152,776,343	335,437,888	102.000	,214,665	32,480,832	94.5%	33,210,133	97.1%
2014-2015 <sup>(1)</sup>	2,269,148,667	339,595,594	107.142	36,384,951	34,713,972	95.4%	35,446,858	97.4%

Source: School District Officials

<sup>(1)</sup> Unaudited Estimates by School District officials.

**Tax Anticipation Borrowing**

The School District has not recently issued tax and revenue anticipation notes.

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

**PSERS Funding Progress and Comparative Ratios**

The information contained in the following tables was obtained from the Comprehensive Annual Financial Reports of PSERS. The information contained in the table reflects data from the plan as a whole, and not the School District's specific obligation or liability. Any term not defined herein is defined in the Comprehensive Annual Financial Reports of PSERS.

*Historical Funding Progress for Pensions Actuarial Value*

Valuation as of June 30,	Actuarial Value of Assets (thousands)	Actuarial Accrued Liability (thousands)	Unfunded Actuarial Accrued Liability (thousands)	Funded Ratio	Covered Payroll (thousands)	Unfunded Accrued Liability as a Percentage of Covered Payroll
2014	\$57,231,799	\$92,352,983	\$35,121,184	62.0%	\$12,620,862	278.3%
2013	57,353,262	89,951,816	32,598,554	63.8%	12,577,105	259.2%
2012	58,227,622	87,760,660	29,533,038	66.3%	12,714,371	232.3%
2011	59,141,131	85,640,383	26,499,252	69.1%	12,910,043	205.3%
2010	59,306,848	79,005,428	19,698,580	75.1%	12,788,847	154.0%
2009	59,781,575	75,520,736	15,739,161	79.2%	12,524,593	125.7%
2008	60,922,157	70,845,637	9,923,480	86.0%	11,921,469	83.2%
2007	57,057,838	66,495,870	9,438,032	85.8%	11,410,257	82.7%
2006	52,464,726	64,627,361	12,162,635	81.2%	11,419,049	106.5%
2005	51,122,156	61,129,444	10,007,288	83.6%	10,527,668	95.1%

Source: PSERS Comprehensive Financial Reports 2015

*Comparative Ratios*

Fiscal Year	Accrued Actuarial Liability (thousands)	Actuarial Value of Assets (thousands)	Market Value of Assets (thousands)	Funded Ratio (actuarial value)	Funded Ratio (market value)
2014	\$92,465,000	\$57,344,000	\$53,092,000	62.0%	57.4%
2013	90,052,000	57,454,000	49,116,000	63.8%	54.5%
2012	87,854,000	58,321,000	48,628,000	66.4%	55.4%
2011	85,752,000	59,252,000	51,311,000	69.1%	59.8%
2010	79,122,000	59,424,000	45,715,000	75.1%	57.8%
2009	75,626,000	59,887,000	43,101,000	79.2%	57.0%
2008	70,941,000	61,018,000	62,569,000	86.0%	88.2%
2007	66,593,000	57,155,000	67,438,000	85.8%	101.3%
2006	64,720,000	52,558,000	57,328,000	81.2%	88.6%

Source: PSERS Comprehensive Financial Reports 2015

**Peters Township School District  
Management's Discussion and Analysis  
June 30, 2015**

**Contacting the School District Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Peters Township School District, 631 East McMurray Road, McMurray, PA 15317.

**Peters Township School District**  
**Statement of Net Position**  
**June 30, 2015**

**Exhibit 1**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 29,998,534	\$ 117,241	\$ 30,115,775
Taxes Receivable, Net	1,490,754	-	1,490,754
Due from Other Governments	1,528,788	3,265	1,532,053
Other Receivables	28,110	1,469	29,579
Inventories	-	7,551	7,551
Prepaid Items	32,793	-	32,793
Capital Assets not Being Depreciated			
Land	926,000	-	926,000
Construction in Progress	1,803,012	-	1,803,012
Capital Assets, Net of Accumulated Depreciation			
Buildings and Building Improvements	41,258,283	-	41,258,283
Furniture and Equipment	<u>2,190,784</u>	<u>31,546</u>	<u>2,222,330</u>
<b>TOTAL ASSETS</b>	<u><b>79,257,058</b></u>	<u><b>161,072</b></u>	<u><b>79,418,130</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Refunding	1,433,555	-	1,433,555
Amounts Related to Pensions	<u>10,489,803</u>	<u>126,271</u>	<u>10,616,074</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>11,923,358</b></u>	<u><b>126,271</b></u>	<u><b>12,049,629</b></u>
<b>LIABILITIES</b>			
Internal Balances	17,867	(17,867)	-
Accounts Payable	4,036,725	15,013	4,051,738
Contacts Payable	69,288	-	69,288
Accrued Salaries and Benefits	4,510,254	-	4,510,254
Payroll Deductions and Withholdings	106,134	-	106,134
Unearned Revenues	-	62,438	62,438
Other Current Liabilities	452,328	-	452,328
Noncurrent Liabilities			
Due Within One Year	3,390,000	-	3,390,000
Due in More Than One Year			
Notes Payable	18,115,000	-	18,115,000
Compensated Absences	1,966,077	28,785	1,994,862
Bonds Payable	30,459,876	-	30,459,876
Other Post-Employment Benefits	4,723,599	-	4,723,599
Net Pension Liability	85,001,803	1,007,197	86,009,000
Termination Payments	<u>336,500</u>	<u>-</u>	<u>336,500</u>
<b>TOTAL LIABILITIES</b>	<u><b>153,185,451</b></u>	<u><b>1,095,566</b></u>	<u><b>154,281,017</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Amounts Related to Pensions	<u>6,076,993</u>	<u>72,007</u>	<u>6,149,000</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,806,757	31,546	2,838,303
Restricted for Capital Projects	13,958,838	-	13,958,838
Unrestricted	<u>(84,847,623)</u>	<u>(911,776)</u>	<u>(85,759,399)</u>
<b>TOTAL NET POSITION</b>	<u><b>\$(68,082,028)</b></u>	<u><b>\$( 880,230)</b></u>	<u><b>\$(68,962,258)</b></u>

See Accompanying Notes



**Peters Township School District  
Statement of Activities  
Year Ended June 30, 2015**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern- mental Activities	Business- Type Activities	Totals
<b>Governmental Activities</b>							
Instruction	\$39,023,840	\$ -	\$5,485,690	\$ -	\$(33,538,150)	\$ -	\$(33,538,150)
Instructional Student Support	4,700,593	-	461,938	-	(4,238,655)	-	(4,238,655)
Administrative and Financial Support Services	5,057,179	-	299,506	-	(4,757,673)	-	(4,757,673)
Operation and Maintenance of Plant Services	5,017,747	-	259,608	-	(4,758,139)	-	(4,758,139)
Pupil Transportation	2,507,530	-	1,101,242	-	(1,406,288)	-	(1,406,288)
Student Activities	1,630,312	-	391,173	-	(1,239,139)	-	(1,239,139)
Community Services	3,178	-	-	-	(3,178)	-	(3,178)
Interest on Long-Term Debt	<u>1,776,725</u>	<u>-</u>	<u>34,495</u>	<u>544,765</u>	<u>(1,197,465)</u>	<u>-</u>	<u>(1,197,465)</u>
<b>Total Governmental Activities</b>	<u>59,717,104</u>	<u>-</u>	<u>8,033,652</u>	<u>544,765</u>	<u>(51,138,687)</u>	<u>-</u>	<u>(51,138,687)</u>
<b>Business-Type Activities</b>							
Food Service	<u>1,088,851</u>	<u>810,451</u>	<u>249,589</u>	<u>-</u>	<u>-</u>	<u>(28,811)</u>	<u>(28,811)</u>
<b>Total Primary Government</b>	<u>\$60,805,955</u>	<u>\$810,451</u>	<u>\$8,283,241</u>	<u>\$544,765</u>	<u>(51,138,687)</u>	<u>(28,811)</u>	<u>(51,167,498)</u>
<b>General Revenues</b>							
<b>Taxes</b>							
Property Taxes Levied for General Purposes, Net					34,713,972	-	34,713,972
Earned Income Taxes					5,760,656	-	5,760,656
Real Estate Transfer Taxes					798,795	-	798,795
Other Taxes Levied for General Purposes, Net					1,054,882	-	1,054,882
Grant Subsidies and Contributions not Restricted					5,898,498	-	5,898,498
Investment Earnings					50,550	222	50,772
Miscellaneous Income					<u>596,544</u>	<u>-</u>	<u>596,544</u>
<b>Total General Revenues</b>					<u>48,873,897</u>	<u>222</u>	<u>48,874,119</u>
<b>Changes in Net Position</b>					(2,264,790)	(28,589)	(2,293,379)
<b>Net Position - July 1, 2014 (Restated - See Note 2)</b>					<u>(65,817,238)</u>	<u>(851,641)</u>	<u>(66,668,879)</u>
<b>Net Position - June 30, 2015</b>					<u>\$(68,082,028)</u>	<u>\$(880,230)</u>	<u>\$(68,962,258)</u>

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See Accompanying Notes

**Peters Township School District  
Balance Sheet  
Governmental Funds  
June 30, 2015**

**Exhibit 3**

	General Fund	Capital Projects Fund	Non- major Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$14,919,545	\$15,078,988	\$1	\$29,998,534
Taxes Receivable, Net	1,490,754	-	-	1,490,754
Due from Other Funds	1,508	-	-	1,508
Due from Other Governments	1,528,788	-	-	1,528,788
Other Receivables	26,602	-	-	26,602
Prepaid Items	<u>-</u>	<u>32,793</u>	-	<u>32,793</u>
<b>TOTAL ASSETS</b>	<u>\$17,967,197</u>	<u>\$15,111,781</u>	<u>\$1</u>	<u>\$33,078,979</u>
<b>LIABILITIES, DEFERED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Due to Other Funds	\$ 17,867	\$ -	\$-	\$ 17,867
Accounts Payable	2,953,069	1,083,656	-	4,036,725
Contracts Payable	-	69,288	-	69,288
Accrued Salaries and Benefits	4,510,254	-	-	4,510,254
Payroll Deductions and Withholdings	<u>106,134</u>	<u>-</u>	-	<u>106,134</u>
<b>Total Liabilities</b>	<u>7,587,324</u>	<u>1,152,944</u>	-	<u>8,740,268</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenues - Property Taxes	<u>426,187</u>	<u>-</u>	-	<u>426,187</u>
<b>Fund Balances</b>				
Restricted	-	13,958,837	1	13,958,838
Assigned	8,000,000	-	-	8,000,000
Unassigned	<u>1,953,686</u>	<u>-</u>	-	<u>1,953,686</u>
<b>Total Fund Balances</b>	<u>9,953,686</u>	<u>13,958,837</u>	<u>1</u>	<u>23,912,524</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$17,967,197</u>	<u>\$15,111,781</u>	<u>\$1</u>	<u>\$33,078,979</u>

See Accompanying Notes

**Peters Township School District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2015**

**Exhibit 4**

Total Fund Balances - Governmental Funds	\$ 23,912,524
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$118,383,715 and the accumulated depreciation is \$72,205,636.	46,178,079
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Property taxes receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore, are deferred inflows in the funds.	426,187
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Premium and discount on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position.	743,679
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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	\$ 10,489,803	
Deferred Inflows of Resources Related to Pensions	<u>(6,076,993)</u>	4,412,810

Some liabilities including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds.

Net Pension Liability	(85,001,803)
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Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	(32,990,000)	
Accrued Interest on the Bonds	(452,328)	
Notes Payable	(18,125,000)	
Other Post-Employment Benefits Payable	(4,723,599)	
Termination Payments	(386,500)	
Compensated Absences	<u>(2,076,077)</u>	<u>(58,753,504)</u>

Total Net Position - Governmental Activities	\$ <u>(68,082,028)</u>
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See Accompanying Notes

**Peters Township School District**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2015**

**Exhibit 5**

	General Fund	Capital Projects Fund	Non- major Funds	Total Governmental Funds
<b>Revenues</b>				
Local Sources	\$43,482,788	\$ 18,334	\$ 5	\$43,501,127
State Sources	13,488,170	-	-	13,488,170
Federal Sources	<u>322,390</u>	<u>-</u>	<u>-</u>	<u>322,390</u>
 Total Revenues	 <u>57,293,348</u>	 <u>18,334</u>	 <u>5</u>	 <u>57,311,687</u>
 <b>Expenditures</b>				
Instruction	34,310,850	-	-	34,310,850
Support Services	16,011,355	262,995	-	16,274,350
Noninstructional Services	1,294,027	-	-	1,294,027
Capital Outlay	9,950	2,243,221	-	2,253,171
Debt Service (Principal and Interest)	8,050	78,500	4,466,931	4,553,481
Refunds of Prior Year's Receipts	<u>62,833</u>	<u>-</u>	<u>-</u>	<u>62,833</u>
 Total Expenditures	 <u>51,697,065</u>	 <u>2,584,716</u>	 <u>4,466,931</u>	 <u>58,748,712</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>5,596,283</u>	 <u>(2,566,382)</u>	 <u>(4,466,926)</u>	 <u>(1,437,025)</u>
 <b>Other Financing Sources (Uses)</b>				
Issuance of Bonds	-	10,000,000	-	10,000,000
Discount on Bonds Issued	-	(45,307)	-	(45,307)
Transfers In	78	77,981	4,466,927	4,544,986
Sale/Compensation for Capital Assets	1,048	-	-	1,048
Transfers Out	<u>(4,544,908)</u>	<u>-</u>	<u>(78)</u>	<u>(4,544,986)</u>
 Total Other Financing Sources (Uses)	 <u>(4,543,782)</u>	 <u>10,032,674</u>	 <u>4,466,849</u>	 <u>9,955,741</u>
 Net Changes in Fund Balances	 1,052,501	 7,466,292	 (77)	 8,518,716
 Fund Balances - July 1, 2014	 <u>8,901,185</u>	 <u>6,492,545</u>	 <u>78</u>	 <u>15,393,808</u>
 Fund Balances - June 30, 2015	 <u>\$ 9,953,686</u>	 <u>\$13,958,837</u>	 <u>\$ 1</u>	 <u>\$23,912,524</u>

See Accompanying Notes

**Peters Township School District  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
to the Statement of Activities  
Year Ended June 30, 2015**

**Exhibit 6**

Total Net Change in Fund Balances - Governmental Funds \$ 8,518,716

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

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

Depreciation Expense	\$(3,029,386)	
Capital Outlays	<u>2,331,703</u>	(697,683)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unearned revenues increased by this amount this year. 8,601

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 3,210,000

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. The proceeds were: (10,000,000)

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

Compensated Absences	(93,522)	
Termination Payments	86,125	
OPEB Obligation	<u>(408,962)</u>	(416,359)

**Peters Township School District  
 Reconciliation of the Governmental Funds  
 Statement of Revenues, Expenditures  
 and Changes in Fund Balances  
 to the Statement of Activities  
 Year Ended June 30, 2015**

**Exhibit 6**

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

Net Change in Accrued Interest on Bonds		\$ (69,898)
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Government funds report School District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.

School District Pension Contributions to PSERS	\$(8,559,251)	
Cost of Benefits Earned	<u>5,865,314</u>	(2,693,937)

Bond discount and premium are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Bond Discount	45,307	
Amortization of Discount, Premium and Deferred Loss on Refunding	<u>(169,537)</u>	<u>(124,230)</u>

Change in Net Position of Governmental Activities		\$ <u>(2,264,790)</u>
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See Accompanying Notes

**Peters Township School District  
Statement of Net Position  
Proprietary Funds  
June 30, 2015**

**Exhibit 7**

	Food Service Fund
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 117,241
Due from Other Funds	17,867
Due from Other Governments	3,265
Other Receivables	1,469
Inventories	<u>7,551</u>
Total Current Assets	<u>147,393</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>31,546</u>
<b>TOTAL ASSETS</b>	<u><b>178,939</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts Related to Pensions	<u>126,271</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	15,013
Unearned Revenues	<u>62,438</u>
Total Current Liabilities	<u>77,451</u>
Noncurrent Liabilities	
Long-Term Portion of Compensated Absences	28,785
Net Pension Liability	<u>1,007,197</u>
Total Noncurrent Liabilities	<u>1,035,982</u>
<b>TOTAL LIABILITIES</b>	<u><b>1,113,433</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Amounts Related to Pensions	<u>72,007</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	31,546
Unrestricted	<u>(911,776)</u>
<b>TOTAL NET POSITION</b>	<u><b>\$ (880,230)</b></u>

See Accompanying Notes

**Peters Township School District**  
**Statement of Revenues, Expenses and Changes**  
**in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2015**

**Exhibit 8**

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ <u>810,451</u>
Operating Expenses	
Salaries	347,507
Employee Benefits	138,410
Purchased Professional and Technical Services	539,579
Other Purchased Services	700
Supplies	56,518
Depreciation	<u>6,137</u>
Total Operating Expenses	<u>1,088,851</u>
Operating Income (Loss)	<u>(278,400)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	222
State Sources	71,583
Federal Sources	<u>178,006</u>
Total Nonoperating Revenues (Expenses)	<u>249,811</u>
Change in Net Position	(28,589)
Net Position - July 1, 2014 (Restated - See Note 2)	<u>(851,641)</u>
Net Position - June 30, 2015	\$ <u>(880,230)</u>

See Accompanying Notes



**Peters Township School District  
Statement of Cash Flows  
Proprietary Fund Types  
Year Ended June 30, 2015**

**Exhibit 9**

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 824,804
Cash Payments to Employees for Services	(458,076)
Cash Payments to Suppliers for Goods and Services	<u>(554,667)</u>
Net Cash Used for Operating Activities	<u>(187,939)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	69,292
Federal Sources	<u>124,130</u>
Net Cash Provided by Non-Capital Financing Activities	<u>193,422</u>
Cash Flows from Investing Activities	
Earnings on Investments	222
Loans Paid	<u>(42,964)</u>
Net Cash Used for Investing Activities	<u>(42,742)</u>
Net Decrease in Cash and Cash Flows	(37,259)
Cash and Cash Equivalents - July 1, 2014	<u>154,500</u>
Cash and Cash Equivalents - June 30, 2015	<u>\$ 117,241</u>

**Peters Township School District  
Statement of Cash Flows  
Proprietary Fund Types  
Year Ended June 30, 2015**

**Exhibit 9**

	Food Service Fund
Operating Income (Loss)	<u>\$(278,400)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation	6,137
Change in Pension Expense	29,944
Donated Commodities	56,517
(Increase) Decrease in Accounts Receivables	854
Increase (Decrease) in Accounts Payable	(14,387)
Increase (Decrease) in Unearned Revenues	13,499
Increase (Decrease) in Other Current Liabilities	<u>(2,103)</u>
Total Adjustments	<u>90,461</u>
Cash Used for Operating Activities	<u>\$(187,939)</u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2015, the School District received \$53,824 of U. S. D. A. Donated Commodities in the food service fund.

See Accompanying Notes

**Peters Township School District  
Statement of Net Position  
Fiduciary Funds  
June 30, 2015**

**Exhibit 10**

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	<u>\$26,783</u>	<u>\$205,058</u>
<b>LIABILITIES</b>		
Accounts Payable	107	-
Due to Other Funds	-	1,508
Other Current Liabilities	<u>-</u>	<u>203,550</u>
<b>TOTAL LIABILITIES</b>	<u>107</u>	<u>205,058</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>\$26,676</u>	<u>\$ -</u>

See Accompanying Notes

**Peters Township School District  
Statement of Changes in Net Position  
Fiduciary Funds  
Year Ended June 30, 2015**

**Exhibit 11**

	Private Purpose Trust Fund
Additions	
Interest	\$ <u>89</u>
Deductions	
Scholarships Awarded	<u>107</u>
Change in Net Position	(18)
Net Position - July 1, 2014	<u>26,694</u>
Net Position - June 30, 2015	<u>\$26,676</u>

See Accompanying Notes

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 1 - Summary of Significant Accounting Policies**

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

**A. Basic Financial Statements - Government-Wide Statements**

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Peters Township School District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

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

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

**B. Basic Financial Statements - Fund Financial Statements**

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

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

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

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

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

1. Governmental Funds

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

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

The *capital projects fund* accounts for financial resources to be used for the acquisition of construction of Pleasant Valley School athletic facilities and finance other capital improvements in the School District.

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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

2. Proprietary Funds

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

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

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

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

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

3. Fiduciary Funds

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

The *private purpose trust fund* is used to account for resources of monies contributed to the School District for scholarships. The Esther Baird Scholarship Fund is considered a private purpose trust fund.

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

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain 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 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.

C. Measurement Focus and Basis of Accounting

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

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

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

C. Measurement Focus and Basis of Accounting (Cont'd)

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

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

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

D. Joint Venture

The School District is one of nine member school districts of the Western Area Career and Technology Center ("Western"). Western provides vocational-technical training and education to participating students of the member districts. Western is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Western's operations are 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 Western. The School District's



**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

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

D. Joint Venture (Cont'd)

share of annual operating and capital costs for Western fluctuates, based on the percentage of enrollment of each member district in the school. The School District's financial obligation to Western for the year ended June 30, 2015 was \$211,054, which was paid in the year ended June 30, 2015 to Western and reported in the School District's general fund. The School District has no equity interest in Western as of June 30, 2015. Complete financial statements for Western can be obtained from the administrative offices at R.D. #1, Box 178A, Canonsburg, PA 15317.

In addition, the School District is one of six member school districts participating in the Washington County Alternative School ("Washington"). Washington provides a complete education to at-risk students of the member districts. Washington 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 Washington'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 Washington. The School District's share of annual operating and capital costs for Washington fluctuates, based on the number of reserved enrollment slots of each member district in the school. The School District's financial obligation to Washington for the year ended June 30, 2015 was \$41,850 which has been reported in the School District's general fund. The School District has no equity interest in Washington as of June 30, 2015. Complete financial statements for Washington can be obtained from the administrative offices at 524 East Beau Street; Washington, Pennsylvania 15301.

E. 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.

F. Investments

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

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

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

G. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved various budget transfers throughout the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2015.

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

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

I. 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, 2015.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2015 are reported as unearned revenue.

**Peters Township School District  
Notes to Financial Statements  
June 30, 2015**

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

**J. Prepaid Items**

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

**K. 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. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Assets	Years
Buildings	40
Building Improvements	20
Land Improvements	40
Furniture	20
Vehicles	10-15
Equipment	10
Computers/Software	5-7

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

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

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

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other in the government-wide statement of net position is related to the participation in the cost sharing defined benefit pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has one item reported in the government-wide statement of net position relating to the cost sharing defined benefit pension plan. The School District also has items, which arise only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as inflows of resources in the period that the amount becomes available.

M. 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 premium and discount are reported as deferred charges and amortized over the term of the related debt.

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

N. Compensated Absences

The School District's policies regarding vacation and sick time is 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. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the amount of reimbursable unused vacation or sick

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

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

N. Compensated Absences (Cont'd)

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.

O. Defining Operating Revenues and Expenses

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

P. Equity Classifications

Government-Wide Statements

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

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 borrowing that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Statements - Fund Balance

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

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

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

**Peters Township School District  
Notes to Financial Statements  
June 30, 2015**

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

P. Equity Classifications (Cont'd)

Fund Statements - Fund Balance (Cont'd)

requirement on the use of these funds.

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

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

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

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

The purposes of the restricted and assigned fund balance as of June 30, 2015, are as follows:

The restricted fund balances consists of the following:

Debt Service Fund for the Retirement of Debt	\$ 1
Capital Projects Fund for Future Capital Projects from Unspent Bond Proceeds	<u>13,958,837</u>
	<u>\$13,958,838</u>

The assigned fund balance in the general fund of \$8,000,000 consists of:

Future Debt Service Obligation	\$3,500,000
Future Retirement Obligations	<u>4,500,000</u>
	<u>\$8,000,000</u>

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 2 - Restatement of Beginning Net Position**

Peters Township School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as of July 1, 2014 and applied the statement by restating the beginning net position. Beginning net position of the governmental activities and business-type activities in the government-wide financial statements were restated as of July 1, 2014. The result of the effects of applying this new statement is summarized below.

	Governmental Activities	Business-Type Activities
Net Position, June 30, 2014 (previously reported)	\$ 12,077,816	\$ 71,348
<p>This Statement requires the liability of employers for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. A liability should be recognized for the employer's proportionate share of the collective net pension liability in financial statements prepared using the economic resources measurement focus and accrual basis of accounting.</p>		
The net pension liability as of June 30, 2013, the measurement date, was:	(82,329,467)	(975,533)
<p>In addition, employer contributions subsequent to the measurement date (June 30, 2013) of the net pension liability are required to be reported as deferred outflows of resources.</p>		
The employer contributions subsequent to the measurement date were:	<u>4,434,413</u>	<u>52,544</u>
Restated Net Position, July 1, 2014	<u>\$(65,817,238)</u>	<u>\$(851,641)</u>

**Note 3 - Deposits and Investments**

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

**Peters Township School District  
Notes to Financial Statements  
June 30, 2015**

**Note 3 - Deposits and Investments (Cont'd)**

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2015, \$30,198,273 of the School District's bank balance of \$30,475,248 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging Bank's Agent not in the School District's Name	<u>\$30,198,273</u>
---	---------------------

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

Investments	Fair Value
U. S. Treasury Strips	<u>\$55,586</u>

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

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1F. The School District has no investment policy that would further limit its investment choices. The School District's investments in Pennsylvania Local Government Investment Trust (PLGIT) was rated AAAM by Standard & Poor's.

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

**Note 4 - Real Estate Taxes**

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2014/2015 was 107.142 mills (\$107.14 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2014/2015 is as follows:

Tax Levy Date	July 1, 2014
2% Discount Period	Through August 31, 2014
Face Payment Period	September 1 - October 31, 2014
10% Penalty Period	November 1 Until Liened
Lien Filing Date	January 15, 2015



**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 4 - Real Estate Taxes (Cont'd)**

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as deferred revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$426,187 net of estimated uncollectible amounts of \$47,354, along with other taxes receivable of \$1,064,567.

**Note 5 - Due from Other Governments**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2015, the following amounts are due from other governmental units:

	Governmental Funds	Enterprise Fund	Totals
Federal (through the state)	\$ 25,672	\$2,801	\$ 28,473
State	<u>1,503,116</u>	<u>464</u>	<u>1,503,580</u>
	<u>\$1,528,788</u>	<u>\$3,265</u>	<u>\$1,532,053</u>

**Note 6 - Capital Assets**

For the year ended June 30, 2015, capital asset activity was as follows:

	Balance 07/01/14	Additions	Deletions	Balance 06/30/15
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 926,000	\$ -	\$ -	\$ 926,000
Construction in Progress	<u>-</u>	<u>1,803,012</u>	<u>-</u>	<u>1,803,012</u>
Total Capital Assets not Being Depreciated	<u>926,000</u>	<u>1,803,012</u>	<u>-</u>	<u>2,729,012</u>
Capital Assets Being Depreciated				
Buildings and Building Improvements	106,349,372	98,817	-	106,448,189
Furniture and Equipment	<u>8,893,305</u>	<u>429,874</u>	<u>116,665</u>	<u>9,206,514</u>
Total Capital Assets Being Depreciated	<u>115,242,677</u>	<u>528,691</u>	<u>116,665</u>	<u>115,654,703</u>
Less Accumulated Depreciation				
Buildings and Building Improvements	62,604,271	2,585,635	-	65,189,906
Furniture and Equipment	<u>6,688,644</u>	<u>443,751</u>	<u>116,665</u>	<u>7,015,730</u>
Total Accumulated Depreciation	<u>69,292,915</u>	<u>3,029,386</u>	<u>116,665</u>	<u>72,205,636</u>

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 6 - Capital Assets (Cont'd)**

	Balance 07/01/14	Additions	Deletions	Balance 06/30/15
Governmental Activities (Cont'd)				
Total Capital Assets Being Depreciated, Net	\$ <u>45,949,762</u>	\$(2,500,695)	\$ _____ -	\$ <u>43,449,067</u>
Governmental Activities Capital Assets, Net	\$ <u>46,875,762</u>	\$ <u>(697,683)</u>	\$ _____ -	\$ <u>46,178,079</u>
Business-Type Activities				
Furniture and Equipment	\$ 178,930	\$ -	\$ -	\$ 178,930
Less Accumulated Depreciation	<u>141,247</u>	<u>6,137</u>	_____ -	<u>147,384</u>
Business-Type Capital Assets, Net	\$ <u>37,683</u>	\$ <u>(6,137)</u>	\$ _____ -	\$ <u>31,546</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$2,453,703
Instructional Student Support	19,472
Administration and Financial Support Services	37,192
Operation and Maintenance of Plant Services	116,085
Student Activities Services	140,360
Pupil Transportation	<u>262,574</u>
Total Depreciation Expense	<u>\$3,029,386</u>
Business Activities	
Food Service	\$ <u>6,137</u>

**Note 7 - Interfund Balances**

At June 30, 2015, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 1,508	\$17,867
Enterprise Fund		
Food Service Fund	17,867	-

**Peters Township School District  
Notes to Financial Statements  
June 30, 2015**

**Note 7 - Interfund Balances (Cont'd)**

Fund	Interfund Receivable	Interfund Payable
Agency Fund	\$ <u>      </u> -	\$ <u>1,508</u>
	<u>\$19,375</u>	<u>\$19,375</u>

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

**Note 8 - Interfund Transfers**

For the year ended June 30, 2015, interfund transfers consisted of the following:

Transfer To	Transfer From		Totals
	General Fund	Debt Service Fund	
Debt Service Fund	\$4,466,927	\$ -	\$4,466,927
Capital Projects Fund	77,981	-	77,981
General Fund	<u>          </u> -	<u>78</u>	<u>78</u>
	<u>\$4,544,908</u>	<u>\$78</u>	<u>\$4,544,986</u>

The transfer of \$4,466,927 from the general fund to the debt service fund was to pay for the principal and interest on general obligation bonds. The transfer of \$77,981 from the general fund to the capital projects fund was for debt payments on Series B of 2010. The transfer of \$78 from the debt service fund to the general fund was to close the 2004 debt service fund.

**Note 9 - Long-Term Debt**

The following are changes in the long-term liabilities for the year ended June 30, 2015:

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 9 - Long-Term Debt (Cont'd)**

	Balance 07/01/14	Additions	Reductions	Balance 06/30/15	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$26,190,000	\$10,000,000	\$3,200,000	\$32,990,000	\$3,220,000
Plus: Bond Premium	1,063,506	-	193,810	869,696	-
Less: Bond Discount	<u>(162,512)</u>	<u>(45,307)</u>	<u>(27,999)</u>	<u>(179,820)</u>	<u>-</u>
Total Bonds Payable	<u>27,090,994</u>	<u>9,954,693</u>	<u>3,365,811</u>	<u>33,679,876</u>	<u>3,220,000</u>
Notes Payable					
General Obligation Notes	18,135,000	-	10,000	18,125,000	10,000
Other Long-Term Liabilities	472,625	65,375	151,500	386,500	50,000
Compensated Absences	<u>1,982,555</u>	<u>196,405</u>	<u>102,883</u>	<u>2,076,077</u>	<u>110,000</u>
Governmental Activities					
Long-Term Liabilities	<u>\$47,681,174</u>	<u>\$10,216,473</u>	<u>\$3,630,194</u>	<u>\$54,267,453</u>	<u>\$3,390,000</u>

Governmental Activities - General Obligation Bonds

Series of 2006 - Due in semi-annual installments through September 15, 2020; interest at 3.50% to 4.00%	\$ 2,825,000
Refunding Series of 2010 - Due in semi-annual installments through September 1, 2017; interest at 0.45% to 4.00%	5,995,000
State Public School Building Authority QSCB Series B of 2010, due in annual installments of \$41,893; interest at 6.495%; BAB Credit of 86%	715,000
Series of 2011 - Due in semi-annual installments through September 2021; interest at 0.45% to 3.45%	4,775,000
Series of 2013A - Due in semi-annual installments through September 15, 2028; interest at 2.00% to 3.00%	2,995,000
Series of 2013B - Due in semi-annual installments through September 15, 2018; interest at 0.25% to 3.00%	5,685,000
Series of 2014 - Due in semi-annual installments through September 1, 2028; interest at 2.00% to 2.875%	<u>10,000,000</u>
	<u>\$32,990,000</u>

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 9 - Long-Term Debt (Cont'd)**

Governmental Activities - General Obligation Note

Series of 2012 - Due in semi-annual installments through September 1, 2026; interest at 1.210% to 3.310% \$18,125,000

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

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2015, including interest, are as follows:

Year Ended June 30,	Governmental Activities					Totals
	General Obligation Bonds			General Obligation Notes		
	Principal	Interest	Build America Bonds Credit	Principal	Interest	
2016	\$ 3,220,000	\$ 901,359	\$ (37,191)	\$ 10,000	\$ 525,345	\$ 4,619,513
2017	3,295,000	826,311	(37,191)	10,000	525,224	4,619,344
2018	3,495,000	731,823	(37,191)	15,000	524,990	4,729,622
2019	3,535,000	632,348	(37,191)	10,000	524,701	4,664,858
2020	3,510,000	520,858	(37,191)	15,000	524,412	4,533,079
2021-2025	6,235,000	1,745,339	(185,955)	12,530,000	1,949,035	22,273,419
2026-2030	<u>9,700,000</u>	<u>737,757</u>	<u>(92,978)</u>	<u>5,535,000</u>	<u>177,662</u>	<u>16,057,441</u>
	<u>\$32,990,000</u>	<u>\$6,095,795</u>	<u>\$(464,888)</u>	<u>\$18,125,000</u>	<u>\$4,751,369</u>	<u>\$61,497,276</u>

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2015, \$9,780,000 of bonds outstanding is considered defeased.

**Note 10 - Operating Leases**

The School District is committed under various leases for photocopiers, vehicles and computer equipment. These leases are considered, for accounting purposes, to be operating leases. Total payments made on these leases for the year ended June 30, 2015, were \$153,616. Future minimum payments for these leases are as follows:

Year Ended June 30,	Amount
2016	<u>\$87,689</u>

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

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

A. Summary of Significant Accounting Policies

Pensions

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

B. General Information about the Pension Plan

1. Plan Description

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

2. Benefits Provided

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

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

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

B. General Information about the Pension Plan (Cont'd)

2. Benefits Provided (Cont'd)

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.

3. Contributions

Member Contributions

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

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

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

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

**Peters Township School District  
Notes to Financial Statements  
June 30, 2015**

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

B. General Information about the Pension Plan (Cont'd)

3. Contributions (Cont'd)

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.5% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$5,936,789 for the year ended June 30, 2015.

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

At June 30, 2015, the School District reported a liability of \$86,009,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School District's proportion was 0.2173%, which was an increase of 0.0138% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$8,660,671. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$6,149,000
Changes in proportions	4,552,000	-
Difference between employer contributions and proportionate share of total contributions	127,285	-
Contributions subsequent to the measurement date	<u>5,936,789</u>	<u>-</u>
	<u>\$10,616,074</u>	<u>\$6,149,000</u>



**Peters Township School District  
Notes to Financial Statements  
June 30, 2015**

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

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

\$5,936,789 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, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (409,329)
2017	(409,329)
2018	(409,329)
2019	(409,329)
2020	<u>167,601</u>
	<u><u>\$(1,469,715)</u></u>

1. Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - effected average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1.00%, and merit or seniority increase of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

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

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

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

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

1. Actuarial Assumptions (Cont'd)

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

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

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

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

**Peters Township School District  
Notes to Financial Statements  
June 30, 2015**

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

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

2. Discount Rate

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

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

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

	(In thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$107,284	\$86,009	\$67,846

4. Pension Plan Fiduciary Net Position

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

**Note 12 - Contingent Liabilities**

Peters Township School District participates in a number of federally assisted grant programs, principal of which is the IDEA 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, 2015 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 13 - Risk Management**

On June 22, 1992, Peters Township School District joined with other local education institutions within Fayette, Greene and Washington Counties to form the Intermediate Unit 1 Health Insurance Consortium Trust (Consortium). The Consortium is a public entity risk pool designed to administer health and medical insurance risks on a pooled risk basis. The Consortium bills participating districts at the "maximum" rate for health insurance coverage. The Consortium then remits Blue Cross premiums to Blue Cross/Blue Shield at the lower "deposit" rate. The rate differential permits the Consortium to collect revenue in excess of expenditures, with such excess revenues being temporarily invested. The temporary investments are then available to pay for any retroactive Blue Cross/Blue Shield billing adjustments or to offset possible future rate increases.

The agreement permits participants to withdraw from the Consortium under terms as specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium fund balance or deficit as determined on the date of withdrawal. At June 30, 2015, the total Consortium fund balance was \$19,782,478.

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.

**Note 14 - On-Behalf Payments**

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2015, was \$4,169,423.

This includes \$3,094,896 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and \$1,074,527 to the federal government for social security and Medicare taxes for the year ended June 30, 2015. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

**Note 15 - Post-Employment Healthcare Plan**

A. Plan Description

Peters Township School District administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides benefits for teachers and administrators/supervisors. The benefits provided are for the eligible retirees and their spouses through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 15 - Post-Employment Healthcare Plan (Cont'd)**

**B. Funding Policy**

The eligibility and the benefits for each group is as follows:

1) Teacher and Act 93 Administrators Eligibility Requirements

Upon retirement, a teacher or an administrator who has reached the criteria for an unreduced pension benefit under PSERS (age 62, age 60 and 30 years of service, or 35 years of service) and has 10 years of service with the School District shall be eligible to receive health benefits for themselves and their spouses until age 65. The School District will pay for this coverage up to following amounts based on the year of retirement and the retiring teacher or administrator would be responsible to reimburse the School District \$100 per month for the PSERS benefit:

2010-2011	\$45,000
2011-2012	46,000
2012-2013	46,000
2013-2014	47,000
2014-2015	48,000

2) Clerical, Cafeteria, and SEIU Local No. 3 Eligibility Requirements

Personnel from the above-mentioned groups retiring prior to being Medicare eligible shall have the right to remain the medical insurance group, at no cost to the School District, until such time as they become eligible for Medicare benefits.

For the year ended June 30, 2015, the School District contributed \$318,688. Plan members receiving benefits contributed \$58,533. The plan is financed on a pay-as-you-go basis.

**C. Annual OPEB Cost and Net OPEB Obligation**

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

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 15 - Post-Employment Healthcare Plan (Cont'd)**

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

Annual Required Contribution	\$ 804,582
Interest on NPO	172,585
Adjustment to Annual Required Contribution	<u>(249,516)</u>
Annual OPEB Cost (Expense)	727,651
Contributions Made	<u>(318,689)</u>
Increase in OPEB Obligation	408,962
Net OPEB Obligation - Beginning of Year	<u>4,314,637</u>
Net OPEB Obligation - End of Year	<u>\$4,723,599</u>

The School District's OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the years ended June 30, 2015, 2014 and 2013, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/15	\$727,651	43.8%	\$4,723,599
06/30/14	960,090	38.5%	4,314,637
06/30/13	993,210	29.2%	3,724,200

D. Funded Status and Funding Progress

As of July 1, 2014, the actuarial accrued liability for benefits was \$7,803,533, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$24,817,994 and the ratio of unfunded actuarial accrued liability to the covered payroll was 31.44%.

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

**Peters Township School District**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 15 - Post-Employment Healthcare Plan (Cont'd)**

E. Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a discount rate of 4%; an annual healthcare cost trend rate of 7% initially decreasing by 0.5% per year to an ultimate rate of 5%. The method used to determine the actuarial value of assets is not applicable since there are no plan assets. The unfunded actuarial accrued liability is being amortized using the level dollar method. The amortization period for the most recent actuarial valuation is thirty years. The period is open.

**Note 16 - Termination Benefits**

The School District has available certain early retirement enhancements to qualified employees. Regular full-time tenured professional employees may be eligible to receive these benefits provided that during the fiscal year of the employee's retirement, they had attained the age of 51 years and have completed 10 years of continuous full-time employment with the School District. The retiring employee shall receive compensation for every year of service in the School District at a rate based upon the year of retirement. For the 2014/2015 school year, the rate was \$500. Payments of \$151,500 were made to eligible employees. As of June 30, 2015, forty-nine (49) employees were eligible to receive these benefits for a total liability of \$386,500.

**Note 17 - Construction Commitment**

As of June 30, 2015, the School District had construction commitments of approximately \$4,945,000 for various building projects. It is anticipated these projects will be completed in spring of 2016.

**REQUIRED SUPPLEMENTARY  
INFORMATION SECTION**



**Peters Township School District**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$34,962,363	\$34,962,363	\$34,713,972	\$ (248,391)
Interim Real Estate Taxes	280,000	280,000	267,332	(12,668)
Public Utility Realty Taxes	46,500	46,500	48,356	1,856
Local Services Taxes	33,000	33,000	44,355	11,355
Earned Income Taxes	5,050,000	5,050,000	5,760,656	710,656
Real Estate Transfer Taxes	810,000	810,000	798,795	(11,205)
Delinquencies on Taxes	725,000	725,000	749,071	24,071
Earnings on Investments	55,000	55,000	32,211	(22,789)
Other Local Revenues				
Revenue from Athletic Events	-	-	110,131	110,131
Revenue from Student Activities	163,300	163,300	178,485	15,185
Federal Revenues from IUs	365,059	365,059	357,590	(7,469)
Contributions and Donations from Private Sources	2,500	2,500	300	(2,200)
Rentals	50,000	50,000	39,945	(10,055)
Tuition from Patrons	70,200	70,200	10,709	(59,491)
Svcs. Prov. Other Local Gov't. Units	10,000	10,000	9,440	(560)
Miscellaneous Revenue	54,000	54,000	42,471	(11,529)
Refunds of Prior Year's Expenditures	<u>-</u>	<u>-</u>	<u>318,969</u>	<u>318,969</u>
 Total Revenues from Local Sources	 <u>42,676,922</u>	 <u>42,676,922</u>	 <u>43,482,788</u>	 <u>805,866</u>
State Sources				
Basic Instruct. & Oper. Subsidies				
Basic Instructional Subsidy	5,150,679	5,150,679	5,165,611	14,932
Section 1305 and 1306	12,000	12,000	5,246	(6,754)
Migratory Children	300	300	80	(220)
Governors Expanding Excellence Grant	-	75,000	75,000	-
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	1,512,613	1,512,613	1,545,700	33,087
Subsidies for Noneduc. Programs				
Transportation (Regular & Add'l.)	985,000	985,000	963,864	(21,136)
Rentals and Sinking Fund Payments	579,000	579,000	544,765	(34,235)
Health Services	80,000	80,000	88,389	8,389

**Peters Township School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Cont'd)				
State Sources (Cont'd)				
Subsidies for Noneduc. Programs (Cont'd)				
Real Estate Tax Reduction	\$ 732,887	\$ 732,887	\$ 732,887	\$ -
PA Accountability Grants	86,100	86,100	-	(86,100)
Ready to Learn Block Grant	-	247,885	247,885	-
Social Security Payments	1,108,700	1,108,700	1,061,153	(47,547)
State Retirement Revenue	<u>3,094,300</u>	<u>3,094,300</u>	<u>3,057,590</u>	<u>(36,710)</u>
Total Revenues from State Sources	<u>13,341,579</u>	<u>13,664,464</u>	<u>13,488,170</u>	<u>(176,294)</u>
Federal Sources				
Restricted Grants-in-Aid from the Fed. Gov't. through the Commonwealth				
Title I	249,633	248,952	226,683	(22,269)
Title II	59,000	58,694	55,630	(3,064)
Title IV	7,000	7,000	-	(7,000)
Build America Bonds	-	-	34,495	34,495
Medical Assistance - Access	<u>10,000</u>	<u>10,000</u>	<u>5,582</u>	<u>(4,418)</u>
Total Revenues from Federal Sources	<u>325,633</u>	<u>324,646</u>	<u>322,390</u>	<u>(2,256)</u>
Total Revenues	<u>56,344,134</u>	<u>56,666,032</u>	<u>57,293,348</u>	<u>627,316</u>
Other Financing Sources				
Transfer from Other Funds	135,000	135,000	78	(134,922)
Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>1,048</u>	<u>1,048</u>
Total Other Financing Sources	<u>135,000</u>	<u>135,000</u>	<u>1,126</u>	<u>(133,874)</u>
Total Revenues & Other Financing Sources	<u>56,479,134</u>	<u>56,801,032</u>	<u>57,294,474</u>	<u>493,442</u>
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	17,793,564	17,906,782	17,666,453	240,329
Employee Benefits	8,675,979	8,709,149	8,636,258	72,891

**Peters Township School District**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance**  
**General Fund - Budget and Actual**  
**Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Instruction (Cont'd)				
Regular Programs (Cont'd)				
Purchased Prof. & Tech. Services	\$ 38,050	\$ 63,060	\$ 62,000	\$ 1,060
Purchased Property Services	157,866	157,966	164,857	(6,891)
Other Purchased Services	398,400	402,225	404,076	(1,851)
Supplies	312,067	494,107	418,658	75,449
Property	237,112	267,745	260,233	7,512
Other Objects	<u>12,325</u>	<u>15,042</u>	<u>22,159</u>	<u>(7,117)</u>
Total Regular Programs	<u>27,625,363</u>	<u>28,016,076</u>	<u>27,634,694</u>	<u>381,382</u>
Special Programs				
Personal Services				
Salaries	3,077,007	3,077,007	3,055,803	21,204
Employee Benefits	1,326,184	1,326,184	1,345,868	(19,684)
Purchased Prof. & Tech. Services	1,380,926	1,380,926	1,231,310	149,616
Purchased Property Services	37,200	37,200	18,108	19,092
Other Purchased Services	605,700	605,712	561,031	44,681
Supplies	52,883	54,338	66,319	(11,981)
Property	16,600	19,389	6,366	13,023
Other Objects	<u>4,224</u>	<u>3,201</u>	<u>368</u>	<u>2,833</u>
Total Special Programs	<u>6,500,724</u>	<u>6,503,957</u>	<u>6,285,173</u>	<u>218,784</u>
Vocational Educational Programs				
Other Purchased Services	<u>219,000</u>	<u>219,000</u>	<u>252,904</u>	<u>(33,904)</u>
Other Instructional Programs				
Personal Services				
Salaries	12,073	12,073	56,791	(44,718)
Employee Benefits	20,502	20,502	34,717	(14,215)
Other Purchased Services	<u>300</u>	<u>300</u>	<u>-</u>	<u>300</u>
Total Other Instructional Programs	<u>32,875</u>	<u>32,875</u>	<u>91,508</u>	<u>(58,633)</u>

**Peters Township School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Instruction (Cont'd)				
Non-Public School Programs				
Purchased Prof. & Tech. Services	\$ -	\$ 46,571	\$ 46,571	\$ -
Total Instruction	<u>34,377,962</u>	<u>34,818,479</u>	<u>34,310,850</u>	<u>507,629</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	1,270,391	1,270,391	1,271,167	(776)
Employees Benefits	652,428	652,428	671,921	(19,493)
Purchased Prof. & Tech. Services	1,100	1,233	1,188	45
Other Purchased Services	1,050	986	4,291	(3,305)
Supplies	52,694	50,129	55,128	(4,999)
Property	1,230	1,230	1,229	1
Other Objects	<u>1,950</u>	<u>1,350</u>	<u>1,675</u>	<u>(325)</u>
Total Pupil Personnel	<u>1,980,843</u>	<u>1,977,747</u>	<u>2,006,599</u>	<u>(28,852)</u>
Instructional Staff				
Personal Services				
Salaries	999,786	1,000,686	860,982	139,704
Employee Benefits	475,631	475,631	431,229	44,402
Purchased Prof. & Tech. Services	1,800	1,800	29,815	(28,015)
Purchased Property Services	73,290	72,973	67,516	5,457
Other Purchased Services	2,150	3,515	2,485	1,030
Supplies	396,146	395,285	353,468	41,817
Property	16,181	15,731	13,481	2,250
Other Objects	<u>88,742</u>	<u>124,232</u>	<u>5,913</u>	<u>118,319</u>
Total Instructional Staff	<u>2,053,726</u>	<u>2,089,853</u>	<u>1,764,889</u>	<u>324,964</u>

**Peters Township School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Administration				
Personal Services				
Salaries	\$ 1,752,451	\$ 1,752,451	\$ 1,676,813	\$ 75,638
Employee Benefits	890,671	890,671	801,594	89,077
Purchased Prof. & Tech. Services	162,921	162,921	272,155	(109,234)
Purchased Property Services	18,000	18,000	18,417	(417)
Other Purchased Services	106,675	104,421	104,319	102
Supplies	51,266	48,267	60,854	(12,587)
Property	2,900	2,400	409	1,991
Other Objects	<u>30,301</u>	<u>29,631</u>	<u>24,796</u>	<u>4,835</u>
Total Administration	<u>3,015,185</u>	<u>3,008,762</u>	<u>2,959,357</u>	<u>49,405</u>
Pupil Health				
Personal Services				
Salaries	449,310	449,310	472,801	(23,491)
Employee Benefits	179,525	179,525	195,586	(16,061)
Purchased Prof. & Tech. Services	600	600	-	600
Purchased Property Services	280	280	-	280
Other Purchased Services	75	75	823	(748)
Supplies	4,268	4,882	4,272	610
Property	<u>875</u>	<u>875</u>	<u>875</u>	<u>-</u>
Total Pupil Health	<u>634,933</u>	<u>635,547</u>	<u>674,357</u>	<u>(38,810)</u>
Business				
Personal Services				
Salaries	254,619	254,619	252,386	2,233
Employee Benefits	154,237	154,237	151,966	2,271
Purchased Prof. & Tech. Services	11,500	11,500	528	10,972
Purchased Property Services	36,770	36,770	37,817	(1,047)
Other Purchased Services	13,650	13,650	18,079	(4,429)
Supplies	4,500	3,685	3,664	21
Property	500	500	-	500
Other Objects	<u>950</u>	<u>950</u>	<u>984</u>	<u>(34)</u>
Total Business	<u>476,726</u>	<u>475,911</u>	<u>465,424</u>	<u>10,487</u>

**Peters Township School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Oper. & Maint. of Plant Svcs.				
Personal Services				
Salaries	\$ 1,916,727	\$ 1,916,727	\$ 1,827,323	\$ 89,404
Employee Benefits	1,134,509	1,134,509	1,109,480	25,029
Purchased Prof. & Tech. Services	129,500	129,500	178,763	(49,263)
Purchased Property Services	1,371,162	1,222,005	1,246,788	(24,783)
Other Purchased Services	115,829	115,829	109,110	6,719
Supplies	260,600	260,600	292,898	(32,298)
Property	5,215	5,215	13,294	(8,079)
Other Objects	<u>11,000</u>	<u>11,000</u>	<u>5,200</u>	<u>5,800</u>
Total Oper. & Maint. of Plant Svcs.	<u>4,944,542</u>	<u>4,795,385</u>	<u>4,782,856</u>	<u>12,529</u>
Student Transportation Services				
Personal Services				
Salaries	722,101	722,101	725,227	(3,126)
Employee Benefits	294,416	294,416	270,005	24,411
Purchased Prof. & Tech. Services	3,800	3,800	1,634	2,166
Purchased Property Services	3,500	3,500	1,938	1,562
Other Purchased Services	1,012,776	1,012,776	1,031,624	(18,848)
Supplies	240,300	240,300	257,476	(17,176)
Property	500	500	1,411	(911)
Other Objects	<u>350</u>	<u>350</u>	<u>60</u>	<u>290</u>
Total Student Transportation Services	<u>2,277,743</u>	<u>2,277,743</u>	<u>2,289,375</u>	<u>(11,632)</u>
Central				
Personal Services				
Salaries	256,193	256,193	234,294	21,899
Employee Benefits	132,388	132,388	115,856	16,532
Purchased Prof. & Tech. Services	283,318	283,318	359,104	(75,786)
Purchased Property Services	130,927	130,927	113,544	17,383
Other Purchased Services	-	200	1,620	(1,420)
Supplies	16,878	17,863	14,754	3,109
Property	175,085	174,715	164,767	9,948
Other Objects	<u>-</u>	<u>-</u>	<u>585</u>	<u>(585)</u>
Total Central	<u>994,789</u>	<u>995,604</u>	<u>1,004,524</u>	<u>(8,920)</u>

**Peters Township School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Other				
Other Purchased Services	\$ <u>65,654</u>	\$ <u>65,654</u>	\$ <u>63,974</u>	\$ <u>1,680</u>
Total Support Services	<u>16,444,141</u>	<u>16,322,206</u>	<u>16,011,355</u>	<u>310,851</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	727,594	727,594	738,021	(10,427)
Employee Benefits	235,598	235,598	234,808	790
Purchased Prof. & Tech. Services	50,500	50,581	158,257	(107,676)
Purchased Property Services	21,390	21,390	17,385	4,005
Other Purchased Services	30,325	30,325	32,770	(2,445)
Supplies	89,710	89,710	85,740	3,970
Property	6,000	6,000	3,856	2,144
Other Objects	<u>11,990</u>	<u>15,225</u>	<u>20,012</u>	<u>(4,787)</u>
Total Student Activities	<u>1,173,107</u>	<u>1,176,423</u>	<u>1,290,849</u>	<u>(114,426)</u>
Community Services				
Other Purchased Services	<u>-</u>	<u>-</u>	<u>3,178</u>	<u>(3,178)</u>
Total Noninstructional Services	<u>1,173,107</u>	<u>1,176,423</u>	<u>1,294,027</u>	<u>(117,604)</u>
Facilities Acquisition, Construction and Improvement Services				
Property	<u>-</u>	<u>-</u>	<u>9,950</u>	<u>(9,950)</u>
Debt Service				
Interest	1,250,602	-	-	-
Refunds of Prior Year's Receipts	-	-	62,833	(62,833)
Redemption of Principal	3,215,000	-	-	-
Fiscal Agent Fees	<u>-</u>	<u>5,000</u>	<u>8,050</u>	<u>(3,050)</u>
Total Debt Service	<u>4,465,602</u>	<u>5,000</u>	<u>70,883</u>	<u>(65,883)</u>
Total Expenditures	<u>56,460,812</u>	<u>52,322,108</u>	<u>51,697,065</u>	<u>625,043</u>

**Peters Township School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund - Budget and Actual  
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	\$ -	\$ -	\$ 77,981	\$ (77,981)
Debt Service Fund	<u>-</u>	<u>4,460,602</u>	<u>4,466,927</u>	<u>(6,325)</u>
Total Other Financing Uses	<u>-</u>	<u>4,460,602</u>	<u>4,544,908</u>	<u>(84,306)</u>
Total Expenditures & Other Financing Uses	<u>56,460,812</u>	<u>56,782,710</u>	<u>56,241,973</u>	<u>540,737</u>
Net Change in Fund Balance	18,322	18,322	1,052,501	1,034,179
Fund Balance - July 1, 2014	<u>11,200,818</u>	<u>11,200,818</u>	<u>8,901,185</u>	<u>(2,299,633)</u>
Fund Balance - June 30, 2015	<u>\$11,219,140</u>	<u>\$11,219,140</u>	<u>\$ 9,953,686</u>	<u>\$(1,265,454)</u>



**Peters Township School District  
 Required Supplementary Information  
 Other Post-Employment Benefits  
 June 30, 2015**

Schedule of Funding Progress for Retiree Health Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
07/01/14	\$ -	\$7,803,533	\$7,803,533	0.0%	\$24,817,994	31.44%
07/01/12	-	9,344,196	9,344,196	0.0%	26,043,600	35.87%
07/01/10	-	8,167,881	8,167,881	0.0%	24,812,553	32.91%

**Peters Township School District**  
**Required Supplementary Information**  
**Schedule of School District's Contributions**  
**PSERS**  
**Current Year**

	June 30, 2015
Contractually Required Contribution	\$ 5,740,697
Contributions in Relation to the Contractually Required Contribution	<u>5,740,697</u>
Contribution Deficiency (Excess)	\$ <u>          -</u>
School District Covered-Employee Payroll	\$28,752,878
Contributions as a Percentage of Covered Employee Payroll	19.97%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

**Peters Township School District  
Required Supplementary Information  
Schedule of School District's Proportionate Share  
of the Net Pension Liability  
PSERS  
Last Two Years  
(Dollar Amount in Thousands)**

	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.2173%	0.2035%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$86,009	\$83,305
School District's Covered Employee Payroll	\$27,730	\$26,110
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	310.17%	319.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.24%	54.49%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

**SINGLE AUDIT SECTION**

**HOSACK, SPECHT, MUETZEL & WOOD LLP**

**CERTIFIED PUBLIC ACCOUNTANTS**

**2 PENN CENTER WEST, SUITE 326**

**PITTSBURGH, PENNSYLVANIA 15276**

**PHONE - 412-343-9200**

**FAX - 412-343-9209**

**HSMW@HSMWCPA.COM**

**WWW.HSMWCPA.COM**

Members of the Board  
Peters Township School District  
McMurray, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Peters Township School District for the period ended June 30, 2015 were prepared to fulfill the requirements of the Office of Management and Budget's Circular A-133. A summary of the reports are as follows:

- A. 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*
- B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP

Pittsburgh, Pennsylvania

March 15, 2016

**HOSACK, SPECHT, MUETZEL & WOOD LLP**

**Exhibit A**

**CERTIFIED PUBLIC ACCOUNTANTS**

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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

Members of the Board  
Peters Township School District  
McMurray, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Peters Township School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Peters Township School District's basic financial statements, and have issued our report thereon dated March 15, 2016.

**Internal Control Over Financial Reporting**

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

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
March 15, 2016

**HOSACK, SPECHT, MUETZEL & WOOD LLP**

**Exhibit B**

**CERTIFIED PUBLIC ACCOUNTANTS**

**2 PENN CENTER WEST, SUITE 326**

**PITTSBURGH, PENNSYLVANIA 15276**

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**Independent Auditor's Report on Compliance for Each Major Program and  
on Internal Control Over Compliance Required by OMB Circular A-133**

Members of the Board  
Peters Township School District  
McMurray, Pennsylvania

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

We have audited Peters Township School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Peters Township School District's major federal programs for the year ended June 30, 2015. Peters Township School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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



## **Report on Compliance for Each Major Federal Program (Cont'd)**

### ***Auditor's Responsibility (Cont'd)***

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

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

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

## **Report on Internal Control Over Compliance**

Management of Peters Township 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 Peters Township 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Peters Township 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.

Members of the Board  
Peters Township School District  
Exhibit B  
Page 3

**Report on Internal Control Over Compliance (Cont'd)**

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

*Hosack, Specht, Muetzel & Wood LLP*  
HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
March 15, 2016

**Peters Township School District  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2015**

Exhibit C

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued was unmodified.

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?                      \_\_\_ yes                       no

*Federal Awards*

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027	IDEA B

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

Auditee qualified as low-risk auditee?                       yes                      \_\_\_ no

Peters Township School District  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015

Exhibit C

**Section II - Financial Statement Findings**

No matters were reported.

**Section III - Federal Award Findings and Questioned Costs**

No matters were reported.

**Section IV - Status of Prior Year's Findings**

Not applicable.

**Peters Township School District**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

**Exhibit D**

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/14	Revenue Recognized	Expend- itures	Accrued or (Deferred) Revenue 06/30/15
U. S. Department of Education										
Passed through the Pennsylvania Department of Education										
Title I Improving Basic Programs	I	84.010	013-140334	07/12/13-09/30/14	\$110,860	\$ (446)	\$ (446)	\$ -	\$ -	\$ -
Title I Improving Basic Programs	I	84.010	013-150334	07/22/14-09/30/15	245,975	213,178	-	226,683	226,683	13,505
Title II Improving Teacher Quality	I	84.367	020-140334	07/12/13-09/30/14	54,751	(87)	(87)	-	-	-
Title II Improving Teacher Quality	I	84.367	020-150334	07/22/14-09/30/15	55,666	<u>44,533</u>	<u>-</u>	<u>55,630</u>	<u>55,630</u>	<u>11,097</u>
Total PA Department of Education						<u>257,178</u>	<u>(533)</u>	<u>282,313</u>	<u>282,313</u>	<u>24,602</u>
Passed through Fayette, Greene and Washington County Intermediate Unit IDEA										
	I	84.027	N/A	07/01/14-06/30/15	357,590	<u>357,590</u>	<u>-</u>	<u>357,590</u>	<u>357,590</u>	<u>-</u>
						<u>614,768</u>	<u>(533)</u>	<u>639,903</u>	<u>639,903</u>	<u>24,602</u>
U. S. Department of Health and Human Services										
Title 19	I	93.778	N/A	07/01/14-06/30/15	N/A	<u>7,024(1)</u>	<u>2,512</u>	<u>5,583</u>	<u>5,583</u>	<u>1,071</u>
U. S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/14-06/30/15	N/A	121,791	3,104	121,488	121,488	2,801
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program (Donated Commodities Noncash Assistance)	I	10.555	N/A	07/01/14-06/30/15	N/A	<u>53,824</u>	<u>(10,244)</u>	<u>56,518</u>	<u>56,518</u>	<u>(7,551)</u>
Total U. S. Department of Agriculture						<u>175,615</u>	<u>(7,140)</u>	<u>178,006</u>	<u>178,006</u>	<u>(4,749)</u>
Total Federal Financial Assistance						<u>\$797,407</u>	<u>\$ (5,161)</u>	<u>\$823,492</u>	<u>\$823,492</u>	<u>\$20,924</u>

(1) Restated - See Note D

**Peters Township School District**  
**Schedule of Expenditures of Federal Awards**  
**Footnotes**  
**June 30, 2015**

**Exhibit D**

**Note A - Significant Accounting Policies**

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

**Note B - Source Code**

The source code (I) indicates funds received indirectly.

**Note C - Reconciliation with Subsidy Confirmation**

Amount Received Per Schedule	\$ 797,407
Less: Donated Commodities	(53,824)
Less: Pass Through Intermediate Unit	(357,590)
Less: Title 19	(7,024)
Add: State Funds on Confirmation	<u>20,951</u>
Per Federal Subsidy Confirmation	<u>\$ 399,920</u>

**Note D - Restatement**

Amount restated as of July 1, 2014 to reflect proper balance.

**Peters Township School District  
List of Report Distribution  
June 30, 2015**

**Exhibit E**

1 Copy - Bureau of Audits

1 Copy - Bureau of the Census