

**Peters Township School District
Financial Statements
June 30, 2016**

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Independent Auditor's Report

Members of the Board
Peter 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, 2016, and the related notes to the financial statements, which collectively comprise Peters Township School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Report on the Financial Statements (Cont'd)

Auditor's Responsibility (Cont'd)

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

Report on the Financial Statements (Cont'd)

Other Matters (Cont'd)

Other Information (Cont'd)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2017, 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

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 13, 2017

**Peters Township School District
Management's Discussion and Analysis
June 30, 2016**

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, 2016. 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. 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 2015/2016 fiscal year, Peters Township School District experienced a decline in student population of 117 students. A labor dispute involving the instructional staff caused a decrease in the enrollment of approximately 50 students, with a shift in their education to the Cyber School Program. A slowdown in new housing starts was also a contributor to the slow enrollment growth. The School District anticipates that the number of students that shifted their enrollment to the Cyber School Program during the labor dispute will shift back to the School District provided educational programs when the dispute ends.

During the 2015/2016 school year, the capital projects fund included five major expenditures: \$3,917,204 for the part of the renovations to McMurray Elementary; \$330,291 to purchase portable interactive touch boards to be used in the classrooms of McMurray Elementary; \$237,524 to purchase three new seventy-two passenger school buses for use by the transportation department throughout the School District; \$194,225 to complete the project to replace the heating and ventilation units of Pleasant Valley Elementary; \$90,534 to purchase a nine-passenger van for use in our transportation department and a maintenance truck for School District-wide use by the maintenance staff.

Expenditures in the general fund increased by \$2,317,555 compared to the 2014/2015 school year. The bulk of the increase can be attributed to an increase of 20% in the contributions to the retirement system and a transfer of \$950,000 from the general fund into the capital projects fund to continue improvements on its plant and equipment.

Analyzing the revenue part of the equation, Peters Township School District experienced an increase in the assessed value of \$5,939,112 for the 2015/2016 fiscal year. Local income tax collections decreased by \$270,000 from the 2014/2015 collections. Local assessed value grew by just under \$6,000,000, generating additional local property taxes, but was \$1,600,000 less than the historic average of the past fifteen years. Local real estate tax collections increased by \$925,531 as a direct result of a 3.608 mill tax increase.

**Peters Township School District
Management's Discussion and Analysis
June 30, 2016**

Using the Annual Financial Report

The Annual Financial Report consists of a financial section and a single audit section which is issued to comply with federal guidelines as required in the Government Auditing Standards and the Uniform Grant Guidance. Within the financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Peters Township School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

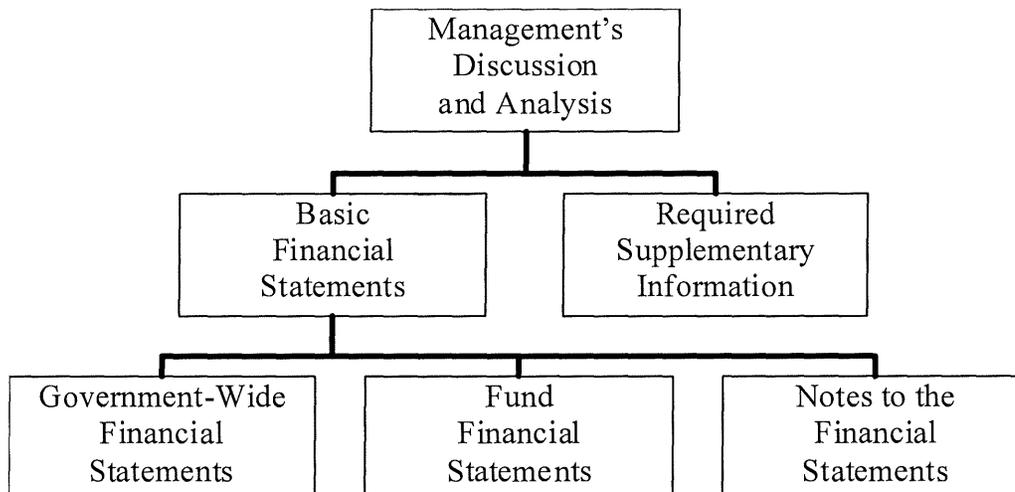
The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

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, 2016**

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	Fund Statements		
	Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to someone else's resources
Required financial statements	Statement of net 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, 2016**

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, 2016**

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 \$(70,778,561) at June 30, 2016 and a deficit \$(68,962,258) at June 30, 2015.

Table A-1
Years Ended June 30, 2016 and 2015
Net Position

	2016			2015		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 28,841,971	\$ 161,285	\$ 29,003,256	\$ 33,078,979	\$ 129,526	\$ 33,208,505
Capital Assets	<u>49,547,211</u>	<u>52,291</u>	<u>49,599,502</u>	<u>46,178,079</u>	<u>31,546</u>	<u>46,209,625</u>
Total Assets	<u>78,389,182</u>	<u>213,576</u>	<u>78,602,758</u>	<u>79,257,058</u>	<u>161,072</u>	<u>79,418,130</u>
Deferred Outflows of Resources	<u>13,993,680</u>	<u>153,836</u>	<u>14,147,516</u>	<u>11,923,358</u>	<u>126,271</u>	<u>12,049,629</u>
Current and Other Liabilities	10,046,544	78,223	10,124,767	9,192,596	59,584	9,252,180
Noncurrent Liabilities						
Due Within One Year	3,453,000	-	3,453,000	3,390,000	-	3,390,000
Due in More Than One Year	<u>148,165,444</u>	<u>1,190,624</u>	<u>149,356,068</u>	<u>140,602,855</u>	<u>1,035,982</u>	<u>141,638,837</u>
Total Liabilities	<u>161,664,988</u>	<u>1,268,847</u>	<u>162,933,835</u>	<u>153,185,451</u>	<u>1,095,566</u>	<u>154,281,017</u>

**Peters Township School District
Management's Discussion and Analysis
June 30, 2016**

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

Table A-1 (Cont'd)
Years Ended June 30, 2016 and 2015
Net Position

	2016			2015		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Deferred Inflows of Resources	\$ 587,836	\$ 7,164	\$ 595,000	\$ 6,076,993	\$ 72,007	\$ 6,149,000
Net Position						
Net Investment in Capital Assets	2,287,766	52,291	2,340,057	2,806,757	31,546	2,838,303
Restricted	8,289,763	-	8,289,763	13,958,838	-	13,958,838
Unrestricted	(80,447,491)	(960,890)	(81,408,381)	(84,847,623)	(911,776)	(85,759,399)
Total Net Position	\$(69,869,962)	\$(908,599)	\$(70,778,561)	\$(68,082,028)	\$(880,230)	\$(68,962,258)

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, 2016 and 2015
Changes in Net Position

	2016			2015		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues and Transfers						
Program Revenues						
Charges for Services	\$ -	\$ 782,324	\$ 782,324	\$ -	\$ 810,451	\$ 810,451
Operating Grants and Contribs.	8,670,359	259,179	8,929,538	8,033,652	249,589	8,283,241
Capital Grants and Contribs.	478,158	-	478,158	544,765	-	544,765

**Peters Township School District
Management's Discussion and Analysis
June 30, 2016**

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

Table A-2 (Cont'd)
Years Ended June 30, 2016 and 2015
Changes in Net Position

	2016			2015		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues and Transfers (Cont'd)						
General Revenues						
Property Taxes	\$ 36,491,895	\$ -	\$ 36,491,895	\$ 34,713,972	\$ -	\$ 34,713,972
Other Taxes	7,183,173	-	7,183,173	7,614,333	-	7,614,333
Grants, Subs. and Contribs.						
Unrestricted	6,008,739	-	6,008,739	5,898,498	-	5,898,498
Investment Earnings	74,067	448	74,515	50,550	222	50,772
Miscellaneous Income	141,209	-	141,209	596,544	-	596,544
Transfers	<u>(28,869)</u>	<u>28,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Transfers	<u>59,018,731</u>	<u>1,070,820</u>	<u>60,089,551</u>	<u>57,452,314</u>	<u>1,060,262</u>	<u>58,512,576</u>
Expenses						
Instruction	39,985,197	-	39,985,197	39,023,840	-	39,023,840
Instructional Student Support	4,481,330	-	4,481,330	4,700,593	-	4,700,593
Admin. and Financial Support Svcs.	5,157,792	-	5,157,792	5,057,179	-	5,057,179
Operation and Maintenance of						
Plant Services	5,430,254	-	5,430,254	5,017,747	-	5,017,747
Pupil Transportation	2,596,022	-	2,596,022	2,507,530	-	2,507,530
Student Activities	1,620,925	-	1,620,925	1,630,312	-	1,630,312
Community Services	4,496	-	4,496	3,178	-	3,178
Interest on Long-Term Debt	1,530,649	-	1,530,649	1,776,725	-	1,776,725
Food Service	<u>-</u>	<u>1,099,189</u>	<u>1,099,189</u>	<u>-</u>	<u>1,088,851</u>	<u>1,088,851</u>
Total Expenses	<u>60,806,665</u>	<u>1,099,189</u>	<u>61,905,854</u>	<u>59,717,104</u>	<u>1,088,851</u>	<u>60,805,955</u>
Increase (Decrease) in Net Position	(1,787,934)	(28,369)	(1,816,303)	(2,264,790)	(28,589)	(2,293,379)
Beginning Net Position	<u>(68,082,028)</u>	<u>(880,230)</u>	<u>(68,962,258)</u>	<u>(65,817,238)</u>	<u>(851,641)</u>	<u>(66,668,879)</u>
Ending Net Position	<u>\$(69,869,962)</u>	<u>\$(908,599)</u>	<u>\$(70,778,561)</u>	<u>\$(68,082,028)</u>	<u>\$(880,230)</u>	<u>\$(68,962,258)</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, 2016**

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

Table A-3
Years Ended June 30, 2016 and 2015
Governmental Activities

Functions/Programs	2016		2015	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$39,985,197	\$34,044,293	\$39,023,840	\$33,538,150
Instructional Student Support	4,481,330	3,984,870	4,700,593	4,238,655
Administrative and Fin. Support Svcs.	5,157,792	4,767,542	5,057,179	4,757,673
Operation and Maintenance of Plant Svcs.	5,430,254	5,088,535	5,017,747	4,758,139
Pupil Transportation	2,596,022	1,544,810	2,507,530	1,406,288
Student Activities	1,620,925	1,205,720	1,630,312	1,239,139
Community Services	4,496	4,456	3,178	3,178
Interest on Long-Term Debt	<u>1,530,649</u>	<u>1,017,922</u>	<u>1,776,725</u>	<u>1,197,465</u>
Total Governmental Activities	<u>\$60,806,665</u>	51,658,148	<u>\$59,717,104</u>	51,138,687
Less:				
Unrestricted Grants, Subsidies		<u>(6,008,739)</u>		<u>(5,898,498)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$45,649,409</u>		<u>\$45,240,189</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, 2016 and 2015
Business-Type Activities

Functions/Programs	2016		2015	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	<u>\$1,099,189</u>	\$57,686	<u>\$1,088,851</u>	\$28,811

**Peters Township School District
Management's Discussion and Analysis
June 30, 2016**

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

Table A-4 (Cont'd)
Years Ended June 30, 2016 and 2015
Business-Type Activities

	2016		2015	
Functions/Programs (Cont'd)	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Less:				
Investment Earnings		\$ (448)		\$ (222)
Transfers		<u>(28,869)</u>		<u> -</u>
Total Business-Type Activities		<u>\$ 28,369</u>		<u>\$28,589</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, 2016, the School District's general fund reported a fund balance of \$10,558,409, which is an increase of \$604,723 of the previous year's balance. Overall expenditures were less than budgeted amounts by \$1,159,861. The general fund revenues were less than budget by \$555,138.

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, 2016, 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 \$11,286 less than the budgeted amount for real estate taxes and \$138,262 less 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 more consistent earned income tax collections on a regular basis.

**Peters Township School District
Management's Discussion and Analysis
June 30, 2016**

School District Funds (Cont'd)

General Fund Budget (Cont'd)

The School District also saw a reduction to the amount of delinquent earned income 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 \$1,705. The net result of local revenues compared to the budgeted amount was off by \$52,531.

The School District experienced an increase in the states regular education subsidy of \$128,149 in 2015/2016. They also received \$249,713 more than budgeted for the Ready to Learn Block grants. Overall the School District received more than \$308,159 in additional state subsidies than the budgeted amounts in the 2015/2016 fiscal year.

The School District and the Federation of Teachers negotiated a responsible long-term collective bargaining agreement that saved costs attributed to the regular and special education program wages and benefits of the School District. This helped to offset the increase in costs associated with higher than anticipated enrollment in the Cyber Charter School programs. Staff retirements also saved the School District costs in the 2015/2016 fiscal year. Lower utility costs due to a warmer fall and winter also contributed to the School District spending less than budgeted in 2015/2016. Savings were realized in the transportation department due to lower fuel prices.

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 and did raise taxes to balance the budget in 2015/2016. The School District's current 110.75 mill real estate tax reflects a 3.608 mill rate increase above 2014/2015 and is only 35.75 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. As the School District prepares to move forward into 2016/2017, a county-wide reassessment of the real estate property values brings change and unknown collection percentages to the property tax system beginning with the 2017/2108 fiscal year. The possibility of escrowing a portion of the collections for potential reduced values due to the outcome of appeals is almost a certainty.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2016, the School District's governmental funds had \$49,547,211 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 increase (including additions, deletions, and depreciation) of \$3,369,132 from June 30, 2015 as outlined in Table A-5.

**Peters Township School District
Management's Discussion and Analysis
June 30, 2016**

Capital Assets and Debt Administration (Cont'd)

Capital Assets (Cont'd)

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

	2016	2015
Land	\$ 926,000	\$ 926,000
Buildings and Building Improvements	39,467,365	41,258,283
Furniture and Equipment	2,919,505	2,190,784
Construction in Progress	6,234,341	1,803,012

Debt Administration

As of July 1, 2015, the School District had total outstanding bond and note principal of \$51,115,000. The School District retired debt of \$3,225,000 during the year resulting in a total outstanding bond principal balance as of June 30, 2016, of \$47,885,000 as outlined in Table A-6.

Table A-6
Outstanding Debt

	As of 6/30/16	As of 6/30/15
General Obligation Bonds/Notes		
Series 2006	\$ 2,735,000	\$ 2,825,000
Series B 2010	660,000	715,000
Series 2010	3,080,000	5,995,000
Series 2011	4,770,000	4,775,000
Series of 2012	18,115,000	18,125,000
Series of 2013A	2,990,000	2,995,000
Series of 2013B	5,540,000	5,685,000
Series of 2014	9,995,000	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, 2016**

Bond Rating

The School District's general obligation bond rating is a stand-alone uninsured 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 decreased by more than 214 students over the past ten (10) years, from 4,323 in June 2007 to 4,109 in June 2016. 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. The School District is also contemplating a School District-wide assessment of student population and birth trends be studied and a report be prepared for future preparedness.
- Staffing - The School District projects reduction in both professional and support staff to adjust for enrollment changes while maintaining a quality educational program. The School District was successful in negotiating a teachers' contract that expires in June 2021 and a custodial/maintenance contract that will expire in August 2020 during the 2015/2016 fiscal year.
- Facilities - Negotiations continue with the Township to complete a joint purchase of land. Other future projects being considered by the School District include the renovation of the high school. A feasibility study on the high school and the other School District facilities is in progress.
- Benefits - Increases in the state retirement contribution rate are projected to occur annually, with a pension crisis forecasted for the 2016/2017 fiscal year. This will place a significant financial burden on the School District. Minimal increases in health insurance premiums are a bright spot on the financial horizon but they cannot last indefinitely. Employee premium co-payments and plan benefit changes have been included in all collective bargaining agreements and discussions to minimize the impact of any future increases.
- Special Education - Cost increases in special education programs continue to escalate. A 2.2% increase during the 2015/2016 fiscal year has slowed from increase of previous years averaging from 6% to 10%. In 2015/2016, special education costs represented 10.9% of the annual School District expenditures. Although slightly lower increases over previous year changes, this represents a substantial increase in expenditures from the 7.09% of the School District budget in the 2006/2007 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, 2016**

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. In a reassessment year, Act 1 also limits the increase in taxes to an index amount.

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 23.9% of total revenue sources to fund costs supporting the School District's educational programs during fiscal 2016. Local sources of revenue, primarily property taxes, now support 75.5% of the costs for educational programs and services in Peters Township School District. The federal government provided 0.5% 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>Elementary</u>	<u>Secondary</u>	<u>Totals</u>
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	2,010	2,099	4,109
2017 ⁽¹⁾	1,964	2,139	4,103

**Peters Township School District
Management's Discussion and Analysis
June 30, 2016**

Securities and Exchange Commission Continued Disclosure (Cont'd)

OPERATING AND FINANCIAL DATA (CONT'D)

Enrollment Data (Cont'd)

Projected Enrollments

<u>School Year Ending June 30,</u>	<u>Totals</u>
2017	4,093
2018	4,121
2019	4,155
2020	4,137
2021	4,155

Source: School District Officials.

⁽¹⁾ Reflects actual enrollment for the beginning of the 2017 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	\$ 9,995,000	0.4599	0.0000	\$ 9,995,000
General Obligation Bonds, Series A of 2013	2,990,000	0.4599	0.0000	2,990,000
General Obligation Bonds, Series B of 2013	5,540,000	0.4599	0.3508	4,646,215
General Obligation Notes, Taxable Series of 2012	18,115,000	0.4599	0.2393	16,121,370
General Obligation Bonds, Series of 2011	4,770,000	0.4599	0.0000	4,770,000
General Obligation Bonds, Series of 2010	3,080,000	0.4599	0.2453	2,732,534
General Obligation Notes, SPSBA 2010 QSCB	660,000	0.4599	0.0000	660,000
General Obligation Bonds, Refunding Series of 2006	<u>2,735,000</u>	0.4599	0.3205	<u>2,331,866</u>
 Total Direct Debt	 <u>47,885,000</u>			 <u>44,246,985</u>
 Peters Township ⁽¹⁾	 24,809,156			 24,809,156
Washington County ⁽²⁾	<u>9,025,977</u>			<u>9,025,977</u>
 Total Overlapping Debt	 <u>33,835,133</u>			 <u>33,835,133</u>
 Total Direct and Overlapping Debt	 <u>\$81,720,133</u>			 <u>\$78,082,118</u>

**Peters Township School District
Management's Discussion and Analysis
June 30, 2016**

Securities and Exchange Commission Continued Disclosure (Cont'd)

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

- (1) Source: Pennsylvania Department of Community and Economic Development, as of December 1, 2016. 100% overlapping.
- (2) Source: Pennsylvania Department of Community and Economic Development. 21.01% overlapping. As of December 1, 2016, Washington County had outstanding debt of \$42,960,386. 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.

Debt Ratio Calculations (including issuance of the bonds)

	<u>Gross Outstanding</u>	<u>Local Share</u>
Net Direct Debt Per Capita	\$2,257.34	\$2,085.84
Net Direct Debt to Market Value	1.98%	1.83%
Net Direct and Overlapping Debt Per Capita	\$3,852.36	\$3,680.86
Net Direct and Overlapping Debt to Market Value	3.38%	3.26%
Population (2010 census)	21,213	
2016 Market Value	\$2,416,326,615	

Future Financing

The School District is contemplating a high school addition/renovation project within the next five years. A joint purchase of certain property with the Township is a possibility in the 2016/2017 fiscal year. The former Rolling Hills Country Club property, now vacant, located in the center of the Township is being pursued. The scope of this potential project has not yet been determined, but a renovation or possibly a new building is being studied.

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
2007/2008	\$1,631,311,800	\$299,000,000	89.500	\$26,760,500	\$25,774,157	96.3%	\$26,362,301	98.5%
2008/2009	1,766,906,500	305,000,000	92.500	27,297,500	26,470,705	97.0%	26,930,875	98.7%
2009/2010	1,803,086,400	313,000,000	92.500	28,952,500	27,410,648	94.7%	27,938,773	96.5%
2010/2011	1,943,754,522	317,000,000	95.180	30,172,060	28,558,454	94.7%	29,314,460	97.2%
2011/2012	1,904,201,810	323,540,027	96.510	31,224,848	29,563,055	94.7%	30,104,871	96.4%
2012/2013	1,940,685,467	330,313,614	100.300	33,130,458	31,477,139	95.0%	31,986,179	96.5%

**Peters Township School District
Management's Discussion and Analysis
June 30, 2016**

Real Estate Tax Collection Data (Cont'd)

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
2013/2014	\$2,152,776,343	\$335,437,888	102.000	\$34,214,665	\$32,480,832	94.5%	\$33,210,133	97.1%
2014/2015	2,269,148,667	339,595,594	107.142	36,384,951	34,713,972	95.4%	35,446,858	97.4%
2015/2016 ⁽¹⁾	2,416,326,615	345,534,706	110.750	38,267,969	36,491,895	95.3%	37,221,766	97.3%

Source: School District Officials

⁽¹⁾ Unaudited Estimates by School District officials.

Tax Anticipation Borrowing

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

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
2015	\$57,240,946	\$94,576,710	\$37,335,764	60.5%	\$12,678,213	294.5%
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%

Source: PSERS Comprehensive Financial Reports 2016

**Peters Township School District
Management's Discussion and Analysis
June 30, 2016**

PSERS Funding Progress and Comparative Ratios (Cont'd)

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)
2015	\$95,945,000	\$57,362,000	\$51,706,000	60.6%	53.9%
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 2016

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, 2016**

Exhibit 1

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 24,691,523	\$ 120,005	\$ 24,811,528
Taxes Receivable, Net	1,394,296	-	1,394,296
Internal Balances	21,132	(21,132)	-
Due from Other Governments	2,691,014	50,787	2,741,801
Other Receivables	44,006	9,166	53,172
Inventories	-	2,459	2,459
Capital Assets not Being Depreciated			
Land	926,000	-	926,000
Construction in Progress	6,234,341	-	6,234,341
Capital Assets, Net of Accumulated Depreciation			
Buildings and Building Improvements	39,467,365	-	39,467,365
Furniture and Equipment	<u>2,919,505</u>	<u>52,291</u>	<u>2,971,796</u>
TOTAL ASSETS	<u>78,389,182</u>	<u>213,576</u>	<u>78,602,758</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	1,193,703	-	1,193,703
Amounts Related to Pensions	<u>12,799,977</u>	<u>153,836</u>	<u>12,953,813</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>13,993,680</u>	<u>153,836</u>	<u>14,147,516</u>
LIABILITIES			
Accounts Payable	3,554,473	27,948	3,582,421
Contacts Payable	284,108	-	284,108
Accrued Salaries and Benefits	5,738,776	-	5,738,776
Payroll Deductions and Withholdings	8,059	-	8,059
Unearned Revenues	-	2,458	2,458
Other Current Liabilities	461,128	47,817	508,945
Noncurrent Liabilities			
Due Within One Year	3,453,000	-	3,453,000
Due in More Than One Year			
Notes Payable	18,105,000	-	18,105,000
Termination Payments	262,000	-	262,000
Compensated Absences	2,004,581	25,640	2,030,221
Bonds Payable	27,043,148	-	27,043,148
Other Post-Employment Benefits	5,149,699	-	5,149,699
Net Pension Liability	<u>95,601,016</u>	<u>1,164,984</u>	<u>96,766,000</u>
TOTAL LIABILITIES	<u>161,664,988</u>	<u>1,268,847</u>	<u>162,933,835</u>
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to Pensions	<u>587,836</u>	<u>7,164</u>	<u>595,000</u>
NET POSITION			
Net Investment in Capital Assets	2,287,766	52,291	2,340,057
Restricted for Debt Service	1	-	1
Restricted for Capital Projects	8,289,762	-	8,289,762
Unrestricted	<u>(80,447,491)</u>	<u>(960,890)</u>	<u>(81,408,381)</u>
TOTAL NET POSITION	<u>\$(69,869,962)</u>	<u>\$(908,599)</u>	<u>\$(70,778,561)</u>

See Accompanying Notes

**Peters Township School District
Statement of Activities
Year Ended June 30, 2016**

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
Governmental Activities							
Instruction	\$39,985,197	\$ -	\$5,940,904	\$ -	\$(34,044,293)	\$ -	\$(34,044,293)
Instructional Student Support	4,481,330	-	496,460	-	(3,984,870)	-	(3,984,870)
Administrative and Financial Support Services	5,157,792	-	390,250	-	(4,767,542)	-	(4,767,542)
Operation and Maintenance of Plant Services	5,430,254	-	341,719	-	(5,088,535)	-	(5,088,535)
Pupil Transportation	2,596,022	-	1,051,212	-	(1,544,810)	-	(1,544,810)
Student Activities	1,620,925	-	415,205	-	(1,205,720)	-	(1,205,720)
Community Services	4,496	-	40	-	(4,456)	-	(4,456)
Interest on Long-Term Debt	<u>1,530,649</u>	-	<u>34,569</u>	<u>478,158</u>	<u>(1,017,922)</u>	-	<u>(1,017,922)</u>
Total Governmental Activities	<u>60,806,665</u>	-	<u>8,670,359</u>	<u>478,158</u>	<u>(51,658,148)</u>	-	<u>(51,658,148)</u>
Business-Type Activities							
Food Service	<u>1,099,189</u>	<u>782,324</u>	<u>259,179</u>	-	-	<u>(57,686)</u>	<u>(57,686)</u>
Total Primary Government	<u>\$61,905,854</u>	<u>\$782,324</u>	<u>\$8,929,538</u>	<u>\$478,158</u>	<u>(51,658,148)</u>	<u>(57,686)</u>	<u>(51,715,834)</u>
General Revenues and Transfers							
Taxes							
Property Taxes Levied for General Purposes, Net					36,491,895	-	36,491,895
Earned Income Taxes					5,393,516	-	5,393,516
Real Estate Transfer Taxes					855,468	-	855,468
Other Taxes Levied for General Purposes, Net					934,189	-	934,189
Grant Subsidies and Contributions not Restricted					6,008,739	-	6,008,739
Investment Earnings					74,067	448	74,515
Miscellaneous Income					141,209	-	141,209
Transfers					<u>(28,869)</u>	<u>28,869</u>	-
Total General Revenues and Transfers					<u>49,870,214</u>	<u>29,317</u>	<u>49,899,531</u>
Changes in Net Position					(1,787,934)	(28,369)	(1,816,303)
Net Position - July 1, 2015					<u>(68,082,028)</u>	<u>(880,230)</u>	<u>(68,962,258)</u>
Net Position - June 30, 2016					<u>\$(69,869,962)</u>	<u>\$(908,599)</u>	<u>\$(70,778,561)</u>

See Accompanying Notes

**Peters Township School District
Balance Sheet
Governmental Funds
June 30, 2016**

Exhibit 3

	General Fund	Capital Projects Fund	Non- major Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$16,685,415	\$8,006,107	\$1	\$24,691,523
Taxes Receivable, Net	1,394,296	-	-	1,394,296
Due from Other Funds	22,640	1,009,502	-	1,032,142
Due from Other Governments	2,691,014	-	-	2,691,014
Other Receivables	<u>42,498</u>	<u>-</u>	-	<u>42,498</u>
TOTAL ASSETS	<u>\$20,835,863</u>	<u>\$9,015,609</u>	<u>\$1</u>	<u>\$29,851,473</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Due to Other Funds	\$ 1,009,502	\$ -	\$-	\$ 1,009,502
Accounts Payable	3,112,734	441,739	-	3,554,473
Contracts Payable	-	284,108	-	284,108
Accrued Salaries and Benefits	5,738,776	-	-	5,738,776
Payroll Deductions and Withholdings	8,059	-	-	8,059
Other Current Liabilities	<u>27,774</u>	<u>-</u>	-	<u>27,774</u>
Total Liabilities	<u>9,896,845</u>	<u>725,847</u>	-	<u>10,622,692</u>
Deferred Inflows of Resources				
Unavailable Revenues - Property Taxes	<u>380,609</u>	<u>-</u>	-	<u>380,609</u>
Fund Balances				
Restricted	-	8,289,762	1	8,289,763
Assigned	8,500,000	-	-	8,500,000
Unassigned	<u>2,058,409</u>	<u>-</u>	-	<u>2,058,409</u>
Total Fund Balances	<u>10,558,409</u>	<u>8,289,762</u>	<u>1</u>	<u>18,848,172</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$20,835,863</u>	<u>\$9,015,609</u>	<u>\$1</u>	<u>\$29,851,473</u>

See Accompanying Notes

**Peters Township School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016**

Exhibit 4

Total Fund Balances - Governmental Funds	\$ 18,848,172
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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 \$123,889,479 and the accumulated depreciation is \$74,342,268.	49,547,211
--	------------

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.	380,609
--	---------

Premium and discount on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position.	625,555
--	---------

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	\$ 12,799,977	
Deferred Inflows of Resources Related to Pensions	<u>(587,836)</u>	12,212,141

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	(95,601,016)
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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	(29,770,000)	
Accrued Interest on the Bonds	(433,354)	
Notes Payable	(18,115,000)	
Other Post-Employment Benefits Payable	(5,149,699)	
Termination Payments	(310,000)	
Compensated Absences	<u>(2,104,581)</u>	<u>(55,882,634)</u>

Total Net Position - Governmental Activities	<u><u>\$(69,869,962)</u></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, 2016**

Exhibit 5

	General Fund	Capital Projects Fund	Non- major Funds	Total Governmental Funds
Revenues				
Local Sources	\$44,675,440	\$ 17,361	\$ -	\$44,692,801
State Sources	14,167,362	-	-	14,167,362
Federal Sources	<u>323,901</u>	<u>-</u>	<u>-</u>	<u>323,901</u>
Total Revenues	<u>59,166,703</u>	<u>17,361</u>	<u>-</u>	<u>59,184,064</u>
Expenditures				
Instruction	35,255,243	-	-	35,255,243
Support Services	16,220,583	328,058	-	16,548,641
Noninstructional Services	1,383,768	-	-	1,383,768
Capital Outlay	-	6,279,509	-	6,279,509
Debt Service (Principal and Interest)	6,500	-	4,655,000	4,661,500
Refunds of Prior Year's Receipts	<u>96,222</u>	<u>-</u>	<u>-</u>	<u>96,222</u>
Total Expenditures	<u>52,962,316</u>	<u>6,607,567</u>	<u>4,655,000</u>	<u>64,224,883</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>6,204,387</u>	<u>(6,590,206)</u>	<u>(4,655,000)</u>	<u>(5,040,819)</u>
Other Financing Sources (Uses)				
Transfers In	-	950,000	4,655,000	5,605,000
Sale/Compensation for Capital Assets	5,336	-	-	5,336
Transfers Out	<u>(5,605,000)</u>	<u>(28,869)</u>	<u>-</u>	<u>(5,633,869)</u>
Total Other Financing Sources (Uses)	<u>(5,599,664)</u>	<u>921,131</u>	<u>4,655,000</u>	<u>(23,533)</u>
Net Changes in Fund Balances	604,723	(5,669,075)	-	(5,064,352)
Fund Balances - July 1, 2015	<u>9,953,686</u>	<u>13,958,837</u>	<u>1</u>	<u>23,912,524</u>
Fund Balances - June 30, 2016	<u>\$10,558,409</u>	<u>\$ 8,289,762</u>	<u>\$ 1</u>	<u>\$18,848,172</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, 2016**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds	\$(5,064,352)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Depreciation Expense	\$(3,046,873)	
Capital Outlays	<u>6,416,005</u>	3,369,132

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 decreased by this amount this year. (45,578)

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. 3,230,000

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	(28,504)	
Termination Payments	76,500	
OPEB Obligation	<u>(426,100)</u>	(378,104)

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	18,974
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**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, 2016**

Exhibit 6

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	\$(7,112,637)	
Cost of Benefits Earned	<u>4,312,755</u>	\$(2,799,882)

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.

Amortization of Discount, Premium and Deferred Loss on Refunding		<u>(118,124)</u>
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Change in Net Position of Governmental Activities		<u>\$(1,787,934)</u>
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See Accompanying Notes

**Peters Township School District
Statement of Net Position
Proprietary Funds
June 30, 2016**

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 120,005
Due from Other Governments	50,787
Other Receivables	9,166
Inventories	<u>2,459</u>
Total Current Assets	<u>182,417</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>52,291</u>
TOTAL ASSETS	<u>234,708</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to Pensions	<u>153,836</u>
LIABILITIES	
Current Liabilities	
Due to Other Funds	21,132
Accounts Payable	27,948
Unearned Revenues	2,458
Other Current Liabilities	<u>47,817</u>
Total Current Liabilities	<u>99,355</u>
Noncurrent Liabilities	
Long-Term Portion of Compensated Absences	25,640
Net Pension Liability	<u>1,164,984</u>
Total Noncurrent Liabilities	<u>1,190,624</u>
TOTAL LIABILITIES	<u>1,289,979</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to Pensions	<u>7,164</u>
NET POSITION	
Net Investment in Capital Assets	52,291
Unrestricted	<u>(960,890)</u>
TOTAL NET POSITION	<u>\$ (908,599)</u>

See Accompanying Notes

Peters Township School District
Statement of Revenues, Expenses and Changes
in Net Position
Proprietary Funds
Year Ended June 30, 2016

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ 772,435
Charges for Services	3,635
Other Operating Revenues	<u>6,254</u>
Total Operating Revenues	<u>782,324</u>
Operating Expenses	
Salaries	335,790
Employee Benefits	195,616
Other Purchased Services	508,106
Supplies	51,553
Depreciation	<u>8,124</u>
Total Operating Expenses	<u>1,099,189</u>
Operating Income (Loss)	<u>(316,865)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	448
State Sources	76,578
Federal Sources	<u>182,601</u>
Total Nonoperating Revenues (Expenses)	<u>259,627</u>
Income (Loss) Before Transfers	<u>(57,238)</u>
Transfers In	<u>28,869</u>
Change in Net Position	(28,369)
Net Position - July 1, 2015	<u>(880,230)</u>
Net Position - June 30, 2016	<u>\$ (908,599)</u>

See Accompanying Notes

**Peters Township School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2016**

Exhibit 9

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 776,626
Cash Payments to Employees for Services	(456,237)
Cash Payments to Suppliers for Goods and Services	<u>(517,175)</u>
Net Cash Used for Operating Activities	<u>(196,786)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	70,412
Federal Sources	89,691
Transfers In	<u>28,869</u>
Net Cash Provided by Non-Capital Financing Activities	<u>188,972</u>
Cash Flows from Capital and Related Financing Activities	
Facilities Acquisition, Construction and Improvement Services	<u>(28,869)</u>
Cash Flows from Investing Activities	
Earnings on Investments	448
Loans Received	<u>38,999</u>
Net Cash Provided by Investing Activities	<u>39,447</u>
Net Increase in Cash and Cash Flows	2,764
Cash and Cash Equivalents - July 1, 2015	<u>117,241</u>
Cash and Cash Equivalents - June 30, 2016	<u>\$ 120,005</u>

**Peters Township School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2016**

Exhibit 9

Food
Service
Fund

Operating Income (Loss)	<u>\$(316,865)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation	8,124
Donated Commodities	51,553
(Increase) Decrease in Accounts Receivables	(7,697)
(Increase) Decrease in Deferred Outflows	(27,565)
Increase (Decrease) in Accounts Payable	12,935
Increase (Decrease) in Unearned Revenues	(7,070)
Increase (Decrease) in Other Current Liabilities	(3,145)
Increase (Decrease) in Deferred Inflows	(64,843)
Increase (Decrease) in Net Pension Liability	<u>157,787</u>
Total Adjustments	<u>120,079</u>
Cash Used for Operating Activities	<u>\$(196,786)</u>
Noncash Non-Capital Financing Activities	
During the year ended June 30, 2016, the School District received \$46,460 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, 2016

Exhibit 10

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	<u>\$26,771</u>	<u>\$232,489</u>
LIABILITIES		
Due to Other Funds	-	1,508
Other Current Liabilities	<u>-</u>	<u>230,981</u>
TOTAL LIABILITIES	<u>-</u>	<u>232,489</u>
NET POSITION		
Restricted for Scholarships	<u>\$26,771</u>	<u>\$ -</u>

See Accompanying Notes

**Peters Township School District
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2016**

Exhibit 11

	Private Purpose Trust Fund
Additions	
Interest	\$ <u>95</u>
Deductions	<u>-</u>
Change in Net Position	95
Net Position - July 1, 2015	<u>26,676</u>
Net Position - June 30, 2016	<u>\$26,771</u>

See Accompanying Notes

Peters Township School District
Notes to Financial Statements
June 30, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016 was \$166,927, which was paid in the year ended June 30, 2016 to Western and reported in the School District's general fund. The School District has no equity interest in Western as of June 30, 2016. 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, 2016 was \$42,600 which has been reported in the School District's general fund. The School District has no equity interest in Washington as of June 30, 2016. 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, 2016

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, 2016.

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and, for comparative purposes the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval. Excess of expenditures over appropriations in the general fund is presented in the required supplementary information 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, 2016.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2016 are reported as unearned revenue.

Peters Township School District
Notes to Financial Statements
June 30, 2016

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, 2016

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, 2016

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, 2016

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, 2016, 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>8,289,762</u>
	<u>\$8,289,763</u>

The assigned fund balance in the general fund of \$8,500,000 consists of:

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

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 2 - 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.

It is the policy of the School District to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the School District and conforming to all state and local statutes governing the investment of public funds, using the "prudent person" standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital and protection of investment principal), liquidity and yield.

Deposits with Financial Institutions

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2016, \$25,491,699 of the School District's bank balance of \$25,768,741 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>\$25,491,699</u>

Investments

Interest Rate Risk - In accordance with its investment policy, the School District limits its exposure by structuring the portfolio to provide liquidity for operating funds and maximizing yields for funds not needed. The policy requires the School District to remain sufficiently liquid to meet all the operating requirements that are reasonably anticipated.

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1F. The School District's investment policy limits its investment choices to those as limited by law.

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

Note 3 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2015/2016 was 110.75 mills (\$110.75 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2015/2016 is as follows:

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 3 - Real Estate Taxes (Cont'd)

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

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as 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 \$380,609 net of estimated uncollectible amounts of \$42,290, along with other taxes receivable of \$1,013,687.

Note 4 - Due from Other Governments

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

	Governmental Funds	Enterprise Fund	Totals
Federal (through the state)	\$ 44,048	\$44,159	\$ 88,207
State	<u>2,646,966</u>	<u>6,628</u>	<u>2,653,594</u>
	<u>\$2,691,014</u>	<u>\$50,787</u>	<u>\$2,741,801</u>

Note 5 - Capital Assets

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

	Balance 07/01/15	Additions	Deletions	Transfers	Balance 06/30/16
Governmental Activities					
Capital Assets not Being Depreciated					
Land	\$ 926,000	\$ -	\$ -	\$ -	\$ 926,000
Construction in Progress	<u>1,803,012</u>	<u>5,003,825</u>	<u>-</u>	<u>(572,496)</u>	<u>6,234,341</u>
Total Capital Assets not Being Depreciated	<u>2,729,012</u>	<u>5,003,825</u>	<u>-</u>	<u>(572,496)</u>	<u>7,160,341</u>
Capital Assets Being Depreciated					
Buildings and Building Improvements	106,448,189	253,617	-	572,496	107,274,302

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 5 - Capital Assets (Cont'd)

	Balance 07/01/15	Additions	Deletions	Transfers	Balance 06/30/16
Governmental Activities (Cont'd)					
Capital Assets Being Depreciated (Cont'd)					
Furniture and Equipment	\$ <u>9,206,514</u>	\$ <u>1,158,563</u>	\$ <u>910,241</u>	\$ _____	\$ <u>9,454,836</u>
Total Capital Assets Being Depreciated	<u>115,654,703</u>	<u>1,412,180</u>	<u>910,241</u>	<u>572,496</u>	<u>116,729,138</u>
Less Accumulated Depreciation					
Buildings and Building Improvements	65,189,906	2,617,031	-	-	67,806,937
Furniture and Equipment	<u>7,015,730</u>	<u>429,842</u>	<u>910,241</u>	_____	<u>6,535,331</u>
Total Accumulated Depreciation	<u>72,205,636</u>	<u>3,046,873</u>	<u>910,241</u>	_____	<u>74,342,268</u>
Total Capital Assets Being Depreciated, Net	<u>43,449,067</u>	<u>(1,634,693)</u>	_____	<u>572,496</u>	<u>42,386,870</u>
Governmental Activities Capital Assets, Net	\$ <u>46,178,079</u>	\$ <u>3,369,132</u>	\$ _____	\$ _____	\$ <u>49,547,211</u>
Business-Type Activities					
Furniture and Equipment	\$ 178,930	\$ 28,869	\$ -	\$ -	\$ 207,799
Less Accumulated Depreciation	<u>147,384</u>	<u>8,124</u>	_____	_____	<u>155,508</u>
Business-Type Capital Assets, Net	\$ <u>31,546</u>	\$ <u>20,745</u>	\$ _____	\$ _____	\$ <u>52,291</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$2,453,820
Instructional Student Support	10,771
Administration and Financial Support Services	51,768
Operation and Maintenance of Plant Services	112,782
Student Activities Services	155,552
Pupil Transportation	<u>262,180</u>
Total Depreciation Expense	<u>\$3,046,873</u>
Business Activities	
Food Service	<u>\$ 8,124</u>

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 6 - Interfund Balances

At June 30, 2016, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 22,640	\$1,009,502
Capital Projects Fund	1,009,502	-
Enterprise Fund		
Food Service Fund	-	21,132
Agency Fund	<u>-</u>	<u>1,508</u>
	<u>\$1,032,142</u>	<u>\$1,032,142</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 7 - Interfund Transfers

For the year ended June 30, 2016, interfund transfers consisted of the following:

	Transfer From		
Transfer To	General Fund	Capital Projects Fund	Totals
Capital Projects Fund	\$ 950,000	\$ -	\$ 950,000
Debt Service Fund	4,655,000	-	4,655,000
Food Service Fund	<u>-</u>	<u>28,869</u>	<u>28,869</u>
	<u>\$5,605,000</u>	<u>\$28,869</u>	<u>\$5,633,869</u>

The transfer of \$950,000 from the general fund to the capital projects fund was for future capital expenditures.

The transfer of \$4,655,000 from the general fund to the debt service fund was to pay for the principal and interest on general obligation bonds. The transfer of \$28,869 from the capital projects fund to the food service fund was for the purchase of food service equipment.

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 8 - Long-Term Debt

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

	Balance 07/01/15	Additions	Reductions	Balance 06/30/16	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$32,990,000	\$ -	\$3,220,000	\$29,770,000	\$3,295,000
Plus: Bond Premium	869,696	-	146,662	723,034	-
Less: Bond Discount	<u>(179,820)</u>	<u>-</u>	<u>(24,934)</u>	<u>(154,886)</u>	<u>-</u>
Total Bonds Payable	<u>33,679,876</u>	<u>-</u>	<u>3,341,728</u>	<u>30,338,148</u>	<u>3,295,000</u>
Notes Payable					
General Obligation Notes	18,125,000	-	10,000	18,115,000	10,000
Other Long-Term Liabilities	386,500	29,000	105,500	310,000	48,000
Compensated Absences	<u>2,076,077</u>	<u>129,336</u>	<u>100,832</u>	<u>2,104,581</u>	<u>100,000</u>
Governmental Activities					
Long-Term Liabilities	<u>\$54,267,453</u>	<u>\$158,336</u>	<u>\$3,558,060</u>	<u>\$50,867,729</u>	<u>\$3,453,000</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%	\$ 2,735,000
Refunding Series of 2010 - Due in semi-annual installments through September 1, 2017; interest at 0.45% to 4.00%	3,080,000
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%	660,000
Series of 2011 - Due in semi-annual installments through September 2021; interest at 0.45% to 3.45%	4,770,000
Series of 2013A - Due in semi-annual installments through September 15, 2028; interest at 2.00% to 3.00%	2,990,000
Series of 2013B - Due in semi-annual installments through September 15, 2018; interest at 0.25% to 3.00%	5,540,000

Peters Township School District
Notes to Financial Statements
June 30, 2016

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

Governmental Activities - General Obligation Bonds (Cont'd)

Series of 2014 - Due in semi-annual installments through September 1, 2028; interest at 2.00% to 2.875%	<u>\$ 9,995,000</u>
	<u>\$29,770,000</u>

Governmental Activities - General Obligation Note

Series of 2012 - Due in semi-annual installments through September 1, 2026; interest at 1.210% to 3.310%	<u>\$18,115,000</u>
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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, 2016, including interest, are as follows:

Year Ended June 30,	Governmental Activities					
	General Obligation Bonds			General Obligation Notes		Totals
	Principal	Interest	Build America Bonds Credit	Principal	Interest	
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	520,857	(37,191)	15,000	524,412	4,533,078
2021	3,285,000	410,377	(37,191)	10,000	524,124	4,192,310
2022-2026	4,165,000	1,618,706	(185,955)	15,390,000	1,558,468	22,546,219
2027-2030	<u>8,485,000</u>	<u>454,012</u>	<u>(55,787)</u>	<u>2,665,000</u>	<u>44,105</u>	<u>11,592,330</u>
	<u>\$29,770,000</u>	<u>\$5,194,434</u>	<u>\$(427,697)</u>	<u>\$18,115,000</u>	<u>\$4,226,024</u>	<u>\$56,877,761</u>

The Build America Bonds subsidy reflected above does not account for any possible sequestration reduction. 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, 2016, \$8,165,000 of bonds outstanding is considered defeased.

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 9 - 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, 2016, were \$198,878. Future minimum payments for these leases are as follows:

Year Ended June 30,	Amount
2017	\$156,175
2018	149,291
2019	142,407
2020	142,407
2021	<u>71,204</u>
	<u>\$661,484</u>

Note 10 - 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.

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)

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

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.

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.

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)

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

3. Contributions (Cont'd)

Member Contributions (Cont'd)

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%.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2016 was 25.0% 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 \$7,197,167 for the year ended June 30, 2016.

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

At June 30, 2016, the School District reported a liability of \$96,766,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the School District's proportion was 0.2234%, which was an increase of 0.0061% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$10,062,429. At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 10 - 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)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ -	\$399,000
Net difference between projected and actual investment earnings	-	196,000
Changes in proportions	5,525,000	-
Difference between employer contributions and proportionate share of total contributions	231,646	-
Contributions subsequent to the measurement date	<u>7,197,167</u>	<u>-</u>
	<u>\$12,953,813</u>	<u>\$595,000</u>

\$7,197,167 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$1,134,429
2018	1,134,429
2019	1,134,429
2020	<u>1,758,359</u>
	<u>\$5,161,646</u>

1. Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - 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%

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 10 - 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)

- 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, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

The pension plan's policy in regard to 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	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0)%	1.1%
	<u>100%</u>	

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 10 - 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 above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

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	\$119,274	\$96,766	\$77,849

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.

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 11 - 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, 2016 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Note 12 - 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, 2016, the total Consortium net position was \$11,429,290. The School District's share of the net position was \$651,550.

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 13 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2016, was \$4,818,135.

This includes \$3,732,002 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 \$1,086,133 to the federal government for social security and Medicare taxes for the year ended June 30, 2016. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 14 - 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.

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 or the contract co-pay amount, whichever is greater:

2015-2016	\$48,000
2016-2017	48,000
2017-2018	50,000
2018-2019	50,000
2019-2020	52,000
2020-2021	52,000

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, 2016, the School District contributed \$285,371. Plan members receiving benefits contributed \$57,692. 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

**Peters Township School District
Notes to Financial Statements
June 30, 2016**

Note 14 - Post-Employment Healthcare Plan (Cont'd)

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

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.

Annual Required Contribution	\$ 804,582
Interest on NPO	188,944
Adjustment to Annual Required Contribution	<u>(278,125)</u>
Annual OPEB Cost (Expense)	715,401
Contributions Made	<u>(289,301)</u>
Increase in OPEB Obligation	426,100
Net OPEB Obligation - Beginning of Year	<u>4,723,599</u>
Net OPEB Obligation - End of Year	<u>\$5,149,699</u>

The School District's OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the years ended June 30, 2016, 2015 and 2014, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/16	\$715,401	40.4%	\$5,149,699
06/30/15	727,651	43.8%	4,723,599
06/30/14	960,090	38.5%	4,314,637

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

Peters Township School District
Notes to Financial Statements
June 30, 2016

Note 14 - Post-Employment Healthcare Plan (Cont'd)

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

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.

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 15 - 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 2015/2016 school year, the rate was \$500. Payments of \$105,500 were made to eligible employees. As of June 30, 2016, thirty-two (32) employees were eligible to receive these benefits for a total liability of \$310,000.

Note 16 - Construction Commitment

As of June 30, 2016, the School District had construction commitments of approximately \$585,989 for various building projects. It is anticipated these projects will be completed in the fall 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, 2016**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$36,492,520	\$36,503,181	\$36,491,895	\$ (11,286)
Interim Real Estate Taxes	275,000	275,000	299,194	24,194
Public Utility Realty Taxes	46,500	46,500	45,944	(556)
Local Services Taxes	30,000	30,000	43,307	13,307
Earned Income Taxes	5,628,000	5,628,000	5,489,738	(138,262)
Real Estate Transfer Taxes	770,000	770,000	855,468	85,468
Delinquencies on Taxes	715,000	715,000	591,322	(123,678)
Earnings on Investments	55,000	55,000	56,705	1,705
Other Local Revenues				
Revenue from Student Activities	150,500	150,500	294,648	144,148
Federal Revenues from IUs	357,590	357,590	339,947	(17,643)
Contributions and Donations from Private Sources				
Rentals	20,000	20,000	15,000	(5,000)
Tuition from Patrons	35,000	35,000	34,500	(500)
Svcs. Prov. Other Local Gov't. Units	68,200	68,200	840	(67,360)
Miscellaneous Revenue	2,000	2,000	9,600	7,600
Energy Efficiency Revenue and Incentives	12,000	12,000	7,500	(4,500)
Refunds of Prior Year's Expenditures	20,000	20,000	20,958	958
	<u>40,000</u>	<u>40,000</u>	<u>78,874</u>	<u>38,874</u>
Total Revenues from Local Sources	<u>44,717,310</u>	<u>44,727,971</u>	<u>44,675,440</u>	<u>(52,531)</u>
State Sources				
Basic Instruct. & Oper. Subsidies				
Basic Instructional Subsidy	5,150,679	5,150,679	5,278,828	128,149
Migratory Children	300	300	40	(260)
Tuition	-	-	1,858	1,858
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	1,512,613	1,512,613	1,574,859	62,246
Subsidies for Noneduc. Programs				
Transportation (Regular & Add'l.)	1,015,000	1,015,000	920,799	(94,201)
Rentals and Sinking Fund Payments	579,000	579,000	478,158	(100,842)
Health Services	80,000	80,000	85,546	5,546

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<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	\$ 729,871	\$ 729,871	\$ 729,871	\$ -
Ready to Learn Block Grant	86,100	421,913	335,813	(86,100)
Social Security Payments	1,135,600	1,135,600	1,073,170	(62,430)
State Retirement Revenue	<u>3,842,758</u>	<u>3,842,758</u>	<u>3,688,420</u>	<u>(154,338)</u>
Total Revenues from State Sources	<u>14,131,921</u>	<u>14,467,734</u>	<u>14,167,362</u>	<u>(300,372)</u>
Federal Sources				
Restricted Grants-in-Aid from the Fed. Gov't. through the Commonwealth				
Title I	249,633	249,633	230,189	(19,444)
Title II	59,000	59,000	54,812	(4,188)
Build America Bonds	33,000	33,000	34,569	1,569
Medical Assistance - Access	<u>40,000</u>	<u>40,000</u>	<u>4,331</u>	<u>(35,669)</u>
Total Revenues from Federal Sources	<u>381,633</u>	<u>381,633</u>	<u>323,901</u>	<u>(57,732)</u>
Total Revenues	<u>59,230,864</u>	<u>59,577,338</u>	<u>59,166,703</u>	<u>(410,635)</u>
Other Financing Sources				
Transfer from Other Funds	160,500	149,839	-	(149,839)
Sale of Capital Assets	<u>-</u>	<u>-</u>	<u>5,336</u>	<u>5,336</u>
Total Other Financing Sources	<u>160,500</u>	<u>149,839</u>	<u>5,336</u>	<u>(144,503)</u>
Total Revenues & Other Financing Sources	<u>59,391,364</u>	<u>59,727,177</u>	<u>59,172,039</u>	<u>(555,138)</u>
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	18,154,330	18,265,790	17,511,191	754,599
Employee Benefits	10,031,588	10,050,252	9,319,294	730,958

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<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	\$ 43,300	\$ 43,300	\$ 67,121	\$ (23,821)
Purchased Property Services	168,475	168,375	211,718	(43,343)
Other Purchased Services	396,950	396,950	704,899	(307,949)
Supplies	302,294	309,894	252,256	57,638
Property	243,835	436,134	399,383	36,751
Other Objects	<u>16,740</u>	<u>16,740</u>	<u>15,872</u>	<u>868</u>
Total Regular Programs	<u>29,357,512</u>	<u>29,687,435</u>	<u>28,481,734</u>	<u>1,205,701</u>
Special Programs				
Personal Services				
Salaries	3,198,843	3,198,843	3,008,237	190,606
Employee Benefits	1,599,348	1,599,348	1,510,872	88,476
Purchased Prof. & Tech. Services	1,321,926	1,321,926	1,291,417	30,509
Purchased Property Services	34,623	34,623	22,624	11,999
Other Purchased Services	603,900	603,900	563,406	40,494
Supplies	1,630	2,517	24,942	(22,425)
Property	13,560	13,560	3,469	10,091
Other Objects	<u>2,000</u>	<u>3,000</u>	<u>1,744</u>	<u>1,256</u>
Total Special Programs	<u>6,775,830</u>	<u>6,777,717</u>	<u>6,426,711</u>	<u>351,006</u>
Vocational Educational Programs				
Other Purchased Services	<u>219,000</u>	<u>219,000</u>	<u>209,527</u>	<u>9,473</u>
Other Instructional Programs				
Personal Services				
Salaries	12,313	12,313	66,047	(53,734)
Employee Benefits	21,154	21,154	37,185	(16,031)
Other Purchased Services	200	200	-	200
Other Objects	<u>-</u>	<u>-</u>	<u>400</u>	<u>(400)</u>
Total Other Instructional Programs	<u>33,667</u>	<u>33,667</u>	<u>103,632</u>	<u>(69,965)</u>

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<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	\$ 45,622	\$ 45,622	\$ 33,639	\$ 11,983
Total Instruction	<u>36,431,631</u>	<u>36,763,441</u>	<u>35,255,243</u>	<u>1,508,198</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	1,299,426	1,299,426	1,180,748	118,678
Employees Benefits	733,568	733,568	662,872	70,696
Purchased Prof. & Tech. Services	1,308	1,308	324	984
Purchased Property Services	-	-	5,423	(5,423)
Other Purchased Services	1,305	1,305	-	1,305
Supplies	61,850	61,850	51,453	10,397
Other Objects	<u>2,440</u>	<u>2,440</u>	<u>2,206</u>	<u>234</u>
Total Pupil Personnel	<u>2,099,897</u>	<u>2,099,897</u>	<u>1,903,026</u>	<u>196,871</u>
Instructional Staff				
Personal Services				
Salaries	854,691	854,691	821,630	33,061
Employee Benefits	437,838	437,838	401,779	36,059
Purchased Prof. & Tech. Services	71,242	71,242	30,062	41,180
Purchased Property Services	56,859	56,859	46,048	10,811
Other Purchased Services	2,000	2,181	3,167	(986)
Supplies	317,383	319,383	260,825	58,558
Property	45,408	43,408	40,510	2,898
Other Objects	<u>1,000</u>	<u>4,740</u>	<u>4,585</u>	<u>155</u>
Total Instructional Staff	<u>1,786,421</u>	<u>1,790,342</u>	<u>1,608,606</u>	<u>181,736</u>

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<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	\$ 1,853,033	\$ 1,853,033	\$ 1,875,804	\$ (22,771)
Employee Benefits	961,091	961,091	921,449	39,642
Purchased Prof. & Tech. Services	294,350	294,350	356,178	(61,828)
Purchased Property Services	7,300	7,950	4,274	3,676
Other Purchased Services	103,025	103,025	91,064	11,961
Supplies	61,000	61,000	53,689	7,311
Property	9,713	9,713	2,619	7,094
Other Objects	<u>31,544</u>	<u>31,544</u>	<u>25,680</u>	<u>5,864</u>
Total Administration	<u>3,321,056</u>	<u>3,321,706</u>	<u>3,330,757</u>	<u>(9,051)</u>
Pupil Health				
Personal Services				
Salaries	475,509	475,509	473,796	1,713
Employee Benefits	220,777	220,777	234,968	(14,191)
Purchased Prof. & Tech. Services	600	600	-	600
Purchased Property Services	230	230	-	230
Other Purchased Services	75	75	315	(240)
Supplies	3,354	3,354	3,474	(120)
Property	<u>200</u>	<u>200</u>	<u>708</u>	<u>(508)</u>
Total Pupil Health	<u>700,745</u>	<u>700,745</u>	<u>713,261</u>	<u>(12,516)</u>
Business				
Personal Services				
Salaries	287,113	287,113	257,330	29,783
Employee Benefits	134,914	134,914	155,972	(21,058)
Purchased Prof. & Tech. Services	11,500	11,500	50	11,450
Purchased Property Services	50,010	50,010	50,449	(439)
Other Purchased Services	13,650	13,650	13,227	423
Supplies	4,500	4,500	3,490	1,010
Property	500	500	-	500
Other Objects	<u>950</u>	<u>1,950</u>	<u>1,885</u>	<u>65</u>
Total Business	<u>503,137</u>	<u>504,137</u>	<u>482,403</u>	<u>21,734</u>

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<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	\$ 2,239,875	\$ 2,031,693	\$ 1,955,662	\$ 76,031
Employee Benefits	1,350,382	1,253,406	1,210,504	42,902
Purchased Prof. & Tech. Services	456,540	172,500	179,007	(6,507)
Purchased Property Services	1,527,191	1,333,323	1,133,819	199,504
Other Purchased Services	119,100	119,100	117,540	1,560
Supplies	265,178	245,386	300,435	(55,049)
Property	64,645	10,000	3,241	6,759
Other Objects	<u>11,500</u>	<u>11,950</u>	<u>7,669</u>	<u>4,281</u>
Total Oper. & Maint. of Plant Svcs.	<u>6,034,411</u>	<u>5,177,358</u>	<u>4,907,877</u>	<u>269,481</u>
Student Transportation Services				
Personal Services				
Salaries	765,137	765,137	730,551	34,586
Employee Benefits	324,188	324,188	321,277	2,911
Purchased Prof. & Tech. Services	3,800	3,800	1,324	2,476
Purchased Property Services	4,500	4,500	1,418	3,082
Other Purchased Services	1,092,056	1,092,056	1,009,107	82,949
Supplies	252,300	252,300	187,804	64,496
Property	500	500	513	(13)
Other Objects	<u>350</u>	<u>350</u>	<u>400</u>	<u>(50)</u>
Total Student Transportation Services	<u>2,442,831</u>	<u>2,442,831</u>	<u>2,252,394</u>	<u>190,437</u>
Central				
Personal Services				
Salaries	67,672	275,854	297,085	(21,231)
Employee Benefits	39,073	136,049	171,183	(35,134)
Purchased Prof. & Tech. Services	-	302,040	282,587	19,453
Purchased Property Services	-	158,800	151,705	7,095
Other Purchased Services	-	-	1,567	(1,567)
Supplies	-	25,178	18,826	6,352
Property	3,000	57,645	33,665	23,980
Other Objects	<u>-</u>	<u>-</u>	<u>(52)</u>	<u>52</u>
Total Central	<u>109,745</u>	<u>955,566</u>	<u>956,566</u>	<u>(1,000)</u>

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<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>65,693</u>	\$ <u>(39)</u>
Total Support Services	<u>17,063,897</u>	<u>17,058,236</u>	<u>16,220,583</u>	<u>837,653</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	789,803	789,803	772,290	17,513
Employee Benefits	279,011	279,011	277,272	1,739
Purchased Prof. & Tech. Services	56,650	56,650	164,066	(107,416)
Purchased Property Services	15,000	23,164	23,647	(483)
Other Purchased Services	31,625	31,625	34,105	(2,480)
Supplies	93,158	93,528	88,726	4,802
Property	7,150	6,319	2,692	3,627
Other Objects	<u>17,485</u>	<u>19,446</u>	<u>16,475</u>	<u>2,971</u>
Total Student Activities	<u>1,289,882</u>	<u>1,299,546</u>	<u>1,379,273</u>	<u>(79,727)</u>
Community Services				
Other Purchased Services	-	-	4,455	(4,455)
Property	<u>-</u>	<u>-</u>	<u>40</u>	<u>(40)</u>
Total Community Services	<u>-</u>	<u>-</u>	<u>4,495</u>	<u>(4,495)</u>
Total Noninstructional Services	<u>1,289,882</u>	<u>1,299,546</u>	<u>1,383,768</u>	<u>(84,222)</u>
Debt Service				
Refunds of Prior Year's Receipts	-	-	96,222	(96,222)
Fiscal Agent Fees	<u>5,000</u>	<u>5,000</u>	<u>6,500</u>	<u>(1,500)</u>
Total Debt Service	<u>5,000</u>	<u>5,000</u>	<u>102,722</u>	<u>(97,722)</u>
Total Expenditures	<u>54,790,410</u>	<u>55,126,223</u>	<u>52,962,316</u>	<u>2,163,907</u>

**Peters Township School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	\$ -	\$ -	\$ 950,000	\$ (950,000)
Debt Service Fund	<u>4,600,954</u>	<u>4,600,954</u>	<u>4,655,000</u>	<u>(54,046)</u>
Total Other Financing Uses	<u>4,600,954</u>	<u>4,600,954</u>	<u>5,605,000</u>	<u>(1,004,046)</u>
Total Expenditures & Other Financing Uses	<u>59,391,364</u>	<u>59,727,177</u>	<u>58,567,316</u>	<u>1,159,861</u>
Net Change in Fund Balance	-	-	604,723	604,723
Fund Balance - July 1, 2015	<u>9,227,186</u>	<u>9,227,186</u>	<u>9,953,686</u>	<u>726,500</u>
Fund Balance - June 30, 2016	<u>\$ 9,227,186</u>	<u>\$ 9,227,186</u>	<u>\$10,558,409</u>	<u>\$ 1,331,223</u>

**Peters Township School District
 Required Supplementary Information
 Other Post-Employment Benefits
 June 30, 2016**

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
 Last Two Years**

	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 6,892,047	\$ 5,740,697
Contributions in Relation to the Contractually Required Contribution	<u>6,892,047</u>	<u>5,740,697</u>
Contribution Deficiency (Excess)	\$ <u> -</u>	\$ <u> -</u>
School District Covered-Employee Payroll	\$28,147,771	\$28,739,793
Contributions as a Percentage of Covered Employee Payroll	24.49%	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 Three Years
(Dollar Amount in Thousands)**

	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.2234%	0.2173%	0.2035%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$96,766	\$86,009	\$83,305
School District's Covered Employee Payroll	\$28,739	\$27,730	\$26,110
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	336.71%	310.17%	319.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.36%	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

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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, 2016 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. 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 the Uniform Guidance
- 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

January 13, 2017

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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, 2016, 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 January 13, 2017.

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
January 13, 2017

**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

Basis of Qualified Opinion on Child Nutrition Cluster

As described in the accompanying schedule of findings and questioned costs, Peters Township School District did not comply with requirements regarding CFDA No. 10.555 Child Nutrition Cluster as described in finding No. 2016-001 Noncompliance - Reporting. Compliance with such requirements is necessary, in our opinion, for Peters Township School District to comply with the requirements applicable to that program.

Qualified Opinion on Nutrition Cluster 10.555

In our opinion, except for the noncompliance described on the Basis for Qualified Opinion paragraph, Peters Township School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct or material effect on the Nutrition Cluster for the year ended June 30, 2016.

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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Peters Township School District's internal control over compliance.

Report on Internal Control Over Compliance (Cont'd)

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We do not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Item 2016-002 that we consider to be a significant deficiency.

Peters Township School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Peters Township School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 13, 2017

**Peters Township School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Exhibit C

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

Noncompliance

2016-001 Noncompliance - Verification Process

Federal Program: Nutrition Cluster, CFDA Nos. 10.555

Pass-through Entity: Pennsylvania Department of Education

Compliance Requirements: Reporting

Type of Finding: Noncompliance

Criteria

A child's eligibility for free or reduced price meals under a Child Nutrition Cluster program is established by the submission of an annual application which furnishes such information as family income and family size.

Condition

The post-verification performed by the School District on an application reported as reduced, should have been changed from reduced to paid.

Context

The School District did not properly complete the verification process.

Questioned Costs

None

Cause

A lack of proper review when performing the verification process.

**Peters Township School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Exhibit C

Section III - Federal Award Findings and Questioned Costs

Noncompliance (Cont'd)

2016-001 Noncompliance - Verification Process (Cont'd)

Recommendation

We recommend, during the verification process, that all applications selected for verification are properly reviewed.

Response

Peters Township School District agrees with the finding and in the future will be more careful during the verification process.

2016-002 Noncompliance - Approval of School Official

Federal Program: Nutrition Cluster, CFDA Nos. 10.555

Pass-Through Entity: Pennsylvania Department of Education

Compliance Requirements: Reporting

Type of Finding: Noncompliance

Criteria

A child's eligibility for free or reduced price meals under a Child Nutrition Cluster program is established by the submission of an annual application, which furnishes such information as family income and family size.

Condition

While performing testing of applications, it was noted that applications were not signed by a School District official.

Context

The School District did not properly complete the application process.

**Peters Township School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

Exhibit C

Section III - Federal Award Findings and Questioned Costs (Cont'd)

Noncompliance (Cont'd)

2016-002 Noncompliance - Approval of School Official (Cont'd)

Questioned Costs

None

Cause

A lack of proper School District official's signature on the application.

Recommendation

We recommend that all applications be properly signed.

Response

Peters Township School District agrees with the finding and in the future will properly sign the applications.

Section IV - Status of Prior Year's Findings

Not applicable.

Peters Township School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

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 07/01/15	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/16
U. S. Department of Education										
Passed through the Pennsylvania										
Department of Education										
Title I Improving Basic Programs	I	84.010	013-160334	07/01/15-09/30/16	\$211,578	\$169,262	\$ -	\$211,578	\$211,578	\$42,316
Title I Improving Basic Programs	I	84.010	013-150334	07/22/14-09/30/15	245,294	<u>32,116</u>	<u>13,505</u>	<u>18,611</u>	<u>18,611</u>	-
						<u>201,378</u>	<u>13,505</u>	<u>230,189</u>	<u>230,189</u>	<u>42,316</u>
Title II Improving Teacher Quality	I	84.367	020-160334	07/01/15-09/30/16	54,812	54,812	-	54,812	54,812	-
Title II Improving Teacher Quality	I	84.367	020-150334	07/22/14-09/30/15	59,317	<u>11,097</u>	<u>11,097</u>	-	-	-
						<u>65,909</u>	<u>11,097</u>	<u>54,812</u>	<u>54,812</u>	-
Passed through Intermediate Unit 1										
IDEA-B - Section 619	I	84.173	131-1501	07/01/15-06/30/16	2,075	2,075	-	2,075	2,075	-
IDEA-B	I	84.027	N/A	07/01/15-06/30/16	337,872	<u>337,872</u>	-	<u>337,872</u>	<u>337,872</u>	-
Total Special Education Cluster						<u>339,947</u>	-	<u>339,947</u>	<u>339,947</u>	-
Sub Total U. S. Dept. of Education						<u>607,234</u>	<u>24,602</u>	<u>624,948</u>	<u>624,948</u>	<u>42,316</u>
U. S. Department of Health & Human Svcs.										
Passed through the Pennsylvania										
Department of Public Welfare										
Medical Assistance - Access	I	93.778	N/A	07/01/15-06/30/16	N/A	<u>3,669</u>	<u>1,071</u>	<u>4,331</u>	<u>4,331</u>	<u>1,733</u>
Sub Total U. S. Dept. of Health & Human Svcs.						<u>3,669</u>	<u>1,071</u>	<u>4,331</u>	<u>4,331</u>	<u>1,733</u>
U. S. Department of Agriculture										
Passed through the Pennsylvania										
Department of Education										
Nat'l. School Lunch Program	I	10.555	N/A	07/01/15-06/30/16	N/A	89,691	2,801	131,048	131,048	44,158
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated Commodities Noncash Assistance)	I	10.555	N/A	07/01/15-06/30/16	N/A	<u>46,460</u>	<u>(7,551)</u>	<u>51,553</u>	<u>51,553</u>	<u>(2,458)</u>
Sub Total U. S. Dept. of Agriculture and Nutrition Cluster						<u>136,151</u>	<u>(4,750)</u>	<u>182,601</u>	<u>182,601</u>	<u>41,700</u>
Total Federal Financial Assistance						<u>\$747,054</u>	<u>\$20,923</u>	<u>\$811,880</u>	<u>\$811,880</u>	<u>\$85,749</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Peters Township School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Peters Township School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Peters Township School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Peters Township School District.

Note B - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Peters Township School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Source Code

The Source Code (I) indicates funds received indirectly.

Note D - Reconciliation with Subsidy Confirmation

Total Received Per Schedule	\$ 747,054
Add: State Food Nutrition Service	13,869
Less: Funds Passed Through IU #1	(339,947)
Less: Donated Commodities	(46,460)
Less: Title XIX	<u>(3,669)</u>
Per Subsidy Confirmation	\$ <u>370,847</u>

Note E - Subrecipients

The School District did not pass through any federal expenditures to subrecipients.

**Peters Township School District
List of Report Distribution
June 30, 2016**

Exhibit E

1 Copy - Bureau of Audits

1 Copy - Bureau of the Census