

A.W. BEATTIE CAREER CENTER

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**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**A. W. BEATTIE CAREER CENTER**  
ALLEGHENY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS  
WITH REPORT OF  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
JUNE 30, 2016**

**A. W. BEATTIE CAREER CENTER**  
**TABLE OF CONTENTS**

|                                                                                                                                                                  | <b><u>PAGE</u></b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| INDEPENDENT AUDITOR'S REPORT .....                                                                                                                               | i-ii               |
| MANAGEMENT'S DISCUSSION AND ANALYSIS .....                                                                                                                       | iii-xi             |
| EXHIBIT A – STATEMENT OF NET POSITION .....                                                                                                                      | 1                  |
| EXHIBIT B – STATEMENT OF ACTIVITIES .....                                                                                                                        | 2                  |
| EXHIBIT C – BALANCE SHEET – Governmental Funds .....                                                                                                             | 3                  |
| EXHIBIT D – RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET<br>TO THE STATEMENT OF NET POSITION .....                                                     | 4                  |
| EXHIBIT E - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN<br>IN FUND BALANCES- Governmental Funds .....                                                     | 5                  |
| EXHIBIT F – RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF<br>REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES<br>TO THE STATEMENT OF ACTIVITIES ..... | 6                  |
| EXHIBIT G - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN<br>IN FUND BALANCES, BUDGET AND ACTUAL - Governmental Funds .....                                 | 7                  |
| EXHIBIT H– STATEMENT OF NET POSITION – Proprietary Funds .....                                                                                                   | 8                  |
| EXHIBIT I- STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND<br>NET POSITION – Proprietary Funds .....                                                         | 9                  |
| EXHIBIT J - STATEMENT OF CASH FLOWS – Proprietary Funds.....                                                                                                     | 10                 |
| EXHIBIT K– STATEMENT OF NET POSITION – Fiduciary Funds.....                                                                                                      | 11                 |
| NOTES TO THE FINANCIAL STATEMENTS .....                                                                                                                          | 12-32              |
| REQUIRED SUPPLEMENTARY INFORMATION.....                                                                                                                          | 33                 |

**To the Joint Operating Committee  
A.W. Beattie Career Center**

**Independent Auditor's Report**

**Report on Financial Statements**

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the A.W. Beattie Career Center as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the A.W. Beattie Career Center's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 A.W. Beattie Career Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the A.W. Beattie Career Center's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

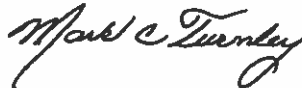
## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the A.W. Beattie Career Center as of June 30, 2016 and the respective changes in financial position and the 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 iii-xi and the defined benefit pension plan information on page 32 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.



Mark C. Turnley, CPA

January 16, 2017  
New Brighton, Pennsylvania

**A.W. BEATTIE CAREER CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

The discussion and analysis of A.W. Beattie Career Center's ("AWBCC") financial performance is designed to

- (a) assist the reader in understanding significant financial issues,
- (b) provide an overview of A.W. Beattie Career Center's financial performance as a whole,
- (c) identify changes in A.W. Beattie Career Center's financial position,
- (d) identify any material deviations from the approved budget, and
- (e) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year activities, resulting changes and currently known facts and circumstances, please read it in conjunction with A.W. Beattie Career Center's financial statements beginning on page 1.

The 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. The MD&A includes comparative information between the current year and the prior year to assist the reader in analyzing changes in A.W. Beattie Career Center financial position and results of operations over the past two fiscal years.

#### **OVERVIEW**

A.W. Beattie Career Center is a joint venture operated within the established Joint Articles of Agreement by nine member school districts located in the northern suburbs of Pittsburgh, Pennsylvania in Allegheny County. The member districts are: Avonworth, Deer Lakes, Fox Chapel Area, Hampton Township, North Allegheny, North Hills, Northgate, Pine-Richland, and Shaler Area. A.W. Beattie Career Center is located in Allison Park and provides vocational education and technical training to secondary level students of its member districts. A.W. Beattie Career Center receives funding primarily from its member districts and state and federal governmental sources.

#### **OTHER PROGRAMS**

The Kiddie Tech Day Care Center provides care for children from six weeks to six years of age during the school year and up to age ten in the summer. Funding is provided by patrons and assistance subsidies. A.W. Beattie Career Center's Kiddie Tech can accommodate 45 children.

A.W. Beattie Career Center operates a Mandarin Chinese language program in conjunction with the University of Pittsburgh's Confucius Institute. The program is delivered via distance learning to several of A.W. Beattie Career Center member districts as well as to a number of non-member districts. The program is tuition-based and is funded by participating districts.

An independent substitute teacher's service is housed at A.W. Beattie Career Center, and although open to all nine of A.W. Beattie Career Center member districts, only the following elect to participate: Avonworth, Deer Lakes, Hampton Township, North Allegheny, and Northgate. In addition, Quaker Valley, a district outside the jointure, participates in the service. Records are maintained in the AESOP (Automated Employee Substitute Operator Program) database. The consortium is funded by the participating districts on a pro-rata fee basis.

**A.W. BEATTIE CAREER CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**FINANCIAL HIGHLIGHTS**

- The Career Center's total governmental activities liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources as of June 30, 2016 by \$5,651,497 (net position - deficit). This was an increase in net position of \$852,864 over June 30, 2015. The negative net position is due mainly the result of the Career Center's implementation of GASB 68 '*Accounting and Financial Reporting for Pensions*'. The Career Center is now required to recognize their proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net pension obligation in the 2014-2015 fiscal year. For the A.W. Beattie Career Center, this liability stands at \$11,522,000 as of June 30, 2016, an increase of \$1,310,000 from June 30, 2015.
- Government-wide revenues totaled \$9,005,707 for the 2015-2016 fiscal year, which represents a \$227,745 (2.6%) increase from fiscal year 2014-2015. Total revenues are comprised of \$1,775,897 (19.8%) in program related revenues, and \$7,229,810 (80.2%) in general revenues, which mainly includes receipts from member school districts.
- Government-wide expenses totaled \$8,152,843 for the 2015-2016 fiscal year, which represents a \$26,460 (.04%) decrease from the previous fiscal year.

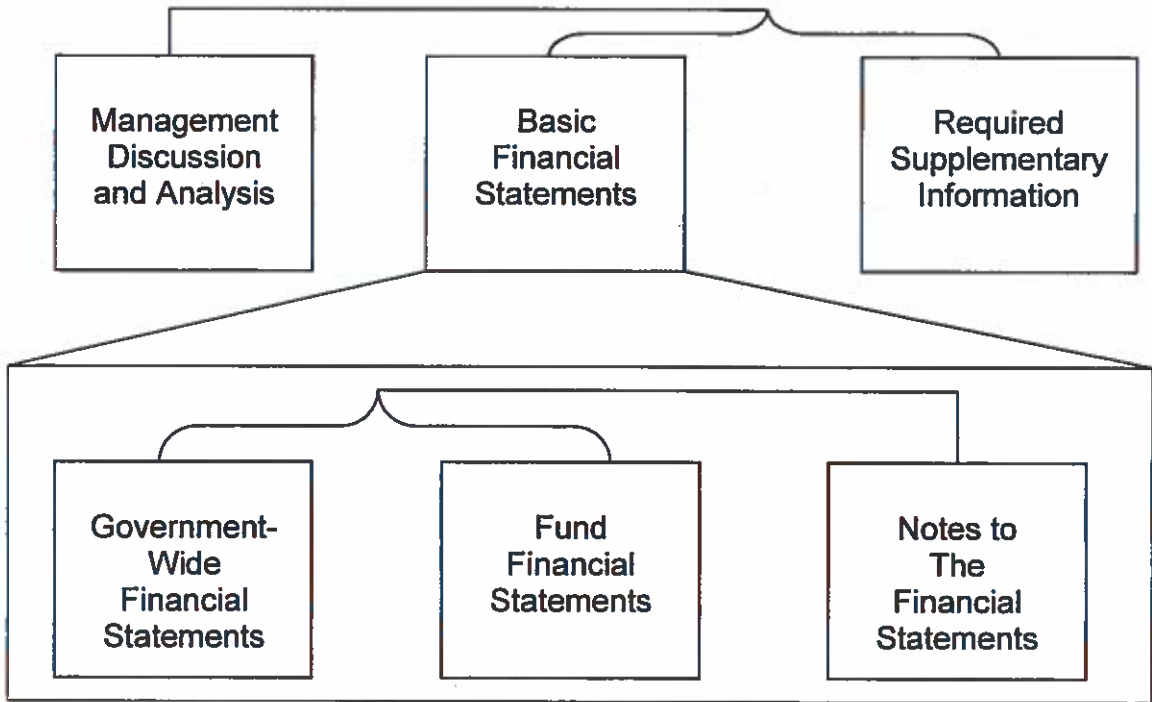
**USING THE BASIC FINANCIAL STATEMENT REPORT**

This Basic Financial Statement Report consists of the Management's Discussion and Analysis and a series of financial statements and notes to those statements. The Statement of Net Position and Statement of Activities, on pages 1 and 2, provide information about the activities of AWBCC, as a whole, and present a longer-term view of financial position. Fund Financial Statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The Fund Financial Statements also look at AWBCC's most significant funds with all other non-major funds presented in total in one column. For AWBCC, the General Fund is the most significant fund. Lastly, the financial statements include notes that explain some of the information in the financial statements and provide more detailed data.

**A.W. BEATTIE CAREER CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another.

Figure A-1  
Required Components of  
A.W. Beattie Career Center's  
Financial Report





**A.W. BEATTIE CAREER CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**OVERVIEW OF FINANCIAL STATEMENTS**

**Government-Wide Statements**

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

The two government-wide statements report AWBCC net position and how it has changed. Net position, the difference between AWBCC assets and liabilities, is one way to measure AWBCC financial health or position.

Over time, increases or decreases in AWBCC net position can be an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the AWBCC, the reader should consider additional non-financial factors, such as the academic achievement, or success, of the students.

**Fund Financial Statements**

Fund financial statements provide detailed information about the most significant funds—not AWBCC as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of AWBCC's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of AWBCC operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance AWBCC programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reflected in reconciliations on pages 4 and 6

**A.W. BEATTIE CAREER CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**FINANCIAL ANALYSIS OF AWBCC AS A WHOLE**

A comparison of AWBCC governmental activities assets, liabilities and net position for the years ended June 30, 2016 and June 30, 2015 is as follows:

|                                  | <u>2016</u>                  | <u>2015</u>                  |
|----------------------------------|------------------------------|------------------------------|
| Current and other assets         | \$ 2,464,312                 | \$ 1,904,898                 |
| Capital assets                   | 18,935,643                   | 19,240,583                   |
| Deferred outflows of resources   | 1,353,853                    | 992,624                      |
| <b>Total assets</b>              | <b><u>\$ 22,753,808</u></b>  | <b><u>\$ 22,138,105</u></b>  |
| Current and other liabilities    | \$ 1,928,003                 | \$ 1,947,176                 |
| Long-term liabilities            | 26,406,302                   | 25,965,290                   |
| Deferred inflows of resources    | 71,000                       | 730,000                      |
| <b>Total liabilities</b>         | <b><u>\$ 28,405,305</u></b>  | <b><u>\$ 28,642,466</u></b>  |
| <b>Net Position:</b>             |                              |                              |
| Net investment in capital assets | \$ 3,522,754                 | \$ 2,929,856                 |
| Restricted                       | 202,786                      | 201,210                      |
| Unrestricted (Deficit)           | <u>(9,377,037)</u>           | <u>(9,635,427)</u>           |
| <b>Total Net Position</b>        | <b><u>\$ (5,651,497)</u></b> | <b><u>\$ (6,504,361)</u></b> |

The increase in deferred outflows of resources, long-term liabilities, and deferred inflow of resources, along with the significant decrease in the Career Center's net position is attributed to the aforementioned implementation of GASB 68 (Net Pension Liability – See Note 5) which required the Career Center to recognize their proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net pension obligation, which for the A.W. Beattie Career Center, totals \$11,522,000 for its governmental activities.

Most of AWBCC positive net position is invested in capital assets net of depreciation (buildings, land, and equipment). The decrease in capital assets represents current year depreciation of fixed assets partially offset by additions of equipment.

**A.W. BEATTIE CAREER CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**FINANCIAL ANALYSIS OF AWBCC AS A WHOLE – CONTINUED**

The results of this year's operations, as a whole, are reported in the Statement of Activities on Page 2. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of AWBCC activities that are supported by other general revenues. The largest general revenues are the payments provided by member school districts to finance the general operations of AWBCC. The following comparison takes the information from the Statement of Activities and rearranges it slightly so as to present total revenues, expenses and changes in net position for the past two fiscal years:

|                                            | <b>2016</b>         | <b>2015</b>         |
|--------------------------------------------|---------------------|---------------------|
| <b><u>Program revenues:</u></b>            |                     |                     |
| Charges for services                       | \$ 318,532          | \$ 280,222          |
| Operating grants and contributions         | 1,457,365           | 1,283,487           |
| <b><u>General revenues:</u></b>            |                     |                     |
| Receipts from member school districts      | 7,224,145           | 7,212,996           |
| Investment earnings                        | 5,665               | 1,257               |
| <b>Total revenues</b>                      | <b>\$ 9,005,707</b> | <b>\$ 8,777,962</b> |
| <b>Expenses</b>                            |                     |                     |
| Instruction                                | \$ 4,378,580        | \$ 4,489,291        |
| Instructional student support              | 877,480             | 772,773             |
| Administrative & financial support         | 936,231             | 935,604             |
| Operation & maintenance of plant           | 904,204             | 918,028             |
| Community activities                       | 383,968             | 357,807             |
| Interest on long-term debt                 | 672,380             | 705,800             |
| <b>Total expenses</b>                      | <b>8,152,843</b>    | <b>8,179,303</b>    |
| <b>Increase (decrease) in net position</b> | <b>\$ 852,864</b>   | <b>\$ 598,659</b>   |

Table A-1 shows AWBCC's largest functions—instructional programs, instructional student support, administrative, operation and maintenance of plant, community activities and interest on long-term debt, as well as program net cost (total cost less revenues generated by the activities). For the current and prior fiscal years, this table compares the net costs offset by other unrestricted grants, subsidies and contributions to show the remaining financial needs, if any, supported by payments from member school districts and other miscellaneous revenues.

**A.W. BEATTIE CAREER CENTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**FINANCIAL ANALYSIS OF AWBCC AS A WHOLE - CONTINUED**

Table A-1  
Fiscal Year Ended June 30, 2016 and June 30, 2015  
Governmental Activities

|                                                                        | ---June 30, 2016 ---     |                        | ---June 30, 2015 ---     |                        |
|------------------------------------------------------------------------|--------------------------|------------------------|--------------------------|------------------------|
|                                                                        | TOTAL COST<br>OF SERVICE | NET COST<br>OF SERVICE | TOTAL COST<br>OF SERVICE | NET COST<br>OF SERVICE |
| <b>EXPENSES</b>                                                        |                          |                        |                          |                        |
| Instruction                                                            | \$ 4,378,580             | \$ 3,051,936           | \$ 4,489,291             | \$ 3,354,709           |
| Instructional Student Support                                          | 877,480                  | 810,626                | 772,773                  | 722,113                |
| Administrative and Financial Support                                   | 936,231                  | 869,737                | 935,604                  | 878,898                |
| Operation Maintenance of Plant                                         | 904,204                  | 866,084                | 918,028                  | 884,388                |
| Community Services                                                     | 383,968                  | 106,183                | 357,807                  | 69,686                 |
| Interest on long-term debt                                             | 672,380                  | 672,380                | 705,800                  | 705,800                |
| <b>TOTAL EXPENSES</b>                                                  | <u>\$ 8,152,843</u>      | <u>\$ 6,376,946</u>    | <u>\$ 8,179,303</u>      | <u>\$ 6,615,594</u>    |
| <b>Less:</b>                                                           |                          |                        |                          |                        |
| Investment Earnings and Miscellaneous                                  |                          | 5,665                  |                          | 1,257                  |
| <b>TOTAL NEEDS FROM MEMBER SCHOOL<br/>DISTRICTS AND OTHER REVENUES</b> |                          | <u>\$ 6,371,281</u>    |                          | <u>\$ 6,614,337</u>    |

The dependence upon payments from member school districts for governmental activities is apparent. For the fiscal year 2015-2016, approximately 80.2% of governmental activities are supported through payments from school districts which is 1.8% lower than in the 2014-2015 fiscal year. The member school districts, as a whole, are the primary sources of support for AWBCC.

**AWBCC FUNDS**

AWBCC Balance Sheet – governmental funds reflect fund balances totaling \$1,653,329. This total is comprised of \$25,934 assigned for capital projects, \$202,786 from Alfred W. Beattie Memorial Fund, and \$1,424,609 from the General Fund.

**A.W. BEATTIE CAREER CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

**FINANCIAL ANALYSIS OF AWBCC AS A WHOLE - CONTINUED**

Total revenues for AWBCC were slightly higher than budgeted amounts by \$89,349 which was mainly due to an increase in all three funding sources (local, state and federal). As actual operating costs were less than planned expenditures by \$500,205 fewer funds were needed for general operations.

Expenditures were budgeted at \$9,039,439 while actual Center expenditures were \$8,539,234 including a \$30,000 transfer to the Capital Project Fund. The main difference is that operation and maintenance of plant services, business services and administrative services actual expenditures were lower than expected.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2016, AWBCC Governmental Activities had \$18,935,643 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$304,940 or 1.6% from last year.

The following provides a comparison of AWBCC capital assets, net of depreciation, for the past two fiscal years:

|                            | <u>2016</u>          | <u>2015</u>          |
|----------------------------|----------------------|----------------------|
| Land                       | \$ 517,574           | \$ 517,574           |
| Buildings and Improvements | 17,600,321           | 18,062,996           |
| Furniture and Equipment    | <u>817,748</u>       | <u>660,013</u>       |
|                            | <u>\$ 18,935,643</u> | <u>\$ 19,240,583</u> |

**Debt Administration**

In July of 2008, the Center issued \$20,890,000 in revenue bonds through the State Public School Building Authority. The proceeds from the bond issue were used to construct an addition to AWBCC, renovate the existing building, and to purchase furniture and equipment.

The bond issue has various maturity dates through the year 2028. Interest rates range from 3.00 to 4.60%. Principal and interest payments are due in October and April of each fiscal year. As of June 30, 2016, the principal balance on the bonds was \$15,345,000.

In October of 2004, AWBCC entered into a capital lease agreement for the purchase of building HVAC monitoring and control equipment. This lease calls for semi-annual payments of \$14,290 from May of 2005 through November of 2019 at an interest rate of 5.35%. As of June 30, 2016, the principal balance on the lease was \$67,889.

Other obligations include accrued and compensated vacation pay and sick leave pay for qualifying employees who leave AWBCC. More detailed information about our long-term liabilities is included in Notes 1 and 7 to the financial statements.

**A.W. BEATTIE CAREER CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2016**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Although there is an overall downward trend in member district student enrollment at the high school level, AWBCC's enrollment has remained steady with a slight increase.

Like all schools in the Commonwealth, AWBCC continues to face growing health care insurance rates and retirement contribution rates. The retirement contribution rate for employers for the year ending June 30, 2016 increased by over 4.44% from the 2014-15 rate and the recent trend of annual increases in the employer contribution rate is expected to continue well into the future.

**Budget Comparison**

The revenue budget for the 2015-2016 year is \$125,671 (1.5%) more than the prior year budget. The expenditure budget for the 2015-2016 year is \$402,023 (4.7%) more than the prior year budget.

The comparison of revenue and expenditure categories is as follows:

**BUDGETED REVENUES**

|         | <b>2015-2016</b>    | <b>2014-2015</b>    |
|---------|---------------------|---------------------|
| Local   | \$ 7,588,147        | \$ 7,550,000        |
| State   | 1,051,292           | 948,768             |
| Federal | 275,000             | 290,000             |
| Total   | <b>\$ 8,914,439</b> | <b>\$ 8,788,768</b> |

**BUDGETED EXPENDITURES**

|                                  | <b>2015-2016</b>    | <b>2014-2015</b>    |
|----------------------------------|---------------------|---------------------|
| Instruction                      | \$ 4,145,321        | \$ 4,068,107        |
| Support Services                 | 2,458,859           | 2,680,181           |
| Non-Instructional/Community      | 328,091             | 303,910             |
| Debt Service/Interfund Transfers | 1,606,963           | 1,585,218           |
|                                  | <b>\$ 8,539,234</b> | <b>\$ 8,637,416</b> |

**CONTACTING AWBCC MANAGEMENT**

This financial report is designed to provide a general overview of AWBCC finances. If you have questions about this report contact the Director of Finance, A.W. Beattie Career Center, 9600 Babcock Blvd., Allison Park, PA 15101.

**A. W. BEATTIE CAREER CENTER**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

|                                                                               | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|-------------------------------------------------------------------------------|----------------------------|-----------------------------|-----------------------|
| <b>ASSETS</b>                                                                 |                            |                             |                       |
| <b>Current Assets:</b>                                                        |                            |                             |                       |
| Cash and Cash Equivalents                                                     | \$ 22,201                  | \$ 71,127                   | \$ 93,328             |
| Investments                                                                   | 2,076,440                  | -                           | 2,076,440             |
| Internal Balances                                                             | 54,678                     | (54,678)                    | -                     |
| Due from Other Governments                                                    | 241,840                    | -                           | 241,840               |
| Due from Member Districts                                                     | 56,574                     | -                           | 56,574                |
| Other Receivables                                                             | 12,579                     | -                           | 12,579                |
| <b>Total Current Assets</b>                                                   | <b>\$ 2,464,312</b>        | <b>\$ 16,449</b>            | <b>\$ 2,480,761</b>   |
| <b>Noncurrent Assets:</b>                                                     |                            |                             |                       |
| Land                                                                          | \$ 517,574                 | \$ -                        | \$ 517,574            |
| Buildings and Building Improvements (net)                                     | 17,600,321                 | -                           | 17,600,321            |
| Furniture and Equipment (net)                                                 | 817,748                    | -                           | 817,748               |
| <b>Total Noncurrent Assets</b>                                                | <b>\$ 18,935,643</b>       | <b>\$ -</b>                 | <b>\$ 18,935,643</b>  |
| <b>TOTAL ASSETS</b>                                                           | <b>\$ 21,399,955</b>       | <b>\$ 16,449</b>            | <b>\$ 21,416,404</b>  |
| <b>Deferred Outflows of Resources:</b>                                        |                            |                             |                       |
| Deferred Outflows Related to Pension                                          | \$ 1,353,853               | \$ -                        | \$ 1,353,853          |
| <b>Total Deferred Outflows of Resources</b>                                   | <b>\$ 1,353,853</b>        | <b>\$ -</b>                 | <b>\$ 1,353,853</b>   |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS<br/>OF RESOURCES</b>                  | <b>\$ 22,753,808</b>       | <b>\$ 16,449</b>            | <b>\$ 22,770,257</b>  |
| <b>LIABILITIES</b>                                                            |                            |                             |                       |
| <b>Current Liabilities:</b>                                                   |                            |                             |                       |
| Accounts Payable                                                              | \$ 142,077                 | \$ -                        | \$ 142,077            |
| Compensated Absences - Current Portion                                        | 79,762                     | -                           | 79,762                |
| Retirement Incentives - Current Portion                                       | 49,401                     | -                           | 49,401                |
| Accrued Salaries and Benefits                                                 | 310,602                    | -                           | 310,602               |
| Payroll Withholdings                                                          | 278,542                    | -                           | 278,542               |
| Notes Payable - Current Portion                                               | 910,000                    | -                           | 910,000               |
| Leases Payable - Current Portion                                              | 24,076                     | -                           | 24,076                |
| Accrued Interest                                                              | 133,543                    | -                           | 133,543               |
| <b>Total Current Liabilities</b>                                              | <b>\$ 1,928,003</b>        | <b>\$ -</b>                 | <b>\$ 1,928,003</b>   |
| <b>Noncurrent Liabilities:</b>                                                |                            |                             |                       |
| Notes Payable - Long-Term Portion                                             | \$ 14,435,000              | \$ -                        | \$ 14,435,000         |
| Leases Payable - Long-Term Portion                                            | 43,813                     | -                           | 43,813                |
| Net Pension Liability                                                         | 11,522,000                 | -                           | 11,522,000            |
| Compensated Absences - Long Term Portion                                      | 403,743                    | -                           | 403,743               |
| Retirement Incentives - Long-Term Portion                                     | 1,746                      | -                           | 1,746                 |
| <b>Total Noncurrent Liabilities</b>                                           | <b>\$ 26,406,302</b>       | <b>\$ -</b>                 | <b>\$ 26,406,302</b>  |
| <b>TOTAL LIABILITIES</b>                                                      | <b>\$ 28,334,305</b>       | <b>\$ -</b>                 | <b>\$ 28,334,305</b>  |
| <b>Deferred Inflows of Resources:</b>                                         |                            |                             |                       |
| Deferred Inflows Related to Pension                                           | \$ 71,000                  | \$ -                        | \$ 71,000             |
| <b>Total Deferred Inflows of Resources</b>                                    | <b>\$ 71,000</b>           | <b>\$ -</b>                 | <b>\$ 71,000</b>      |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS<br/>OF RESOURCES</b>              | <b>\$ 28,405,305</b>       | <b>\$ -</b>                 | <b>\$ 28,405,305</b>  |
| <b>NET POSITION</b>                                                           |                            |                             |                       |
| Net Investment in Capital Assets                                              | \$ 3,522,754               | \$ -                        | \$ 3,522,754          |
| Restricted                                                                    | 202,786                    | -                           | 202,786               |
| Unrestricted (Deficit)                                                        | (9,377,037)                | 16,449                      | (9,360,588)           |
| <b>TOTAL NET POSITION (Deficit)</b>                                           | <b>\$ (5,651,497)</b>      | <b>\$ 16,449</b>            | <b>\$ (5,635,048)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND NET POSITION</b> | <b>\$ 22,753,808</b>       | <b>\$ 16,449</b>            | <b>\$ 22,770,257</b>  |

The accompanying notes are an integral part of these financial statements

**A. W. BEATTIE CAREER CENTER  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

|                                               | Program Revenues    |                         |                                          | Net (Expense) Revenue and<br>Changes in Net Position |                            |                             |                       |
|-----------------------------------------------|---------------------|-------------------------|------------------------------------------|------------------------------------------------------|----------------------------|-----------------------------|-----------------------|
|                                               | Expenses            | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions               | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
| <b>Governmental Activities:</b>               |                     |                         |                                          |                                                      |                            |                             |                       |
| Instruction                                   | \$ 4,378,580        | \$ 76,084               | \$ 1,250,560                             | \$ -                                                 | \$ (3,051,936)             | \$ -                        | \$ (3,051,936)        |
| Instructional Student Support                 | 877,480             | -                       | 66,854                                   | -                                                    | (810,626)                  | -                           | (810,626)             |
| Administrative and Financial Support Services | 936,231             | -                       | 66,494                                   | -                                                    | (889,737)                  | -                           | (889,737)             |
| Operation and Maintenance of Plant Services   | 904,204             | -                       | 38,120                                   | -                                                    | (866,084)                  | -                           | (866,084)             |
| Community Activities                          | 383,968             | 242,448                 | 35,337                                   | -                                                    | (106,183)                  | -                           | (106,183)             |
| Interest on Long-Term Debt                    | 672,380             | -                       | -                                        | -                                                    | (672,380)                  | -                           | (672,380)             |
| <b>Total Governmental Activities</b>          | <b>\$ 8,152,843</b> | <b>\$ 318,532</b>       | <b>\$ 1,457,365</b>                      | <b>\$ -</b>                                          | <b>\$ (6,376,946)</b>      | <b>\$ -</b>                 | <b>\$ (6,376,946)</b> |
| <b>Business-Type activities:</b>              |                     |                         |                                          |                                                      |                            |                             |                       |
| Chinese Fund                                  | \$ 45,552           | \$ 73,325               | \$ -                                     | \$ -                                                 | \$ -                       | \$ 27,773                   | \$ 27,773             |
| <b>Total Business-Type Activities</b>         | <b>\$ 45,552</b>    | <b>\$ 73,325</b>        | <b>\$ -</b>                              | <b>\$ -</b>                                          | <b>\$ -</b>                | <b>\$ 27,773</b>            | <b>\$ 27,773</b>      |
| <b>Total Primary Government</b>               | <b>\$ 8,198,395</b> | <b>\$ 391,857</b>       | <b>\$ 1,457,365</b>                      | <b>\$ -</b>                                          | <b>\$ (6,376,946)</b>      | <b>\$ 27,773</b>            | <b>\$ (6,349,173)</b> |
| <b>General Revenues:</b>                      |                     |                         |                                          |                                                      |                            |                             |                       |
| Investment Earnings                           |                     |                         |                                          |                                                      | \$ 5,665                   | \$ 69                       | \$ 5,734              |
| Receipts from Member Districts                |                     |                         |                                          |                                                      | 7,224,145                  | -                           | 7,224,145             |
| <b>Total General Revenues</b>                 |                     |                         |                                          |                                                      | <b>\$ 7,229,810</b>        | <b>\$ 69</b>                | <b>\$ 7,229,879</b>   |
| <b>Change in Net Position</b>                 |                     |                         |                                          |                                                      | <b>\$ 852,864</b>          | <b>\$ 27,842</b>            | <b>\$ 880,706</b>     |
| <b>Net Position - July 1, 2015 (Deficit)</b>  |                     |                         |                                          |                                                      | <b>(6,504,361)</b>         | <b>(11,393)</b>             | <b>(6,515,754)</b>    |
| <b>Net Position - June 30, 2016 (Deficit)</b> |                     |                         |                                          |                                                      | <b>\$ (5,651,497)</b>      | <b>\$ 16,449</b>            | <b>\$ (5,635,048)</b> |

The accompanying notes are an integral part of these financial statements



A. W. BEATTIE CAREER CENTER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

|                            | GENERAL<br>FUND     | ALFRED W. BEATTIE<br>MEMORIAL<br>FUND | CAPITAL<br>PROJECT<br>FUND | TOTAL               |
|----------------------------|---------------------|---------------------------------------|----------------------------|---------------------|
| <b>ASSETS:</b>             |                     |                                       |                            |                     |
| Cash and Cash Equivalents  | \$ 21,286           | \$ 915                                | -                          | \$ 22,201           |
| Investments                | 1,874,569           | 201,871                               | -                          | 2,076,440           |
| Due From Other Funds       | 54,678              | -                                     | 30,000                     | 84,678              |
| Due From Other Governments | 241,840             | -                                     | -                          | 241,840             |
| Due From Member Districts  | 56,574              | -                                     | -                          | 56,574              |
| Other Receivables          | 12,579              | -                                     | -                          | 12,579              |
| <b>TOTAL ASSETS</b>        | <b>\$ 2,261,526</b> | <b>\$ 202,786</b>                     | <b>\$ 30,000</b>           | <b>\$ 2,494,312</b> |

**LIABILITIES AND FUND BALANCES**

|                                            |                     |                   |                  |                     |
|--------------------------------------------|---------------------|-------------------|------------------|---------------------|
| <b>LIABILITIES:</b>                        |                     |                   |                  |                     |
| Accounts Payable                           | \$ 138,011          | \$ -              | \$ 4,066         | \$ 142,077          |
| Due to Other Funds                         | 30,000              | -                 | -                | 30,000              |
| Compensated Absences - Current Portion     | 79,762              | -                 | -                | 79,762              |
| Accrued Salaries and Benefits              | 310,602             | -                 | -                | 310,602             |
| Payroll Withholdings                       | 278,542             | -                 | -                | 278,542             |
| <b>TOTAL LIABILITIES</b>                   | <b>\$ 836,917</b>   | <b>\$ -</b>       | <b>\$ 4,066</b>  | <b>\$ 840,983</b>   |
| <b>FUND BALANCES:</b>                      |                     |                   |                  |                     |
| Restricted                                 | \$ -                | \$ 202,786        | \$ -             | \$ 202,786          |
| Assigned                                   | -                   | -                 | 25,934           | 25,934              |
| Unassigned                                 | 1,424,609           | -                 | -                | 1,424,609           |
| <b>TOTAL FUND BALANCES</b>                 | <b>\$ 1,424,609</b> | <b>\$ 202,786</b> | <b>\$ 25,934</b> | <b>\$ 1,653,329</b> |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 2,261,526</b> | <b>\$ 202,786</b> | <b>\$ 30,000</b> | <b>\$ 2,494,312</b> |

The accompanying notes are an integral part of these financial statements

A. W. BEATTIE CAREER CENTER  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

Total Fund Balances - Governmental Funds \$ 1,653,329

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$25,908,186, and the accumulated depreciation is \$6,972,543.

18,935,643

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

1,353,853

Deferred outflows of resources related to pensions (from pension schedule).

(71,000)

Deferred inflows of resources related to pensions (from pension schedule).

Long term liabilities, including notes payable and retirement incentives, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

|                                               |               |
|-----------------------------------------------|---------------|
| Notes payable                                 | \$ 15,345,000 |
| Leases payable                                | 67,889        |
| Accrued interest on debt                      | 133,543       |
| Net pension liability (from pension schedule) | 11,522,000    |
| Compensated absences                          | 403,743       |
| Retirement incentives                         | 51,147        |
|                                               | (27,523,322)  |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES**

**\$ (5,651,497)**

The accompanying notes are an integral part of these financial statements

**A. W. BEATTIE CAREER CENTER  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

|                                                      | GENERAL<br>FUND     | ALFRED W. BEATTIE<br>MEMORIAL<br>FUND | CAPITAL<br>PROJECT<br>FUND | TOTAL               |
|------------------------------------------------------|---------------------|---------------------------------------|----------------------------|---------------------|
| <b>REVENUES</b>                                      |                     |                                       |                            |                     |
| Local Sources                                        | \$ 7,631,644        | \$ 1,872                              | \$ 48                      | \$ 7,633,564        |
| State Sources                                        | 1,084,936           | -                                     | -                          | 1,084,936           |
| Federal Sources                                      | 287,208             | -                                     | -                          | 287,208             |
| <b>TOTAL REVENUE</b>                                 | <b>\$ 9,003,788</b> | <b>\$ 1,872</b>                       | <b>\$ 48</b>               | <b>\$ 9,005,708</b> |
| <b>EXPENDITURES</b>                                  |                     |                                       |                            |                     |
| Instruction                                          | \$ 4,145,321        | \$ -                                  | \$ -                       | \$ 4,145,321        |
| Support Services                                     | 2,458,859           | -                                     | -                          | 2,458,859           |
| Noninstructional Services                            | 328,091             | 296                                   | -                          | 328,387             |
| Capital Outlay                                       | -                   | -                                     | 26,628                     | 26,628              |
| Debt Service                                         | 1,576,963           | -                                     | -                          | 1,576,963           |
| <b>TOTAL EXPENDITURES</b>                            | <b>\$ 8,509,234</b> | <b>\$ 296</b>                         | <b>\$ 26,628</b>           | <b>\$ 8,536,158</b> |
| <b>EXCESS REVENUES OVER (UNDER)<br/>EXPENDITURES</b> | <b>\$ 494,554</b>   | <b>\$ 1,576</b>                       | <b>\$ (26,580)</b>         | <b>\$ 469,550</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                                       |                            |                     |
| Operating Transfers In                               | \$ -                | \$ -                                  | \$ 30,000                  | \$ 30,000           |
| Operating Transfers Out                              | (30,000)            | -                                     | -                          | (30,000)            |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>          | <b>\$ (30,000)</b>  | <b>\$ -</b>                           | <b>\$ 30,000</b>           | <b>\$ -</b>         |
| <b>NET CHANGE IN FUND BALANCES</b>                   | <b>\$ 464,554</b>   | <b>\$ 1,576</b>                       | <b>\$ 3,420</b>            | <b>\$ 469,550</b>   |
| FUND BALANCE - JULY 1, 2015                          | 960,055             | 201,210                               | 22,514                     | 1,183,779           |
| <b>FUND BALANCE - JUNE 30, 2016</b>                  | <b>\$ 1,424,609</b> | <b>\$ 202,786</b>                     | <b>\$ 25,934</b>           | <b>\$ 1,653,329</b> |

The accompanying notes are an integral part of these financial statements

EXHIBIT F

**A. W. BEATTIE CAREER CENTER  
RECONCILIATION OF THE GOVERNMENT FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** \$ 469,550

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$613,764) exceeds capital outlays (\$308,824) in the period.

(304,940)

Governmental funds report 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.

(289,771)

Repayment of principal on notes and leases payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

897,838

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

6,745

In the statement of activities, certain operating expenses - certain accrued sick/vacation pay - are measured by the amounts earned during the year. In the governmental funds, however, these expenditures are measured by the amount of financial resources used (paid). This year, vacation/sick pay paid exceeded the amount earned during the 2015-2016 fiscal year.

73,442

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 852,864

The accompanying notes are an integral part of these financial statements

**A. W. BEATTIE CAREER CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|                                                               | Budgeted Amounts    |                     | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br><Negative> |
|---------------------------------------------------------------|---------------------|---------------------|-----------------------------|---------------------------------------------------------|
|                                                               | Original            | Final               |                             |                                                         |
| <b>REVENUES</b>                                               |                     |                     |                             |                                                         |
| Local Sources                                                 | \$ 7,588,147        | \$ 7,588,147        | \$ 7,631,644                | \$ 43,497                                               |
| State Sources                                                 | 1,051,292           | 1,051,292           | 1,084,936                   | 33,644                                                  |
| Federal Sources                                               | 275,000             | 275,000             | 287,208                     | 12,208                                                  |
| <b>Total Revenues</b>                                         | <b>\$ 8,914,439</b> | <b>\$ 8,914,439</b> | <b>\$ 9,003,788</b>         | <b>\$ 89,349</b>                                        |
| <b>EXPENDITURES</b>                                           |                     |                     |                             |                                                         |
| Special Programs                                              | \$ 742,754          | \$ 742,754          | \$ 577,357                  | \$ 165,397                                              |
| Vocational Programs                                           | 3,493,542           | 3,505,542           | 3,578,985                   | (73,443)                                                |
| Other Instructional Programs                                  | -                   | -                   | (11,021)                    | 11,021                                                  |
| Pupil Personnel Services                                      | 115,504             | 115,504             | 137,825                     | (22,321)                                                |
| Instructional Staff Services                                  | 647,222             | 635,222             | 633,940                     | 1,282                                                   |
| Administrative Services                                       | 616,565             | 616,565             | 566,311                     | 50,254                                                  |
| Business Services                                             | 311,669             | 311,669             | 262,559                     | 49,110                                                  |
| Operation & Maintenance of Plant Services                     | 960,777             | 960,777             | 856,304                     | 104,473                                                 |
| Central Services                                              | 2,000               | 2,000               | 1,920                       | 80                                                      |
| Noninstructional Services                                     | 315,400             | 315,400             | 328,091                     | (12,691)                                                |
| Debt Service                                                  | 1,583,006           | 1,583,006           | 1,576,963                   | 6,043                                                   |
| <b>Total Expenditures</b>                                     | <b>\$ 8,788,439</b> | <b>\$ 8,788,439</b> | <b>\$ 8,509,234</b>         | <b>\$ 279,205</b>                                       |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ 126,000</b>   | <b>\$ 126,000</b>   | <b>\$ 494,554</b>           | <b>\$ 368,554</b>                                       |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                     |                     |                             |                                                         |
| Operating Transfers Out                                       | \$ -                | \$ -                | \$ (30,000)                 | \$ (30,000)                                             |
| Budgetary Reserve                                             | (251,000)           | (251,000)           | -                           | 251,000                                                 |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (251,000)</b> | <b>\$ (251,000)</b> | <b>\$ (30,000)</b>          | <b>\$ 221,000</b>                                       |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ (125,000)</b> | <b>\$ (125,000)</b> | <b>\$ 464,554</b>           | <b>\$ 589,554</b>                                       |
| <b>FUND BALANCE - JULY 1, 2015</b>                            | <b>650,000</b>      | <b>650,000</b>      | <b>960,055</b>              | <b>310,055</b>                                          |
| <b>FUND BALANCE - JUNE 30, 2016</b>                           | <b>\$ 525,000</b>   | <b>\$ 525,000</b>   | <b>\$ 1,424,609</b>         | <b>\$ 899,609</b>                                       |

The accompanying notes are an integral part of these financial statements

**A. W. BEATTIE CAREER CENTER**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND - CHINESE FUND**  
**JUNE 30, 2016**

**ASSETS****Current Assets:**

|                             |                         |
|-----------------------------|-------------------------|
| Cash and Cash Equivalents   | \$ 71,127               |
| <b>TOTAL CURRENT ASSETS</b> | <b><u>\$ 71,127</u></b> |

|                     |                         |
|---------------------|-------------------------|
| <b>TOTAL ASSETS</b> | <b><u>\$ 71,127</u></b> |
|---------------------|-------------------------|

**LIABILITIES****Current Liabilities:**

|                                  |                         |
|----------------------------------|-------------------------|
| Due to Other Funds               | \$ 54,678               |
| <b>TOTAL CURRENT LIABILITIES</b> | <b><u>\$ 54,678</u></b> |

**NET POSITION**

|                           |                         |
|---------------------------|-------------------------|
| Unrestricted              | \$ 16,449               |
| <b>TOTAL NET POSITION</b> | <b><u>\$ 16,449</u></b> |

|                                           |                         |
|-------------------------------------------|-------------------------|
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b><u>\$ 71,127</u></b> |
|-------------------------------------------|-------------------------|

The accompanying notes are an integral part of these financial statements

**A. W. BEATTIE CAREER CENTER**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND - CHINESE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**OPERATING REVENUES**

|                                 |                  |
|---------------------------------|------------------|
| Tuition                         | \$ 73,325        |
| <b>Total Operating Revenues</b> | <b>\$ 73,325</b> |

**OPERATING EXPENSES**

|                                                  |                  |
|--------------------------------------------------|------------------|
| Personnel Services                               | \$ 367           |
| Employee Benefits - Social Security & Retirement | 123              |
| Rent                                             | 19,800           |
| Supplies                                         | 8,552            |
| University of Pittsburgh Fee                     | 15,000           |
| Other - Miscellaneous                            | 1,710            |
| <b>Total Operating Expenses</b>                  | <b>\$ 45,552</b> |

**OPERATING INCOME/(LOSS)** **\$ 27,773**

**NONOPERATING REVENUES (EXPENSES)**

|                                               |              |
|-----------------------------------------------|--------------|
| Earnings on Investments                       | \$ 69        |
| <b>Total Nonoperating Revenues (Expenses)</b> | <b>\$ 69</b> |

**INCOME (LOSS)** **\$ 27,842**

**CHANGE IN NET POSITION** **\$ 27,842**

NET POSITION - JULY 1, 2015 (11,393)

NET POSITION - JUNE 30, 2016 **\$ 16,449**

The accompanying notes are an integral part of these financial statements

**A. W. BEATTIE CAREER CENTER**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND - CHINESE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|                                                         |                         |
|---------------------------------------------------------|-------------------------|
| Cash received from food service charges                 | \$ 73,325               |
| Cash payments to employees for services                 | (491)                   |
| Cash payments to suppliers for goods and services       | <u>(45,435)</u>         |
| <b>Net cash provided (used) by operating activities</b> | <b><u>\$ 27,399</u></b> |

**CASH FLOWS FROM INVESTING ACTIVITIES:**

|                                                         |                     |
|---------------------------------------------------------|---------------------|
| Earnings on Investments                                 | \$ 69               |
| <b>Net cash provided (used) by investing activities</b> | <b><u>\$ 69</u></b> |

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:**

|                                                                     |                      |
|---------------------------------------------------------------------|----------------------|
| Advances to Other Funds                                             | \$ 491               |
| <b>Net cash provided (used) by non-capital financing activities</b> | <b><u>\$ 491</u></b> |

|                                                             |                         |
|-------------------------------------------------------------|-------------------------|
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>\$ 27,959</b>        |
| Cash and cash equivalents - July 1, 2015                    | <u>43,168</u>           |
| <b>Cash and cash equivalents - June 30, 2016</b>            | <b><u>\$ 71,127</u></b> |

**CASH FLOWS FROM OPERATING ACTIVITIES:**

|                                                 |                         |
|-------------------------------------------------|-------------------------|
| Operating income (loss)                         | \$ 27,773               |
| <b>Changes in assets and liabilities:</b>       |                         |
| Decrease (Increase) in accounts prepaid expense | 210                     |
| Increase (Decrease) in accounts payable         | <u>(584)</u>            |
| <b>Total Adjustments</b>                        | <b><u>\$ (374)</u></b>  |
| <b>Net cash (used for) operating activities</b> | <b><u>\$ 27,399</u></b> |

The accompanying notes are an integral part of these financial statements



**A. W. BEATTIE CAREER CENTER**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUND - STUDENT ACTIVITY FUND**  
**JUNE 30, 2016**

**ASSETS**

Cash and Cash Equivalents  
**TOTAL ASSETS**

\$ 17,634  
\$ 17,634

**LIABILITIES**

Due to Student Groups  
**TOTAL LIABILITIES**

\$ 17,634  
\$ 17,634

The accompanying notes are an integral part of these financial statements

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNICANT ACCOUNTING POLICIES**

The A.W. Beattie Career Center (AWBCC) is a joint school system, operating under the authority of the Pennsylvania Public School Code, established to provide vocational programs in secondary vocational education, secondary academic education, adult vocational education, adult basic education and general education degree programming for the following member Career Centers:

|                         |                      |
|-------------------------|----------------------|
| <b>Avonworth</b>        | <b>North Hills</b>   |
| <b>Deer Lakes</b>       | <b>Northgate</b>     |
| <b>Fox Chapel Area</b>  | <b>Pine-Richland</b> |
| <b>Hampton Township</b> | <b>Shaler Area</b>   |
| <b>North Allegheny</b>  |                      |

The Board of Joint School Directors (called the Joint Operating Committee) of the A.W. Beattie Career Center is comprised of eighteen representatives from each of the member Career Centers. Each of the AWBCC's nine member Career Centers in Allegheny County appoints two of their elected board members to serve on the Joint Operating Committee. Board members, in conjunction with the Superintendent of Record and Director of Vocational Education, have complete authority over the operations and administration of the school's activities. AWBCC has no power to levy taxes. Revenues which finance the cost of basic instruction are derived mainly from its' member Career Centers.

The financial statements of the AWBCC have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). During 2015-2016 year, the College adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 72, 'Fair Value Measurement and Application' and Statement No. 76, 'The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments'; and Statement No 79, *Certain External Investment Pools and Pool Participants*.

The most significant of the AWBCC's accounting policies are as follows:

**REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the AWBCC consists of all funds, departments, boards and agencies that are not legally separate from the AWBCC. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the AWBCC's reporting entity because of the significance of their operating or financial relationships with the AWBCC. Based on the application of these criteria, the A.W. Beattie Career Center has no component units.

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the AWBCC as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the AWBCC that are governmental and those that are considered business-type activities.

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

The government-wide statements are prepared using the economic resources measurement focus. That is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations (Exhibit D and F) with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for each function of the AWBCC's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore 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, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the AWBCC. The most significant source of general revenue for the AWBCC is the operating contributions received from member Career Centers. The comparison of direct expenses with program revenues identifies the extent to which the government function is self-financing or draws from the general revenues of the AWBCC.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the AWBCC. The focus of governmental fund and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The AWBCC's major governmental funds are the general fund, capital project fund and the A.W. Beattie Memorial Fund. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

**FUND ACCOUNTING**

The AWBCC uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain AWBCC functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds for the AWBCC are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

**Governmental Funds** – Governmental funds focus 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 following are the AWBCC's governmental funds:

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**GENERAL FUND** - The general fund is used to account for all financial resources not required to be accounted for in some other fund. The general fund balance is available for any purpose provided it is expended according to the Commonwealth of Pennsylvania Public School Code.

**ALFRED W. BEATTIE MEMORIAL FUND** - The A.W. Beattie Memorial Fund is a Permanent Fund established to account for restricted contributions from Mrs. Manda E. Beattie. This fund maintains the principal (\$200,000 of which is permanently restricted and non-spendable) and interest in a checking account with First National Bank. Funds are to be used to provide instructional tools, equipment and supplies for the A.W. Beattie Career Center and not to be used for building costs or general maintenance.

**CAPITAL RESERVE FUND** - The capital reserve fund is used to account for monies transferred from the General Fund to be used for planned and unplanned future capital expenditures that are outside the usual operating budget.

**Proprietary Funds** - used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the AWBCC (internal service funds). The AWBCC's major and sole enterprise fund is its Chinese Fund, which accounts for the financial transactions related to the Chinese Language Program.

**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 AWBCC under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the AWBCC's own programs. The AWBCC does not currently administer any trust funds. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The AWBCC's Agency Funds are comprised of the various student organization activity accounts administered by the AWBCC on behalf of the various student organizations.

**BASIS OF ACCOUNTING**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary funds and fiduciary funds use the accrual basis of accounting.

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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that 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 AWBCC, available means expected to be received within sixty days of fiscal year-end.

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING (Continued)**

Revenue resulting from non-exchange transactions, in which the AWBCC receives value without directly giving equal value in return, includes mainly, grants. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the AWBCC has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2016 under the modified accrual basis are federal and state subsidies, and other miscellaneous revenues, earned during fiscal year 2015-2016 but received subsequent to June 30, 2016.

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. The primary expenditures deemed susceptible to accrual at June 30, 2016 under the modified accrual basis are 1) salaries and benefits budgeted and pertaining to the 2015-2016 fiscal year, but which were paid in July and August of 2016 in accordance with labor agreements and 2) utility costs and purchase orders for supplies and operations obligated prior to June 30, 2016.

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

Allocations of cost, such as depreciation, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**BUDGETS**

In June 25, 2015, the A.W. Beattie Career Center adopted its fiscal year June 30, 2016 annual budget for the general fund totaling \$9,039,439 in accordance with the provisions of the Pennsylvania School Code. This budget was subsequently approved by the AWBCC's member Career Centers, as required by the Public School Code. The budget is prepared utilizing the modified accrual method of accounting. Budgetary transfers among various expenditure line items can be performed by the AWBCC, as approved by the Joint Operating Committee, only during the last nine months of the fiscal year. The original and adjusted budgetary amounts are reflected in these financial statements (Exhibit G). All annual appropriations of the general fund lapse at fiscal year end unless otherwise encumbered by the Joint Operating Committee. The budget for member Career Centers is broken down into three sections. The operating budget billing is based on a five year average of the Average Daily Membership as verified by the home Career Centers as of March 1<sup>st</sup>. The debt service budget billing is based on the 2008 Series bond payment schedule. The capital budget billing is based on 50% of the assessed value of each member's Career Center's property as provided by Allegheny County as of December 2014, and 50% of the weighted average daily membership of the 10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> grade students as provided by the member Career Centers for the year preceding the year in which the budget is prepared.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include amounts in demand deposit accounts and any other highly liquid, short-term investments, with original maturity terms of less than three months.

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**INVESTMENTS**

Investments include deposits pooled for investment purposes with the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania Career Center Liquid Assets Fund (PSDLAF). Investments are stated at fair value. State statutes authorize the center to invest in:

- I. U.S. Treasury Bills.
- II. Short-term obligations of the United States Government or its agencies or instrumentalities.
- III. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation and National Credit Union Share Insurance Fund.
- IV. Obligations of the United State of America, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of the governmental units.
- V. Shares of an investment company, registered under the Investment Company Act of 1940, and registered under the Securities Act of 1933.
- VI. Any investment authorized by 20 Pa. C.S. Ch. 73 relating to fiduciaries investments.

Pooled investments (PLGIT and PSDLAF) do not operate under the provisions of the Public School Code. These investments are authorized under the Intergovernmental Cooperation Act of 1972.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the governmental funds balance sheet. For the purposes of the government-wide statement of net position, governmental inter-fund receivables and payables have been eliminated.

**INVENTORIES**

The cost of instructional and maintenance supplies purchased by governmental funds is recorded as an expenditure in the governmental funds and an expense in the government-wide statement of activities at the time of purchase. The Center does not inventory these items.

**CAPITAL ASSETS AND DEPRECIATION**

Capital assets are reported on the government-wide statement of net position. All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The AWBCC maintains a capitalization threshold of \$5,000. The cost of infrastructure is included as part of site improvements in the government-wide statement of net position. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities.

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CAPITAL ASSETS AND DEPRECIATION (Continued)**

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over the following useful lives:

| <u>CATEGORY</u>            | <u>GOVERNMENTAL<br/>ACTIVITIES</u> |
|----------------------------|------------------------------------|
| Buildings and Improvements | 50 years                           |
| Land Improvements          | 20 years                           |
| Furniture                  | 10 to 20 years                     |
| Vehicles                   | 10 years                           |
| Equipment                  | 5 to 15 years                      |
| Computers                  | 5 years                            |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**COMPENSATED ABSENCES**

The A.W. Beattie Career Center reports compensated absences in accordance with the provisions of GASB Statement No. 16, 'Accounting for Compensated Absences'. Sick leave benefits (unused sick days) are accrued as a liability to the AWBCC in accordance with the terms of the collective bargaining agreement between the Board of Directors and the A. W. Beattie Career Center Educational Association. Employees are allowed unlimited accumulation of unused sick days. Upon retirement or termination of service, employees who reach age 62, or a combined age and seniority equaling 72, can elect to receive compensation as follows:

|                                          | <u>Sick Pay<br/>Rate/Day</u> | <u>Maximum<br/>Days</u> | <u>Maximum<br/>Benefit</u> |
|------------------------------------------|------------------------------|-------------------------|----------------------------|
| Administrators                           | \$ 100                       | 150                     | \$15,000                   |
| Professional Educators                   | \$ 100                       | 150                     | \$15,000                   |
| Support Personnel &<br>Daycare Personnel | \$ 30                        | 150                     | \$3,000                    |

The current and long-term portion of the compensated absences liability is shown in the government-wide statement of net position. For governmental fund financial statements, compensated absences are recorded as an expenditure when paid rather than accrued when earned as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.



**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 8.

**RETIREMENT INCENTIVES**

In certain years, the AWBCC opts (at the discretion of the JOC), to extend an early retirement incentive to eligible employees (support staff and/or teachers). For the year ended June 30, 2016, eligible employees will continue to have medical, dental and vision insurance premiums paid by AWBCC at the premium rate which was in effect in the fiscal year the employee retired. This rate is paid until the retiree becomes eligible for Medicare (age 65). As June 30, 2016, the total retirement incentives payable extends until January 2018 and covers 3 employees.

The current and long-term portion of the retirement incentives liability of \$51,146 is shown in the government-wide statement of net position. For governmental fund financial statements, retirement incentives are recorded as an expenditure when paid rather than accrued when earned as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of compensated absences and retiree health benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment within 60 days of the end of the fiscal year-end, are considered to be paid with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The AWBCC's General Fund is typically used to liquidate long-term liability obligations.

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements only when paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**NET POSITION**

Net position is classified into four categories according to external donor or legal restrictions or availability of assets to satisfy AWBCC obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets.



**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NET POSITION (Continued)**

- Restricted-Nonexpendable – Net position subject to externally imposed restrictions which are required to be maintained in perpetuity.
- Restricted-Expendable – Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the AWBCC or by the passage of time.
- Unrestricted – Consists of net position that do not meet the definition of 'restricted' or 'invested in capital assets, net of related debt'.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the AWBCC's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**FUND EQUITY**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity's fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the AWBCC itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the AWBCC takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the AWBCC intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The AWBCC had no assigned fund balance at June 30, 2016.
- Unassigned fund balance – amounts that are available for any purpose

The AWBCC does not currently have a fund balance policy setting minimums or delegating responsibility for assigning fund balance.

**ESTIMATES**

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

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the AWBCC, these revenues are tuition charges for Chinese language program. Operating expenses are the necessary costs incurred to provide the aforementioned program. Non-operating revenue of the AWBCC's Chinese proprietary fund is interest income. The AWBCC did not have non-operating expenses during the fiscal year.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and will not be recognized as an outflow and/or inflow of resources (expense/expenditure or income/revenue) in the current period.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

The A.W. Beattie Career Center had the following bank deposit balances and carrying values on its cash and cash equivalents at June 30, 2016:

|                    | <b>BANK<br/>BALANCE</b>  | <b>CARRYING<br/>VALUE</b> |
|--------------------|--------------------------|---------------------------|
| Governmental Funds | \$ 12,917                | \$ (91,781)               |
| Proprietary Fund   | 71,127                   | 71,127                    |
| Agency Fund        | 18,550                   | 18,550                    |
|                    | <b><u>\$ 102,594</u></b> | <b><u>\$ (2,104)</u></b>  |

The difference between the bank balance and carrying value represents year-end reconciling items such as deposits in transit and outstanding checks, and petty cash. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposits accounts, and certificates of deposit.

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the AWBCC's deposits may not be returned to it. The Center's investment policy complies with Section 440.1 of the Public School Code of 1949 with the primary objectives being safety, liquidity and yield. As of June 30, 2016, none of the AWBCC's bank balance total is exposed to custodial credit risk as the bank balances totals do not exceed the \$250,000 FDIC insurance limit and therefore no amounts represent uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the AWBCC's name. The AWBCC's investment policy requires a written safe keeping agreement and/or Act 72 agreement with each financial institution acting as depository.

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS:**

The fair value and maturity term of the AWBCC's investments as of June 30, 2016 is as follows:

|                            | <u>Fair Value</u>   | <u>No Stated<br/>Maturity</u> | <u>Credit Rating</u> |
|----------------------------|---------------------|-------------------------------|----------------------|
| <b>Governmental Funds:</b> |                     |                               |                      |
| PSDLAF                     | \$ 54,058           | \$ 54,058                     | AAAm                 |
| PLGIT                      | 2,022,381           | 2,022,381                     | AAAm                 |
|                            | <u>\$ 2,076,439</u> | <u>\$ 2,076,439</u>           |                      |

The purpose of the Pennsylvania School Center Liquid Asset Fund (PSDLAF) and Pennsylvania Local Government Investment Trust (PLGIT) is to enable governmental units to pool their available funds for investments authorized under the Intergovernmental Cooperation Act of 1972. The funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net position to compute share prices. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares. PSDLAF and PLGIT do not put any limitations or restrictions on withdrawals.

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the AWBCC will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The AWBCC's investments in PSDLAF and PLGIT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The AWBCC's investment policy does not limit its investment choices to those with certain credit ratings.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The AWBCC's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The AWBCC's investment policy does not limit its investment choices based on credit ratings by nationally recognized rating organizations.

**Fair Value Measurements:**

The A. W. Beattie Career Center's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS:**

**Fair Value Measurements:**

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data

Level 3 – Unobservable inputs which reflect the reporting entity’s assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

The following schedule presents the Investments of the Center by level within the fair value hierarchy:

|        | Value<br>at 6/30/16 | Fair Value Measurements |             |             |
|--------|---------------------|-------------------------|-------------|-------------|
|        |                     | Level 1                 | Level 2     | Level 3     |
| PLGIT  | \$ 2,022,381        | \$ -                    | \$ -        | \$ -        |
| PSDLAF | 54,058              | -                       | -           | -           |
|        | <u>\$ 2,076,439</u> | <u>\$ -</u>             | <u>\$ -</u> | <u>\$ -</u> |

Investments held in external investment pools such as PLGIT and PSDLAF are not subject to the provisions of fair value measurements as they are recorded at amortized cost. In addition, certificates of deposit and money market funds included in the investment portfolio are not subject to provisions of fair value measurements as they are recorded at cost.

**NOTE 3 – DUE FROM OTHER GOVERNMENTS/DUE FROM MEMBER DISTRICTS**

The amount of ‘due from other governments’, totaling \$241,840, as reflected on the government-wide statement of net position and the governmental funds balance sheet, represents 1) \$193,972 in social security and retirement subsidy due from the Commonwealth of Pennsylvania, and 2) \$47,868 due from the Department of Education in connection with the Perkins grant program as of June 30, 2016. The amount ‘due from member districts’ represents \$56,574 due from participating Career Centers as of June 30, 2016.

**NOTE 4 – OTHER ACCOUNTS RECEIVABLE**

Other accounts receivable of \$12,579, as reflected on the statement of net position (Exhibit A) and the governmental funds balance sheet (Exhibit C) represents a reimbursement of grant expenses paid from TRWIB for \$9,397 and miscellaneous other receivables of \$3,182.

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 – INTER-FUND TRANSFERS AND RECEIVABLES/PAYABLES**

The inter-fund receivable and payable amount of \$84,678 as reflected on the governmental funds balance sheet (Exhibit C) and the proprietary fund statement of net position (Exhibit H) represents \$54,578 due from the Chinese Fund to the General Fund for wages and benefits paid out of the General Fund for fiscal year 2015-2016, and \$30,000 due from the General Fund to the Capital Project Fund represents a board approved transfer for future capital projects at AWBCC.

Governmental type 'inter-fund' obligations have been eliminated in the government-wide statement of net position. Inter-fund obligations between governmental activities and business-type activities are shown net on the statement of net position as part of the line-item 'internal balances'.

**NOTE 6 - CAPITAL ASSETS**

A summary of the governmental fixed asset activity for the 2015-2016 fiscal year was as follows:

|                                                        | <u>Balance<br/>7/1/2015</u> | <u>Additions</u>           | <u>Deductions</u>  | <u>Balance<br/>6/30/2016</u> |
|--------------------------------------------------------|-----------------------------|----------------------------|--------------------|------------------------------|
| <b>Governmental Activities</b>                         |                             |                            |                    |                              |
| Land                                                   | \$ 517,574                  | \$ -                       | \$ -               | \$ 517,574                   |
| Buildings and Improvements                             | 23,925,807                  | -                          | -                  | 23,925,807                   |
| Furniture and Equipment                                | 1,155,981                   | 308,824                    | -                  | 1,464,805                    |
|                                                        | <u>\$ 25,599,362</u>        | <u>\$ 308,824</u>          | <u>\$ -</u>        | <u>\$ 25,908,186</u>         |
| <b>Less: Accumulated depreciation</b>                  |                             |                            |                    |                              |
| Buildings and Improvements                             | \$ (5,862,811)              | \$ (462,675)               | -                  | \$ (6,325,486)               |
| Furniture and Equipment                                | (495,968)                   | (151,089)                  | -                  | (647,057)                    |
|                                                        | <u>\$ (6,358,779)</u>       | <u>\$ (613,764)</u>        | <u>\$ -</u>        | <u>\$ (6,972,543)</u>        |
| <b>Governmental Activities<br/>Capital Assets, Net</b> | <u><b>\$ 19,240,583</b></u> | <u><b>\$ (304,940)</b></u> | <u><b>\$ -</b></u> | <u><b>\$ 18,935,643</b></u>  |

Depreciation expense was charged to governmental functions as follows:

|                                               |                   |
|-----------------------------------------------|-------------------|
| Instruction                                   | \$ 391,624        |
| Instructional Student Support                 | 71,811            |
| Administrative and Financial Support Services | 71,425            |
| Operation and Maintenance of Plant Services   | 40,947            |
| Community Activities                          | 37,957            |
|                                               | <u>\$ 613,764</u> |

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - LONG-TERM LIABILITIES**

**GENERAL OBLIGATION NOTE – SERIES OF 2008**

On July 15, 2008, revenue bonds were issued by the State Public School Building Authority. The AWBCC entered into a loan agreement with the Authority for the proceeds of the bonds totaling \$20,890,000. The purpose of the note was to provide funds for various capital improvement projects of the AWBCC facilities and to pay for the bond issuing costs. The bonds were issued in denominations of \$5,000 with interest payable on April 15 and October 15 each year through maturity. Interest rates range between 3.0% and 4.6% with the bonds maturing on October 15, 2029. The bonds provide for early redemption options for the AWBCC for those bonds maturing on or after October 15, 2016 as detailed in the official statement of issue.

A summary of the AWBCC's debt service requirements for the note outstanding at June 30, 2016 is as follows:

| <u>YEAR END</u> | <u>SERIES 2008<br/>PRINCIPAL</u> | <u>INTEREST</u>     | <u>TOTAL</u>         |
|-----------------|----------------------------------|---------------------|----------------------|
| 2017            | \$ 910,000                       | \$ 641,008          | \$ 1,551,008         |
| 2018            | 945,000                          | 605,045             | 1,550,045            |
| 2019            | 980,000                          | 566,545             | 1,546,545            |
| 2020            | 1,025,000                        | 525,804             | 1,550,804            |
| 2021            | 1,065,000                        | 482,033             | 1,547,033            |
| 2022-2026       | 6,075,000                        | 3,297,142           | 9,372,142            |
| 2027-2030       | 4,345,000                        | 302,925             | 4,647,925            |
|                 | <u>\$ 15,345,000</u>             | <u>\$ 6,420,501</u> | <u>\$ 21,765,501</u> |

**CAPITAL LEASE OBLIGATION**

In October of 2004, the AWBCC entered into a lease agreement with Capital One Public Funding in order to finance HVAC, lighting and water conservation upgrades to its existing building in the amount of the purchase of technology equipment in the amount of \$428,700. The terms of the lease agreement call for twenty-seven (27) semi-annual payments of \$14,290 commencing on May 1, 2005 through November 1, 2019 at an interest rate of 5.35%. The equipment purchased serves as collateral on the lease.

A summary of the capital lease payments obligation remaining as of June 30, 2016, is as follows:

| <u>YEAR END<br/>JUNE 30,</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u>     |
|------------------------------|------------------|-----------------|------------------|
| 2017                         | \$ 24,076        | \$ 4,504        | \$ 28,580        |
| 2018                         | 25,381           | 3,199           | 28,580           |
| 2019                         | 18,432           | 1,823           | 20,255           |
|                              | <u>\$ 67,889</u> | <u>\$ 9,526</u> | <u>\$ 77,415</u> |

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - LONG-TERM LIABILITIES (Continued)**

The following represents the changes in the AWBCC's long-term liabilities during the 2015-2016 fiscal year:

|                          | <u>Balance</u><br><u>7/1/2015</u> | <u>Additions</u>    | <u>Reductions</u>   | <u>Balance</u><br><u>6/30/2016</u> | <u>Due Within</u><br><u>One Year</u> |
|--------------------------|-----------------------------------|---------------------|---------------------|------------------------------------|--------------------------------------|
| General Obligation Notes | \$ 16,220,000                     | \$ -                | \$ 875,000          | \$ 15,345,000                      | \$ 910,000                           |
| Net Pension Liability    | 10,212,000                        | 1,310,000           | -                   | 11,522,000                         | -                                    |
| Lease Obligations        | 90,727                            | -                   | 22,838              | 67,889                             | 24,076                               |
| Compensated Absences     | 372,003                           | 31,740              | -                   | 403,743                            | 79,762                               |
| Retirement Incentives    | 208,370                           | -                   | 157,223             | 51,147                             | 49,401                               |
|                          | <u>\$ 27,103,100</u>              | <u>\$ 1,341,740</u> | <u>\$ 1,055,061</u> | <u>\$ 27,389,779</u>               | <u>\$ 1,063,239</u>                  |

**NOTE 8 - PENSION PLAN**

The A. W. Beattie Career Center participates in the Public School Employees' Retirement System (PSERS). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

**Plan Description:**

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

**Benefits Provided:**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with a 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 three years of service or attain a total combination of age and service that is equal to or greater than ninety two with a minimum of thirty-five 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.

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - PENSION PLAN (Continued)**

**Benefits Provided:**

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

**Health Insurance Premium Assistance Program:**

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

**Contribution Rates:**

**Member Contributions** - Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (Membership Class TD) 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 6.25% (Membership Class TC) or at 7.5% (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (automatic Membership Class TD).

For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (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 years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.30%.

**Employer Contributions** - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2016, the rate of employer's contribution was 25.84% of covered payroll. The 25.84% is comprised of a pension contribution rate of 25.0% for pension benefits and .84% for healthcare insurance premium assistance.



**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - PENSION PLAN (Continued)**

**Employer Contributions (Continued)**

For the governmental funds, A.W. Beattie Career Center pension expense (includes health care component) for the three most recent fiscal years is as follows:

| <u>YEAR</u> | <u>EXPENSE</u> |
|-------------|----------------|
| 2015-2016   | \$ 880,733     |
| 2014-2015   | 722,120        |
| 2013-2014   | 548,542        |

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

At June 30, 2016, the Career Center reported a liability of \$11,522,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The Career Center's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the Career Center's proportion was .0266%, which was an increase of .0009% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Career Center recognized pension expense of \$1,141,873 (excludes health care component of .90%) in the Statement of Activities (Exhibit B).

At June 30, 2016, the Career Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                          | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between employer actual experience                                            | \$ -                                      | \$ 48,000                                |
| Changes in assumptions                                                                   | -                                         | -                                        |
| Net difference between projected and actual investment earnings                          | -                                         | 23,000                                   |
| Changes in proportions                                                                   | 497,000                                   | -                                        |
| Difference between employer contributions and proportionate share of total contributions | 4,751                                     | -                                        |
| Contributions subsequent to the measurement date                                         | 852,102                                   | -                                        |
|                                                                                          | \$ 1,353,853                              | \$ 71,000                                |

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The \$852,102 reported as deferred outflows of resources related to pensions resulting from Career Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows/outflows of resources related to pensions will be recognized in pension expense as follows:

| Measurement<br>Date<br>Year ended<br><u>June 30,</u> | Reporting<br>Date<br>Year ended<br><u>June 30,</u> | <u>Amount</u> |
|------------------------------------------------------|----------------------------------------------------|---------------|
| 2016                                                 | 2017                                               | \$ 79,751     |
| 2017                                                 | 2018                                               | 75,000        |
| 2018                                                 | 2019                                               | 75,000        |
| 2019                                                 | 2020                                               | 202,000       |

**Actuarial Assumptions**

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

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3%
- Salary increases – Effective average of 5.5%, which reflects an allowance for inflation of 3%, real wage growth of 1%, and merit or seniority increases of 1.5%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three (3) years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven (7) years for males and three (3) years for females

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

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

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - PENSION PLAN (Continued)**

**Investment Asset Allocation**

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>Expected Real Rate of Return</u> |
|------------------------------|--------------------------|-------------------------------------|
| Public markets global equity | 22.5%                    | 4.80%                               |
| Private markets (equity)     | 15.0%                    | 6.60%                               |
| Private real estate          | 12.0%                    | 4.50%                               |
| Global fixed income          | 7.5%                     | 2.40%                               |
| U.S. long treasuries         | 3.0%                     | 1.40%                               |
| TIPS                         | 12.0%                    | 1.10%                               |
| High yield bonds             | 6.0%                     | 3.30%                               |
| Cash                         | 3.0%                     | 0.70%                               |
| Absolute return              | 10.0%                    | 4.90%                               |
| Risk parity                  | 10.0%                    | 3.70%                               |
| MLPs/Infrastructure          | 5.0%                     | 5.20%                               |
| Commodities                  | 8.0%                     | 3.10%                               |
| Financing (LIBOR)            | -14.0%                   | 1.10%                               |
|                              | <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, 2015.

**Discount Rate**

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

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 - PENSION PLAN (Continued)**

**Sensitivity of the Career Center'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:

|                                                                     | 1%<br>Decrease<br>6.50% | Current<br>Discount<br>Rate<br>7.50% | 1%<br>Increase<br>8.50% |
|---------------------------------------------------------------------|-------------------------|--------------------------------------|-------------------------|
| Career Center's proportionate share of<br>the net pension liability | \$ 14,202,000           | \$ 11,522,000                        | \$ 9,269,000            |

**Pension plan fiduciary net position**

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

**NOTE 9 – EMPLOYEE CONTRIBUTION RETIREMENT PLAN**

The A.W. Beattie Career Center offers to all employees a 403(b)(7) non-ERISA retirement plan (the Plan) that began on June 4, 2007. Immediately upon employment, employees may enter the Plan and may defer a minimum of 1% up to 100% of compensation in increments of 1% not to exceed the IRS maximum. Plan participants who are age 50 or older are allowed to make additional catch-up contributions currently at \$5,500. There are no employer contributions and employees are always 100% vested in the salary deferrals. The current plan does have a written, employer-level plan document. A written plan was adopted to comply with the new IRS regulations effective January 1, 2009.

**NOTE 10 - RISK MANAGEMENT**

**GENERAL INSURANCE**

The AWBCC is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 - RISK MANAGEMENT (Continued)**

**HEALTH INSURANCE**

The A.W. Beattie Career Center is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (ACSHIC) which purchases health benefits on behalf of participating public Career Centers. The Career Center is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$938,531 for the year ended June 30, 2016.

Participating Career Centers and career centers are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to, or responsible for, a proportionate share of the Consortium's net position, as determined on the fiscal year-end date after withdrawal. As of June 30, 2016, the net assets available for benefits of the Consortium were \$43,916,293 of which \$168,946 is attributable to the A. W. Beattie Career Center.

**NOTE 11 - CONTINGENCIES**

The AWBCC state and federally funded programs are subject to audit by various governmental agencies. The Center is potentially liable for any expenditure disallowed by the results of these audits. Management is not aware of any items of noncompliance which would result in the disallowance of program expenditures.

**NOTE 12 – ECONOMIC DEPENDENCY**

The AWBCC is a joint venture of nine member Career Centers. AWBCC derives a substantial portion of its revenue from the member Career Centers. For the year ended June 30, 2016, revenue from member Career Centers was 82% of AWBCC's total General Fund revenue. Member Career Center contributions have been recognized as follows for the year ended June 30, 2016:

|                  | <b>Operating<br/>Budget</b> | <b>Debt Service<br/>Budget</b> | <b>Capital<br/>Budget</b> | <b>Total<br/>Member<br/>School District<br/>Contributions</b> |
|------------------|-----------------------------|--------------------------------|---------------------------|---------------------------------------------------------------|
| Avonworth        | \$ 224,710                  | \$ 57,368                      | \$ 1,416                  | \$ 283,494                                                    |
| Deer Lakes       | 595,040                     | 77,951                         | 1,973                     | 674,964                                                       |
| Fox Chapel Area  | 420,098                     | 240,928                        | 5,056                     | 666,082                                                       |
| Hampton Township | 531,914                     | 133,393                        | 3,078                     | 668,385                                                       |
| North Allegheny  | 817,150                     | 375,947                        | 8,675                     | 1,201,772                                                     |
| North Hills      | 932,912                     | 226,683                        | 4,663                     | 1,164,258                                                     |
| Northgate        | 413,193                     | 49,548                         | 1,122                     | 463,863                                                       |
| Pine-Richland    | 423,863                     | 174,348                        | 4,515                     | 602,726                                                       |
| Shaler Area      | 1,282,260                   | 212,216                        | 4,125                     | 1,498,601                                                     |
| <b>Totals</b>    | <b>\$ 5,641,140</b>         | <b>\$ 1,548,382</b>            | <b>\$ 34,623</b>          | <b>\$ 7,224,145</b>                                           |

**A. W. BEATTIE CAREER CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 13 – PENDING GASB PRONOUNCEMENTS**

In June of 2015, GASB issued Statement No. 74, 'Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans'. The primary objective of this Statement is to address reporting by governments that provide Other Post-Employment Benefits (OPEB) to their employees. The provisions of this Statement are effective for A.W. Beattie Career Center's June 30, 2017 financial statements.

In June of 2015, the GASB issued Statement No. 75, 'Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.' The primary objective of this Statement is to replace GASB 45 with a requirement to report a liability on the financial statements for the OPEB that governments provide to employees. The provisions of this Statement are effective for A.W. Beattie Career Center's June 30, 2018 financial statements.

In March of 2016, the GASB issued Statement No. 82, 'Pension Issues'. The primary objective of this Statement is to address for certain issues that have been raised with respect to GASB Statements No. 67, 68 and 73. The provisions of this Statement are effective for the A.W. Beattie Career Center's June 30, 2017 financial statements.

The effects of the implementation of these standards on A.W. Beattie Career Center's financial statements have not yet been determined.

**NOTE 14– SUBSEQUENT EVENTS**

On July 28, 2016 with the Washington County Industrial Development Authority issued revenue bonds in the amount of \$14,765,000. A.W. Beattie Career Center entered into a note agreement with the Authority for the proceeds of the bonds to currently refund the Series of 2008 State Public School Building Authority's School Revenue Bonds and to pay all costs of issuance of the Bonds. The note calls for semi-annual principal and interest payments at rates between .5% and 2.25%. The note is schedule to mature in October of 2028.

Management has determined that there are no additional events subsequent to June 30, 2016 through the date of the 'Independent Auditor's Report' date, which is the date the financial statements were available to be issued, that required additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**A.W. BEATTIE CAREER CENTER**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30, 2016**

**SCHEDULE OF DISTRICT CONTRIBUTIONS:**

| June 30,                                                            | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  |
|---------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Contractually required contributions                                | \$ 880,733   | \$ 722,120   | \$ 548,542   | \$ 392,651   |
| Contribution in relation to the contractually required contribution | (880,733)    | (722,120)    | (548,542)    | (392,561)    |
| Contribution deficiency (excess)                                    | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ 90</u> |
| Career Center's covered-employee payroll                            | \$ 3,432,414 | \$ 3,425,727 | \$ 3,295,352 | \$ 3,194,118 |
| Contributions as a percentage of covered-employee payroll           | 25.84%       | 21.08%       | 16.65%       | 12.29%       |

**SCHEDULE OF THE CAREER CENTER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY:**

| As of the measurement date of June 30,                                                                           | <u>2015</u>   | <u>2014</u>   |
|------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| Career Center's proportion of the net pension liability                                                          | 0.0266%       | 0.0249%       |
| Career Center's proportionate share of the net pension liability                                                 | \$ 11,522,000 | \$ 10,212,000 |
| Career Center's covered-employee payroll                                                                         | \$ 3,425,727  | \$ 3,295,352  |
| Career Center's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 336.34%       | 309.89%       |
| Plan fiduciary net position as a percentage of the total pension liability                                       | 57.24%        | 54.49%        |

The amounts presented for each fiscal year were determined as of the measurement period year ended that was used for the fiscal year. PSERS measurement period year end is one year prior to the fiscal year end.

This schedule will be expanded to show ten (10) fiscal years as information becomes available in the future.