

CANON-MCMILLAN SCHOOL DISTRICT

CANONSBURG, PENNSYLVANIA

ANNUAL FINANCIAL REPORT

SCHOOL YEAR ENDED JUNE 30, 2015



C y p h e r & C y p h e r

Accountants | Auditors | Advisors

CANON–MCMILLAN SCHOOL DISTRICT

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Cypher & Cypher

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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, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2015 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 xxii 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 expenditure of awards of federal assistance is presented for purposes


of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 3, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Canon–McMillan School District’s internal control over financial reporting and compliance.

CYPHER & CYPHER

A handwritten signature in black ink, appearing to read "Cypher & Cypher", written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
November 3, 2015

Management's Discussion and Analysis

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

**Management's Discussion and Analysis (MD&A)
June 30, 2015**

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, 2015. 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 school 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 cooperation 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 has two National Blue Ribbon Schools: First Street Elementary (2007) 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. Also in May, 2014, Muse Elementary and the Canon-McMillan Senior High School each received a Governor's Proclamation for outstanding continuous growth in student academic achievement. The Canonsburg Middle School was re-designated as a Pennsylvania Don Eichorn and National Schools to Watch also boasts the 2012 Middle Level Principal of the Year designation.

As one of the fastest growing school districts in southwestern Pennsylvania, we are proud of the myriad 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 presented in May 2014. It was announced that ground breaking for the new Muse Elementary School would occur in the fall of 2015 and the opening date for the new school planned for August of 2017. We anticipate the creation of physical learning spaces that are conducive to learning appropriate for the 21st 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 Common 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 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 Catalyst-Connections, All-Clad Metal Crafters, Universal Electric Corporation, Consol Energy, Mark-West Energy Partners and the Caterpillar Global Mining Company.

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 \$43.6 million including a combined net income of \$3.8 million for 2014-2015. The large increase in Governmental funds is due to the bond proceeds in the Capital Project Fund that are designated for the new Muse Elementary School.

Revenues: The School District's general fund received \$71.4 million during 2014-2015 compared with \$67 million for 2013-2014. Canon-McMillan received 70.8% of its funding from local sources, 27.9% from state sources, .7% from federal sources and .6 from other sources, compared with 70.7%, 28.6%, and .7% respectively in 2013-2014. 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. Revenue in this area reflects an increase of \$28,087 or 20.4%.

Expenditures: Total general fund spending for 2014-2015 was \$70.7 million for the year compared with \$66.9 million for 2013-2014. Instructional programs expended \$36.7 million, or 51.9% of all general fund spending compared with \$33.4 million or 49.9% in 2013-2014.

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 serve 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, Construction 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 fund: a District Activity Fund, which are aggregated into a single presentation, Non-Major Funds.

The other major funds are the Food Service Fund and Retirement Obligations Fund. The Food Service Fund 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. The District maintains two proprietary fund types, the Food Service Fund and the Retirement Obligations Fund, which 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, 2015

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Current and Other Assets	\$ 26,995,050	\$ 52,787,858	\$ 5,974,168	\$ 6,066,551	\$ 32,969,218	\$ 58,854,409
Non Current Assets	68,725,602	70,647,839	90,744	58,298	68,816,346	70,706,137
Deferred Outflows		6,785,792				6,785,792
Total Assets and Deferred Outflows	95,720,652	130,221,489	6,064,912	6,124,849	101,785,564	136,346,338
Current and Other Liabilities	12,220,297	12,303,863	16,731	62,518	12,237,028	12,366,381
Non Current Liabilities	98,633,487	209,021,387			98,633,487	209,021,387
Deferred Inflows	37,800	6,197,930	15,562	24,752		6,222,682
Total Liabilities and Deferred Inflows	110,891,584	227,523,180	32,293	87,270	110,870,515	227,610,450
Invested in Capital Assets	(29,175,034)	(26,121,248)	90,744	58,298	(29,084,290)	(26,062,950)
Restricted	14,513,479	14,286,510	5,240,623	5,245,583	19,754,102	19,532,093
Unrestricted	(509,377)	(85,466,953)	701,252	733,698	191,875	(84,733,255)
Total Net Position	\$ (15,170,932)	\$ (97,301,691)	\$ 6,032,619	\$ 6,037,579	\$ (9,138,313)	\$ (91,264,112)

Assets, Liabilities & Net Position

The School District's total assets increased \$27.7 million during 2014-2015 to a total of \$129.5 million. 45.4% are comprised 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 Capitol Projects. The remaining 54.6% assets are attributable to noncurrent assets comprised of long-term receivables and capital assets net of depreciation.

Current liabilities increased \$110,468,891 during 2014-2015 to a total of \$221.49 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, 2015 and paid subsequent to June 30, 2015. Accrued salaries and benefits are primarily the result of salaries earned by teachers as of June 30, 2015 and paid during the summer 2015.

The District's total net position decreased \$82.1 million during 2014-2015. GASB #68 is the main contributor to the large change from 2013-2014. The net position decrease is comprised of: \$(26,062,950) in invested capital assets, net related debt and inclusive of long-term receivables; includes a surplus of \$19.5M of restricted funds comprised of capital projects, retirement obligations and designated purposes which has decreased from the prior year which stated a \$19.7M surplus. Unrestricted funds are reflective of the inclusion of GASB #68 into the financials with (84,733,255).

RESULTS OF OPERATIONS

Fiscal year ended June 30, 2015

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Program Revenues:						
Charges for Services	\$ 517,758	\$ 1,151,335	\$ 1,396,532	\$ 1,288,653	\$ 1,914,290	\$ 2,439,988
Operating Grants and Contributions	8,377,447	9,199,152	800,600	815,772	9,178,047	10,014,924
General Revenues:						
Property Taxes	39,140,749	41,297,258			39,140,749	41,297,258
Other Taxes	7,073,320	7,515,229			7,073,320	7,515,229
Grants Subsidies and Contributions	11,732,889	11,733,237			11,732,889	11,733,237
Other	(148,515)	126,997	449,103	184,583	300,588	311,580
	66,693,648	71,023,208	2,646,235	2,289,008	69,339,883	73,312,216
Expenditures:						
Depreciation	1,865,153	1,835,281			1,865,153	1,835,281
Instruction	33,713,208	35,374,661			33,713,208	35,374,661
Instructional Student Support	3,433,284	3,237,773			3,433,284	3,237,773
Administrative and Financial Support	6,210,096	6,529,211			6,210,096	6,529,211
Operation and Maintenance of Plant	6,451,092	6,214,781			6,451,092	6,214,781
Pupil Transportation	4,859,349	5,301,244			4,859,349	5,301,244
Student Activities	1,447,376	1,472,142			1,447,376	1,472,142
Community Services	125,176	122,937			125,176	122,937
Debt Service	13,910,362	5,748,937			13,910,362	5,748,937
Food Service			2,342,072	2,284,048	2,342,072	2,284,048
	72,015,096	65,836,967	2,342,072	2,284,048	74,357,168	68,121,015
Change in Net Position	\$ (5,321,448)	\$ 5,186,241	\$ 304,163	\$ 4,960	\$ (5,017,285)	\$ 5,191,201

Revenues

Local taxes account for 70.8% of all revenue. The District currently receives approximately \$395,000 per each mill of real estate tax. This figure takes into account

deducting for un-collected taxes (discount, collection rate, etc...). Federal and State subsidies are 28.6% of total revenue for fiscal 2015.

Expenditures and Other Financing Uses-Governmental Funds

Operating expenditures decreased \$6,236,153 for 2014-15 to a total of \$68.1 million. Instructional services account for 52% of total expenditures. It is the most influential factor in the total expenditures from fiscal 2015 and an increase of \$1,661,453 from 2014. 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, 2015 Governmental Activities

Function/Program:	Total Cost		Percentage Change 2014-2015	Net Cost		Percentage Change 2014-2015
	2014	2015		2014	2015	
Depreciation	\$ 1,865,153	\$ 1,835,281	-1.6%	\$ 1,865,153	\$ 1,835,281	-1.6%
Instruction	33,713,208	35,374,661	4.9%	27,971,837	28,402,200	1.5%
Instructional Student Support	3,433,284	3,237,773	-5.7%	3,142,168	2,914,398	-7.2%
Administrative and Financial Support	6,210,096	6,529,211	5.1%	5,849,788	6,085,743	4.0%
Operation and Maintenance of Plan	6,451,092	6,214,781	-3.7%	6,120,711	5,699,386	-6.9%
Pupil Transportation	4,859,349	5,301,244	9.1%	3,454,581	3,892,644	12.7%
Student Activities	1,447,376	1,472,142	1.7%	1,215,426	1,202,659	-1.1%
Community Services	125,176	122,937	-1.8%	124,958	121,962	-2.4%
Long Term Debt Interest	13,910,362	5,748,937	-58.7%	13,375,269	5,332,207	-60.1%
Total Governmental Activities	72,015,096	65,836,967	-8.6%	63,119,891	55,486,480	-12.1%
Less: Unrestricted Grants, Subsidies and Contributions				(11,732,889)	(11,733,237)	
Total Needs From Local Sources				\$ 51,387,002	\$ 43,753,243	-14.86%

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 2015 General Fund Budget was approved by the Board of School Directors on June 18, 2015. The budget included proposed total expenditures of \$73,022,084 and proposed revenues of \$73,063,612. The expenditures were \$(41,528) less than revenues, that amount will be allocated to unsigned 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 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. The budget plan continued to include technology improvements, 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. Resolution of a few large outstanding tax appeals have resulted in a positive budgetary impact. 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, 2014	\$4,721,446	\$ 8,492,537	\$ 4,487,595	\$ 33,347
Increase (Decrease)	783,549	25,096,685	3,828	154
June 30, 2015	\$5,504,995	\$ 33,589,222	\$ 4,491,423	\$ 33,501

The fund balance for the General Fund at June 30, 2015 is a surplus \$5,504,995. The increase is \$783,549 from the prior year balance. The most influencing factor was the district prevailing in a number of tax assessment appeals initiated by the district. 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 represents 5.2% of the 2015-2016 expenditure budget. The recommended minimum fund balance limit is between 8%-10% of current budgeted expenses. The District has not yet reached those recommended limits.

DEBT ADMINISTRATION

As of June 30, 2015, the District had long-term debt obligations totaling \$98.8 million. The increase was the result of borrowing for Capital Project: New Muse Elementary School. 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 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 the 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 21st 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, with a projected completion date in time to begin the 2017-2018 school year. The 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.

Major capital projects have been funded through bond proceeds. 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) in 2011-2012 and 2012-2013. 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 for the 2009-2010, 2010-2011, 2011-2012, 2012-2013, 2013-2014, 2014-2015 school years. This will continue to be an area that is addressed in upcoming 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 21st 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 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 21st 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.

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:

Employer	Type of Business	Number of Employees
1. Washington Trotting Association	Casino/Racetrack	1,178
2. Crown Castle USA, Inc	Communications	792
3. Canon-McMillan School District	Education	776
4. Mylan Inc.	Pharmaceuticals	652
5. Mylan Pharmaceuticals Inc.	Pharmaceuticals	561
6. FTS International Services LLC	Oil & Gas	530
7. ARC Human Services	Human Services	522
8. Ansys Inc/ATT	Communication	506
9. Perryman Company	Industrial	418
10. Consol Energy Inc	Energy	395

SOURCE: School District Tax Collector.

Population Composition – 2000 and 2010

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

SOURCE: United States Census Bureau.

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 and 2010

	<u>2000</u>	<u>2010</u>	<u>2000-2010 % Change</u>
North Strabane Township	\$23,457	\$31,251	33.2%
Cecil Township	\$22,340	\$31,481	40.9%
Canonsburg Borough	\$17,469	\$22,286	27.6%
Washington County	\$19,935	\$26,041	30.6%
Pennsylvania	\$20,880	\$26,678	27.8%

SOURCE: United States Census Bureau, American Community Survey.

Family and Household Income – 2010

	<u>Household Income Median</u>	<u>Family Income Median</u>
North Strabane Township	\$65,602	\$79,181
Cecil Township	\$62,966	\$68,306
Canonsburg Borough	\$47,228	\$53,091
Washington County	\$47,615	\$62,397
Pennsylvania	\$49,737	\$62,520

SOURCE: United States Census Bureau, American Community Survey.

Population, Poverty and Education – 2010

	<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	13,408	3,595	3.5%	3.1%	92.4%	36.1%
Cecil Township	11,271	3,272	5.0%	3.9%	92.8%	33.1%
Canonsburg Borough	8,992	2,458	8.5%	10.3%	88.4%	23.3%
Washington County	207,820	56,437	10.1%	7.8%	89.4%	25.0%
Pennsylvania	12,702,379	3,206,184	12.1%	8.3%	86.9%	26.0%

SOURCE: United States Census Bureau, American Community Survey.

Housing Units – 2010

	<u>Number</u>	<u>Owner Occupied Median Value</u>	<u>Renter Occupied Median Rent</u>
North Strabane Township	5,689	\$183,600	\$739
Cecil Township	4,655	\$166,900	\$688
Canonsburg Borough	4,459	\$115,200	\$619
Washington County	93,032	\$140,600	\$556
Pennsylvania	5,481,676	\$152,300	\$716

SOURCE: United States Census Bureau.

Unemployment Rates (%)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Washington County	5.4%	5.0%	4.5%	5.3%	7.7%	8.2%	7.3%	7.3%	6.9%	5.4%	5.5%
Pennsylvania	5.0%	4.7%	4.4%	5.4%	8.1%	8.7%	7.9%	7.9%	7.4%	5.6%	5.3%
United States	5.1%	4.6%	4.6%	5.8%	9.3%	9.6%	8.5%	8.1%	7.4%	6.1%	5.1%

SOURCE: U.S. Department of Labor and Industry, Pennsylvania Bureau of Employment.

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
<u>School Year Ending June 30,</u>	<u>Projected Enrollments</u>		<u>Total</u>
	<u>Elementary</u>	<u>Secondary</u>	
2016	2,709	2,506	5,215
2017	2,693	2,536	5,230
2018	2,645	2,542	5,207
2019	2,663	2,546	5,209
2020	2,620	2,568	5,188

SOURCE: School District Officials.

SCHEDULE OF DIRECT AND OVERLAPPING DEBT AND DEBT RATIOS

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

	<u>Gross</u>	<u>CARF</u>	<u>Project Reimburs.</u>	<u>Local Share</u>
General Obligation Debt				
General Obligation Bonds, Series D of 2014	\$25,350,000	0.5157	0.0000	\$25,350,000
General Obligation Bonds, Taxable Series A of 2014	7,730,000	0.5157	0.0000	10,255,000
General Obligation Bonds, Series B of 2014	9,865,000	0.5157	0.0444	9,639,120
General Obligation Notes, Series C of 2014	23,780,000	0.5157	0.2267	20,999,899
General Obligation Notes, Series A of 2012	18,755,000	0.5157	0.2697	16,159,388
General Obligation Notes, Taxable Series B of 2012	2,060,000	0.5157	0.0000	2,265,000
General Obligation Bonds, Refunding Series of 2008	1,745,000	0.5157	0.0000	1,850,000
General Obligation Bonds, Series D of 2002	10,000	0.5157	0.2736	8,589
General Obligation Bonds, Series A of 2002 (CABs)	4,695,767	0.5157	0.2069	3,195,265
General Obligation Bonds, Series A of 2001 (CABs)	2,988,238	0.5157	0.2259	2,656,509
General Obligation Bonds, Series of 1999 (CABs)	6,963,515	0.5157	0.2736	5,980,994
TOTAL DIRECT DEBT	\$103,942,250			\$98,359,764
Overlapping Debt				
Canonsburg Borough ⁽³⁾	\$5,060,834			\$6,887,234
Cecil Township ⁽³⁾	18,862,175			19,387,703
North Strabane Township ⁽³⁾	24,405,000			16,445,000
Washington County ⁽⁴⁾	<u>10,399,872</u>			<u>10,938,111</u>
TOTAL OVERLAPPING DEBT	\$58,727,880			\$53,658,048
TOTAL DIRECT AND OVERLAPPING DEBT	\$162,670,400			\$152,017,812

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

Debt Ratio Calculations (including issuance of the Bonds)

	<u>Gross Outstanding</u>	<u>Local Share</u>
Net Direct Debt Per Capita	\$3,087	\$2,921.20
Net Direct Debt to Market Value	4.096%	3.876%
Net Direct and Overlapping Debt Per Capita	\$4,831.17	\$4,514.80
Net Direct and Overlapping Debt to Market Value	6.410%	5.990%
Population (2010 census):	33,671	
Current Market Value (Pennsylvania State Tax Equalization Board):	\$2,537,698,391	

Future Financing

The School District and the School Board of Directors may consider the issuance of long-term debt for capital projects within the next five years, but no firm plans have been set.

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>
2007-08	1,693,418,700	295,810,875	94.50	29,102,272	27,405,074	94.0	28,592,945	98.2
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 ⁽¹⁾	96.4
2013-14	2,267,104,587	360,916,145	107.00	38,618,028	35,166,761	91.6	37,864,176 ⁽²⁾	98.1
2014-15	2,458,647,372	376,361,906	108.00	40,647,086	38,529,423	97.0	38,529,423 ⁽³⁾	97.0

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

(1) Includes homestead exclusions in the amount of \$925,280.

(2) Includes homestead exclusions in the amount of \$925,430.

(3) Includes homestead exclusions in the amount of \$926,036.

Tax Anticipation Borrowing

The School District has not recently issued Tax and Revenue Anticipation Bonds.

Basic Financial Statements

CANON-MCMILLAN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,713,903	\$ 508,223	\$ 3,222,126
Investments	45,054,168	5,908,324	50,962,492
Taxes Receivable (net)	2,770,447		2,770,447
Internal Balances	551,767	(551,767)	
Due from Other Governments	1,521,048	96,204	1,617,252
Other Receivables	78,302	80,815	159,117
Inventories	94,672	24,752	119,424
Prepaid Expenses/Expenditures	3,551		3,551
Long Term Receivables	8,861,266		8,861,266
Capital Assets (net)	61,786,573	58,298	61,844,871
TOTAL ASSETS	\$ 123,435,697	\$ 6,124,849	\$ 129,560,546
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	6,785,792		6,785,792
Total Deferred Inflows of Resources	6,785,792		6,785,792
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 130,221,489	\$ 6,124,849	\$ 136,346,338
LIABILITIES			
Intergovernmental Payables	\$ 133,168	\$	\$ 133,168
Accounts Payable	1,561,789	16,689	1,578,478
Accrued Salaries and Benefits	6,046,121		6,046,121
Interest Payable	172,077		172,077
Other Current Liabilities	5,708	45,829	51,537
Long-Term Liabilities:			
Portions Due or Payable Within One Year:			
Bonds Payable	4,160,000		4,160,000
Notes Payable	225,000		225,000
Portions Due or Payable After One Year:			
Bonds Payable - Net of Related Premiums/Discounts	97,567,477		97,567,477
Notes Payable - Net of Related Premiums/Discounts	20,144,246		20,144,246
Net Pension Liability	85,692,000		85,692,000
Long-term Portion of Compensated Absences	834,567		834,567
OPEB Obligation	4,754,403		4,754,403
Other Long-Term Liabilities	28,694		28,694
Total Liabilities	221,325,250	62,518	221,387,768
DEFERRED INFLOWS OF RESOURCES			
Pension Related	6,126,000		6,126,000
Unearned Revenue	71,930	24,752	96,682
Total Deferred Inflows of Resources	6,197,930	24,752	6,222,682
NET POSITION			
Net Investment in Capital Assets	(26,121,248)	58,298	(26,062,950)
Restricted for:			
Capital Projects	8,261,586		8,261,586
Retirement Obligations	1,500,000	5,245,583	6,745,583
Designated Purposes	4,524,924		4,524,924
Unrestricted	(85,466,953)	733,698	(84,733,255)
TOTAL NET POSITION	(97,301,691)	6,037,579	(91,264,112)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 130,221,489	\$ 6,124,849	\$ 136,346,338

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

CANON—MCMILLAN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
Depreciation - Unallocated	\$ 1,835,281	\$ 816,770	\$ 6,155,691	\$ (1,835,281)	\$	\$ (1,835,281)
Instruction	35,374,661		323,375	(28,402,200)		(28,402,200)
Instructional Student Support	3,237,773		443,468	(2,914,398)		(2,914,398)
Administrative and Financial Support	6,529,211		342,711	(6,085,743)		(6,085,743)
Operation and Maintenance of Plant	6,214,781	172,684	1,408,600	(5,699,386)		(5,699,386)
Pupil Transportation	5,301,244		107,602	(3,892,644)		(3,892,644)
Student Activities	1,472,142	161,881	975	(1,202,659)		(1,202,659)
Community Services	122,937		416,730	(121,962)		(121,962)
Interest on Long-Term Debt	5,748,937			(5,332,207)		(5,332,207)
Total Governmental Activities	65,836,967	1,151,335	9,199,152	(55,486,480)		(55,486,480)
Business Type Activities						
Food Service	2,284,048	1,288,653	815,772		(179,623)	(179,623)
Retirement Obligations						
Total Business Type Activities	2,284,048	1,288,653	815,772		(179,623)	(179,623)
Total Government	\$ 68,121,015	\$ 2,439,988	\$ 10,014,924	\$ (55,486,480)	\$ (179,623)	\$ (55,666,103)
General Revenues, Special and Extraordinary Items and Transfers						
Taxes						
Property Taxes				41,297,258		41,297,258
Other Taxes				7,515,229		7,515,229
Grants, Subsidies and Contributions, Unrestricted				11,733,237		11,733,237
Investment Earnings				34,874	5,031	39,905
Miscellaneous Income				271,675		271,675
Transfers Between Governmental and Business Type Activities				(179,552)	179,552	
Total General Revenues, Special and Extraordinary Items and Transfers				60,672,721	184,583	60,857,304
Change in Net Position				5,186,241	4,960	5,191,201
Net Position - Beginning - Restated				(102,487,932)	6,032,619	(96,455,313)
Net Position - Ending				\$ (97,301,691)	\$ 6,037,579	\$ (91,264,112)

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

CANON-MCMILLAN SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	Governmental Funds					Totals
	General Fund	Capital Projects Fund	Debt Service Fund	Non-Major Funds		
ASSETS						
Cash and Cash Equivalents	\$ 1,679,366	\$ 11	\$ 1,001,025	\$ 33,501	\$	2,713,903
Investments (At Fair Value)	9,443,688	32,142,682	3,467,798			45,054,168
Taxes Receivable (Net)	1,420,447					1,420,447
Due From Other Funds	569,167	1,503,753	40,000			2,112,920
Intergovernmental Receivables	1,521,048					1,521,048
Other Receivables (Net)	78,302					78,302
Inventories	94,672					94,672
Prepaid Expenditures	3,551					3,551
Total Assets	<u>\$ 14,810,241</u>	<u>\$ 33,646,446</u>	<u>\$ 4,508,823</u>	<u>\$ 33,501</u>	<u>\$</u>	<u>\$ 52,999,011</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Due to Other Funds	\$ 1,543,753	\$	\$ 17,400	\$	\$	1,561,153
Intergovernmental Payables	133,168					133,168
Accounts Payable	1,504,566	57,224				1,561,790
Accrued Salaries and Benefits	6,046,121					6,046,121
Other Current Liabilities	5,708					5,708
Total Liabilities	<u>9,233,316</u>	<u>57,224</u>	<u>17,400</u>			<u>9,307,940</u>
Deferred Inflows of Resources:						
Unearned Revenue	71,930					71,930
Total Deferred Inflows of Resources	<u>71,930</u>					<u>71,930</u>
Fund Balances:						
Nonspendable:						
Inventory	94,672					94,672
Prepaid Expenditures	3,551					3,551
Committed to:						
Debt Service			4,491,423			4,491,423
Capital Projects		33,589,222				33,589,222
PSERS	1,500,000					1,500,000
Designated Purposes				33,501		33,501
Assigned to:						
Athletics	92,730					92,730
Unassigned:	3,814,042					3,814,042
Total Fund Balances	<u>5,504,995</u>	<u>33,589,222</u>	<u>4,491,423</u>	<u>33,501</u>		<u>43,619,141</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 14,810,241</u>	<u>\$ 33,646,446</u>	<u>\$ 4,508,823</u>	<u>\$ 33,501</u>	<u>\$</u>	<u>\$ 52,999,011</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, 2015

Total Fund Balances - Governmental Funds	\$ 43,619,141
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 \$104,020,094 and the accumulated depreciation is \$42,233,521.	61,786,573
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds.	(101,727,477)
Long-term state subsidies receivable on future principal debt payments on long-term bonds payable are not assets in the funds.	8,861,266
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.	(172,077)
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 and,	(85,692,000)
Deferred outflows and inflows of resources related to pensions are	
Deferred outflows of resources related to pension of \$6,785,792 =	
\$1,056,000 deferred outflows of resources related to pension	
expense + \$5,729,792 deferred outflow of 2014/2015 employer	
contributions related to pensions.	6,785,792
Deferred inflows of resources related to pensions	(6,126,000)
Extended Term Financing, including notes payable, are not due and payable in the current period and are not reported as liabilities in the funds.	(20,397,939)
Long-term portion of retirement obligations and compensated absences.	(5,588,970)
Total Net Position - Governmental Activities	<u><u>\$ (97,301,691)</u></u>

CANON-MCMILLAN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Governmental Funds					Totals
	General	Capital Projects Fund	Debt Service Fund	Non-Major Funds		
Revenues						
Local Sources						
Taxes	\$ 48,812,487	\$	\$	\$	\$	\$ 48,812,487
Other Local Revenues	1,840,247	15,173	3,828	97,714		1,956,962
State Sources	19,944,111					19,944,111
Federal Sources	483,966					483,966
Total Revenues	71,080,811	15,173	3,828	97,714		71,197,526
Expenditures						
Instruction	36,676,061					36,676,061
Support Services	21,236,505	136,179				21,372,684
Operation Of Non-Instructional Services	1,518,804			97,560		1,616,364
Capital Outlay	1,213,299	2,959,928				4,173,227
Debt Service						
Principal and Interest	7,622,598					7,622,598
Refund of Prior Year Expenditures	577,234					577,234
Total Expenditures	68,844,501	3,096,107		97,560		72,038,168
Excess (Deficiency) of Revenues Over Expenditures	2,236,310	(3,080,934)	3,828	154		(840,642)
Other Financing Sources (Uses)						
Bond Proceeds		25,350,000				25,350,000
Bond Discount (Net)		(133,088)				(133,088)
Bond Premium (Net)		1,647,056				1,647,056
Sale of Fixed Assets	40,442					40,442
Interfund Transfers In	370,174	1,683,825				2,053,999
Interfund Transfers (Out)	(1,863,377)	(370,174)				(2,233,551)
Total Other Financing Sources & (Uses)	(1,452,761)	28,177,619				26,724,858
Net Change in Fund Balances	783,549	25,096,685	3,828	154		25,884,216
Fund Balances - July 1, 2014	4,721,446	8,492,537	4,487,595	33,347		17,734,925
Fund Balances - June 30, 2015	\$ 5,504,995	\$ 33,589,222	\$ 4,491,423	\$ 33,501	\$	\$ 43,619,141

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, 2015

Net Change in Fund Balances - Governmental Funds	\$ 25,884,216
Depreciation Expense	(2,258,973)
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.	4,216,420
Long-term receivable adjustment for amounts received from the state in debt service subsidies that are applicable to principal payments made.	(35,209)
Bond and note premium and discount amortization	20,371
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.	(1,964,596)
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.	(25,350,000)
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.	(661,813)
Bond Premium and Discount	(1,513,967)
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 position.	4,565,000
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	4,313,000
Cost of benefits earned net of employee contributions	(2,028,208)
	<u>2,284,792</u>
Change in Net Position - Governmental Activities	\$ <u>5,186,241</u>

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

CANON-MCMILLAN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET VS ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual (budgetary basis)	Over (Under) Budget - Final
Revenues				
Local Sources				
Taxes	\$ 47,322,423	\$ 47,322,423	\$ 48,812,487	\$ 1,490,064
Other Local Revenues	1,527,191	1,527,191	1,840,247	313,056
State Sources	19,295,970	19,295,970	19,944,111	648,141
Federal Sources	588,222	588,222	483,966	(104,256)
Total Revenues	68,733,806	68,733,806	71,080,811	2,347,005
Expenditures				
Instruction				
Regular Programs	24,736,898	24,791,535	24,294,204	(497,331)
Special Programs	9,484,075	9,709,575	9,919,664	210,089
Vocational Education	1,943,311	1,935,316	2,029,451	94,135
Other Instructional Programs	291,102	291,102	414,012	122,910
Nonpublic School Programs			18,730	18,730
Total Instruction	36,455,386	36,727,528	36,676,061	(51,467)
Support Services				
Pupil Personnel	2,196,350	1,957,870	1,653,264	(304,606)
Instructional Staff	917,160	848,313	762,022	(86,291)
Administration	4,903,129	4,896,200	4,493,114	(403,086)
Pupil Health	694,051	697,105	909,382	212,277
Business	741,695	741,695	648,286	(93,409)
Operation & Maintenance of Plant Services	6,221,767	6,221,767	5,935,347	(286,420)
Student Transportation Services	5,040,111	5,037,111	5,525,567	488,456
Central	1,124,632	1,147,632	1,234,778	87,146
Other Support Services	80,000	80,000	74,745	(5,255)
Total Support Services	21,918,895	21,627,693	21,236,505	(391,188)
Operation of Non-Instructional Services				
Student Activities	1,500,890	1,522,334	1,394,623	(127,711)
Community Services	133,779	133,779	124,181	(9,598)
Total Non-Instructional Services	1,634,669	1,656,113	1,518,804	(137,309)
Capital Outlay	600,000	1,067,616	1,213,299	145,683
Debt Service				
Principal and Interest	7,383,058	7,383,058	7,622,598	239,540
Refund of Prior Year Receipts			577,234	577,234
Total Expenditures	67,992,008	68,462,008	68,844,501	382,493
Excess (Deficiency) of Revenues Over Expenditures	741,798	271,798	2,236,310	1,964,512
Other Financing Sources (Uses)				
Sales of Assets	10,000	10,000	40,442	30,442
Interfund Transfers In			370,174	370,174
Interfund Transfers (Out)	(100,000)	(100,000)	(1,863,377)	(1,763,377)
Budgetary Reserve	(470,000)			
Total Other Financing Sources & (Uses)	(560,000)	(90,000)	(1,452,761)	(1,362,761)
Net Change in Fund Balances	181,798	181,798	783,549	601,751
Fund Balance - July 1, 2014	4,721,446	4,721,446	4,721,446	
Fund Balance - June 30, 2015	\$ 4,903,244	\$ 4,903,244	\$ 5,504,995	\$ 601,751

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

CANON-MCMILLAN SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2015

	Food Service Fund	Retirement Obligations Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 508,223	
Investments	662,741	5,245,583
Due from Other Governments	96,204	
Other Receivables	80,815	
Inventories	24,752	
Total Current Assets	<u>1,372,735</u>	<u>5,245,583</u>
Noncurrent Assets:		
Food Service Equipment (Net of Depreciation)	58,298	
Total Noncurrent Assets	<u>58,298</u>	
TOTAL ASSETS	<u><u>\$ 1,431,033</u></u>	<u><u>\$ 5,245,583</u></u>
LIABILITIES		
Current Liabilities:		
Due to Other Funds	\$ 551,767	\$
Accounts Payable	16,689	
Other Current Liabilities	45,829	
Total Current Liabilities	<u>614,285</u>	
DEFERRED INFLOWS OF RESOURCES		
Unearned Revenue	24,752	
Total Deferred Inflows of Resources	<u>24,752</u>	
NET POSITION		
Net Investment in Capital Assets	58,298	
Restricted for:		
Retirement Obligations		5,245,583
Unrestricted	733,698	
Total Net Position	<u>791,996</u>	<u>5,245,583</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>\$ 1,431,033</u></u>	<u><u>\$ 5,245,583</u></u>

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, 2015

	Food Service	Retirement Obligations Fund
Operating Revenues		
Food Service Revenue	\$ 1,286,147	\$
Other Operating Revenue	2,506	
Total Operating Revenue	1,288,653	
Operating Expenses		
Personal Services - Salaries	631,489	
Personal Services - Benefits	376,943	
Purchased Property Services	7,254	
Other Purchased Services	1,128,059	
Supplies	104,500	
Other Objects	1,680	
Depreciation Expense	34,123	
Total Operating Expenses	2,284,048	
Operating Income (Loss)	(995,395)	
Nonoperating Revenues (Expenses)		
Operating Subsidies		
State Subsidies	147,285	
Federal Subsidies		
Lunch and Breakfast Subsidies	578,439	
Value of Donated Commodities Received	90,048	
Earnings on Investments	71	4,960
Total Nonoperating Revenue and Expense	815,843	4,960
Income (Loss) Before Transfers	(179,552)	4,960
Contributions and Transfers		
Transfers from Other Funds	179,552	
Change in Net Position		4,960
Net Position - July 1, 2014	791,996	5,240,623
Net Position - June 30, 2015	\$ 791,996	\$ 5,245,583

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, 2015

	Food Service	Retirement Obligations Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 1,272,326	
Cash Payments to Employees for Services	(494,232)	
Cash Paid to Suppliers for Goods and Services	(1,001,829)	
Net Cash Provided (Used) by Operating Activities	(223,735)	
Cash Flows from Noncapital Financing Activities:		
Grants and Subsidies Received for Non-Operating Activities		
State Subsidies	147,500	
Federal Subsidies	577,885	
Net Cash Provided (Used) by Noncapital Financing Activities	725,385	
Cash Flows from Capital and Related Financing Activities:		
Purchase of Equipment	(1,677)	
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,677)	
Cash Flows from Investing Activities:		
Earnings on Investments	71	4,960
Withdrawals (Purchases of) from Investment Pools	(435,413)	(4,960)
Net Cash Provided (Used) by Investing Activities	(435,342)	
Net Increase (Decrease) in Cash and Equivalents	64,631	
Cash and Cash Equivalents, Beginning of Year	443,592	
Cash and Cash Equivalents, End of Year	\$ 508,223	\$
Reconciliation of Operating Income (Loss) to Net Cash Used By Operating Activities		
Operating Income (Loss)	\$ (995,395)	\$
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities:		
Depreciation	34,123	
Donated Commodities Used	90,048	
Changes in Assets and Liabilities:		
Accounts Receivable	(62,156)	
Inventories	(9,190)	
Other Assets	149,658	
Due to/Due From Other Funds	514,200	
Accounts Payable	(42)	
Other Liabilities	45,829	
Unearned Revenues	9,190	
Total Adjustments	771,660	
Net Cash Provided (Used) by Operating Activities	\$ (223,735)	\$

Noncash Noncapital Financing Activities:

During the year, the District received \$90,048 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, 2015

	Agency Funds Student Activities
ASSETS	
Cash and Cash Equivalents	<u>\$ 97,852</u>
 TOTAL ASSETS	 <u><u>\$ 97,852</u></u>
LIABILITIES	
Other Current Liabilities	<u>\$ 97,852</u>
Total Liabilities	<u>97,852</u>
NET POSITION	
Held in Trust for Pension Benefits and Other Purposes	<u> </u>
Total Net Position	<u> </u>
 TOTAL LIABILITIES AND NET POSITION	 <u><u>\$ 97,852</u></u>

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

Canon–McMillan School District

Notes to the Financial Statements

June 30, 2015

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 these entities.

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, 2015, but which were levied to finance fiscal year 2016 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, 2015 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.

Custodial Credit Risk - Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest funds consistent with sound business practices in the following types of investments, 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. Due to higher cash flows at certain times during the year and the School District's investments in certificates of deposit, its demand deposit balances increase significantly. As a result, the amounts collateralized with pooled deposit funds not held in the School District's name at those times were substantially higher than at year-end.

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

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

Method to Estimate Fair Value - Investments are stated at fair market value.

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.

	FDIC Insured	Pooled Collateral	Bank Balance	Carrying Amount
Cash and Deposits	<u>\$ 750,011</u>	<u>\$ 1,834,162</u>	<u>\$ 2,584,173</u>	<u>\$ 3,319,978</u>

Investments

The District's investments at June 30, 2015 consist of:

	Cost	Fair Value
Pennsylvania Local Government Investment Trust	\$ 1,016,798	\$ 1,016,798
Pennsylvania School District Liquid Asset Fund	44,987,283	44,987,283
Certificates of Deposit	4,958,411	4,958,411
Total	<u>\$ 50,962,492</u>	<u>\$ 50,962,492</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.

H. Taxes Receivable

Taxes receivable consist of delinquent real estate taxes due at June 30, 2015, 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, 2015.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2015. 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, 2015 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, 2015 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 \$5,504,995 consisting of \$98,223 that is nonspendable for inventory and prepaid expenditures, \$1,500,000 that is committed for PSERS liabilities, \$92,730 that is assigned for athletics, and \$3,814,042 that is unassigned. In addition, \$33,589,222 is a committed fund balance in the capital projects fund and \$4,491,423 is committed in the debt service fund.

Fund balances in the School District's non-major funds include \$33,501 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 1st 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 2015 was based on assessed values on January 1, 2014 of \$376.4 million. The School District tax rate for the year ended June 30, 2015 was 108.00 mills as levied by the School Board.

Taxes may be paid at a 2% discount until September 30th, at face until November 30th, 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 \$1,420,447.

Note 3 – Changes in Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Non-depreciable assets:				
Land	\$ 457,841	\$ -	\$ -	\$ 457,841
Construction in progress		2,959,928		2,959,928
Depreciable assets				
Land Improvements	3,922,478	784,417		4,706,895
Buildings	88,364,336	17,000		88,381,336
Equipment	7,059,019	455,075	-	7,514,094
Totals at historical cost	99,803,674	4,216,420	-	104,020,094
Less accumulated depreciation for:				-
Land Improvements	(2,863,588)	(189,631)		(3,053,219)
Buildings	(32,213,574)	(1,624,994)		(33,838,568)
Equipment	(4,897,386)	(444,348)	-	(5,341,734)
Total accumulated depreciation	(39,974,548)	(2,258,973)	-	(42,233,521)
Governmental activities capital assets, net	\$ 59,829,126	\$ 1,957,447	\$ -	\$ 61,786,573
Business-type Activities				
Depreciable assets:				
Equipment	\$ 1,541,536	\$ 1,677	\$ -	\$ 1,543,213
Totals at historical cost	1,541,536	1,677	-	1,543,213
Less accumulated depreciation for:				
Equipment	(1,450,792)	(34,123)		(1,484,915)
Total accumulated depreciation	(1,450,792)	(34,123)	-	(1,484,915)
Business-type activities capital asset, net	\$ 90,744	\$ (32,446)	\$ -	\$ 58,298
Depreciation expense was charged to governmental functions as follows:				
Instruction				\$ 71,741
Support				52,921
Plant				68,814
Transportation				230,216
Unallocated-governmental funds				1,835,281
Total depreciation expense				\$ 2,258,973

In the 2014-2015 school year, building construction and renovations and equipment purchases added \$4,216,420 to the historical cost of governmental activities and \$1,677 to the historical cost of business activities. Depreciation expense for that same time period was \$2,258,973 and \$34,123 for the governmental activities and business activities, resulting in a net book value decrease of \$1,957,447 and \$32,446 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 2015 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds, loans & leases payable					
Capital improvement bonds	\$ 77,537,940	\$ 27,267,491	\$ (4,345,000)	\$ 100,460,431	\$ 4,160,000
General obligation notes	21,035,000		(220,000)	20,815,000	225,000
	<u>98,572,940</u>	<u>27,267,491</u>	<u>(4,565,000)</u>	<u>121,275,431</u>	<u>4,385,000</u>
Less: Bond and Note Discounts	<u>(672,304)</u>	<u>(199,442)</u>	<u>1,693,038</u>	<u>821,292</u>	
Total bonds, loans and leases payable	97,900,636	27,068,049	(2,871,962)	122,096,723	4,385,000
Other liabilities:					
Compensated absences	665,819	283,018	(114,270)	834,567	
OPEB Obligation	4,246,993	715,583	(208,173)	4,754,403	
Total other liabilities	<u>4,912,812</u>	<u>998,601</u>	<u>(322,443)</u>	<u>5,588,970</u>	
Governmental activities long-term liabilities	<u>\$ 102,813,448</u>	<u>\$ 28,066,650</u>	<u>\$ (3,194,405)</u>	<u>\$ 127,685,693</u>	<u>\$ 4,385,000</u>

Debt Issuance

During 2014/2015, the School District issued General Obligation Bonds, Taxable Series D of 2014. The Series D Bonds were issued for various capital projects of the School District, including, but not limited to, construction of a new elementary school, to fund capitalized interest and for payment of the costs of issuing and insuring the Bonds.

General Obligation Bonds

General Obligation Refunding Bonds of 1993, Series B capital appreciation bonds, maturity amount of \$5,175,000 with yields to maturity ranging from 5.9% to 6.0%. The final payment was made on these bonds in the 2014/2015 year.

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.

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.

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.

The balances remaining on the remaining six series at June 30, 2015 are:

Current Interest Bonds

2002 General Obligation Bonds, Series D	\$ 10,000
2008 General Obligation Bonds	1,745,000
2014 General Obligation Bonds, Taxable Series A	7,730,000
2014 General Obligation Bonds, Series B	9,865,000
2014 General Obligation Bonds, Series C	23,780,000
2014 General Obligation Bonds, Series D	<u>25,350,000</u>
Total Current Interest Bonds	<u>\$ 68,480,000</u>

<u>Zero Coupon Bonds</u>	<u>Stated Maturity</u>	<u>Value at Issuance</u>	<u>Compound Accreted Value at June 30, 2015</u>
1993 General Obligation Refunding Bonds Series B	5,175,000	1,578,378	\$ -0-
1999 General Obligation Bonds	23,975,000	6,963,515	17,482,507
2001 General Obligation Bonds, Series A	13,610,000	3,048,628	6,895,797
2002 General Obligation Bonds, Series A	22,635,000	8,251,635	7,602,127
Total Zero Coupon Bonds			<u>\$ 31,980,431</u>
Total All Bonds			<u>\$100,460,431</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>
2016	\$ 4,160,000	\$ 2,763,322	\$ 6,923,322
2017	4,270,000	2,701,212	6,971,212
2018	4,690,000	2,650,263	7,340,263
2019	4,760,000	2,623,988	7,383,988
2020	4,780,000	2,601,831	7,381,831
2021-2025	24,455,000	12,635,626	37,090,626
2026-2030	25,385,000	11,549,257	36,934,257
2031-2035	24,605,000	7,035,728	31,640,728
2036-2039	23,485,000	2,969,794	26,454,794
Total	<u>\$ 120,590,000</u>	<u>\$ 47,531,021</u>	<u>\$ 168,121,021</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:

	Principal	Interest	Total
2016	\$ 225,000	\$ 633,922	\$ 858,922
2017	225,000	630,114	855,114
2018	370,000	624,053	994,053
2019	385,000	615,472	1,000,472
2020	395,000	605,557	1,000,557
2021-2025	2,020,000	2,857,093	4,877,093
2026-2030	2,095,000	2,607,131	4,702,131
2031-2035	8,510,000	2,123,194	10,633,194
2036	6,590,000	107,088	6,697,088
Total	<u>\$ 20,815,000</u>	<u>\$ 10,803,624</u>	<u>\$ 31,618,624</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 pension, 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.

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 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). 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, 2015 was 20.50% 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 \$5,729,792 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$85,692,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.2165 percent, which was an increase of 0.0032 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$7,758,000. At June 30, 2015, 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
Net difference between projected and actual investment earnings	\$	\$ 6,126,000
Changes in proportions of total contributions	1,056,000	
Contributions subsequent to the measurement date	5,729,792	
	<u>\$ 6,785,792</u>	<u>\$ 6,126,000</u>

\$5,729,792 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, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ 1,277,000
2017	1,277,000
2018	1,277,000
2019	(38,000)

Actuarial assumptions

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

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3.00%
- Salary increases – Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females

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

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

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all 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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

	<u>1% Decrease 6.50%</u>	<u>Current Discount rate 7.50%</u>	<u>1% Increase 8.50%</u>
District's proportionate share of the net pension liability	\$ 106,889,000	\$85,692,000	\$67,596,000

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.

	2015	2014	2013
Total payroll for the year ended	\$ 28,751,805	\$ 27,929,969	\$ 27,628,968
Total covered payroll	26,774,729	26,856,119	26,455,728
Total required retirement expense	5,729,792	4,546,741	3,269,928
Total actual retirement expense	5,729,792	4,546,741	3,269,928
Percentage of required contribution	100%	100%	100%
Contribution percentage actuarially determined	21.4	16.93	12.36
Employee contribution percentage (state wide	7.43	7.43	7.40

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, 2014 Balance	\$ 628,435	\$ 37,384	\$ 665,819
Increases	230,293	52,725	283,018
Decreases	(91,263)	(23,007)	(114,270)
June 30, 2015 Balance	<u>\$ 767,465</u>	<u>\$ 67,102</u>	<u>\$ 834,567</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, 2015 was not made by the District. The District has set aside funds in an internal service fund for retirement obligations totaling \$5,245,583.

Funded Status and Funding Progress. As of July 1, 2014, the actuarial accrued liability for benefits was \$5,318,835.

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>7/1/2014</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 2014/2015 year, the District's annual required contribution of \$545,703 was not made. The required contribution was determined as part of the July 1, 2014 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
6/30/11	\$ 782,626	35.0%	\$ 2,271,735
6/30/12	782,626	27.2%	2,932,709
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

2014/2015 Contribution Details

Annual Required Contribution (ARC)	\$ 545,703
Interest on NET OPEB Obligation @ 4.00%	169,880
Annual OPEB Cost	715,583
Contributions Made	(208,173)
Estimated Increase in Net OPEB Obligation	507,410
Net OPEB Obligation - Beginning of Year	4,246,993
Net OPEB Obligation - End of Year	\$ 4,754,403

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 first eligibility. It was assumed that 50% 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 – 7% in the first year, gradually decreasing by 0.5% per year, to an ultimate rate of 5%.

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, 2015 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures 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, 2015 were:

<u>Interfund Receivable</u>		<u>Interfund Payable</u>	
Capital Projects Fund	\$ 1,503,753	General Fund	\$ 1,543,753
General Fund	569,167	Cafeteria Fund	551,767
Debt Service Fund	40,000	Debt Service Fund	17,400
	<u>\$ 2,112,920</u>		<u>\$ 2,112,920</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, 2015, the following fund level transfers were made:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	\$ 1,683,825	General Fund	\$ 1,863,377
Cafeteria	179,552	Capital Projects Fund	370,174
General Fund	370,174		
	<u>\$ 2,233,551</u>		<u>\$ 2,233,551</u>

The above transfer to the Capital Projects Fund represents amounts that are being set aside for future capital improvements as a result of the District's fund balance policy. The transfer to the General Fund represents capitalized interest that was held in the Capital Projects Fund. The transfer to the Cafeteria was made to subsidize a loss in that fund.

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, 2015 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 – New Accounting Pronouncement

GASB Statement #68 was implemented in the 2014/2015 year. This statement addresses 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 including a proportionate share of the PSERS unfunded liability within its financial statements. The beginning balance of the School District's net position was restated to comply with this Statement.

Supplementary Information

CANON-MCMILLAN SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Student Activity Fund

	June 30, 2014	Additions	Reductions	June 30, 2015
Assets				
Cash and Cash Equivalents	\$ 87,323	\$ 262,533	\$ 252,004	\$ 97,852
Total Assets	<u>\$ 87,323</u>	<u>\$ 262,533</u>	<u>\$ 252,004</u>	<u>\$ 97,852</u>
Liabilities				
Accounts Payable	\$	\$	\$	\$
Other Liabilities	<u>87,323</u>	<u>262,533</u>	<u>252,004</u>	<u>97,852</u>
Total Liabilities	<u>\$ 87,323</u>	<u>\$ 262,533</u>	<u>\$ 252,004</u>	<u>\$ 97,852</u>

CANON MCMILLAN SCHOOL DISTRICT
BALANCE SHEET - CAPITAL PROJECTS FUNDS
JUNE 30, 2015

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets			
Cash	\$ 11	\$ -	\$ 11
Investments	2,929,655	29,213,027	32,142,682
Due from Other Funds	<u>5,349,903</u>		<u>5,349,903</u>
Total Assets	<u>\$ 8,279,569</u>	<u>\$ 29,213,027</u>	<u>\$ 37,492,596</u>
Liabilities			
Accounts Payable	\$ 17,983	\$ 39,241	\$ 57,224
Due to Other Funds		<u>3,846,150</u>	<u>3,846,150</u>
Total Liabilities	<u>17,983</u>	<u>3,885,391</u>	<u>3,903,374</u>
Fund Balances			
Committed to:			
Capital Projects	<u>8,261,586</u>	<u>25,327,636</u>	<u>33,589,222</u>
Total Fund Balances	<u>8,261,586</u>	<u>25,327,636</u>	<u>33,589,222</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,279,569</u>	<u>\$ 29,213,027</u>	<u>\$ 37,492,596</u>

CANON MCMILLAN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Capital Reserve Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues			
Local Sources	\$ 4,410	\$ 10,763	\$ 15,173
Total Revenues	4,410	10,763	15,173
Expenditures			
Support		136,179	136,179
Capital Outlay	1,919,186	1,040,742	2,959,928
Total Expenditures	1,919,186	1,176,921	3,096,107
Excess (Deficiency) of Revenues Over Expenditures	(1,914,776)	(1,166,158)	(3,080,934)
Other Financing Sources (Uses)			
Bond Proceeds		25,350,000	25,350,000
Bond Discount (Net)		(133,088)	(133,088)
Bond Premium (Net)		1,647,056	1,647,056
Interfund Transfers (Out)		(370,174)	(370,174)
Interfund Transfers In	1,683,825		1,683,825
Total Other Financing Sources & (Uses)	1,683,825	26,493,794	28,177,619
Net Change in Fund Balances	(230,951)	25,327,636	25,096,685
Fund Balances - July 1, 2014	8,492,537		8,492,537
Fund Balances - June 30, 2015	<u>\$ 8,261,586</u>	<u>\$ 25,327,636</u>	<u>\$ 33,589,222</u>

**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, 2015, 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 November 3, 2015.

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 & CYPHER

A handwritten signature in black ink, appearing to read "Cypher & Cypher", written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
November 3, 2015



Cypher & Cypher

Accountants | Auditors | Advisors

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

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 Circular A-133 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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, of 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, 2015.

Report on Internal Control Over Compliance

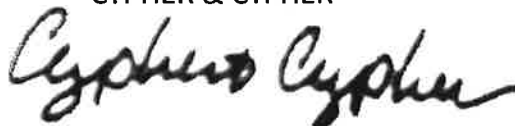
Management of Canon–McMillan School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Canon–McMillan School District’s internal 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CYPHER & CYPHER

A handwritten signature in black ink, appearing to read "Cypher & Cypher", written in a cursive style.

CERTIFIED PUBLIC ACCOUNTANTS

Canonsburg, Pennsylvania
November 3, 2015

Canon–McMillan School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

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 section 510(a) of Circular A-133?	No
vii.	Major programs:	
	CFDA Number(s)	Name of Federal Program or Cluster
	10.553 10.555 10.559	Child Nutrition Cluster
	84.027 84.173	Special Education Cluster (IDEA)
	84.010	Title I

viii.	Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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, 2015

Project Title Or Grant Name	Funding Source	Federal CFDA #	Pass Through Grantor #	Program Years	Program Grant Award	Cash Received In	Accrued/Deferred Revenue	Revenues Recognized	Expenditures Recognized	Accrued/Deferred Revenue	Carryover To
Title I, Part A Cluster						14/15	7/1/14	14/15	14/15	6/30/15	15/16
Department of Education											
Passed From Pennsylvania Department of Education											
Title I, Part A		84.010	140060	14/15	\$ 396,085.00	\$ 202,827.03	\$ -	\$ 214,940.00	\$ 214,940.00	\$ 12,112.97	\$ 181,145.00
			130060	13/14	341,466.00	148,948.35	50,683.53	98,264.82	98,264.82	-	-
Total Title I, Part A Cluster					\$ 737,551.00	\$ 351,775.38	\$ 50,683.53	\$ 313,204.82	\$ 313,204.82	\$ 12,112.97	\$ 181,145.00
Special Education Cluster (IDEA)											
Department of Education											
Passed From Intermediate Unit #1											
IDEA, Part B		84.027		14/15	\$ 528,547.00	\$ 528,547.00	\$ -	\$ 528,547.00	\$ 528,547.00	\$ -	\$ -
Passed From Intermediate Unit #1											
IDEA, Section 619		84.173	131-11-0-001-A	14/15	5,890.00	5,890.00	-	5,890.00	5,890.00	-	-
Total Special Education Cluster (IDEA)					\$ 534,437.00	\$ 534,437.00	\$ -	\$ 534,437.00	\$ 534,437.00	\$ -	\$ -
Child Nutrition Cluster											
Department of Agriculture											
Passed From Pennsylvania Department of Education											
School Breakfast Program		10.553		14/15	\$ 59,650.72	\$ 50,173.78	\$ -	\$ 59,650.72	\$ 59,650.72	\$ 9,476.94	\$ -
				13/14	70,791.64	12,078.84	12,078.84	-	-	-	-
Passed From Pennsylvania Department of Education											
School Breakfast Program - Severe Needy		10.553		14/15	33,157.29	28,145.77	-	33,157.29	33,157.29	5,011.52	-
				13/14	12,630.71	2,002.53	2,002.53	-	-	-	-
Subtotal CFDA #10.553					176,230.36	92,400.92	14,081.37	92,808.01	92,808.01	14,488.46	-
Passed From Pennsylvania Department of Education											
National School Lunch Program		10.555		14/15	477,757.82	408,354.56	-	477,757.82	477,757.82	69,403.26	-
				13/14	466,280.50	69,714.97	69,714.97	-	-	-	-
Passed From Pennsylvania Department of Agriculture											
National School Lunch - Donated Commodities		10.555		14/15	99,237.92	99,237.92	-	74,485.94	74,485.94	(24,751.98)	24,751.98
				13/14	105,992.01	15,562.22	(15,562.22)	15,562.22	15,562.22	-	-
Subtotal CFDA #10.555					1,149,268.25	577,307.45	54,152.75	567,805.98	567,805.98	44,651.28	24,751.98
Passed From Pennsylvania Department of Education											
Summer Food Program		10.559		14/15	7,872.75	4,151.20	-	7,872.75	7,872.75	3,721.55	-
				13/14	6,762.63	3,261.40	3,261.40	-	-	-	-
Total Child Nutrition Cluster					\$ 1,340,133.99	\$ 677,120.97	\$ 71,495.52	\$ 668,486.74	\$ 668,486.74	\$ 62,861.29	\$ 24,751.98
Department of Education											
Passed From Pennsylvania Department of Education											
Title II - Improving Teacher Quality		84.367	150060	14/15	\$ 132,813.00	\$ 47,482.85	\$ -	\$ 40,153.49	\$ 40,153.49	\$ (7,329.36)	\$ 92,659.51
			140060	13/14	132,568.00	85,249.45	(37,800.33)	123,049.78	123,049.78	-	-
			130060	12/13	138,424.00	27,638.16	27,638.16	-	-	-	-
Subtotal CFDA #84.367					403,805.00	160,370.46	(10,162.17)	163,203.27	163,203.27	(7,329.36)	92,659.51
Total Department of Education					\$ 403,805.00	\$ 160,370.46	\$ (10,162.17)	\$ 163,203.27	\$ 163,203.27	\$ (7,329.36)	\$ 92,659.51
Grand Total					\$ 3,015,926.99	\$ 1,723,703.81	\$ 112,016.88	\$ 1,679,331.83	\$ 1,679,331.83	\$ 67,644.90	\$ 298,556.49

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, 2015

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of awards of federal assistance (the Schedule) includes federal grant activity of Canon–McMillan School District (the “School District”) under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 assets, 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 OMB Circular A-122, *Costs Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (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, 2015, the District had food commodities totaling \$24,752 in inventory.