



# CANON-MCMILLAN SCHOOL DISTRICT

CANONSBURG, PENNSYLVANIA

ANNUAL FINANCIAL REPORT  
SCHOOL YEAR ENDED JUNE 30, 2017



**Cypher & Cypher**

Accountants | Auditors | Advisors

CANON–MCMILLAN SCHOOL DISTRICT

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Independent Auditor's Report

Canon-McMillan School District  
Canonsburg, Pennsylvania

Ladies and Gentlemen:

**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 Canon-McMillan School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 School District's preparation and fair presentation of the financial statements in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Canon-McMillan School District as of June 30, 2017 and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 on Pages i through xxiv 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 Canon-McMillan School District's basic financial statements. The statement of changes in assets and liabilities – agency funds, the balance sheet – capital projects funds, and the statement of revenues, expenditures, and changes in fund balances – capital projects funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The statement of changes in assets and liabilities – agency funds, the balance sheet – capital projects funds, the statement of revenues, expenditures, and changes in fund balances – capital projects funds, and the schedule of expenditure of awards of federal assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of changes in assets and liabilities – agency funds, the balance sheet – capital projects funds, the statement of revenues, expenditures, and changes in fund balances – capital projects funds, and the schedule of expenditure of awards of federal assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2017, on our consideration of Canon-McMillan 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Canon-McMillan School District’s 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 Canon-McMillan School District’s internal control over financial reporting and compliance.

CYPHER & CYPHER

*Cypher & Cypher*

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
September 21, 2017

# Management's Discussion and Analysis

**CANON–McMILLAN SCHOOL DISTRICT  
CANONSBURG, PENNSYLVANIA**

**Management's Discussion and Analysis (MD&A)  
June 30, 2017**

Our discussion and analysis of Canon–McMillan School District's financial performance provides an overview of the School District's financial activities for the fiscal year ending June 30, 2017. The MD&A should be read in conjunction with the financial statements and footnotes. This report was prepared by the School District's Business Office.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June, 1999.

This report was prepared by the School District's Business Office. Responsibility for both the accuracy of the data presented and the completeness and fairness of presentation, including disclosures in the notes to general purpose financial statements, is the responsibility of the School District's management. We believe that the data is accurately presented in all material respects, is presented in a manner designed to fairly present the financial position and results of operations of the District as measured by the financial activity of the various funds and that all disclosures necessary to enable a reader to gain the maximum understanding of the School District's financial affairs have been included.

**THE SCHOOL DISTRICT**

Canon–McMillan School District is a School District of the Third Class, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"). Canon–McMillan School District is an independent reporting entity as determined within the criteria established in accordance with Governmental Accounting Standards Board codification Section 2100. The application of this section provides comparability between governmental units, comprehensiveness of an individual report, and an indication of the responsibility and control function of the elected officials.

The criteria of Section 2100 have been examined as to the relationship of the School District with the Western Area Career and Technology Center. This entity was determined not to be a part of the reporting entity of the School District. The Center has been excluded due to lack of substantial control. The District appoints one member to the Joint Operating Committee of the Center. The District pays tuition for the students attending the center and would be responsible for any revenue shortfall and loan defaults.

The School District provides a comprehensive educational system from kindergarten through grade twelve, including regular instruction, special instruction, vocational education and necessary support services. The goal of the School District is to provide



excellence in education by fostering high levels of student achievement through collaboration with the community and amidst an ethical culture. We are proud of the efforts of a small group of caring community citizens to establish a foundation to serve the interests of the district. The Canon-McMillan Horizon Foundation is a non-profit organization designed to solicit tax-free donations to support all aspects of the school district including, but not limited to, educational programming and facilities upgrades.

The governing body of the School District consists of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors. The Superintendent functions as the Chief Executive Officer and works collaboratively with the Board of School Directors within a governance framework. The collaboration continues with and throughout the administrative team as teamwork is a cornerstone of our philosophy of success.

## **POSITIVE RESULTS OF OUR SCHOOL PROGRAM**

Overall, the District is proud of the achievement of its students. We are proud to note that the Canon-McMillan School District boasts the honor of three National Blue Ribbon Schools: First Street Elementary (2007 and 2015) and Wylandville Elementary School (2010). In addition, the Canonsburg Middle School was a 2011 recipient of the Pennsylvania Don Eichhorn Award (one of 21 middle schools in Pennsylvania) and was designated as a National Schools to Watch Middle School, one of 250 schools in the United States to have achieved that special distinction. In 2014, the Canonsburg Middle School was re-designated as a Pennsylvania Don Eichorn and National School to Watch Middle School and also boasts the 2012 Middle Level Principal of the Year designation. Also in May, 2014, Muse Elementary School and the Canon- McMillan Senior High School each received a Governor's Proclamation for outstanding continuous growth in student academic achievement. Cecil Intermediate, a Title 1 school from our district was recognized as a 2015 National Title I Distinguished School for the State of Pennsylvania.

As one of the fastest growing school districts in southwestern Pennsylvania, we are proud of the myriad of opportunities we offer our students. Our growth, in combination with the age of some of our facilities necessitated a multi-phase capital improvement plan which was initially presented in May 2014. Ground breaking for the new Muse Elementary School occurred in the fall of 2015 and the opening date for the new school occurred on schedule in August 2017. We created physical learning spaces that are conducive to learning appropriate for the 21<sup>st</sup> century, representative of financially sound decisions and indicative of the well-developed infrastructure our students and school community deserve.

The Canon-McMillan School District meets the needs of its students on a variety of academic, emotional and social levels. The District embraces the PA Core Standards with the provision of differentiated instructional practices which build a foundation for student success. Tutoring is offered for at-risk students needing extra help. Enrichment opportunities also are provided and are augmented by programming that addresses the needs of identified gifted students. Canon-McMillan has engaged in Community

Partnerships providing students with hands-on project-based learning experiences in conjunction with their coursework. These experiences involve plant/factory field trips, round-table problem-solving discussions with engineers and CEO's and solutions-based projects paired with classroom instructional activities to solve for real-life problems identified by the respective company representatives. While our Community Partners list is growing, it includes partners such as Auma Actuators, Range Resources, Catalyst-Connections, All-Clad Metal Crafters, Universal Electric Corporation, Consol Energy and Mark-West Energy Partners.

Beginning with the 2017-2018 school year, the Canon-McMillan will become the first school district in the state of Pennsylvania to implement the Code to the Future, a full immersion computer science curriculum, at our K-4 levels. Canon-McMillan administration understands that there is a growing concern, as indicated in recent US Department of Labor and industry reports, that there will be a one million person job gap in positions requiring skill sets in computer science. The district wants to do our part in addressing this concern by exposing our students to such programming at the earliest levels of their educational experience.

As a testament to the positive results of our school programs, the award-winning Canon-McMillan School District has building level test scores well within the range that the Pennsylvania Department of Education considers to be successful. With the release of current student performance data, it was indicated that none of our schools were identified by the state, or federal government, as needing additional support for success. Canon-McMillan continues to focus on student growth at each of our schools with the goal to continue to increase each individual school's overall performance.

## **FINANCIAL HIGHLIGHTS**

Our financial statements provide these insights into the results of this year's operations:

Governmental funds including the general, capital projects, capital reserve, debt service and athletic reported a combined fund balance of \$48.8 million including a combined net income of \$9.5 million for 2016-2017. The increase from 2015-2016 is due to the bond proceeds for the High School and Stadium projects.

Revenues: The School District's general fund received \$80.4 million during 2016-2017 compared with \$75.1 million for 2015-2016. Canon-McMillan received 71% of its funding from local sources, 28.4% from state sources, and 0.6% from federal sources compared with 71%, 28%, and 1% respectively in 2015-2016. Real estate tax receipts continue to be the primary source of revenue for the general fund. The property assessments, from which real estate tax receipts are based, continue to increase. Without a significant increase in state funding, it is anticipated that future annual millage rate increases are likely, especially if the District continues to pursue Capital Projects.

Earned Income Tax (EIT) is the second most significant local revenue source funding general fund operations and it has continued to increase, especially with the mandated countywide consolidation effort which began in 2012. The District will continue to monitor this taxing effort as it will have both short and long term impacts to the Earned

Income Tax collection. However, it is still anticipated that the School District is financially positioned very well as economic growth continues and the financial health of the local economy is not solely dependent on any one of several major employers. Another large local tax revenue source for the School District is the Realty Transfer Tax, which taxes one half percent on the sale of homes in our communities. The rates on both this tax and the Earned Income Tax rate are not able to be changed per state law. Homes in our communities range from starter homes which are attractive to young families, to expansive properties. The recovering housing market, lower borrowing costs and looser mortgage qualifications.

Expenditures: Total general fund spending for 2016-2017 was \$77.8 million for the year compared with \$72 million for 2015-2016. Instructional programs expended \$39.7 million, or 50.9% of all general fund spending compared with \$37.8 million or 51.5% in 2015-2016.

It is anticipated the District will continue to perform better than many communities in terms of revenue streams. Additionally, there have been improvements and additions to the highways creating increased access to major markets and making the Canon-McMillan School District a location that businesses are sure to find attractive.

## **OVERVIEW OF FINANCIAL STATEMENTS**

The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### *Government-wide Financial Statements*

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time increases and decreases in net position serves as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement from some items that will result in cash flows in the future fiscal periods, such as uncollected taxes.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes, state and federal subsidies (governmental activities) from other functions that are intended to recover a portion from user fees and charges (business-type activities). The governmental activities include general costs of

the District such as instruction, administration and community service. The largest major fund in governmental activity is the General Fund.

The General Fund, the Capital Projects Fund, and the Debt Service Fund are the three major funds under governmental activities.

The General Fund accounts for all transactions of the School District which are not required to be accounted for in another fund. The School Board is empowered by Article 5 Section 507 of the Public School Code to levy and collect necessary taxes in addition to the annual State appropriation in order to pay for any indebtedness that may be created and to enable it to establish, enlarge, equip, furnish, operate, and maintain the operations of the School District. All other funds are designated for specific purposes.

The Capital Bond Funds have activity restricted to capital improvements and the purchase of long-term equipment and are aggregated into a single presentation, Capital Projects Fund. The Debt Service Fund accounts for resources accumulated to provide for payment of general long-term debt principal and interest. The District has one non-major funds: a District Activity Fund, which is aggregated into a single presentation, Non-Major Funds.

The only other major fund is the Food Service Fund and it is a business-type activity fund which accounts for the cafeteria program in each of the District's eleven schools. The District contracted these services through an RFP process with Nutrition Inc. to provide food service management. The Retirement Obligations Fund is an internal service fund and accounts for the financial transactions related to the other post employment activities of the School District.

### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds - Most of the 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 focuses on near-term inflows and outflows of readily available resources as well as balances of readily available resources at the end of the fiscal year. Such information is useful in evaluating a District's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. By doing so, readers can understand the long-term impact of the government's near-term financing decisions. 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 and can be noted on Pages 4 and 6 in the financial statements.

Proprietary Funds - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. While the District maintains two proprietary fund types, the Food Service Fund and the Retirement Obligations Fund, it provides more detail and additional information than government-wide statements, such as cash flows.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's operations. The District maintains student funds as Agency Funds. The District acts as a custodian and administers this fund on behalf of the students and their organizations. Since these funds are custodial in nature, the District does not measure the results of operation. However, acting as a custodian of these funds, the Business Office had found areas of concern in regard to the internal controls and added further controls as a result.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Position:

### Statement of Net Position As of June 30, 2017

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and Other Assets	\$ 49,269,899	\$ 60,584,743	\$ 5,934,256	\$ 5,797,955	\$ 55,204,155	\$ 66,382,698
Non Current Assets	77,018,473	97,107,400	324,870	501,887	77,343,343	97,609,287
Deferred Outflows	10,126,861	24,703,130			10,126,861	24,703,130
<b>Total Assets and Deferred Outflows</b>	<b>136,415,233</b>	<b>182,395,273</b>	<b>6,259,126</b>	<b>6,299,842</b>	<b>142,674,359</b>	<b>188,695,115</b>
Current and Other Liabilities	13,171,951	15,769,207	50,234	83,173	13,222,185	15,852,380
Non Current Liabilities	217,920,171	258,056,140			217,920,171	258,056,140
Deferred Inflows	639,243	1,013,454	11,885	20,379	651,128	1,033,833
<b>Total Liabilities and Deferred Inflows</b>	<b>231,731,365</b>	<b>274,838,801</b>	<b>62,119</b>	<b>103,552</b>	<b>231,793,484</b>	<b>274,942,353</b>
Invested in Capital Assets	(24,545,009)	(14,165,505)	324,870	501,887	(24,220,139)	(13,663,618)
Restricted	14,475,000	11,097,610	5,255,408	5,279,597	19,730,408	16,377,207
Unrestricted	(85,246,123)	(89,375,633)	616,729	414,806	(84,629,394)	(88,960,827)
<b>Total Net Position</b>	<b>\$ (95,316,132)</b>	<b>\$ (92,443,528)</b>	<b>\$ 6,197,007</b>	<b>\$ 6,196,290</b>	<b>\$ (89,119,125)</b>	<b>\$ (86,247,238)</b>

### *Assets, Liabilities & Net Position*

The School District's total assets increased \$46.0 million during 2016-2017 to a total of \$188.7 million. 35% is comprised of current assets: cash and cash equivalents, investments, receivables (delinquent taxes), and other receivables from federal and state sources, insurance reimbursement, and other School District funds including Capital Projects. The remaining 65% assets are attributable to noncurrent assets comprised of long-term receivables and capital assets net of depreciation.

Current liabilities increased \$43,150,869 during 2016-2017 to a total of \$274.9 million. Beginning June 15, 2014 GASB #68 became effective and is reflective in the future statements presented in this report. This statement was made to address accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts and have certain characteristics. The application of this statement has resulted in the school district being required to include a proportionate share of the PSERS unfunded liability within its financial statements. It is important to note that the district is mandated to participate in this cost sharing through multiple employers program. Typically we would have only seen things like of bonds payable accounts payable, salaries and benefits payable and other post employment benefits payable represented in this section. This section traditionally and currently also reflects, accounts payable balances that are primarily the result of expenditures incurred prior to June 30, 2017 and paid subsequent to June 30, 2017. Accrued salaries and benefits are primarily the result of salaries earned by teachers as of June 30, 2017 and paid during the summer 2017.

The District's total net position increased \$2.8 million during 2016-2017. This reflects post GASB #68 activity, which was a main contributor to the large change from 2013-2014 to 2014-2015 but decreased in 2016-2017. The net position increase is comprised of: \$(13,663,618) in net investment in capital assets; restricted funds comprised of capital projects, retirement obligations and designated purposes. Unrestricted funds are reflective of the inclusion of GASB #68 into the financials with \$(88,960,827).

## RESULTS OF OPERATIONS

Fiscal year ended June 30, 2017

### Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Program Revenues:						
Charges for Services	\$ 1,171,863	\$ 1,343,249	\$ 1,395,868	\$ 1,339,576	\$ 2,567,731	\$ 2,682,825
Operating Grants and Contributions	10,501,842	14,891,815	884,405	937,228	11,386,247	15,829,043
General Revenues:						
Property Taxes	44,175,406	46,155,675			44,175,406	46,155,675
Other Taxes	7,310,346	8,393,712			7,310,346	8,393,712
Grants Subsidies and Contributions	12,003,775	12,357,089			12,003,775	12,357,089
Other	139,157	502,586	281,471	214,390	420,628	716,976
	<u>75,302,389</u>	<u>83,644,126</u>	<u>2,561,744</u>	<u>2,491,194</u>	<u>77,864,133</u>	<u>86,135,320</u>
Expenditures:						
Depreciation	1,798,421	1,755,969			1,798,421	1,755,969
Instruction	38,702,691	42,797,166			38,702,691	42,797,166
Instructional Student Support	4,872,233	5,710,366			4,872,233	5,710,366
Administrative and Financial Support	7,401,196	8,052,548			7,401,196	8,052,548
Operation and Maintenance of Plant	7,018,506	7,232,427			7,018,506	7,232,427
Pupil Transportation	5,636,064	6,019,350			5,636,064	6,019,350
Student Activities	1,679,670	1,749,282			1,679,670	1,749,282
Community Services	123,999	97,228			123,999	97,228
Debt Service	6,084,050	7,357,186			6,084,050	7,357,186
Food Service			2,402,316	2,491,911	2,402,316	2,491,911
	<u>73,316,830</u>	<u>80,771,522</u>	<u>2,402,316</u>	<u>2,491,911</u>	<u>75,719,146</u>	<u>83,263,433</u>
Change in Net Position	\$ 1,985,559	\$ 2,872,604	\$ 159,428	\$ (717)	\$ 2,144,987	\$ 2,871,887

### Revenues

Local taxes account for 71% of all revenue. The District currently receives approximately \$460,000 per each mill of real estate tax. This figure takes into account deducting for un-collected taxes (discount, collection rate, etc...). Reassessment took place in 2016. As a result, the 2016 Assessed value of real estate was \$420,612,639 which generated \$46,267,390 in local real estate revenues was recalculated to be revenue neutral at 10.8872 mills, but the School Board of Directors authorized an additional .32 in mills which was within the Act 1 Index. The remaining revenues are Federal and State subsidies which totaled 29% of additional revenue for fiscal 2017.

### Expenditures and Other Financing Uses-Governmental Funds

Operating expenditures increased \$7,544,287 in 2016-17 to a total of \$83.2 million. Instructional services account for 50.9% of total expenditures. It is the most influential factor in the total expenditures from fiscal 2017 and a net increase of \$3,073,708 from 2016. The increase is mainly attributed to state mandated employer contribution increases along with new staff, salaries and other fringe benefits.

The following table shows the District's nine largest functions at total cost and net cost (total cost less revenues generated by the activity). This table also shows the net costs offset by the other unrestricted grants subsidies and unrestricted contributions to show the remaining financial needs supported by local tax efforts and miscellaneous revenues.

Fiscal Year Ended June 30, 2017  
Governmental Activities

Function/Program:	Total Cost		Percentage	Net Cost		Percentage
	2016	2017	Change 2016-2017	2016	2017	Change 2016-2017
Depreciation	\$ 1,798,421	\$ 1,755,969	-2.4%	\$ 1,798,421	\$ 1,755,969	-2.4%
Instruction	38,702,691	42,797,166	10.6%	30,751,455	33,825,163	10.0%
Instructional Student Support	4,872,233	5,710,366	17.2%	4,466,631	5,239,100	17.3%
Administrative and Financial Support	7,401,196	8,052,548	8.8%	6,910,579	7,454,554	7.9%
Operation and Maintenance of Plant	7,018,506	7,232,427	3.0%	6,538,785	6,702,172	2.5%
Pupil Transportation	5,636,064	6,019,350	6.8%	4,045,652	4,329,727	7.0%
Student Activities	1,679,670	1,749,282	4.1%	1,339,108	1,409,567	5.3%
Community Services	123,999	97,228	-21.6%	123,123	95,303	-22.6%
Long Term Debt Interest	6,084,050	7,357,186	20.9%	5,669,371	3,724,903	-34.3%
Total Governmental Activities	73,316,830	80,771,522	10.2%	61,643,125	64,536,458	4.7%
Less: Unrestricted Grants, Subsidies and Contributions				(12,003,775)	(12,357,089)	
Total Needs From Local Sources				\$ 49,639,350	\$ 52,179,369	5.12%

*Explanation of Expenditure Category Content:*

Depreciation—Depreciation expense is an application of the matching principle whereby the cost of fixed assets used up during a period is matched with the revenues generated by their use. While depreciation expense is not a use of cash, the underlying concept that depreciation expense should bear some relationship to principal debt payments is most important. In 2008-2009, we reflected the results of our outside appraisal of fixed assets and believed we were current in the cost of those assets. In subsequent years, we have added additional updates that were shared by our outside appraisal company. The district will be engaging in another appraisal of our fixed assets in conjunction with the capital improvement plan, in the meantime, annual updates will be provided.

Instruction—Activities designed to provide grades K-12 students with learning experiences to prepare them for activities as citizens, family members, and non-vocational workers as contrasted with programs designed to improve or overcome physical, mental, social and/or emotional handicaps.



Instructional support services include those activities associated with assisting, supporting and directing the instructional staff on providing learning experiences for students. Program areas included in this section are audiovisual services, computer services, library, curriculum development and staff development.

Administration services are those activities concerned with establishing and administering policy in connection with operating the School District. Program areas include board services, tax collection, personnel services, legal services, special legal counsel, superintendent services, community relations and office of the principal.

Financial services cover the Business Office operations, warehousing and distributing services and duplicating services. The cost reflects the increase in centralization of the maintenance cost of duplicating equipment. Audit preparation and fixed asset appraisal are also key components of this area. Accounting software and associated modules are an integral part of the business office.

Operation and maintenance services cover the activities concerned with keeping the physical plant open, comfortable and safe for use and keeping the buildings and grounds in effective working condition and in a good state of repair. District-wide maintenance projects included roof installation, carpet replacement, ceiling tile replacement, fire and security system repairs, field repairs and playground improvements and roadway and parking lot improvements. Preventive maintenance programs include filter replacements with facility mechanical systems, power system upgrades, HVAC system renovations and high efficiency energy management through lighting conversions to low wattage T8 LEDs.

Transportation in Canon–McMillan includes regular education students, special education students, parochial students and vocational-education students attending the Western Area Career and Technology Center.

Student activities encompass those co-curricular programs which supplement the regular instruction program, including such activities as band and athletics.

Community services reflect those activities concerned with providing community services to students such as recreational activities and contributions to Canonsburg Public Library.

Debt services include interest payments on long-term debt obligations and refund of prior year receipts.

## BUDGETING PROCESS

The fiscal 2017 General Fund Budget was approved by the Board of School Directors on June 29, 2017. The budget included proposed total expenditures of \$82,529,344 and proposed revenues of \$82,529,480. The expenditures were \$(146) less than revenues, that amount will be allocated to unassigned fund balance. The designation of fund balance was set aside to anticipate things like last minute state budget changes or lack of state budget, GASB 45 (OPEB) contributions, class size monitoring, the unknown financial impact of future tax assessment appeals and emergency monies for building repair. For example: the stadium turf and track were deemed unsafe for play which resulted in a large unanticipated expense in 2014-2015 and 2015-2016. The budget plan continues to include technology improvements, like one to one device initiative, increased bandwidth and technology needed for the Code to the Future initiative, bus replacements, and deferred maintenance programming as outlined in the district's five-year planning. The anticipated unknown in state funding and lack of a state budget well into the school year and reduction in grants monies had some budgetary realignment impact. A big factor in the budgeting process was the county wide reassessment process (see Appendix B). Lastly, the budget also included monies for post-retirement healthcare benefits (GASB).

## FUND BALANCE ANALYSIS—GOVERNMENTAL FUNDS

	General Fund	Capital Projects Fund*	Debt Service Fund	District Activities Fund
June 30, 2016	\$8,302,123	\$ 26,489,808	\$ 4,507,111	\$ 31,940
Increase (Decrease)	\$828,257	\$ 8,663,939	\$ 26,694	\$ ( 12,410 )
June 30, 2017	<u>\$9,130,380</u>	<u>\$ 35,153,747</u>	<u>\$ 4,533,805</u>	<u>\$ 19,530</u>

\*Capital Project Fund comprised of Construction Fund (Muse) \$30,109,472 and Capital Reserve Fund \$5,044,275 as of 6/30/2017.

The fund balance for the General Fund at June 30, 2017 included a surplus of \$828,257. This increased the total fund balances from \$8,302,123 to \$9,130,380. It is important to note that the balance sheet delineates the portions of these funds that are assigned, committed, restricted and unassigned. The designation may limit the spending of those funds without further actions. The most influencing factors were unanticipated interim taxes, increases to real estate beyond projections and the district halting spending early due to another state budget delay. These resulted in additional revenues not budgeted as the outcome was unknown until after the budget was set. In regard to fund balance, the fund balance policy was established in response to multiple years that the fund balance dipped to a deficit. A recommendation made by the Auditor General was to adopt a policy to prevent this from occurring along with tightened controls. The District complied with both recommendations and a positive fund balance is the result. As a result of budgeting challenges especially in regard to funding, tax

appeals, mandated retirement contributions and limits on ability to tax, the District made additional fund balance allocations and will be reviewing the Fund Balance Policy to include these areas. The District's unassigned fund balance has reached the optimal recommended %, which resulted in fund balance being committed to Capital Projects. The recommended minimum fund balance limit is between 8%-10%.

## **DEBT ADMINISTRATION**

As of June 30, 2017, the District had long-term debt obligations totaling \$263,231,140 million. In 2017 this increased due to the borrowing for Capital Project: High School and Stadium Projects. This amount also increased by \$18,514,000 to record as per GASB the net pension liability. More detailed information relating to the District's long-term liabilities is included in the notes to the financial statements.

## **HISTORY AND FUTURE ECONOMIC FACTORS**

The Canon–McMillan School District, encompassing a land area of 57 square miles, is located in western Washington County and extends north to the Allegheny County border. The Townships of Cecil, North Strabane and Canonsburg Borough comprise the School District. The U.S. Census Bureau had a 2009 total estimated population for the district of 30,211; this represents a 6.3% increase over the 2000 estimate total population of 28,420. The newest census was completed in 2010. Currently the population of the school district is 33,671. This represents an approximate 18.5% increase over the 2000 Census data.

Higher education at Canon-McMillan was initiated in the locale by the Rev. John McMillan in the log cabin that is now located on the front campus of the current Canonsburg Middle School. Since 1791, when Col. John Canon donated this lot and contributed money to provide for the Canonsburg Academy, there has been a secondary school on this site.

After 1800, the Canonsburg Academy was chartered as Jefferson College and later merged with Washington College to found the present Washington and Jefferson College in Washington. The Rev. McMillan's Log College is said to be the first school of higher learning west of the Allegheny Mountains. The Canon-McMillan School District was created in the 1950's following the jointure of the Canonsburg Borough, Cecil Township and North Strabane Township schools. On September 15, 1954, the name Canon-McMillan Joint School System was attached to the merger. With the creation of Canon-McMillan, the students from all three municipalities began attending a single Canon-McMillan High School. North Strabane provided the land for the new high school and ground was broken for construction of the school on December 16, 1957.

Canon-McMillan has graduated such athletic standouts as the late Doug Kotar (Class of 1970), who played as a running back for the New York Giants football team, and William Schmidt (Class of 1965), who won a bronze medal in the javelin at the 1972 Olympics, and such international artists as twins Joseph and James Sulkowski (Class of 1969), who have displayed their works in all 50 states and abroad. Many of the District's

outstanding alumni have been, and continue to be, honored at the District's annual Hall of Honor award ceremony.

Cecil Township, which accounts for nearly 36% of the School District's land area, was once primarily rural and agricultural in character but now includes commercial, residential and industrial areas. A major development in this township was Southpointe which includes an eighteen-hole golf course, hotels, restaurants, recreation, office complexes, and two universities. A new four hundred acre development similar to "Southpointe" has been approved by Washington County and is planned to include offices, stores, restaurants, a nine-hole golf course and new housing developments. Southpointe II is under development with the anticipation of additional real estate projects. Even though the project was once stalled due to the poor economy, its progress is back on track. In 2014, Mylan Corporation has opened a new 280,000 square foot corporate building in Southpointe II. Southpointe and Southpointe II are currently home to businesses such as: Consol Energy, Fairmont Supply, Homewood Suites, NCO Financial Systems, Ansys Inc., Black Box, Range Resources, Mark-West, etc. Cecil Township also includes some of the highest paying taxpayers within the District. In addition to the new businesses commercial and industrial growth, new housing developments continue to expand within Cecil Township. The commercial, industrial and residential development will continue to also create many new jobs and increase real estate and earned income tax revenue for the School District.

North Strabane Township accounts for nearly 38% of the District's land area and is similar to Cecil with a mix of residential and commercial areas along with an industrial park, several motels and restaurants. North Strabane, like Cecil Township also includes some of the largest employers or taxpayers in the district. It is also home to some of the largest businesses: to mention only a few-- 84 Lumber, Pennsylvania Transformer Technology, and the Meadows Racetrack and Casino. The Meadows opened their temporary casino in 2007-2008 with plans to have their permanent casino facility ready by during the 2010-2011 school year. The facility actually opened in the spring of 2009. The district received interim monies for the permanent facility and in 2009-2010 the facility was fully on the tax books. The casino further expanded in 2011-2012 by building a parking facility. Resolution occurred during 2012-2013 school year between the district, county, township and Meadows Casino in regard to past and future real estate taxes. The resolution resulted in a reduction in tax assessment for the property. Much like Cecil Township, North Strabane also had a number of new residential developments that will likely bring additional students and additional real estate and earned income tax revenue for the district.

Canonsburg Borough makes up the balance of the District and is typical of a small city. It has a downtown shopping area, restaurants, motels, some industrial areas and residential areas. Canonsburg Borough boasts the home of the famous, "Sarris Candy" business, which is also one of the largest businesses in Canonsburg. In 2009, ground breaking on a new larger public library was undertaken. The library opened in 2011 and has partnered with the school district. The library brings added benefit to the school district and the community.

The Canon-McMillan School District is still experiencing both student growth and community economic development. The district has seen improvement in the economic

conditions of our community. As evidenced in increased real estate, interim taxes and earned income growth since the prior year, the district is experiencing growth as a result of the new housing developments and local oil and gas industry job growth.

The School District is near the city of Washington, the county seat of Washington County. Part of the Pittsburgh Primary Metropolitan Statistical Area (PMSA), the School District is approximately 20 miles southwest from the City of Pittsburgh, the government seat of Allegheny County. Access to Pittsburgh is provided by US Route 19 and Interstate 79 which bisect the School District North to South. US Route 40 and Interstate 70 are near the School District from east to west. Currently, Washington County is developing two industrial parks located within 15 miles of the school district which will continue to increase the employment rate for District residents. The University of Pittsburgh Medical Center, located approximately 20 miles from the School District, provides extensive and exceptional health care for all surrounding counties. Additionally, acute-care service is provided by Canonsburg General Hospital (which is located within the School District) and Washington Hospital.

With the forward-thinking actions and initiatives of Canon–McMillan School District’s Board of Education, the provision of high-quality education of our students will continue through the 21<sup>st</sup> Century.

The District is prepared to meet the challenges of offering a high-quality education to all students while effecting cost savings whenever possible.

## **CAPITAL IMPROVEMENT PLAN**

The School District continues to track residential growth and the potential enrollment growth that may result. Consequently, the school district had been exploring options to build a new school building and/or renovate and expand an existing structure. Capital improvements will continue as a focal point over the next five to ten years. The District engaged the services of Dr. Shelby Stewman, demographer, from Carnegie Mellon University, to study the population trends (past, present and future) so that precise planning could be put into place.

As a result, the Board of School Directors procured the services of HHSDR architectural firm to make recommendations in regard to facilities and future needs. In May, 2014, a Conceptual Facilities Plan was publicly presented to include the first project, an 800-student elementary school in Muse, which was completed in August 2017. During the 2016-2017 the district also started the High School renovation and Stadium projects. They are planned for completion in the 2019 school year. The initial demographic study, completed by Dr. Stewman, was utilized in conjunction with the recommendations of HHSDR to define a footprint for construction/renovation projects for the next three to 10 years. The district has determined to once again contract Dr. Stewman to update our demographics for the next phases of the facilities plan. An updated plan can be found on the district’s website under Board Doc’s.

Major capital projects have been funded through bond proceeds and school district reserves. Unless the School District budgets funds for these projects it is possible that these needs will result in the addition of debt. However, the School Board of Directors

recognizes the importance of capital projects and began to fund the Capital Project Fund (Board Policy 620). Another key factor in capital projects is the District's borrowing ability. This is monitored and assessed annually by the Board Budget and Finance Committee. GASB 45 requires school districts to list all their post health care retirement benefits on the District financials, the District fulfilled the recommended amount from 2009 up thru the 2017. The latest report indicated the district is fully funded and future recommendations may be forthcoming. Regardless, the district will continue to consider this upon completion of future budgets, as well as continued reviews of our GASB 45 obligations to ensure the impact to the district's borrowing abilities is minimized.

## **PENNSYLVANIA SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The extended decline in the stock market resulted in prolonged negative returns on investment for the State retirement system. It is anticipated that the fund will require significantly increased contributions from all of the school systems within the Commonwealth. The rates are still in the collared time frame at incrementally higher contribution rates after which time, projections from the retirement system have indicated that the rate charged to school systems could be impacted by much higher contributions.

## **TECHNOLOGY**

Canon–McMillan School District has invested several million dollars to acquire technology in the form of equipment, software, and infrastructure. Attempts to provide budgeted funds for replacement and upgrade of this technology in an effort to remain reasonably current have been modestly successful. It is anticipated that significantly higher levels of funding will be required in the near term to maintain the increase in technology. Additionally, prior to the closure of the grant, the school district had received funds for the Project 720 High School Reform Project as well as “Classrooms for the Future” technology programming to enhance student achievement via performance for 21<sup>st</sup> Century skills. Because these programs are no longer state funded, support for maintaining up-to-date technology has been needed.

The District has incorporated technology in all phases of operations. The District parents, students, administrators and others rely on the social media communication through the use of district-maintained accounts such as Facebook and Twitter for pertinent district data. The business office has used the website to provide transparency by displaying current budgetary, audit and other important financial data. District administrators are using the website to share information about their buildings or areas of responsibility. Teachers are using the District website as a communication channel for both students and parents. Parents are referencing the website regularly for updates regarding their children's academic progress, to monitor and make notations on their student lunch accounts and to communicate with teachers on a regular basis. Technology is also embedded in the daily learning experiences of our students. It augments already sound teaching methodology in a manner that aligns with and highlights 21<sup>st</sup> Century learning skills and justifies yet another reason why the Canon-McMillan School District provides a premier learning experience for our students.

## **REVENUE**

The stability of revenue to meet the operational needs of the School District is, in the immediate period, sound and stable considering the comparative tax burden on the School District's residents, as compared with other school districts in this region. This is mainly attributable to the residential and commercial growth that the district is still experiencing. However, the political environment in the Pennsylvania state legislature may result in changes to funding levels for this school district that could impact subsidy revenue, and simultaneously limit or eliminate the taxing power as well as receiving lower funding amounts. The federal government in recent years provided stimulus funding that, while providing an influx of monies to the district budget, has expired. Another very critical factor greatly impacting the District is the status of residential and commercial tax appeals. These could increase as a result of an upcoming county wide reassessment.

## **CONTACTING THE SCHOOL BOARD'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide citizens, taxpayers, students, investors and creditors, and other interested parties with a general overview of the School Board's finances and to illustrate the School Board's accountability for funds it receives. Questions concerning this report or a request for additional information should be addressed to Joni Mansmann, Director of Business and Finance, Canon-McMillan School District, 1 North Jefferson Avenue, Canonsburg, PA 15317, telephone number (724) 746-2940.

**CANON-McMILLAN SCHOOL DISTRICT  
CANONSBURG, PENNSYLVANIA**

**Management's Discussion and Analysis (MD&A)  
June 30, 2017**

*Appendix A: Regional and Economic Data*

*Appendix B: District Enrollment, Debt and Other Tax Data*



## **APPENDIX A**

# **REGIONAL AND ECONOMIC DATA OF CANON-MCMILLAN SCHOOL DISTRICT (Washington County, Pennsylvania)**

**REGIONAL AND ECONOMIC DATA OF  
CANON-MCMILLAN SCHOOL DISTRICT  
(Washington County, Pennsylvania)**

The School District is located in the northeastern part of Washington County, Pennsylvania and covers approximately 57 square miles. Canonsburg Borough, the geographical center of the School District, is located approximately 20 miles southwest of Pittsburgh and 9 miles northeast of the City of Washington, Pennsylvania. Participating municipalities within the School District include Canonsburg Borough, Cecil Township and North Strabane Township.

**Higher Education**

The School District has access to numerous college and universities that offer a variety of undergraduate, graduate and non-credit programs. Washington and Jefferson College is a private liberal arts college located south of the School District in the City of Washington, Pennsylvania. Waynesburg University is located to the south of the School District in the Borough of Waynesburg, the county seat of Greene County and Wheeling, West Liberty and Bethany Colleges are located in the neighboring state of West Virginia. Numerous institutions of higher education that are located in the City of Pittsburgh include the University of Pittsburgh, Carnegie-Mellon University, Duquesne University, Robert Morris University, Point Park University, Chatham University and Carlow University.

**Medical Facilities**

The University of Pittsburgh Medical Center, located approximately 20 miles from the School District, provides extensive and exceptional health care for all surrounding counties. Additionally, Washington Hospital, located in the City of Washington, is an acute-care general hospital. Canonsburg General Hospital, which is also a general acute-care facility, is located in nearby North Strabane Township. The West Virginia University Medical Center is located approximately thirty miles from the School District in Morgantown, West Virginia. The School District is also served by Mon Valley Hospital, St. Clair Memorial Hospital and a satellite Children's Hospital in Bridgeville.

**Transportation Facilities**

There is a variety of transportation in Washington County, including three Class 1 railroads and two shortlines, as well as 19 trucking companies, three bus lines and three taxi companies based in the County.

Interstate Routes 70 and 79 and U.S. Routes 19, 40 and 43 traverse the School District and provide direct access to the City of Pittsburgh (approximate driving time is thirty minutes) as well as the city of Wheeling, West Virginia. Air service is provided by Pittsburgh International Airport.

**Public Utilities**

Electricity for the School District is provided by West Penn Power Company. Water service is obtained through the Western Pennsylvania Water Company. Sewage is presently processed by the Canonsburg-Houston Joint Sewer Authority and North Strabane Township Municipal Authority.

**Public Safety**

Police protection is provided in every municipality by either a local department or the Pennsylvania State Police. Fifty-two communities within the County have their own volunteer fire department and service and mutual-aid agreements provide fire protection to smaller communities.

**Recreation**

Washington County offers a variety of scenic attractions, historic sites, recreational areas and points of interest, making it a popular destination for vacationers and tourists. Fourteen sites in the County have been designated as National Historic Landmarks. A diversity of recreational facilities exist in Washington County including campgrounds, swimming pools, lakes, municipal parks and ball fields.

## Major Employers

Major employers located within or near the School District are listed below:

<b>Employer</b>	<b>Type of Business</b>	<b>Number of Employees</b>
1. Washington Trotting Association	Casino/Racetrack	1,301
2. Crown Castle USA, Inc	Communications	1,075
3. Mylan Inc.	Pharmaceuticals	750
4. Mylan Pharmaceuticals Inc.	Pharmaceuticals	669
5. Canon-McMillan School District	Education	660
6. ARC Human Services	Human Services	618
7. Ansys Inc. & Subsidiaries	Communications	593
8. Perryman Company	Industrial	528
9. Rice Energy	Oil & Gas	492
10. 84 Lumber Company	Industrial	462

*SOURCE: School District Tax Collector.*

## Population Composition – 2000, 2010 and 2015 Estimates

	<u>2000</u>	<u>2010</u>	<u>2000 – 2010 % Change</u>	<u>2015 Estimates</u>
North Strabane Township	10,057	13,408	33.3%	13,932
Cecil Township	9,756	11,271	15.5%	11,706
Canonsburg Borough	<u>8,607</u>	<u>8,992</u>	4.5%	<u>8,944</u>
School District	28,420	33,671	18.48%	34,582
Washington County	202,897	207,820	2.43%	208,226
Pennsylvania	12,281,054	12,702,379	3.49%	12,779,559

*SOURCE: United States Census Bureau and American Community Survey, 5 Year Estimates, 2011-2015*

## Population Concentration – 2010

	<u>2010</u>	<u>Square Miles (Land Only)</u>	<u>Persons Per Sq. Mile</u>
North Strabane Township	13,408	27.3	491.1
Cecil Township	11,271	26.3	428.6
Canonsburg Borough	8,992	2.3	3,909.6
School District	33,671	55.9	602.3
Washington County	207,820	857.1	242.5
Pennsylvania	12,702,379	44,819.6	283.4

*SOURCE: United States Census Bureau.*

## Per Capita Income – 2000, 2010 and 2015 Estimates

	<u>2000</u>	<u>2010</u>	<u>2000-2010 % Change</u>	<u>2015 Estimate</u>
North Strabane Township	\$23,457	\$31,251	33.2%	\$38,342
Cecil Township	\$22,340	\$31,481	40.9%	\$36,740
Canonsburg Borough	\$17,469	\$22,286	27.6%	\$27,106
Washington County	\$19,935	\$26,041	30.6%	\$30,605
Pennsylvania	\$20,880	\$26,678	27.8%	\$29,291

*SOURCE: United States Census Bureau, and American Community Survey, 5 Year Estimates, 2010-2015.*

**Family and Household Income – 2010 and 2015 Estimates**

	<u>Household Income Median</u>		<u>Family Income Median</u>	
	<u>2010</u>	<u>2015</u>	<u>2010</u>	<u>2015</u>
North Strabane Township	\$65,602	\$77,087	\$79,181	\$92,130
Cecil Township	\$62,966	\$75,957	\$68,306	\$90,234
Canonsburg Borough	\$47,228	\$46,547	\$53,091	\$56,985
Washington County	\$47,615	\$56,450	\$62,397	\$72,149
Pennsylvania	\$49,737	\$53,599	\$62,520	\$68,158

SOURCE: United States Census Bureau, and American Community Survey, 5 Year Estimates, 2011-2015.

**Population, Poverty and Education – 2015 Estimates**

	<u>Population</u>		<u>Poverty Level</u>		<u>Education 25 years and Over</u>	
	<u>Total Persons</u>	<u>Total Family Households</u>	<u>Persons Below</u>	<u>Families Below</u>	<u>High School Graduate</u>	<u>College Graduate</u>
North Strabane Township	13,932	3,821	2.4%	1.0%	95.2%	43.9%
Cecil Township	11,706	3,275	3.0%	2.3%	94.1%	39.0%
Canonsburg Borough	<u>8,944</u>	2,285	11.2%	7.5%	90.7%	29.3%
Washington County	208,226	55,321	10.4%	7.2%	91.3%	27.4%
Pennsylvania	12,779,559	3,202,874	13.5%	9.3%	89.2%	28.6%

SOURCE: American Community Survey, 5 Year Estimates, 2011-2015.

**Housing Units – 2010 and 2015 Estimates**

	<u>Number</u>		<u>Owner Occupied Median Value</u>		<u>Renter Occupied Median Rent</u>	
	<u>2010</u>	<u>2015</u>	<u>2010</u>	<u>2015</u>	<u>2010</u>	<u>2015</u>
North Strabane Township	5,689	5,997	\$183,600	\$202,400	\$739	\$1,021
Cecil Township	4,655	4,975	\$166,900	\$206,300	\$688	\$919
Canonsburg Borough	4,459	4,709	\$115,200	\$128,600	\$619	\$732
Washington County	93,032	93,643	\$140,600	\$152,400	\$556	\$675
Pennsylvania	5,481,676	5,585,611	\$152,300	\$166,000	\$716	\$840

SOURCE: United States Census Bureau: 2006-2010 and 2011-2015 American Community Survey 5-Year Estimates.

**Unemployment Rates**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017<sup>(1)</sup></u>
Washington County						
Civilian Labor Force (000)	107.5	107.0	106.1	106.5	107.4	107.4
Employment (000)	99.7	99.5	100.0	100.8	100.7	101.4
Unemployment (000)	7.7	7.4	6.1	5.8	6.6	6.0
Unemployment Rate	7.2%	7.0%	5.8%	5.4%	6.2%	5.6%
Pennsylvania						
Civilian Labor Force (000)	6,487.0	6,460.0	6,391.0	6,424.0	6,472.0	6,531.0
Employment (000)	5,973.0	5,982.0	6,016.0	6,094.0	6,120.0	6,183.0
Unemployment (000)	513.0	478.0	376.0	330.0	352.0	348.0
Unemployment Rate	7.9%	7.4%	5.9%	5.1%	5.4%	5.3%
United States						
Civilian Labor Force (000)	154,975.0	155,389.0	155,922.0	157,130.0	159,187.0	161,911.0
Employment (000)	142,469.0	143,929.0	146,305.0	148,834.0	151,436.0	154,470.0
Unemployment (000)	12,506.0	11,460.0	9,616.0	8,296.0	7,751.0	7,441.0
Unemployment Rate	8.1%	7.4%	6.2%	5.3%	4.9%	4.6%

SOURCE: U.S. Department of Labor and Industry, Pennsylvania Bureau of Employment. Not seasonally adjusted.

(1) As of July, 2017.

**APPENDIX B**

**OPERATING AND FINANCIAL DATA**

**Enrollment Data**

<u>School Year Ending June 30,</u>	<u>Actual Enrollments</u>		<u>Total</u>
	<u>Elementary</u>	<u>Secondary</u>	
2010	2,639	2,197	4,836
2011	2,708	2,203	4,911
2012	2,686	2,246	4,932
2013	2,686	2,292	4,978
2014	2,728	2,315	5,043
2015	2,756	2,404	5,160
2016	2,779	2,439	5,218
2017	2,777	2,444	5,221
2018 <sup>(1)</sup>	2,819	2,466	5,285

  

<u>School Year Ending June 30,</u>	<u>Projected Enrollments*</u>		<u>Total</u>
	<u>Elementary</u>	<u>Secondary</u>	
2018	2,824	2,476	5,300
2019	2,804	2,606	5,410
2020	2,793	2,667	5,460
2021	2,787	2,646	5,433
2022	2,793	2,636	5,429
2023	2,800	2,667	5,467

SOURCE: School District Officials.

(1) As of October, 2017.

(2) \* Projections to be updated after November/December Demographic study

**SCHEDULE OF DIRECT AND OVERLAPPING DEBT AND DEBT RATIOS**

Shown below is a summary of the School District's outstanding debt:

	<u>Gross</u>	<u>CARF</u>	<u>Project Reimburs.</u>	<u>Local Share</u>
<b>General Obligation Debt</b>				
General Obligation Bonds, Series of 2017	\$24,180,000*	0.5157	0.0000	\$ 25,000,000
General Obligation Bonds, Series D of 2014	\$25,315,000	0.5157	0.0000	25,350,000
General Obligation Bonds, Series B of 2014	9,575,000	0.5157	0.0471	9,625,384
General Obligation Notes, Series C of 2014	23,780,000	0.5157	0.2104	21,199,792
General Obligation Notes, Series A of 2012	18,725,000	0.5157	0.2473	16,350,039
General Obligation Notes, Taxable Series B of 2012	1,640,000	0.5157	0.0000	1,850,000
General Obligation Bonds, Refunding Series of 2008	1,520,000	0.5157	0.2230	1,446,973
General Obligation Bonds, Series A of 2002 (CABs)	3,821,155	0.5157	0.2019	3,204,488
General Obligation Bonds, Series A of 2001 (CABs)	2,929,115	0.5157	0.2299	2,607,071
General Obligation Bonds, Series of 1999 (CABs)	6,963,515	0.5157	0.2736	5,924,973
<b>TOTAL DIRECT DEBT</b>	<b>\$ 118,448,785</b>			<b>\$112,558,720</b>
<b>Overlapping Debt</b>				
Canonsburg Borough <sup>(1)</sup>	\$2,599,167			\$2,599,167
Cecil Township <sup>(1)</sup>	18,414,563			18,414,563
North Strabane Township <sup>(1)</sup>	23,255,000			23,255,000
Washington County <sup>(2)</sup>	10,346,604			10,346,604
<b>TOTAL OVERLAPPING DEBT</b>	<b>\$ 54,615,334</b>			<b>\$54,615,334</b>
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<b>\$173,064,119</b>			<b>\$167,174,054</b>

SOURCE: Local Government Official, District Financial Advisor and Pennsylvania Department of Community and Economic Development.

(1) 100% overlapping.

(2) As of September 1, 2017. 25.159% overlapping. Proportionate share ratio is determined by dividing the assessed value of the municipalities that compose the School District by the assessed value of the County, and multiplying that ratio by the outstanding debt of the County, in the total amount of \$41,125,220.

### Debt Ratio Calculations (including issuance of the Bonds)

	<u>Gross Outstanding</u>	<u>Local Share</u>
Net Direct Debt Per Capita	\$3,517.83	\$3,306.87
Net Direct Debt to Market Value	3.511%	3.300%
Net Direct and Overlapping Debt Per Capita	\$5,139.86	\$4,928.90
Net Direct and Overlapping Debt to Market Value	5.129%	4.919%
Population (2010 census):	33,671	
2015 Market Value (Pennsylvania State Tax Equalization Board):	\$3,373,971,673	

### Future Financing

The School District and the School Board of Directors are considering the issuance of long-term debt for capital projects within the next five years to finance its current Facilities Plan that began in 2014 and is projected to continue thru 2024. The School District will also consider capital contributions from its Capital Reserve to aid in funding the projects associated with the Facilities Plan. The School District will also consider undertaking long-term debt to refund current issues if market conditions are appropriate.

### Real Estate Tax Collection Data

<u>Year</u>	<u>Market Valuation</u>	<u>Assessed Valuation</u>	<u>Millage</u>	<u>Current Levy</u>	<u>Current Collections</u>	<u>Current Collections as a % of Levy</u>	<u>Total Collections</u>	<u>Total Collections as a % of Levy</u>
2008-09	1,896,193,600	317,200,000	97.00	30,838,542	28,377,449	92.0	29,446,850	95.5
2009-10	2,083,896,060	344,884,798	101.85	35,126,517	32,665,199	93.0	33,858,338	96.4
2010-11	2,192,024,008	349,343,836	105.41	36,824,334	34,596,614	94.0	35,811,665	97.3
2011-12	2,267,104,587	355,431,031	105.41	37,465,850	35,168,761	93.9	36,154,545	96.5
2012-13	2,192,024,008	363,222,315	107.00	38,864,788	37,230,412	95.8	37,446,268	96.4
2013-14	2,267,104,587	360,916,145	107.00	38,618,028	35,166,761	91.6	37,864,176	98.1
2014-15	2,458,647,372	376,361,906	108.00	40,647,086	38,529,423	97.0	38,529,423	97.0
2015-16	2,537,698,391	396,806,108	108.00	42,855,060	40,671,692	97.0	40,671,692	97.0
2016-17*	2,738,166,629	423,999,990	110.00	46,639,999	41,788,793	90.0	43,765,978 <sup>(1)</sup>	94.0

SOURCE: School District Officials and Pennsylvania State Tax Equalization Board.

\* (unaudited): (1)Includes homestead/farmstead exclusions in the amount of \$925,584

### Real Property Taxes, Appeals and Reassessment

The number of tax appeals received by the School District had been on a decline but rose significantly this past year due to a countywide reassessment. The last reassessment took place in the late 1970's with a base year set at January 1981. This meant that the valuation date of all new construction thereafter, and for the past thirty years was January 1, 1981. Now as a result of the reassessment all properties (approximately 120,000 countrywide) will now have an assessment based on what their property was worth on July 1, 2015. Thus Washington County property reassessment was scheduled to take place in 2016 with the values to become effective in 2017. As an anticipated result, the district faced a higher than the most recent norm in terms of tax appeals. Since the School District did anticipate a rise in tax assessment appeals, they hired legal representation specifically for these appeals and met monthly with their real estate attorney and board committee to remain apprised of the status of ongoing appeals. The School Board of Directors also partnered with the largest municipality (North Strabane) to defray legal costs.

District Administration by working closely with Real Estate Council and the Chief Assessor were able to manage and budget for the approximately the 180 tax appeals the school district faced due to reassessment. It is important to note that even though it was a rise in tax assessment appeals it represented less than 1% of all taxable properties (approximately 17,816) within the boundaries of the Canon-McMillan School District. Budgeting to account for the tax appeals that would settle after the budget was adopted was another area under close scrutiny by the School Board of Directors and Administration. As of October 2017, four months after the close of the 2017 fiscal year. The Director of Business and Finance budgeted for an assessed value loss of \$1,250,988 and with two appeals pending from 2017, ofur Solicitor and the Chief Assessor reported that the actual district assessed value loss for 2017 is \$1,227,716.

SOURCE: School District Administrative Officials, Peacock Keller and Chief Assessor.

### Tax Anticipation Borrowing

The School District has not issued Tax and Revenue Anticipation Bonds in a decade. The School Board of Directors revised their fund balance policy in 2010 to ensure monies were set aside for emergencies and unplanned events. This planning has helped the district avoid issuing short term debt. 2015-2016 when the Commonwealth was faced with a budget impasse that was not resolved until well into the following year, the district did not require short term borrowing. In the current fiscal year there is no plan to issue short term borrowing even though the state is delayed on approving a revenue budget.

# Basic Financial Statements



CANON-MCMILLAN SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,117,259	\$ 205,720	\$ 6,322,979
Investments	48,704,575	5,376,475	54,081,050
Taxes Receivable (net)	2,622,352		2,622,352
Internal Balances	(38,075)	38,075	
State Revenue Receivable	2,740,518	7,336	2,747,854
Federal Revenue Receivable	105,324	82,310	187,634
Other Receivables	215,023	67,660	282,683
Inventories	94,672	20,379	115,051
Prepaid Expenses/Expenditures	23,095		23,095
Long Term Receivables	12,087,660		12,087,660
Capital Assets (net)	85,019,740	501,887	85,521,627
<b>TOTAL ASSETS</b>	<b>\$ 157,692,143</b>	<b>\$ 6,299,842</b>	<b>\$ 163,991,985</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	24,703,130		24,703,130
Total Deferred Inflows of Resources	24,703,130		24,703,130
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 182,395,273</b>	<b>\$ 6,299,842</b>	<b>\$ 188,695,115</b>
<b>LIABILITIES</b>			
Intergovernmental Payables	\$ 120,650	\$	\$ 120,650
Accounts Payable	2,571,346	20,398	2,591,744
Accrued Salaries and Benefits	7,611,058		7,611,058
Interest Payable	252,380		252,380
Other Current Liabilities	38,773	62,775	101,548
Long-Term Liabilities:			
Portions Due or Payable Within One Year:			
Bonds Payable	4,805,000		4,805,000
Notes Payable	370,000		370,000
Portions Due or Payable After One Year:			
Bonds Payable - Net of Related Premiums/Discounts	116,599,714		116,599,714
Notes Payable - Net of Related Premiums/Discounts	19,607,663		19,607,663
Net Pension Liability	115,010,000		115,010,000
Long-term Portion of Compensated Absences	1,032,962		1,032,962
OPEB Obligation	5,805,801		5,805,801
Total Liabilities	273,825,347	83,173	273,908,520
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	958,000		958,000
Unearned Revenue	55,454	20,379	75,833
Total Deferred Inflows of Resources	1,013,454	20,379	1,033,833
<b>NET POSITION</b>			
Net Investment in Capital Assets	(14,165,505)	501,887	(13,663,618)
Restricted for:			
Capital Projects	5,044,275		5,044,275
Retirement Obligations	1,500,000	5,279,597	6,779,597
Designated Purposes	4,553,335		4,553,335
Unrestricted	(89,375,633)	414,806	(88,960,827)
<b>TOTAL NET POSITION</b>	<b>(92,443,528)</b>	<b>6,196,290</b>	<b>(86,247,238)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 182,395,273</b>	<b>\$ 6,299,842</b>	<b>\$ 188,695,115</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON-MCMILLAN SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental Activities</b>						
Depreciation - Unallocated	\$ 1,755,969	\$	\$	\$ (1,755,969)	\$	\$ (1,755,969)
Instruction	42,797,166	1,095,915	7,876,088	(33,825,163)		(33,825,163)
Instructional Student Support	5,710,366		471,266	(5,239,100)		(5,239,100)
Administrative and Financial Support	8,052,548		597,994	(7,454,554)		(7,454,554)
Operation and Maintenance of Plant	7,232,427	67,292	462,963	(6,702,172)		(6,702,172)
Pupil Transportation	6,019,350		1,689,623	(4,329,727)		(4,329,727)
Student Activities	1,749,282	180,042	159,673	(1,409,567)		(1,409,567)
Community Services	97,228		1,925	(95,303)		(95,303)
Interest on Long-Term Debt	7,357,186		3,632,283	(3,724,903)		(3,724,903)
<b>Total Governmental Activities</b>	<b>80,771,522</b>	<b>1,343,249</b>	<b>14,891,815</b>	<b>(64,536,458)</b>		<b>(64,536,458)</b>
<b>Business Type Activities</b>						
Food Service	2,491,911	1,339,576	937,228		(215,107)	(215,107)
Retirement Obligations						
<b>Total Business Type Activities</b>	<b>2,491,911</b>	<b>1,339,576</b>	<b>937,228</b>		<b>(215,107)</b>	<b>(215,107)</b>
<b>Total Government</b>	<b>\$ 83,263,433</b>	<b>\$ 2,682,825</b>	<b>\$ 15,829,043</b>	<b>\$ (64,536,458)</b>	<b>\$ (215,107)</b>	<b>\$ (64,751,565)</b>
<b>General Revenues, Special and Extraordinary Items and Transfers</b>						
Taxes						
Property Taxes				46,155,675		46,155,675
Other Taxes				8,393,712		8,393,712
Grants, Subsidies and Contributions, Unrestricted				12,357,089		12,357,089
Investment Earnings				303,957	26,273	330,230
Miscellaneous Income				386,746		386,746
Transfers Between Governmental and Business Type Activities				(188,117)	188,117	
<b>Total General Revenues, Special and Extraordinary Items and Transfers</b>				<b>67,409,062</b>	<b>214,390</b>	<b>67,623,452</b>
<b>Change in Net Position</b>				<b>2,872,604</b>	<b>(717)</b>	<b>2,871,887</b>
<b>Net Position - Beginning</b>				<b>(95,316,132)</b>	<b>6,197,007</b>	<b>(89,119,125)</b>
<b>Net Position - Ending</b>				<b>\$ (92,443,528)</b>	<b>\$ 6,196,290</b>	<b>\$ (86,247,238)</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON-MCMILLAN SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017

	Governmental Funds				Totals
	General Fund	Capital Projects Fund	Debt Service Fund	Non-Major Funds	
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,358,349	\$ 1,733,340	\$ 1,006,050	\$ 19,520	\$ 6,117,259
Investments (At Fair Value)	10,988,832	34,210,588	3,505,155		48,704,575
Taxes Receivable (Net)	1,272,352				1,272,352
Due From Other Funds	17,400	278,753	40,000	10	336,163
State Revenue Receivable	2,740,518				2,740,518
Federal Revenue Receivable	105,324				105,324
Other Receivables (Net)	215,023				215,023
Inventories	94,672				94,672
Prepaid Expenditures	23,095				23,095
<b>Total Assets</b>	<u>\$ 18,815,565</u>	<u>\$ 36,222,681</u>	<u>\$ 4,551,205</u>	<u>\$ 19,530</u>	<u>\$ 59,608,981</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Due to Other Funds	\$ 356,838	\$	\$ 17,400	\$	\$ 374,238
Intergovernmental Payables	120,650				120,650
Accounts Payable	1,502,412	1,068,934			2,571,346
Accrued Salaries and Benefits	7,611,058				7,611,058
Other Current Liabilities	38,773				38,773
<b>Total Liabilities</b>	<u>9,629,731</u>	<u>1,068,934</u>	<u>17,400</u>		<u>10,716,065</u>
Deferred Inflows of Resources					
Unearned Revenue	55,454				55,454
<b>Total Deferred Inflows of Resources:</b>	<u>55,454</u>				<u>55,454</u>
Fund Balances:					
Nonspendable:					
Inventory	94,672				94,672
Prepaid Expenditures	23,095				23,095
Committed to:					
Debt Service			4,533,805		4,533,805
Capital Projects		35,153,747			35,153,747
PSERS	1,500,000				1,500,000
Designated Purposes				19,530	19,530
Assigned to:					
Athletics	131,985				131,985
Debt Service	6,000,000				6,000,000
Unassigned:	1,380,628				1,380,628
<b>Total Fund Balances</b>	<u>9,130,380</u>	<u>35,153,747</u>	<u>4,533,805</u>	<u>19,530</u>	<u>48,837,462</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 18,815,565</u>	<u>\$ 36,222,681</u>	<u>\$ 4,551,205</u>	<u>\$ 19,530</u>	<u>\$ 59,608,981</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON-MCMILLAN SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$ 48,837,462
Capital assets used in governmental activities are not financial resources and are not reported as assets in governmental funds. The cost of the assets is \$131,317,202 and the accumulated depreciation is \$46,297,462.	85,019,740
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.	(121,404,714)
Long-term state subsidies receivable on future principal debt payments on long-term bonds payable are not assets in the funds.	12,087,660
Accrued interest expense on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.	(252,380)
Delinquent property taxes receivable will be collected, but are not available soon enough to pay for the current period's expenditure, and therefore are deferred in the funds.	1,350,000
Net Pension Obligations are not due and payable in the current period	(115,010,000)
Deferred outflows and inflows of resources related to pensions are	
Deferred outflows of resources related to pension of	
\$10,126,861 = \$15,925,000 deferred outflows of resources	
related to pension expense + \$8,778,130 deferred outflow of	
2016/2017 employer contributions related to pensions.	24,703,130
Deferred inflows of resources related to pensions	(958,000)
Extended Term Financing, including notes payable, are not due and payable in the current period and are not reported as liabilities in the	(19,977,663)
Long-term portion of retirement obligations and compensated absences.	(6,838,763)
	(6,838,763)
<b>Total Net Position - Governmental Activities</b>	<u>\$ (92,443,528)</u>

CANON-MCMILLAN SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Funds				Totals
	General	Capital Projects Fund	Debt Service Fund	Non-Major Funds	
<b>Revenues</b>					
Local Sources					
Taxes	\$ 54,549,387	\$	\$	\$	\$ 54,549,387
Other Local Revenues	2,572,634	161,398	26,694	106,526	2,867,252
State Sources	22,843,227				22,843,227
Federal Sources	515,737				515,737
Total Revenues	<u>80,480,985</u>	<u>161,398</u>	<u>26,694</u>	<u>106,526</u>	<u>80,775,603</u>
<b>Expenditures</b>					
Instruction	39,704,610				39,704,610
Support Services	25,252,005	189,320			25,441,325
Operation Of Non-Instructional Services	1,717,685			118,936	1,836,621
Capital Outlay	1,042,747	17,772,945			18,815,692
Debt Service					
Principal and Interest	8,868,405				8,868,405
Refund of Prior Year Receipts	1,304,615				1,304,615
Total Expenditures	<u>77,890,067</u>	<u>17,962,265</u>	<u></u>	<u>118,936</u>	<u>95,971,268</u>
Excess (Deficiency) of Revenues Over Expenditures	2,590,918	(17,800,867)	26,694	(12,410)	(15,195,665)
<b>Other Financing Sources (Uses)</b>					
Bond Proceeds		24,825,000			24,825,000
Bond Discount (Net)		(124,125)			(124,125)
Bond Premium (Net)		175,136			175,136
Sale of Fixed Assets	14,251				14,251
Interfund Transfers In		1,765,874			1,765,874
Interfund Transfers (Out)	(1,776,912)	(177,079)			(1,953,991)
Total Other Financing Sources & (Uses)	<u>(1,762,661)</u>	<u>26,464,806</u>	<u></u>	<u></u>	<u>24,702,145</u>
Net Change in Fund Balances	828,257	8,663,939	26,694	(12,410)	9,506,480
Fund Balances - July 1, 2016	<u>8,302,123</u>	<u>26,489,808</u>	<u>4,507,111</u>	<u>31,940</u>	<u>39,330,982</u>
Fund Balances - June 30, 2017	<u>\$ 9,130,380</u>	<u>\$ 35,153,747</u>	<u>\$ 4,533,805</u>	<u>\$ 19,530</u>	<u>\$ 48,837,462</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON–MCMILLAN SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

<b>Net Change in Fund Balances - Governmental Funds</b>	\$	9,506,480
Depreciation Expense		(2,408,614)
Capital outlays are reported governmental funds as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		19,455,152
Long-term receivable adjustment for amounts received from the state in debt service subsidies that are applicable to principal payments made.		3,042,389
Bond and note premium and discount amortization		23,945
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest recognized as the interest accrues regardless of when it is due. The additional interest reported in the statement of activities is the result of accrued interest payable and the accretement of interest on capital appreciation bonds.		(2,136,073)
Bonds issued and refunded during the current year are reported in the governmental funds as revenues and expenditures. These items are not reported in the statement of activities. They constitute long-term liabilities in the statement of net position.		(24,825,000)
In the statement of activities, compensated absences and other post employment benefits are measured by the amounts earned during the year. In the governmental funds, these items are measured by the amounts paid.		(571,933)
Bond Premium and Discount		(51,011)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net		5,140,000
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense		
District pension contributions		7,381,000
Cost of benefits earned net of employee contributions		(11,683,731)
		(4,302,731)
<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>2,872,604</u></b>

CANON-MCMILLAN SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET VS ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual (budgetary basis)	Over (Under) Budget - Final
<b>Revenues</b>				
Local Sources				
Taxes	\$ 53,932,983	\$ 53,932,983	\$ 54,549,387	\$ 616,404
Other Local Revenues	1,519,191	1,519,191	2,572,634	1,053,443
State Sources	22,939,954	22,939,954	22,843,227	(96,727)
Federal Sources	558,154	558,154	515,737	(42,417)
Total Revenues	<u>78,950,282</u>	<u>78,950,282</u>	<u>80,480,985</u>	<u>1,530,703</u>
<b>Expenditures</b>				
Instruction				
Regular Programs	27,755,825	27,678,546	27,146,308	(532,238)
Special Programs	10,224,355	9,490,910	10,107,740	616,830
Vocational Education	2,211,267	2,220,047	2,079,127	(140,920)
Other Instructional Programs	344,128	344,128	371,435	27,307
Total Instruction	<u>40,535,575</u>	<u>39,733,631</u>	<u>39,704,610</u>	<u>(29,021)</u>
Support Services				
Pupil Personnel	2,313,615	2,448,957	2,224,618	(224,339)
Instructional Staff	1,278,417	1,278,240	1,378,769	100,529
Administration	4,750,133	4,762,218	4,522,755	(239,463)
Pupil Health	1,453,128	1,453,878	1,792,751	338,873
Business	889,830	889,830	792,443	(97,387)
Operation & Maintenance of Plant Services	6,828,867	6,836,367	6,367,426	(468,941)
Student Transportation Services	6,495,581	6,495,581	5,777,263	(718,318)
Central	1,415,657	1,415,657	1,583,833	168,176
Other Support Services	80,000	827,400	812,147	(15,253)
Total Support Services	<u>25,505,228</u>	<u>26,408,128</u>	<u>25,252,005</u>	<u>(1,156,123)</u>
Operation of Non-Instructional Services				
Student Activities	1,734,140	1,763,756	1,620,349	(143,407)
Community Services	141,934	145,234	97,336	(47,898)
Total Non-Instructional Services	<u>1,876,074</u>	<u>1,908,990</u>	<u>1,717,685</u>	<u>(191,305)</u>
Capital Outlay	2,339,306	2,339,306	1,042,747	(1,296,559)
Debt Service				
Principal and Interest	8,326,327	8,326,327	8,868,405	542,078
Refund of Prior Year Receipts			1,304,615	1,304,615
Total Expenditures	<u>78,582,510</u>	<u>78,716,382</u>	<u>77,890,067</u>	<u>(826,315)</u>
Excess (Deficiency) of Revenues Over Expenditures	367,772	233,900	2,590,918	2,357,018
<b>Other Financing Sources (Uses)</b>				
Sales of Fixed Assets	10,000	10,000	14,251	4,251
Interfund Transfers In				-
Interfund Transfers (Out)	(169,200)	(169,200)	(1,776,912)	(1,607,712)
Budgetary Reserve	(475,000)	(341,128)		341,128
Total Other Financing Sources & (Uses)	<u>(634,200)</u>	<u>(500,328)</u>	<u>(1,762,661)</u>	<u>(1,262,333)</u>
Net Change in Fund Balances	(266,428)	(266,428)	828,257	1,094,685
Fund Balance - July 1, 2016	<u>8,302,123</u>	<u>8,302,123</u>	<u>8,302,123</u>	
Fund Balance - June 30, 2017	<u>\$ 8,035,695</u>	<u>\$ 8,035,695</u>	<u>\$ 9,130,380</u>	<u>\$ 1,094,685</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON-MCMILLAN SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2017

	Food Service Fund	Retirement Obligations Fund
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 205,720	\$
Investments	96,878	5,279,597
Due from Other Funds	38,075	
State Revenue Receivable	7,336	
Federal Revenue Receivable	82,310	
Other Receivables	67,660	
Inventories	20,379	
Total Current Assets	518,358	5,279,597
Noncurrent Assets:		
Food Service Equipment (Net of Depreciation)	501,887	
Total Noncurrent Assets	501,887	
<b>TOTAL ASSETS</b>	<b>\$ 1,020,245</b>	<b>\$ 5,279,597</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 20,398	\$
Other Current Liabilities	62,775	
Total Current Liabilities	83,173	
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unearned Revenue	20,379	
Total Deferred Inflows of Resources	20,379	
<b>NET POSITION</b>		
Net Investment in Capital Assets	501,887	
Restricted for:		
Retirement Obligations		5,279,597
Unrestricted	414,806	
Total Net Position	916,693	5,279,597
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 1,020,245</b>	<b>\$ 5,279,597</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



CANON-MCMILLAN SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Food Service	Retirement Obligations Fund
<b>Operating Revenues</b>		
Food Service Revenue	\$ 1,317,030	\$
Other Operating Revenue	22,546	
	1,339,576	
<b>Operating Expenses</b>		
Personal Services - Salaries	687,345	
Personal Services - Benefits	486,201	
Purchased Property Services	3,126	
Other Purchased Services	1,154,375	
Supplies	146,227	
Other Objects	474	
Depreciation Expense	14,163	
	2,491,911	
Total Operating Expenses	2,491,911	
Operating Income (Loss)	(1,152,335)	
<b>Nonoperating Revenues (Expenses)</b>		
Operating Subsidies		
State Subsidies	179,838	
Federal Subsidies		
Lunch and Breakfast Subsidies	637,333	
Value of Donated Commodities Received	120,057	
Earnings on Investments	2,084	24,189
	939,312	24,189
Total Nonoperating Revenue and Expense	939,312	24,189
Income (Loss) Before Transfers	(213,023)	24,189
Contributions and Transfers		
Transfers from Other Funds	188,117	
	188,117	
Change in Net Position	(24,906)	24,189
Net Position - July 1, 2016	941,599	5,255,408
Net Position - June 30, 2017	\$ 916,693	\$ 5,279,597

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON–MCMILLAN SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Food Service	Retirement Obligations Fund
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 1,388,378	\$
Cash Payments to Employees for Services	(1,211,621)	
Cash Paid to Suppliers for Goods and Services	(1,151,206)	
Net Cash Provided (Used) by Operating Activities	(974,449)	
<b>Cash Flows from Noncapital Financing Activities:</b>		
Grants and Subsidies Received for Non-Operating Activities		
State Subsidies	181,079	
Federal Subsidies	640,780	
Transfer from Other Funds	11,039	
Transfer to Other Funds	(575,533)	
Net Cash Provided (Used) by Noncapital Financing Activities	257,365	
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of Equipment	(14,102)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(14,102)	
<b>Cash Flows from Investing Activities:</b>		
Earnings on Investments	2,084	24,189
Withdrawals (Purchases of) from Investment Pools	370,668	(24,189)
Net Cash Provided (Used) by Investing Activities	372,752	
Net Increase (Decrease) in Cash and Equivalents	(358,434)	
Cash and Cash Equivalents, Beginning of Year	564,154	
Cash and Cash Equivalents, End of Year	\$ 205,720	\$
<b>Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities</b>		
Operating Income (Loss)	\$ (1,152,335)	\$
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:		
Depreciation	14,163	
Donated Commodities Used	120,057	
Changes in Assets and Liabilities:		
Accounts Receivable	48,802	
Inventories	(8,494)	
Due to/Due From Other Funds	(38,075)	
Accounts Payable	19,248	
Other Liabilities	13,691	
Unearned Revenues	8,494	
Total Adjustments	177,886	
Net Cash Provided (Used) by Operating Activities	\$ (974,449)	\$

**Noncash Noncapital Financing Activities:**

During the year, the District received \$120,057 of food commodities from the U.S. Department of Agriculture.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

CANON–MCMILLAN SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2017

	Agency Funds Student Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 148,043
<b>TOTAL ASSETS</b>	\$ 148,043
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 6,000
Other Current Liabilities	142,043
Total Liabilities	148,043
<b>NET POSITION</b>	
Held in Trust for Pension Benefits and Other Purposes	
Total Net Position	
<b>TOTAL LIABILITIES AND NET POSITION</b>	\$ 148,043

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# Canon–McMillan School District

## Notes to the Financial Statements

### June 30, 2017

#### Note 1 – Summary of Significant Accounting Policies

The Canon–McMillan School District (the “School District”) provides public education to residents of North Strabane Township, Cecil Township and the Borough of Canonsburg.

##### **A. Reporting Entity**

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

In evaluating the School District as a primary government in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, “The Financial Reporting Entity,” management has addressed all potential component units. Consistent with this Statement, the criteria used by the School District to evaluate possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. Upon review of this criteria, the School District determined that there were no potential component units that met the criteria for inclusion in the reporting entity.

The School District is however a participant in a jointly governed organization: Western Area Career & Technology Center. The Center is not considered part of the reporting entity, as the School District is not financially accountable for the school. See Note 9 for details on operating information about this entity.

##### **B. Basis of Presentation**

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

Following are the more significant of the School District’s accounting policies.

The School District’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

## **1. Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Eliminations have been made to minimize the double-counting of internal activities. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and business-type activity. Direct expenses are those that are specifically associated with a service program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances are eliminated.

## **2. Fund Financial Statements**

The fund financial statements provide information about the School District's funds, including the fiduciary funds. Separate statement for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

## **C. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

### **1. Governmental Funds**

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current

financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The General Fund, Capital Projects Fund, and the Debt Service Fund are the School District's major governmental funds:

**General Fund** - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Normal debt service payments for general long-term debt are recorded in the General Fund by the School District.

**Capital Projects Fund** – The Capital Projects Fund includes the School District's capital projects and capital reserve funds. The capital projects fund accounts for funds which are typically borrowed or transferred from the general fund and used for major capital improvements. The capital reserve fund is a Section 1432 capital reserve fund set up in accordance with the Pennsylvania School Code. The purpose of the fund is to set aside excess monies available in the General Fund for future use in the area of capital outlay and improvements.

**Debt Service Fund** – The Debt Service Fund accounts for resources accumulated to provide for payment of general long-term debt principal and interest.

The Other Governmental Funds of the School District account for other resources, including the district activities fund whose use is restricted to a particular purpose.

**District Activities Fund** – The District Activities Fund accounts for specific activities within the District and is restricted for particular purposes.

## **2. Proprietary Funds**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the School District's proprietary funds:

### **Enterprise Fund**

The Enterprise Fund may be used to account for any activity for which a fee is charged to external users for goods or services.

### **Food Service**

The Food Service Fund accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

## **Internal Service Fund**

### ***Retirement Obligations***

The Retirement Obligations Fund accounts for the financial transactions related to the other post employment activities of the School District. This fund is used to set aside funds accumulated to pay for the School District's Other Post Employment Obligations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's enterprise fund are food service charges. Operating expenses for the School District's enterprise fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

## **3. Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

### ***Agency Funds***

Student Activity Fund - This fund is utilized to account for monies authorized by Section 511 of the Public School Code of 1949 for student activities, publications and organizations.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These organizations exist with the explicit approval of and are subject to revocation by the Board.

## **D. Measurement Focus, Basis of Accounting**

### **1. Government-wide, Proprietary, and Fiduciary Fund Financial Statements**

The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

### **2. Governmental Fund Financial Statements**

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when

measurable and available. The School District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The statement of revenues, expenditures and changes in fund balances reflects the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

### **3. Revenues - Exchange and Nonexchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition and student fees.

### **4. Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations, are recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as unearned revenue.



## **5. Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

## **E. Budgetary Process**

Generally accepted accounting principles serve as the budgetary basis of accounting. In accordance with state law, an annual budget prepared by function and object is formally adopted for the General Fund. The School District does not formally adopt budgets for other funds.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the budget when the original appropriations were adopted.

The appropriation resolution is subject to budget transfer amendments between functions, as allowed by the Public School Code, throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts in the budgetary financial statement reflect the first appropriation resolution for the general fund that covered the entire fiscal year. The amounts reported as the final budgeted amounts represent the final appropriation that includes budget transfer amendments as passed by the Board during the fiscal year. The measurement level of control over expenditures for all budgeted funds is the surplus or deficit of the fund as a whole.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- ◆ - Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- ◆ - A meeting of the Board of School Directors is then called for the purpose of adopting the proposed budget. The meeting may only be held after 30 days of public notification.
- ◆ - Prior to July 1, the Board of School Directors legally enacts the budget through passage of a resolution.
- ◆ - The budget must be filed with the Pennsylvania Department of Education by July 31 of the fiscal year.

## **F. Encumbrances**

Encumbrances at year-end are reported in the fund financial statements as reservations of fund balance since they do not constitute expenditures or liabilities, but serve as authorization for expenditures in the subsequent year. As of June 30, 2017 the School District has no encumbrances.

## G. Cash and Investments

For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with maturity of three months or less when purchased and pooled funds of investments subject to daily withdrawal to be cash equivalents.

### *Deposits*

Below is a summary of the School District's deposits which are insured by the Federal Depository Insurance Corporation, and those which are not insured or collateralized in the School District's name, but collateralized in accordance with Act 72 of the Pennsylvania State Legislature which requires the financial institution to pool collateral for all government deposits and have the collateral held by an approved custodian in the institution's name.

	<b>FDIC Insured</b>	<b>Pooled Collateral</b>	<b>Bank Balance</b>	<b>Carrying Amount</b>
Cash and Deposits	<u>\$ 750,021</u>	<u>\$ 6,515,278</u>	<u>\$ 7,265,299</u>	<u>\$ 6,471,022</u>

### *Investments*

The District's investments at June 30, 2017 consist of:

	<b>Cost</b>	<b>Fair Value</b>
Pennsylvania Local Government Investment Trust	<u>\$ 104,707</u>	<u>\$ 104,707</u>
Pennsylvania School District Liquid Asset Fund	48,629,660	48,629,660
Certificates of Deposit	<u>5,346,683</u>	<u>5,346,683</u>
Total	<u>\$ 54,081,050</u>	<u>\$ 54,081,050</u>

The Pennsylvania School District Liquid Asset Fund and the Pennsylvania Local Government Investment Trust are investment pools. The fair value of the investment pool is the same as the value of the pool shares owned. Although the pools seek to maintain the net position value of \$1 per share, there can be no guarantee that the net asset values will not vary from this price.

For PSDLAF, internal oversight resides with a Board of Trustees consisting of local school board members, school business officials and the Executive Directors of PASBO and PSBA. For outside oversight, the Fund is monitored on a weekly basis by Standard & Poor's, which has rated PSDLAF AAAM, the highest rating available for a money market fund.

For PLGIT, regulatory oversight resides with the Board of Trustees and Trust Administration. The participants of the trust annually select an independent auditing firm to examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The Trust is not registered with the Securities and Exchange Commission. Contacts with prospective investors relating to the shares of the pool are conducted through the Investment Adviser's wholly owned subsidiary, PFMAM, Inc., member NASD.

When applicable, the School District measures investments at fair value. The fair value measurement guidelines, set forth by generally accepted accounting principals, recognize a three-tiered fair value hierarchy as follows:

- **Level 1 inputs:** Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure the fair value in that particular market.
- **Level 2 inputs:** The categorization of an asset/liability as Level 1 requires that it is traded in an active market. If an instrument is not traded in an active market, it may fall to Level 2. Level 2 inputs are inputs that are observable, either directly or indirectly, but do not qualify as Level 1.
- **Level 3 inputs:** Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

### **Investment Risks**

*Custodial Credit Risk* - Custodial credit risk is the risk of loss resulting from the failure of the custodian such that the custodian would not be able to recover the value of its investments or collateral securities in the possession of the custodian. The School District is permitted to invest funds consistent with sound business practices in the following types of investments, certain money market mutual funds, and deposit accounts:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Act 20, a Pennsylvania law enacted in June of 1995, expands the allowable investment vehicles to include certain money market mutual funds rated as "AAA" whose investments are limited to those mentioned in the previous paragraph.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a fixed income investment. The School District does not have a formal investment

policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Concentration of Credit Risk* – Credit risk concentration is the risk of loss attributed to investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represented 5 percent or more of the plan’s net position. The School District places no limit on the amount it may invest in any one issue.

#### *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

### **H. Taxes Receivable**

Taxes receivable consist of delinquent real estate taxes due at June 30, 2017, less an allowance for the amount of these delinquencies not expected to be collected within the next fiscal year.

### **I. Interfund Receivables/Payables**

During the course of operations, transactions sometime occur between individual funds for goods provided or services rendered. These receivables and payables, to the extent they exist, are classified as “Due from Other Funds” or “Due to Other Funds” on the balance sheet.

### **J. Inventories**

On government-wide financial statements, inventories are presented at cost 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. The inventories in the General Fund are equally offset by a fund balance reserve, which indicates they do not constitute “available spendable resources” even though they are a component of net current assets. The General Fund did not have a material inventory balance as of June 30, 2017.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2017. The inventory consisted of government donated commodities (valued using USDA values) using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2017 are reported as unearned revenue.

### **K. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) 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 \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds

established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 15 years
Buildings and Building Improvements	20 - 50 years
Vehicles	6 - 10 years
Machinery and Equipment	6 - 10 years

#### **L. Long-Term Liabilities**

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

#### **M. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **N. Fund Balances**

In accordance with Governmental Accounting Standards Board Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School District classifies governmental fund balances as follows:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2017 by the School District are nonspendable in form.
- Restricted – includes amounts that are restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of School Directors, the District’s highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of School Directors.
- Assigned – includes amounts that the School District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School District’s established policy, amounts may be assigned by the Director of Business and Finance of the School District.
- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of School Directors has provided otherwise in its commitment or assignment actions.

Fund balances in the School District’s general fund totals \$9,130,380 consisting of \$117,767 that is nonspendable for inventory and prepaid expenditures, \$1,500,000 that is committed for PSERS liabilities, \$6,000,000 that is assigned for debt service, \$131,985 that is assigned for athletics, and \$1,380,628 that is unassigned. In addition, \$35,153,747 is a committed fund balance in the capital projects fund and \$4,533,805 is committed in the debt service fund.

Fund balances in the School District’s non-major funds include \$19,530 for the District Activities Fund.

### **O. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

## **Note 2 – Real Estate and Unearned Revenue**

Property taxes attach as an enforceable lien on property as of July 1<sup>st</sup> of the year following levy. Taxes are levied on July 1. The School District bills and collects its own property taxes through locally elected tax collectors. Collection of delinquent property taxes is contracted to a private collection agency. The tax levy for fiscal 2017 was based on assessed values on January 1, 2016 of \$424.0 million. The School District tax rate for the year ended June 30, 2017 was 110.00 mills as levied by the School Board.

Taxes may be paid at a 2% discount until September 30<sup>th</sup>, at face until November 30<sup>th</sup>, and at a 10% penalty until the lien date.

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements. This balance, net of allowances, is \$1,272,352.

### Note 3 – Changes in Capital Assets

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

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities</b>				
Non-depreciable assets:				
Land	\$ 555,441		\$ -	\$ 555,441
Construction in progress	10,111,517	17,326,372		27,437,889
Depreciable assets				
Land Improvements	5,095,234	642,405		5,737,639
Buildings	88,391,180	11,155		88,402,335
Equipment	7,990,174	1,475,220	(281,496)	9,183,898
Totals at historical cost	<u>112,143,546</u>	<u>19,455,152</u>	<u>(281,496)</u>	<u>131,317,202</u>
Less accumulated depreciation for:				
Land Improvements	(3,222,865)	(158,037)		(3,380,902)
Buildings	(35,443,733)	(1,563,486)		(37,007,219)
Equipment	(5,503,746)	(687,091)	281,496	(5,909,341)
Total accumulated depreciation	<u>(44,170,344)</u>	<u>(2,408,614)</u>	<u>281,496</u>	<u>(46,297,462)</u>
Governmental activities capital assets, net	<u>\$ 67,973,202</u>	<u>\$ 17,046,538</u>	<u>\$ -</u>	<u>\$ 85,019,740</u>
<b>Business-type Activities</b>				
Depreciable assets:				
Equipment	\$ 1,819,429	\$ 191,180	\$ -	\$ 2,010,609
Totals at historical cost	<u>1,819,429</u>	<u>191,180</u>	<u>-</u>	<u>2,010,609</u>
Less accumulated depreciation for:				
Equipment	(1,494,559)	(14,163)		(1,508,722)
Total accumulated depreciation	<u>(1,494,559)</u>	<u>(14,163)</u>	<u>-</u>	<u>(1,508,722)</u>
Business-type activities capital asset, net	<u>\$ 324,870</u>	<u>\$ 177,017</u>	<u>\$ -</u>	<u>\$ 501,887</u>
Depreciation expense was charged to governmental functions as follows:				
Instruction				\$ 193,755
Support				62,427
Plant				81,130
Transportation				315,333
Unallocated-governmental funds				1,755,969
Total depreciation expense				<u>\$ 2,408,614</u>

In the 2016-2017 school year, building construction and renovations and equipment purchases (net of retirements) added \$19,173,656 to the historical cost of governmental activities and \$191,180 to the historical cost of business activities. Depreciation expense for that same time period was a net \$2,127,118 and \$14,163 for the governmental activities and business activities, resulting in a net book value increase of \$17,046,538 and \$177,017 for the governmental activities and business activities respectively.

## Note 4 – General Long-Term Debt

Changes in the School District’s long-term obligations during fiscal year 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds, loans & leases payable					
Capital improvement bonds	\$ 98,227,247	\$ 26,877,970	\$ (4,915,000)	\$ 120,190,217	\$ 4,805,000
General obligation notes	20,590,000		(225,000)	20,365,000	370,000
	118,817,247	26,877,970	(5,140,000)	140,555,217	5,175,000
Add: Bond and Note Premiums	1,563,610	175,136	(84,545)	1,654,201	
Less: Bond and Note Discounts	(763,516)	(124,125)	60,600	(827,041)	
Total bonds, loans and leases payable	119,617,341	26,928,981	(5,163,945)	141,382,377	5,175,000
Other liabilities:					
Compensated absences	951,522	235,336	(153,896)	1,032,962	
Pension Liability	96,496,000	26,274,000	(7,760,000)	115,010,000	
OPEB Obligation	5,300,959	687,683	(182,841)	5,805,801	
Total other liabilities	102,748,481	27,197,019	(8,096,737)	121,848,763	
Governmental activities long-term liabilities	\$ 222,365,822	\$ 54,126,000	\$ (13,260,682)	\$ 263,231,140	\$ 5,175,000

### General Obligation Bonds

Capital Appreciation Bonds, Series of 1999, stated maturity amount of \$23,975,000, with yield to maturity ranging from 5.95% to 6.10% with final payment due in 2024.

Capital Appreciation Bonds, Series A of 2001, stated maturity amount of \$13,610,000, with yields to maturity ranging from 4.75% to 5.96% with final payment due in 2029.

Capital Appreciation Bonds, Series A of 2002, stated maturity amount on \$22,635,000, with yields to maturity ranging from 2.30% to 5.98% with final payment due in 2034. These bonds were partially refunded in 2013/2014 with the issuance of the General Obligation Bonds, Series B of 2014.

General Obligation Bonds, Series D of 2002, issuance amount of \$2,435,000, variable rates from 2% to 4.15% with final payment due in 2016. The final payment was made on these bonds in the 2016/2017 year.

General Obligation Bonds, Refunding Series of 2008, issuance amount of \$4,510,000, variable rates from 1.50% to 4.05%, with final payment due in 2028.

General Obligation Bonds, Taxable Series A of 2014, issuance amount of \$10,610,000, variable rates from 0.582% to 1.457%, with final payment due in 2016. The final payment was made on these bonds in the 2016/2017 year.



General Obligation Bonds, Series B of 2014, issuance amount of \$9,865,000, variable rates from 0.530% to 4.270%, with final payment due in 2028.

General Obligation Bonds, Series C of 2014, issuance amount of \$23,780,000, variable rates from 4.270% to 4.730%, with final payment due in 2033.

General Obligation Bonds, Series D of 2014, issuance amount of \$25,350,000, variable rates from 0.70% to 5.00%, with final payment due in 2039.

General Obligation Bonds, Series of 2017, issuance amount of \$24,825,000, variable rates from 0.95% to 5.00%, with final payment due in 2041.

The balances remaining on the remaining five series at June 30, 2017 are:

***Current Interest Bonds***

2008 General Obligation Bonds	\$ 1,520,000
2014 General Obligation Bonds, Series B	9,575,000
2014 General Obligation Bonds, Series C	23,780,000
2014 General Obligation Bonds, Series D	25,315,000
2017 General Obligation Bonds	<u>24,180,000</u>
Total Current Interest Bonds	<u>\$ 84,370,000</u>

<u>Zero Coupon Bonds</u>	<u>Stated Maturity</u>	<u>Value at Issuance</u>	<u>Compound Accreted Value at June 30, 2017</u>
1999 General Obligation Bonds	\$23,975,000	\$ 6,963,515	\$ 19,690,805
2001 General Obligation Bonds, Series A	13,610,000	3,048,628	7,591,700
2002 General Obligation Bonds, Series A	22,635,000	8,251,635	<u>8,537,712</u>
Total Zero Coupon Bonds			<u>\$ 35,820,217</u>
Total All Bonds			<u>\$ 120,190,217</u>

The amounts necessary to amortize outstanding bonds for the next five years and to maturity are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,805,000	\$ 3,686,313	\$ 8,491,313
2019	4,870,000	3,655,538	8,525,538
2020	4,895,000	3,628,881	8,523,881
2021	4,920,000	3,601,668	8,521,668
2022	4,945,000	3,573,740	8,518,740
2023-2027	25,415,000	17,372,831	42,787,831
2028-2032	27,035,000	15,131,088	42,166,088
2033-2037	21,015,000	10,500,178	31,515,178
2038-2041	38,440,000	4,479,450	42,919,450
Total	<u>\$ 136,340,000</u>	<u>\$ 65,629,687</u>	<u>\$ 201,969,687</u>

The General Fund is used to liquidate the liability for long-term debt. Interest expense disclosed in the government wide financial statements includes interest paid on long term debt obligations, refund of prior year revenues and unamortized costs related to refunding of debt.

**General Obligation Notes**

General Obligation Notes – Series of 2012A, issuance amount of \$18,785,000, interest at the rate of 0.45% - 3.25% with final payment due in 2035.

General Obligation Notes – Series of 2012B, issuance amount of \$2,655,000, interest at the rate of 0.862% - 3.295% with final payment due in 2021.

The amounts necessary to amortize outstanding notes for the next five years and to maturity are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 370,000	\$ 624,053	\$ 994,053
2019	385,000	615,472	1,000,472
2020	395,000	605,557	1,000,557
2021	405,000	594,069	999,069
2022	455,000	582,201	1,037,201
2023-2027	1,875,000	2,757,203	4,632,203
2028-2032	2,575,000	2,470,050	5,045,050
2033-2036	13,905,000	1,290,981	15,195,981
Total	<u>\$ 20,365,000</u>	<u>\$ 9,539,586</u>	<u>\$ 29,904,586</u>

## Note 5 – Pension Plan

### **1. 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 addition to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms investments are reported at fair value.

#### ***General Information about the Pension Plan***

##### Plan Description

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

##### 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.

### Contributions

#### Member Contributions:

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

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

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

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50% (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, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$8,778,130 for the year ended June 30, 2017.

## **2. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions**

At June 30, 2017, the District reported a liability of \$115,010,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The 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, 2016, the District's proportion was 0.2320 percent, which was an increase of 0.0093 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$13,252,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 958,000
Changes in Assumptions	4,150,000	
Net difference between projected and actual investment earnings	6,408,000	
Changes in proportions	5,367,000	
Contributions subsequent to the measurement date	8,778,130	
	\$ 24,703,130	\$ 958,000

\$8,778,130 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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	\$ 3,440,000
2018	3,440,000
2019	4,864,000
2020	3,224,000

#### Changes in Actuarial assumptions

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

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. 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 to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Public Equity	22.5%	5.3%
Fixed Income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternate investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	-14.0%	0.5%
	100.0%	

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, 2016.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that 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 project 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.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Discount rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 140,641,000	\$ 114,972,000	\$93,402,000

Pension plan fiduciary net position

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

	2017	2016	2014
Total payroll for the year ended	\$ 31,113,375	\$ 30,202,755	\$ 27,929,969
Total covered payroll	30,730,909	27,948,378	26,856,119
Total required retirement expense	9,228,492	7,221,861	4,546,741
Total actual retirement expense	9,228,492	7,221,861	4,546,741
Percentage of required contribution	100%	100%	100%
Contribution percentage actuarially determined	30.03	25.84	16.93

Note 6 – Compensated Absences & Other Post-Employment Benefits

The School District has made early retirement benefits available to certain employees. The benefit is (1) payment for unused sick days at retirement and (2) a retirement incentive payable. The payable for declared retirements is recorded as a current liability in the General Fund at the time of retirement. With respect to other employees that do not meet the criteria established by the School District for early retirement, these employees are not eligible to receive payment for their unused sick days at retirement. The General Fund has been used to liquidate the accumulated liability for retirement benefits. The dollar amounts of the benefits are as follows:

	Sick Day Liability	Retirement Incentives	Total
June 30, 2016 Balance	\$ 907,427	\$ 44,095	\$ 951,522
Increases	235,336		235,336
Decreases	(130,889)	(23,007)	(153,896)
June 30, 2017 Balance	<u>\$ 1,011,874</u>	<u>\$ 21,088</u>	<u>\$ 1,032,962</u>

### Note 7 – Other Post-Employment Benefits

The District maintains a single-employer defined benefit healthcare plan through Intermediate Unit I Health Insurance Consortium for eligible retirees. The employee’s spouses may also be covered at their own expense through the District’s health insurance plan.

*Funding Policy.* The contribution requirements of plan members and the District are established and may be amended by the Board of School Directors. The Annual Required Contribution for the year ended June 30, 2017 was not made by the District. The District has set aside funds in an internal service fund for retirement obligations totaling \$5,279,597

*Funded Status and Funding Progress.* As of July 1, 2016, the actuarial accrued liability for benefits was \$4,757,556.

### Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL – Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)
<u>7/1/2016</u>	<u>\$ -0-</u>	<u>\$ 4,757,556</u>	<u>\$ 4,757,556</u>
<u>7/1/2014</u>	<u>-0-</u>	<u>5,318,835</u>	<u>5,318,835</u>
<u>7/1/2012</u>	<u>-0-</u>	<u>7,825,681</u>	<u>7,825,681</u>
<u>7/1/2010</u>	<u>-0-</u>	<u>9,167,970</u>	<u>9,167,970</u>
<u>7/1/2008</u>	<u>-0-</u>	<u>10,850,204</u>	<u>10,850,204</u>

*Annual Required Contribution.* For the 2016/2017 year, the District’s annual required contribution of \$475,645 was not made. The required contribution was determined as part of the July 1, 2016 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 4.00% investment rate of return and (b) no assumed salary scale.



Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
6/30/13	\$ 775,206	29.6%	\$ 3,595,495
6/30/14	775,206	34.5%	4,246,993
6/30/15	545,703	38.1%	4,754,403
6/30/16	545,703	34.7%	5,300,959
6/30/17	475,645	38.4%	5,805,801

2016/2017 Contribution Details

Annual Required Contribution (ARC)	\$ 475,645
Interest on NET OPEB Obligation @ 4.00%	212,038
Annual OPEB Cost	687,683
Contributions Made	(182,841)
Estimated Increase in Net OPEB Obligation	504,842
Net OPEB Obligation - Beginning of Year	5,300,959
Net OPEB Obligation - End of Year	<u>\$ 5,805,801</u>

The following assumptions were also made:

*Mortality* – The RP-2000 Healthy Annuitant Mortality Table with generational improvement using Scale BB.

*Rates of Disablement* – Not assumed.

*Retirement* – Employees were assumed to retire immediately upon eligibility for benefits under PSERS. It was assumed that 25% of retiring teachers and support personnel will elect post-retirement medical coverage and pay the required premiums.

*Marital Status* – 90% of males and 90% of females were assumed to be married.

*Age of Spouse* – The female spouse is assumed to be three years younger than the male spouse for future retirees.

*Medical Inflation* – 10% in the first year, gradually decreasing by 0.5% per year, to an ultimate rate of 6.

## Note 9 – Jointly Governed Organizations

The School District is one of eight member school districts of the Western Area Career & Technology Center. The Center is controlled and governed by the Joint Committee, which is composed of one member from each school board of the member districts. Direct oversight of the Center's operations is the responsibility of the Joint Committee. The School District's share of annual operating and capital costs for the Center fluctuates based on the percentage enrollment in the school and is reflected as intergovernmental expenditures of the General Fund. The audit report may be obtained by calling the business office of the School District.

## Note 10 – Commitments and Contingencies

The Canon–McMillan School District participates in a number of state and federally assisted grant programs. The programs are subject to program compliance audits by the grantor agencies or their representatives. The audits of some of these programs for and including the year ended June 30, 2017 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts to be immaterial.

## Note 11 – Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2017 were:

<u>Interfund Receivable</u>		<u>Interfund Payable</u>	
Capital Projects Fund	\$ 278,753	General Fund	\$ 356,838
Debt Service Fund	40,000	Debt Service Fund	17,400
Cafeteria Fund	38,075		
General Fund	17,400		
District Activities Fund	10		
	<u>\$ 374,238</u>		<u>\$ 374,238</u>

The general fund's payable is principally the result of amounts being transferred to the Capital Projects Fund as part of the District's fund balance policy. The debt service fund's payable is the result of interest earned by the debt service fund that is owed to the general fund.

During the fiscal year ended June 30, 2017, the following fund level transfers were made:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	\$ 1,765,874	General Fund	\$ 1,776,912
Cafeteria	188,117	Capital Projects Fund	177,079
	<u>\$ 1,953,991</u>		<u>\$ 1,953,991</u>

The above transfer to the Capital Projects Fund represents amounts that are being set aside for future capital improvements. The transfer to the Cafeteria Fund represents the purchase of fixed assets in connection with the District's construction project that will be used within the District's food service operations.

### **Note 12 – Risk Management**

*General Risk* – The School District is exposed to various risks of loss related to certain torts, thefts, damages, catastrophic loss of assets, errors and omissions, injury to employees and natural disasters. Canon–McMillan School District manages most of its risk through the general fund with the purchase of commercial insurance coverage.

The District estimates that the amount of actual or potential claims against the District as of June 30, 2017 will not materially affect the financial condition of the District and will be covered under the present insurance coverage.

### **Note 13 – Health Care Consortium**

The School District is a subscribing member of the Intermediate Unit 1 Health Care Consortium Trust Agreement. The Trust's general objectives are to formulate, develop and administer, on behalf of its subscribers, a program of insurance, to obtain lower costs for the coverage, to reward subscribers for lower usage of the coverage, to establish a continuing voice with insurance providers, and to manage the Trust's healthcare dollar most effectively. Benefits available include medical, prescription, dental and vision insurance coverage.

### **Note 14 – Pending Pronouncements**

The Governmental Accounting Standards Board has issued Statement #75 to address accounting and financial reporting for post employment benefits other than pensions. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows, deferred inflows and expenditures.

The application of this Statement will result in the School District being required to include the total unfunded post retirement liability within its financial statements. The Statement will be implemented during the 2017/2018 year.

# Supplementary Information

CANON–MCMILLAN SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

Student Activity Fund

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 106,787	\$ 336,639	\$ 295,383	\$ 148,043
Total Assets	<u>\$ 106,787</u>	<u>\$ 336,639</u>	<u>\$ 295,383</u>	<u>\$ 148,043</u>
<b>Liabilities</b>				
Accounts Payable	\$ 454	\$ 6,000	\$ 454	\$ 6,000
Other Liabilities	<u>106,333</u>	<u>330,639</u>	<u>294,929</u>	<u>142,043</u>
Total Liabilities	<u>\$ 106,787</u>	<u>\$ 336,639</u>	<u>\$ 295,383</u>	<u>\$ 148,043</u>

CANON MCMILLAN SCHOOL DISTRICT  
BALANCE SHEET - CAPITAL PROJECTS FUNDS  
JUNE 30, 2017

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 20	\$ 1,733,320	\$ 1,733,340
Investments	4,468,239	29,742,349	34,210,588
Due from Other Funds	668,178		668,178
	<u>668,178</u>	<u>29,742,349</u>	<u>30,410,527</u>
Total Assets	<u>\$ 5,136,437</u>	<u>\$ 31,475,669</u>	<u>\$ 36,612,106</u>
<b>Liabilities</b>			
Accounts Payable	\$ 92,162	\$ 976,772	\$ 1,068,934
Due to Other Funds		389,425	389,425
	<u>92,162</u>	<u>389,425</u>	<u>481,587</u>
Total Liabilities	<u>92,162</u>	<u>1,366,197</u>	<u>1,458,359</u>
<b>Fund Balances</b>			
Committed to:			
Capital Projects	5,044,275	30,109,472	35,153,747
	<u>5,044,275</u>	<u>30,109,472</u>	<u>35,153,747</u>
Total Fund Balances	<u>5,044,275</u>	<u>30,109,472</u>	<u>35,153,747</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,136,437</u>	<u>\$ 31,475,669</u>	<u>\$ 36,612,106</u>

CANON MCMILLAN SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Revenues</b>			
Local Sources	\$ 44,649	\$ 116,749	\$ 161,398
Total Revenues	44,649	116,749	161,398
<b>Expenditures</b>			
Support		189,320	189,320
Capital Outlay	3,981,272	13,791,673	17,772,945
Total Expenditures	3,981,272	13,980,993	17,962,265
Excess (Deficiency) of Revenues Over Expenditures	(3,936,623)	(13,864,244)	(17,800,867)
<b>Other Financing Sources (Uses)</b>			
Bond Proceeds		24,825,000	24,825,000
Bond Discount (Net)		(124,125)	(124,125)
Bond Premium (Net)		175,136	175,136
Interfund Transfers (Out)		(177,079)	(177,079)
Interfund Transfers In	544,949	1,220,925	1,765,874
Total Other Financing Sources & (Uses)	544,949	25,919,857	26,464,806
Net Change in Fund Balances	(3,391,674)	12,055,613	8,663,939
Fund Balances - July 1, 2016	8,435,949	18,053,859	26,489,808
Fund Balances - June 30, 2017	<u>\$ 5,044,275</u>	<u>\$ 30,109,472</u>	<u>\$ 35,153,747</u>



# Cypher & Cypher

Accountants | Auditors | Advisors

## 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*

Canon-McMillan School District  
Canonsburg, 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 Canon-McMillan School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Canon-McMillan School District's basic financial statements, and have issued our report thereon dated September 21, 2017.

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

In planning and performing our audit of the financial statements, we considered Canon-McMillan 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 Canon-McMillan School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Canon-McMillan 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 Canon-McMillan 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CYPHER &amp; CYPHER

A handwritten signature in black ink that reads "Cypher & Cypher". The script is cursive and fluid, with the ampersand being a stylized, central element.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
September 21, 2017



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

Canon-McMillan School District  
Canonsburg, Pennsylvania

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

We have audited Canon-McMillan 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 Canon-McMillan School District's major federal programs for the year ended June 30, 2017. Canon-McMillan School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Canon-McMillan 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 Canon-McMillan School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Canon-McMillan 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, 2017.

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

Management of Canon-McMillan 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 Canon-McMillan 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 Canon-McMillan School District's internal control over compliance.

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

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

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

CYPHER & CYPHER



CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania  
September 21, 2017

Canon–McMillan School District  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2017

Section 1 – Summary of Auditor’s Results

Financial Statements:		
i.	Type of auditor’s report issued	Unmodified
ii.	Internal control over financial reporting:	
	Material weakness(es) identified?	No
	Significant deficiencies identified?	None reported
iii.	Noncompliance material to financial statements noted?	No

Federal Awards:		
iv.	Internal control over major programs:	
	Material weakness(es) identified?	No
	Significant deficiencies identified?	None reported
v.	Type of auditor’s report issued on compliance for major programs:	Unmodified
vi.	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
vii.	Major programs:	
	CFDA Number(s)	Name of Federal Program or Cluster
	84.027 84.173	Special Education Cluster (IDEA)
	10.553 10.555 10.559	Child Nutrition Cluster
viii.	Dollar threshold used to distinguish between Type A and	\$750,000

	Type B programs:	
ix.	Auditee qualify as low-risk auditee?	No

Section 2 – Findings Related to Financial Statements Required to Be Reported Under GAGAS

None.

Section 3 – Findings and Questioned Costs for Federal Awards

None.

Section 4 – Summary of Prior Audit Findings

None.

CANON-MCMILLAN SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF AWARDS OF FEDERAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2017

Project Title Or Grant Name	Funding Source	Federal CFDA #	Pass Through Grantor #	Program Years	Program Grant Award	Cash Received In 16/17	Accrued/Deferred Revenue 7/1/16	Revenues Recognized 16/17	Expenditures Recognized 16/17	Accrued/Deferred Revenue 6/30/17	Carryover To 17/18
Title I, Part A Cluster											
Department of Education											
Passed From Pennsylvania Department of Education											
Title I, Part A	I	84.010	013-170060 013-160060	16/17 15/16	\$ 408,173.00 387,239.00	\$ 278,406.70 74,656.02	\$ 15,003.24	\$ 305,735.17 109,423.45	\$ 305,735.17 109,423.45	\$ 27,328.47 49,770.67	\$ 102,437.83
Total Title I, Part A Cluster					\$ 795,412.00	\$ 353,062.72	\$ 15,003.24	\$ 415,158.62	\$ 415,158.62	\$ 77,099.14	\$ 102,437.83
Special Education Cluster (IDEA)											
Department of Education											
Passed From Intermediate Unit #1											
IDEA, Part B	I	84.027		16/17	\$ 843,028.00	\$ 843,028.00	\$ -	\$ 843,028.00	\$ 843,028.00	\$ -	\$ -
Passed From Intermediate Unit #1											
IDEA, Section 619	I	84.173	131-11-0-001-A	16/17	4,523.00	4,523.00		4,523.00	4,523.00		
Total Special Education Cluster (IDEA)					\$ 847,551.00	\$ 847,551.00	\$ -	\$ 847,551.00	\$ 847,551.00	\$ -	\$ -
Child Nutrition Cluster											
Department of Agriculture											
Passed From Pennsylvania Department of Education											
School Breakfast Program	I	10.553		16/17 15/16	\$ 75,621.39 68,692.32	\$ 65,471.52 10,609.38	\$ 10,609.38	\$ 75,621.39 -	\$ 75,621.39 -	\$ 10,149.87 -	\$ -
Passed From Pennsylvania Department of Education											
School Breakfast Program - Severe Needy	I	10.553		16/17 15/16	42,555.43 34,491.79	37,409.68 5,339.38		42,555.43 -	42,555.43 -	5,145.75 -	
Subtotal CFDA #10.553					221,360.93	118,829.96	15,948.76	118,176.82	118,176.82	15,295.62	
Passed From Pennsylvania Department of Education											
National School Lunch Program	I	10.555		16/17 15/16	512,573.80 483,960.20	449,081.40 66,745.13	66,745.13	512,573.80	512,573.80	63,492.40	
Passed From Pennsylvania Department of Agriculture											
National School Lunch - Donated Commodities	I	10.555		16/17 15/16	128,550.45 108,413.17	128,550.45 a	(11,885.28) b	108,171.85 11,885.28	108,171.85 c	(20,378.60) d	20,378.60
Subtotal CFDA #10.555					1,233,497.62	644,376.98	54,859.85	632,630.93	632,630.93	43,113.80	20,378.60
Passed From Pennsylvania Department of Education											
Summer Food Program	I	10.559		16/17 15/16	6,581.74 6,788.60	3,059.67 3,063.41	3,063.41	6,581.74 -	6,581.74 -	3,522.07 -	
Total Child Nutrition Cluster					\$ 1,468,228.89	\$ 769,330.02	\$ 73,872.02	\$ 757,389.49	\$ 757,389.49	\$ 61,931.49	\$ 20,378.60
Department of Health and Human Services											
Passed From Pennsylvania Department of Public Welfare											
Medical Assistance - Access Time Study	I	93.778	140078	16/17 15/16	\$ 5,356.23 7,534.43	\$ 3,089.81 3,104.74	\$ 3,104.74	\$ 5,356.23 -	\$ 5,356.23 -	\$ 2,266.42 -	\$ -
Total Department of Health and Human Services					\$ 12,890.66	\$ 6,194.55	\$ 3,104.74	\$ 5,356.23	\$ 5,356.23	\$ 2,266.42	\$ -
Department of Education											
Passed From Pennsylvania Department of Education											
Title II - Improving Teacher Quality	I	84.367	020-170060 020-160060	16/17 15/16	\$ 129,950.00 132,263.00	\$ 60,920.51 43,906.64	\$ 35,562.82	\$ 86,878.95 8,343.82	\$ 86,878.95 8,343.82	\$ 25,958.44 -	\$ 43,071.05
Subtotal CFDA #84.367					262,213.00	104,827.15	35,562.82	95,222.77	95,222.77	25,958.44	43,071.05
Total Department of Education					\$ 262,213.00	\$ 104,827.15	\$ 35,562.82	\$ 95,222.77	\$ 95,222.77	\$ 25,958.44	\$ 43,071.05
<b>Grand Total</b>					<b>\$ 3,386,295.55</b>	<b>\$ 2,080,965.44</b>	<b>\$ 127,542.82</b>	<b>\$ 2,120,678.11</b>	<b>\$ 2,120,678.11</b>	<b>\$ 167,255.49</b>	<b>\$ 165,887.48</b>

Footnotes:  
(a) Total amount of Commodities received from Dept of Agriculture  
(b) Beginning inventory at July 1  
(c) Total amount of Commodities Used  
(d) Ending Inventory at June 30

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**Canon–McMillan School District**  
**Notes to Schedule of Expenditure of Awards of Federal Assistance**  
**For the Year Ended June 30, 2017**

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes federal award activity of Canon-McMillan School District (the “School District”) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Canon-McMillan School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Canon-McMillan School District.

**Note 2 – 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.
  
- (2) Pass-through entity identifying numbers are presented where available.

**Note 3 – Food Distribution**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, the District had food commodities totaling \$20,379 in inventory.

**Note 4 – Indirect Cost Rates**

The School District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.