

Pine-Richland School District Audit Presentation

Fiscal Year Ending June 30, 2015

Date: December 14, 2015

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

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Objectives

- Discuss required audit communications and the results of the audit
- Review FY2015 financial highlights

Required Audit Communications

- Our Responsibilities under GAAS and OMB Circular A-133
- Significant Accounting Policies
- Accounting Estimates
- Disclosures
- Corrected and Uncorrected Misstatements

Required Audit Communications (cont.)

- Management Representations
- Other Matters

Financial Highlights – Governmental Activities

- Capital Assets: Note 5 on pages 28-29
- Long-term Liabilities: Note 9 on pages 32-36
- Derivatives: Note 10 on pages 36-41

Long-term Liabilities

Governmental Activities

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015	Amounts Due Within One Year
Bonds and notes payable:					
Bonds and notes	\$ 138,509,227	\$ 55,556,999	\$ (57,840,147)	\$ 136,226,079	\$ 4,808,525
Deferred amounts for issuance premium/discount	722,851	274,430	(21,503)	975,778	-
Total bonds and notes payable, net	<u>139,232,078</u>	<u>55,831,429</u>	<u>(57,861,650)</u>	<u>137,201,857</u>	<u>4,808,525</u>
Other postemployment benefit obligation payable	2,491,897	-	(746,745)	1,745,152	-
Compensated absences	1,027,429	-	(60,872)	966,557	-
Loan payable - swap	1,279,120	-	(69,327)	1,209,793	70,487
	<u>\$ 144,030,524</u>	<u>\$ 55,831,429</u>	<u>\$ (58,738,594)</u>	<u>\$ 141,123,359</u>	<u>\$ 4,879,012</u>

Derivative Instruments: Classification

Governmental Activities

Instrument Description	Maturity Date	Classification on Statement of Net Position	Classification on Statement of Activities
Cash Flow Hedges: <ul style="list-style-type: none"> 2015A: receive 68% LIBOR pay fixed 5.001% 2015: receive 68% LIBOR pay fixed 5.558% 	7/15/2031 9/1/2018	Hedging Derivative Liability – Swap (noncurrent liability)	None – offset by Deferred Outflows of Resources on SNP
Investment Derivatives: <ul style="list-style-type: none"> Pay floating rate constant maturity swap Pay SIFMA Index constant maturity swap 	11/1/2033 9/1/2027	Swap Investment (noncurrent asset)	Investment Revenue/Expense
<ul style="list-style-type: none"> Pay BMA Index basis swap 	11/1/2033	Investment Derivative Liability - Swap (noncurrent liability)	Investment Revenue/Expense
Upfront Cash Payments	FY 2034	Loan Payable – Swap (noncurrent liability)	None – payments reduce liability

Derivative Instruments: Fair Value

Governmental Activities

Instrument Description	Current Notional Amount	Counterparty	Fair Value 6/30/14	Fair Value 6/30/15
Cash Flow Hedges:				
<ul style="list-style-type: none"> 2015A: receive 68% LIBOR pay fixed 5.001% 	\$5,980,000	PNC	(\$1,855,049)	(\$2,129,123)
<ul style="list-style-type: none"> 2015: receive 68% LIBOR pay fixed 5.558% 	\$2,800,000	PNC	(\$255,251)	(\$163,406)
Investment Derivatives:				
<ul style="list-style-type: none"> Pay floating rate constant maturity swap 	\$17,375,000	Morgan Stanley	\$1,053,191	\$940,486
<ul style="list-style-type: none"> Pay SIFMA Index constant maturity swap 	\$8,070,000	Deutsche Bank	\$122,289	\$216,198
<ul style="list-style-type: none"> Pay BMA Index basis swap 	\$17,375,000	Wells Fargo	(\$1,030,972)	(\$527,910)
Upfront Cash Payments	\$1,758,195	Various	(\$1,279,120)	(\$1,209,793)

GASB 68

PSERS Total Net Pension Liability

\$39,580,717,000

Pine-Richland's Proportionate Share

\$83,120,000

Calculation of employer proportion was based on the employer's reported one-year covered payroll as it relates to the total reported one-year covered payroll.

GASB 68 - continued

- Amount contributed in FY2015: \$6.6M
 - Recorded as expenditure in funds
- Total pension expense recognized: \$7.7M
 - Recorded as expense on GWFS
- Amount recorded as reimbursements in FY2015: \$3.1M
 - Recorded as revenue in funds and on GWFS

GASB 68 - continued

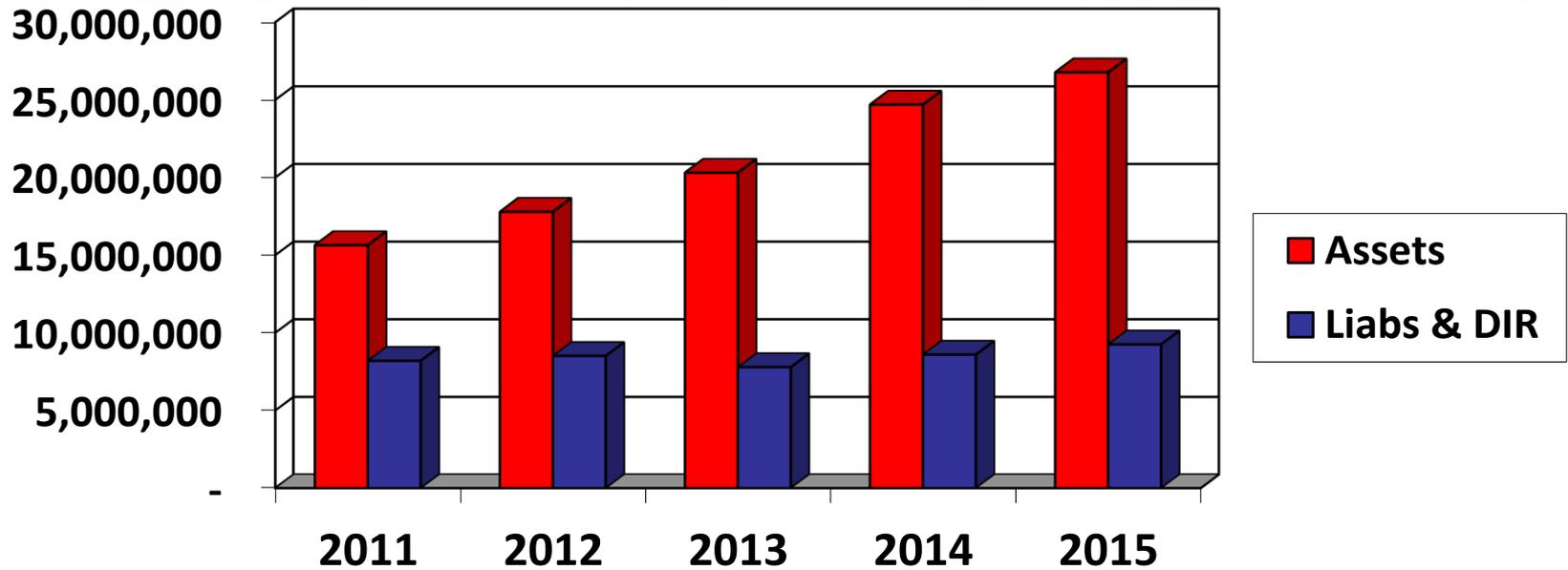
- Implementation impact to fund - none
- Implementation impact to budget – none, other than adjusting for increases in contribution rates
- Implementation impact on GWFS –
 - Unrestricted net position is a negative \$76M
 - Was a positive \$26M in FY2014
 - Total noncurrent liabilities are \$236M
 - Were \$143M in FY2014

Financial Highlights – General Fund

- Assets & Liabilities
- Fund Balance
- Revenues
- Expenditures
- Budget

Assets & Liabilities

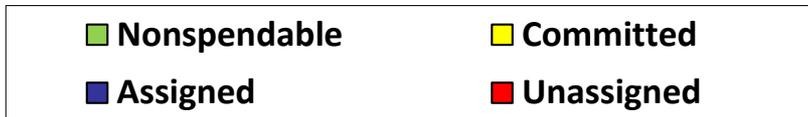
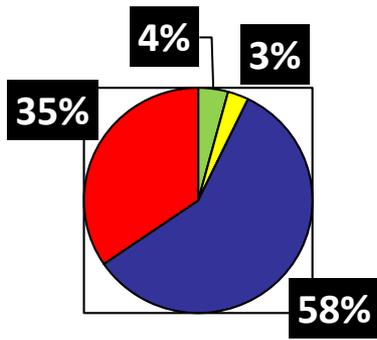
General Fund



Fund Balance

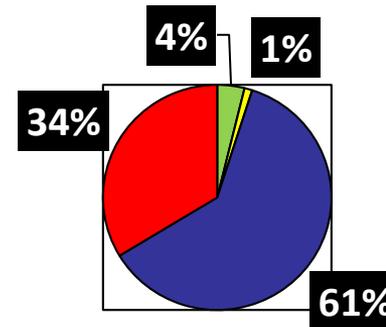
General Fund

2014



Unassigned Fund Balance as a Percent of Expenditures: 8%

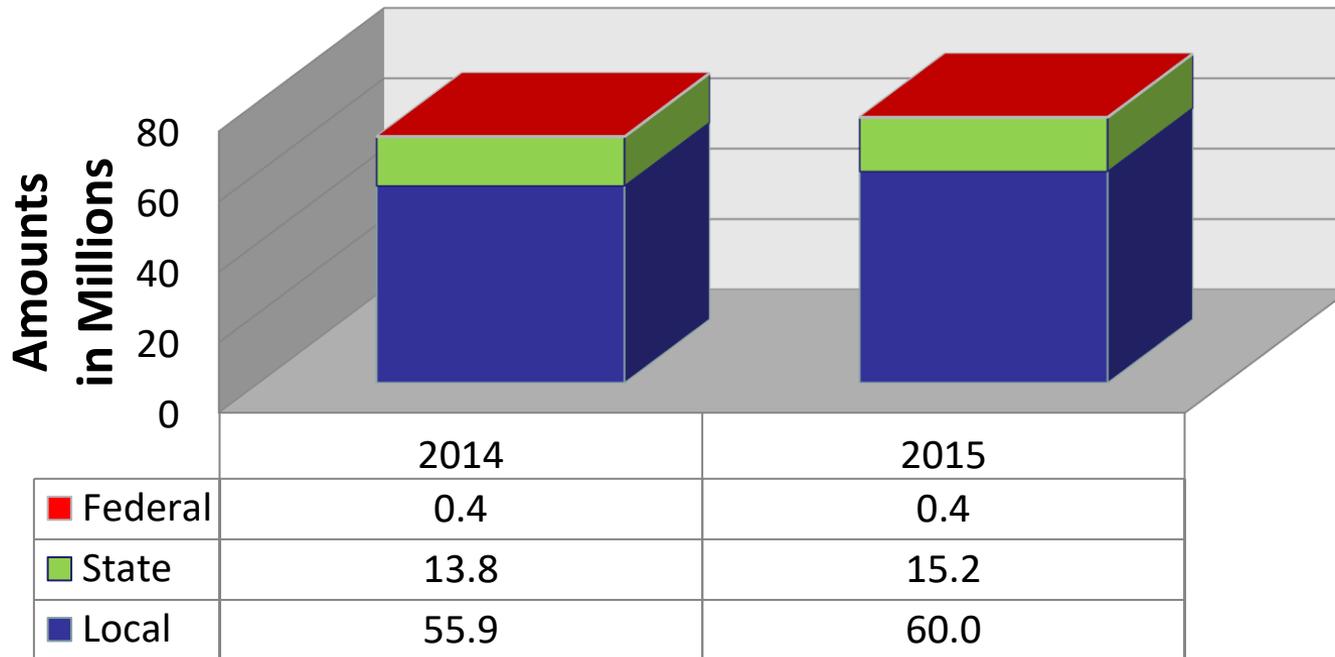
2015



Unassigned Fund Balance as a Percent of Expenditures: 8%

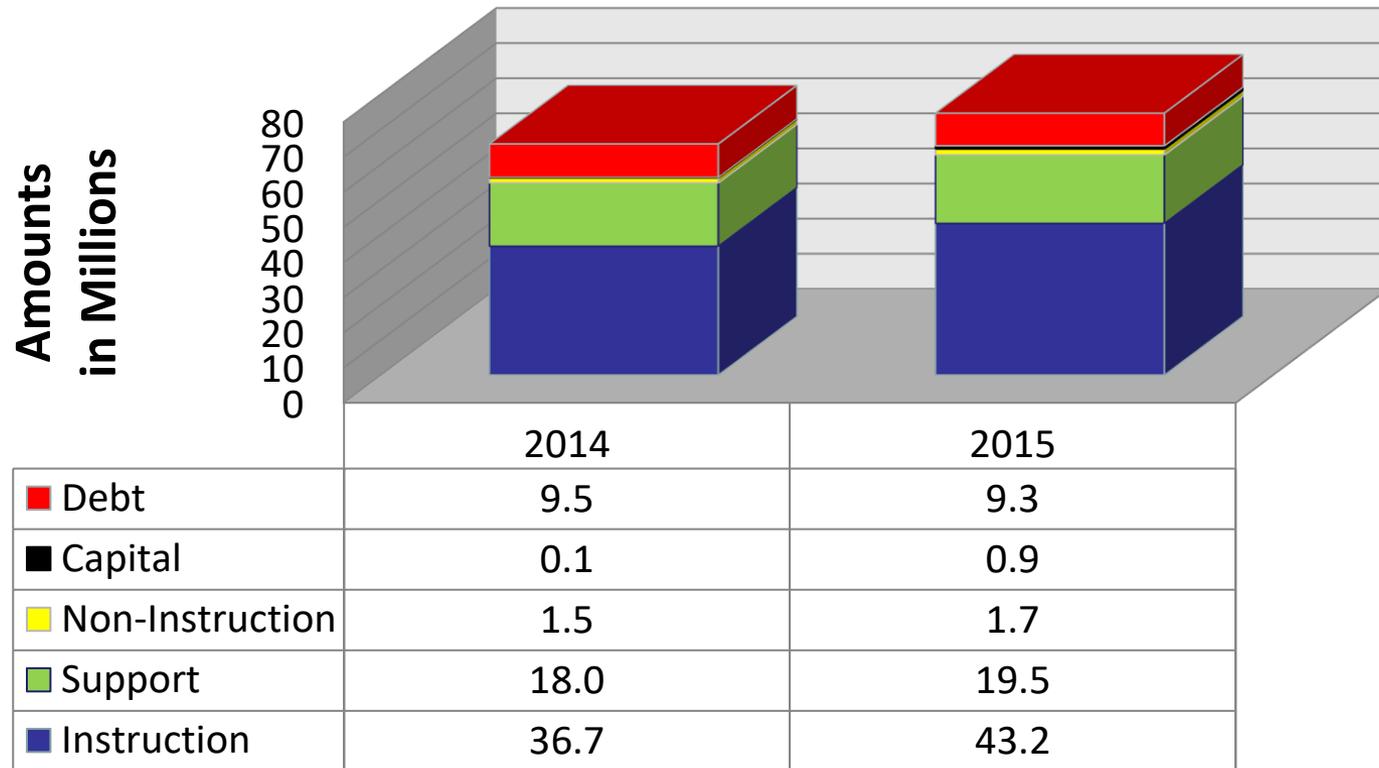
Revenues

General Fund



Expenditures

General Fund



Budget

General Fund

Budget

- Revenues: \$73,078,971
- Expenditures:
 - Instruction - \$41,992,677
 - Support - \$19,893,968
 - Non-Instruction - \$1,671,301
 - Capital Outlay - \$840,954
 - Debt Service - \$9,290,763

Actual

- Revenues: \$75,596,337
- Expenditures:
 - Instruction - \$43,223,246
 - Support - \$19,519,767
 - Non-Instruction - \$1,681,081
 - Capital Outlay - \$868,762
 - Debt Service - \$9,317,544

Financial Highlights – Capital Projects Fund

- Assets: \$5,054,391, includes \$1,370,584 of restricted cash and cash equivalents
- Liabilities: \$204,350
- Fund Balance: \$4,850,041
- Revenues: \$390,299
- Expenditures: \$586,541

Looking Ahead

- GASB Statements Effective SOON
 - GASB 72 *“Fair Value Measurement and Application”*
 - GASB 73 *“Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*
 - GASB 76 *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*

- GASB Statements Effective LATER
 - GASB 74 *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*
 - GASB 75 *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*
 - GASB 77 *“Tax Abatement Disclosures”*

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