

# **ELIZABETH FORWARD SCHOOL DISTRICT**

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

**ELIZABETH FORWARD  
SCHOOL DISTRICT**  
ALLEGHENY COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

OTHER INFORMATION REQUIRED BY  
OFFICE OF MANAGEMENT AND BUDGET  
CIRCULAR A-133

WITH REPORTS OF  
CERTIFIED PUBLIC ACCOUNTANT

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

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
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**ELIZABETH FORWARD SCHOOL DISTRICT**  
**ALLEGHENY COUNTY, PENNSYLVANIA**  
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**To the Management and Board of Education  
Elizabeth Forward School District**

## **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 Elizabeth Forward School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that 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 Elizabeth Forward School District'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 Elizabeth Forward School District'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.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Elizabeth Forward School District as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof 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 iv-ix and the defined benefit pension plan information on page 42, 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.

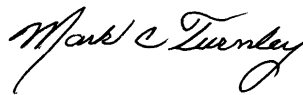
### ***Other Information***

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Elizabeth Forward School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, I have also issued my report dated December 7, 2016 on my consideration of the Elizabeth Forward School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Elizabeth Forward School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Mark C. Turnley".

Mark C. Turnley, CPA

December 7, 2016  
New Brighton, Pennsylvania

**School District of Elizabeth Forward  
Elizabeth, Pennsylvania**

**Management's Discussion and Analysis  
June 30, 2016**

The Management Discussion and Analysis of School District of Elizabeth Forward (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance taken as a whole and, provide certain information in accordance with requirements of *Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted, (Continuing Disclosure Undertaking)*.

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

**GENERAL OVERVIEW**

The District is comprised of the Borough of Elizabeth and the Townships of Elizabeth and Forward. The District is located along the Youghiogheny and Monongahela Rivers on the Southeastern corner of Allegheny County, approximately fifteen and one-half miles southeast of the City of Pittsburgh. The three municipalities encompass a combined land area of approximately 43.3 square miles and the population of the District was set at 18,410 according to the 2010 United States Census. The District is identified as third class according to population. It operates under and pursuant to the Public School Code of March 10, 1949, P.L. 30, as amended and supplemented.

The District currently operates seven school buildings. These facilities are comprised of the Elizabeth Learning Center (ELC) home of Head Start, Pre-K Counts, and DART programs; one elementary school grades K, 1, and 2; one elementary school grades 3, 4, and 5; two elementary schools grades K – 5; one middle school grades 6, 7 and 8; and one senior high school which houses grades 9 - 12. Student enrollment as reported to the Department of Education, October 2015, was 2,352 served by 304.5 instructional, professional, administrative, classified support personnel and non-classified personnel.

**STATEMENT OF NET POSITION**

Total government-wide primary government assets are \$30,152,738 at June 30, 2016, a decrease of \$4,057,899 from June 30, 2015, of \$34,210,637. Liabilities at June 30, 2016, are \$87,397,559 an increase of \$55,249,050 from \$32,148,509 at June 30, 2015. Net position as of June 30, 2016, is **(\$53,983,098)**. Governmental Accounting Standards Board (GASB) Statement No. 68 requires the District to recognize its proportionate share of the overall net pension obligation of the Commonwealth of Pennsylvania's Pennsylvania School Employees Retirement System (PSERS). More information regarding this change is reflected in Note 11 to the financial statements.



**School District of Elizabeth Forward  
Elizabeth, Pennsylvania**

**Management's Discussion and Analysis  
June 30, 2016**

**FUNDING SOURCES**

There are three funding sources which are responsible for all of the revenues received by District (General Fund only) during the fiscal year, which runs from July 1 through June 30. Following is a breakdown of those funding sources from 2015-2016, along with comparison amounts from the 2014-2015 school year. Also listed is the difference between the amounts received in those two years:

| Source       | 2015-16<br>Received | 2014-15<br>Received | Difference<br>Favorable<br>(Unfavorable) |
|--------------|---------------------|---------------------|------------------------------------------|
| Local        | \$19,521,783        | \$19,987,810        | (\$466,027)                              |
| State        | 17,334,536          | 17,525,666          | (191,130)                                |
| Federal      | \$384,877           | \$394,748           | (\$9,871)                                |
| <b>TOTAL</b> | <b>\$37,241,196</b> | <b>\$37,908,224</b> | <b>(\$667,028)</b>                       |

As the information above indicates, the majority of the revenue received by the District is from Local Sources, approximately 52.42% for 2015-2016 compared to 52.72% for the prior year. Within the local sources, the majority of revenue is derived from Current Real Estate taxes which is about 75.29%. Tax mills in the 2015-2016 school year were 20.6052. A mill is defined as a monetary unit equal to one one-thousandth (1/1000) of one dollar, \$0.001.

The change in assessed value is measured from the printing of the current year tax bills to the printing of the prior year tax bills. The following schedule shows the change by municipality:

**ASSESSMENT COMPARISON<sup>1</sup>**

| Municipality          | 2015 - 16            | 2014 - 15            | Difference           |
|-----------------------|----------------------|----------------------|----------------------|
| Borough of Elizabeth  | \$45,953,215         | \$45,983,415         | (\$30,200)           |
| Township of Elizabeth | 642,589,827          | 648,385,727          | (5,795,900)          |
| Township of Forward   | 172,241,261          | 174,947,261          | (2,706,000)          |
| Total                 | <b>\$860,784,303</b> | <b>\$869,316,403</b> | <b>(\$8,532,100)</b> |

<sup>1</sup> Jordan Tax Service, Inc., June 17, 2015 and June 18, 2014

**School District of Elizabeth Forward  
Elizabeth, Pennsylvania**

**Management's Discussion and Analysis  
June 30, 2016**

Because of this reduction in Assessed Valuation the District collected \$157,200 less real estate tax revenue for the period. One mill generates about \$717,000 of revenue. The second largest source of revenue for the District comes from state sources. The largest source of revenue within state sources is Basic Education Funding and accounted for 52.36 of state revenue received, compared to 51.11% in the prior year. Federal Revenues account for approximately 1.03% of the total revenue. These revenues are No Child Left Behind (NCLB) Title 1 and Title II, Part A; School Based ACCESS Medical Reimbursement Program and Medical Assistance Reimbursement for Administrative Claiming.

**LARGEST REAL ESTATE TAXPAYERS**

| <u>Taxpayer</u>                | <u>Principal Business</u> | <u>2016<br/>Assessed Value</u> |
|--------------------------------|---------------------------|--------------------------------|
| ARNOLDT PETER & ROSEMARIE      | MANUFACTURING             | \$4,500,000                    |
| E+E INC                        | MANUFACTURING             | \$4,172,500                    |
| 51 ESTATES LLP                 | MOBILE HOME/TRAILER PARK  | \$3,733,000                    |
| MT VERNON ASSOCIATES           | APARTMENTS                | \$3,400,000                    |
| VIRGINIA MANOR ASSOCIATES LLC  | APARTMENTS                | \$3,158,000                    |
| BALLIARD LEAH L                | SHOPPING CENTER           | \$2,762,900                    |
| SNH/LTA PROPERTIES TRUST       | NURSING HOME              | \$2,575,600                    |
| RX ELIZABETH INVESTORS         | RETAIL SHOPPING           | \$2,400,000                    |
| MON YOUGH AREA INDUSTRIAL CORP | MANUFACTURING             | \$2,357,400                    |
| McHOLME REALTY CO              | APARTMENTS                | <u>\$2,164,000</u>             |
|                                | Total                     | <u>\$31,233,400</u>            |

*Source: Allegheny County Office of Property Tax Assessment*

**REAL ESTATE TAX COLLECTION HISTORY  
Years Ending June 30,**

|                                               | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   | <u>2012</u>   |
|-----------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Assessed Valuation.....                       | \$860,784,303 | \$869,316,403 | \$886,698,159 | \$718,408,225 | \$721,697,811 |
| Current Levy*.....                            | \$17,736,633  | \$17,912,438  | \$18,270,593  | \$17,968,683  | \$18,050,961  |
| Current Collections.....                      | \$14,697,902  | \$15,023,795  | \$15,259,967  | \$15,140,883  | \$15,017,663  |
| Current and Delinquent Collections.....       | \$16,128,566  | \$16,226,026  | \$16,587,845  | \$16,359,603  | \$16,091,046  |
| Percent Current Collections to Current Levy.. | 91.06%        | 90.43%        | 89.92%        | 90.83%        | 89.65%        |
| Percent Total Collections to Current Levy.... | 98.12%        | 97.67%        | 97.74%        | 98.14%        | 96.05%        |

\* Before Homestead Exclusion

*Source: School District Financial Reports*

**School District of Elizabeth Forward  
Elizabeth, Pennsylvania**

**Management's Discussion and Analysis  
June 30, 2016**

**REAL ESTATE VALUATION HISTORY**

| <u>Year</u>         | <u>Assessed Value</u> | <u>Market Value</u> | <u>Ratio</u> |
|---------------------|-----------------------|---------------------|--------------|
| 2016 <sup>(1)</sup> | \$858,653,573         | NA                  | NA           |
| 2015 <sup>(1)</sup> | \$860,784,303         | NA                  | NA           |
| 2014 <sup>(1)</sup> | \$869,316,403         | NA                  | NA           |
| 2013 <sup>(2)</sup> | \$762,876,243         | \$630,469,162       | 118.38%      |
| 2012 <sup>(2)</sup> | \$631,346,825         | \$630,364,886       | 98.97%       |
| 2011 <sup>(2)</sup> | \$634,373,111         | \$607,825,637       | 104.61%      |
| 2010 <sup>(2)</sup> | \$635,391,064         | \$608,093,003       | 104.69%      |

Source: (1) School District Officials and (2) Pennsylvania State Tax Equalization Board

**HISTORY OF TAX ANTICIPATION NOTE FINANCING**

The following table reflects the history of Tax Anticipation Note Financings by the School District

| <u>Year Ending June 30,</u> | <u>Principal Amount of Tax Anticipation Note</u> |
|-----------------------------|--------------------------------------------------|
| 2016                        | \$6,551,000                                      |
| 2015                        | \$2,800,000                                      |
| 2014                        | \$2,400,000                                      |
| 2013                        | \$3,400,000                                      |
| 2012                        | \$3,500,000                                      |

Source: School District Officials

**EXPENDITURES**

Expenditures are represented below with 70.10% of funds used for wages, employer payroll taxes, and employee optional fringe benefits:

| <u>Major Function</u>                  | <u>2015 - 16</u>    | <u>2014 - 15</u>    |
|----------------------------------------|---------------------|---------------------|
| Instruction                            | \$22,382,967        | \$22,236,058        |
| Support Services                       | 11,981,996          | 11,941,383          |
| Operation of Noninstructional Services | 1,049,795           | 1,076,379           |
| Facilities Acquisition & Improvements  | 142,848             | -                   |
| Other Expenditures & Financing Uses    | 3,374,739           | 3,498,151           |
| <b>Total</b>                           | <b>\$38,932,344</b> | <b>\$38,751,971</b> |

**School District of Elizabeth Forward  
Elizabeth, Pennsylvania**

**Management's Discussion and Analysis  
June 30, 2016**

**FUND BALANCE**

Unassigned Fund Balance is that portion of the fund balance, which is appropriate for expenditure or not legally or otherwise segregated for a specific or tentative future use. The Governmental Funds General Fund ending unassigned fund balance as of June 30, 2016 is \$313,998. This is .8% of expenditures for the current year.

**SCHOOL BUILDING FACILITIES**

The School District is currently organized on the following grade level structure: K-5, 6-8 and 9-12. The following table depicts the component elements of the existing physical plant of the School District.

|                    | <b><u>Year<br/>Built</u></b> | <b><u>Additions,<br/>Renovations</u></b> | <b><u>Grades<br/>Served</u></b> | <b><u>Enrollment<br/>2015-2016</u></b> |
|--------------------|------------------------------|------------------------------------------|---------------------------------|----------------------------------------|
| <b>Elementary</b>  |                              |                                          |                                 |                                        |
| Central            | 1951                         | 1955; 1972; 1997                         | K - 5                           | 306                                    |
| Greenock           | 1950                         | 1955; 1972, 1976; 1997                   | K, 1 & 2                        | 197                                    |
| William Penn       | 1955                         | 1972; 1976; 1997                         | K - 5                           | 354                                    |
| Mt. Vernon         | 1962                         | 1997                                     | 3, 4 & 5                        | 195                                    |
| <b>Secondary</b>   |                              |                                          |                                 |                                        |
| Middle School      | 1966                         | 1976; 1990                               | 6-8                             | 507                                    |
| Senior High School | 1966                         | 1976; 1990                               | 9-12                            | <u>763</u>                             |
|                    |                              |                                          | Total                           | 2,352                                  |

*Source: School District Officials*

**ENROLLMENT HISTORY & PROJECTIONS**

Actual and projected enrollments of the School District as shown below:

| <b><u>School Year Ending June 30th</u></b> | <b><u>K-5</u></b> | <b><u>6-8</u></b> | <b><u>9-12</u></b> | <b><u>Total</u></b> |
|--------------------------------------------|-------------------|-------------------|--------------------|---------------------|
| 2020 (projected).....                      | 1,079             | 558               | 715                | 2,352               |
| 2019 (projected).....                      | 1,079             | 558               | 715                | 2,352               |
| 2018 (projected).....                      | 1,094             | 528               | 730                | 2,352               |
| 2017 (projected).....                      | 1,103             | 511               | 738                | 2,352               |
| <b>2016</b> .....                          | <b>1,082</b>      | <b>507</b>        | <b>763</b>         | <b>2,352</b>        |
| 2015 .....                                 | 1,049             | 509               | 788                | 2,346               |
| 2014 .....                                 | 993               | 554               | 808                | 2,355               |
| 2013 .....                                 | 1,001             | 553               | 867                | 2,421               |

*Source: School District Officials*

**School District of Elizabeth Forward  
Elizabeth, Pennsylvania**

**Management's Discussion and Analysis  
June 30, 2016**

**EMPLOYMENT**

The schedule shows School District employment for the year ended June 30, 2016:

| <b>Type of Personnel</b>                          | <b>Number</b> |
|---------------------------------------------------|---------------|
| Administrators / Supervisory.....                 | 18            |
| Professional / Instructional.....                 | 183           |
| Custodial, Maintenance and Support Personnel..... | <u>103</u>    |
| Total.....                                        | <u>304</u>    |

*Source: School District Officials*

**Wages and Salaries**

| <b>School Year Ending<br/>June 30,</b> | <b><u>Instruction</u></b> | <b><u>Support<br/>Services</u></b> | <b><u>Non-Instructional<br/>Services</u></b> | <b><u>Total</u></b> |
|----------------------------------------|---------------------------|------------------------------------|----------------------------------------------|---------------------|
| 2013.....                              | \$12,244,017              | \$4,364,964                        | \$566,054                                    | \$17,175,035        |
| 2014.....                              | \$11,623,193              | \$4,534,460                        | \$577,890                                    | \$16,735,543        |
| 2015.....                              | \$11,894,840              | \$4,644,239                        | \$577,460                                    | \$17,116,539        |
| 2016.....                              | \$11,826,018              | \$4,766,296                        | \$582,576                                    | \$17,174,890        |

*Source: School District Annual Financial Reports*

**Pension Programs**

Elizabeth Forward School District pension expense (includes health care component) and employee contribution to PSERS, as well as, total covered (pension eligible) payroll for the three most recent fiscal years is as follows:

| <b><u>YEAR</u></b> | <b><u>DISTRICT<br/>EXPENSE</u></b> | <b><u>EMPLOYEE<br/>CONTRIBUTIONS</u></b> | <b><u>COVERED<br/>PAYROLL</u></b> |
|--------------------|------------------------------------|------------------------------------------|-----------------------------------|
| 2015-2016          | \$3,741,060                        | \$1,222,036                              | \$16,245,658                      |
| 2014-2015          | \$3,461,869                        | \$1,254,524                              | \$16,585,596                      |
| 2013-2014          | \$2,645,233                        | \$1,216,286                              | \$16,145,699                      |
| 2012-2013          | \$1,995,855                        | \$1,244,466                              | \$16,679,688                      |
| 2011-2012          | \$1,331,681                        | \$1,191,579                              | \$16,071,968                      |

The School District is current in all payments.

*Source: Annual Financial Reports and School District Officials*

**School District of Elizabeth Forward  
Elizabeth, Pennsylvania**

**Management's Discussion and Analysis  
June 30, 2016**

**Labor Relations**

The professional employees of the School District are represented for purposes of collective bargaining by the Elizabeth Forward Education Association, an affiliate of the Pennsylvania State Education Association (PSEA). The current contract between the School District and the Association expires on August 31, 2016.

Secretarial, Maintenance and Custodial employees of the School District are represented for purposes of collective bargaining by the Elizabeth Forward Education Support Professional Association, which is an affiliate of PSEA. The contract with the School District and the Association expires June 30, 2017.

*Source: School District Officials*

**OTHER ITEMS**

- A) Expenditures for the year ended June 30, 2016 were funded using over \$1,691,000 of the Unassigned Fund Balance of the General Fund. The 2015-2016 General Fund Budget anticipated the use of over \$2.1 million of the unassigned Fund Balance. The difference between the budget and actual was \$412,600. Savings was derived from Operations & Maintenance of Plant Services, Administrative Services, along with a reduction in Special Education program costs.
- B) The strategy employed to balance the 2016-2017 General Fund Budget is refinance the current portion of long-term debt along with a 6.8% increase in real property taxes. The tax increase should generate nearly \$1,084,000 of new revenue and the refinancing avoids \$2,280,000 in expenditures. The June 30, 2016 unassigned Fund Balance is \$313,998, or .8% of expenditures.
- C) The Principal plus Accreted Interest on General Obligation Instruments as of June 30, 2016 is \$45,520,000. Of that amount \$28,675,000 are non-callable Bonds with interest rates from 4.58% to 6.59%. Non-callable Bonds are paid in full in year 2030. All Bonds are paid in full in 2037.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGER**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to Mr. Richard Fantauzzi, PRSBA, Director of Finance & Operations, Elizabeth Forward School District, District Office, 401 Rock Run Road – Suite 2, Elizabeth, PA 15037.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

**EXHIBIT A**

|                                                                           | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>           |
|---------------------------------------------------------------------------|------------------------------------|-------------------------------------|------------------------|
| <b>ASSETS</b>                                                             |                                    |                                     |                        |
| <b>Current Assets:</b>                                                    |                                    |                                     |                        |
| Cash and Cash Equivalents                                                 | \$ 3,076,544                       | \$ 40,562                           | \$ 3,117,106           |
| Investments                                                               | 2,370,079                          | -                                   | 2,370,079              |
| Taxes Receivable, net                                                     | 3,508,861                          | -                                   | 3,508,861              |
| Due From Other Governments                                                | 1,394,126                          | 57,862                              | 1,451,988              |
| Other Receivables                                                         | 26,201                             | -                                   | 26,201                 |
| Prepaid Expenses                                                          | 367,431                            | -                                   | 367,431                |
| Inventories                                                               | -                                  | 27,066                              | 27,066                 |
| <b>Total Current Assets</b>                                               | <b>\$ 10,743,242</b>               | <b>\$ 125,490</b>                   | <b>\$ 10,868,732</b>   |
| <b>Noncurrent Assets:</b>                                                 |                                    |                                     |                        |
| Land                                                                      | \$ 5,827,500                       | \$ -                                | \$ 5,827,500           |
| Site Improvements (net)                                                   | 1,491,809                          | -                                   | 1,491,809              |
| Building & Building Improvements (net)                                    | 9,052,245                          | -                                   | 9,052,245              |
| Furniture & Equipment (net)                                               | 2,740,866                          | 80,586                              | 2,821,452              |
| Infrastructure                                                            | 91,000                             | -                                   | 91,000                 |
| <b>Total Noncurrent Assets</b>                                            | <b>\$ 19,203,420</b>               | <b>\$ 80,586</b>                    | <b>\$ 19,284,006</b>   |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 29,946,662</b>               | <b>\$ 206,076</b>                   | <b>\$ 30,152,738</b>   |
| <b>Deferred Outflows of Resources:</b>                                    |                                    |                                     |                        |
| Deferred Outflows Related to Pension                                      | \$ 4,501,446                       | \$ -                                | \$ 4,501,446           |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>\$ 4,501,446</b>                | <b>\$ -</b>                         | <b>\$ 4,501,446</b>    |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>                  | <b>\$ 34,448,108</b>               | <b>\$ 206,076</b>                   | <b>\$ 34,654,184</b>   |
| <b>LIABILITIES</b>                                                        |                                    |                                     |                        |
| <b>Current Liabilities:</b>                                               |                                    |                                     |                        |
| Accounts Payable                                                          | \$ 401,887                         | \$ 25,516                           | \$ 427,403             |
| Current Portion - Long Term Debt                                          | 1,697,387                          | -                                   | 1,697,387              |
| Accrued Interest                                                          | 1,488,622                          | -                                   | 1,488,622              |
| Accrued Salaries and Benefits                                             | 3,803,201                          | -                                   | 3,803,201              |
| Payroll Deductions and Withholdings                                       | 152,731                            | -                                   | 152,731                |
| Unearned Revenues                                                         | 37,300                             | -                                   | 37,300                 |
| <b>Total Current Liabilities</b>                                          | <b>\$ 7,581,128</b>                | <b>\$ 25,516</b>                    | <b>\$ 7,606,644</b>    |
| <b>Noncurrent Liabilities:</b>                                            |                                    |                                     |                        |
| Bonds Payable - Long Term Portion (Net)                                   | \$ 21,654,076                      | \$ -                                | \$ 21,654,076          |
| Capital Lease Payable - Long Term Portion                                 | 1,510,483                          | -                                   | 1,510,483              |
| Compensated Absences                                                      | 510,493                            | -                                   | 510,493                |
| Net Pension Liability                                                     | 55,964,000                         | -                                   | 55,964,000             |
| Net OPEB Liability                                                        | 151,863                            | -                                   | 151,863                |
| <b>Total Noncurrent Liabilities</b>                                       | <b>\$ 79,790,915</b>               | <b>\$ -</b>                         | <b>\$ 79,790,915</b>   |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 87,372,043</b>               | <b>\$ 25,516</b>                    | <b>\$ 87,397,559</b>   |
| <b>Deferred Inflows of Resources:</b>                                     |                                    |                                     |                        |
| Deferred Inflows Related to Pension                                       | \$ 1,239,723                       | \$ -                                | \$ 1,239,723           |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 1,239,723</b>                | <b>\$ -</b>                         | <b>\$ 1,239,723</b>    |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>              | <b>\$ 88,611,766</b>               | <b>\$ 25,516</b>                    | <b>\$ 88,637,282</b>   |
| <b>NET POSITION</b>                                                       |                                    |                                     |                        |
| Net Investment in Capital Assets (Deficit)                                | \$ (5,658,526)                     | \$ 80,586                           | \$ (5,577,940)         |
| Restricted for Henry R. Hillman Foundation Targeted Learning              | 248,166                            | -                                   | 248,166                |
| Restricted for Debt Service                                               | 2,172,282                          | -                                   | 2,172,282              |
| Unrestricted (Deficit)                                                    | (50,925,580)                       | 99,974                              | (50,825,606)           |
| <b>TOTAL NET POSITION (DEFICIT)</b>                                       | <b>\$ (54,163,658)</b>             | <b>\$ 180,560</b>                   | <b>\$ (53,983,098)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 34,448,108</b>               | <b>\$ 206,076</b>                   | <b>\$ 34,654,184</b>   |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

| Functions/Programs                                       | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                        |
|----------------------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|------------------------|
|                                                          |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total                  |
| <b>Governmental Activities:</b>                          |                      |                      |                                    |                                  |                                                   |                          |                        |
| Instruction                                              | \$ 24,932,399        | \$ 175,311           | \$ 5,356,438                       | \$ -                             | \$ (19,400,650)                                   |                          | \$ (19,400,650)        |
| Instructional Student Support                            | 3,272,663            | -                    | 379,279                            | -                                | (2,893,384)                                       |                          | (2,893,384)            |
| Administrative and Financial Support Services            | 3,442,704            | -                    | 333,950                            | -                                | (3,108,754)                                       |                          | (3,108,754)            |
| Operation and Maintenance of Plant Services              | 3,999,332            | 122,738              | 320,358                            | -                                | (3,556,236)                                       |                          | (3,556,236)            |
| Pupil Transportation                                     | 2,147,251            | -                    | 1,225,620                          | -                                | (921,631)                                         |                          | (921,631)              |
| Student Activities                                       | 1,145,958            | 41,937               | 117,388                            | -                                | (986,633)                                         |                          | (986,633)              |
| Community Services                                       | 2,429                | -                    | -                                  | -                                | (2,429)                                           |                          | (2,429)                |
| Interest on Long-Term Debt/Refunds                       | 2,460,361            | -                    | -                                  | -                                | (2,460,361)                                       |                          | (2,460,361)            |
| <b>Total Governmental Activities</b>                     | <b>\$ 41,403,097</b> | <b>\$ 339,986</b>    | <b>\$ 7,733,033</b>                | <b>\$ -</b>                      | <b>\$ (33,330,078)</b>                            |                          | <b>\$ (33,330,078)</b> |
| <b>Business-Type activities:</b>                         |                      |                      |                                    |                                  |                                                   |                          |                        |
| Food Service                                             | \$ 1,031,444         | \$ 498,845           | \$ 506,883                         | \$ -                             | \$ -                                              | \$ (25,716)              | \$ (25,716)            |
| <b>Total Business-Type Activities</b>                    | <b>\$ 1,031,444</b>  | <b>\$ 498,845</b>    | <b>\$ 506,883</b>                  | <b>\$ -</b>                      | <b>\$ -</b>                                       | <b>\$ (25,716)</b>       | <b>\$ (25,716)</b>     |
| <b>Total Primary Government</b>                          | <b>\$ 42,434,541</b> | <b>\$ 838,831</b>    | <b>\$ 8,239,916</b>                | <b>\$ -</b>                      | <b>\$ (33,330,078)</b>                            | <b>\$ (25,716)</b>       | <b>\$ (33,355,794)</b> |
| <b>General Revenues:</b>                                 |                      |                      |                                    |                                  |                                                   |                          |                        |
| Taxes:                                                   |                      |                      |                                    |                                  |                                                   |                          |                        |
| Property Taxes, Levied for General Purposes (net)        |                      |                      |                                    |                                  | \$ 15,007,475                                     | \$ -                     | \$ 15,007,475          |
| Taxes Levied for Specific Purposes                       |                      |                      |                                    |                                  | 2,241,847                                         | -                        | 2,241,847              |
| Property Tax Relief                                      |                      |                      |                                    |                                  | 1,299,283                                         | -                        | 1,299,283              |
| Basic Subsidy                                            |                      |                      |                                    |                                  | 9,077,223                                         | -                        | 9,077,223              |
| Investment Earnings                                      |                      |                      |                                    |                                  | 8,318                                             | 33                       | 8,351                  |
| Miscellaneous                                            |                      |                      |                                    |                                  | 1,178,989                                         | 13,872                   | 1,192,861              |
| Transfer to Fiduciary Fund                               |                      |                      |                                    |                                  | (25)                                              | -                        | (25)                   |
| Transfers between Governmental, Business-Type Activities |                      |                      |                                    |                                  | (3,233)                                           | 3,233                    | -                      |
| <b>Total General Revenues</b>                            |                      |                      |                                    |                                  | <b>\$ 28,809,877</b>                              | <b>\$ 17,138</b>         | <b>\$ 28,827,015</b>   |
| <b>Change in Net Assets</b>                              |                      |                      |                                    |                                  | <b>\$ (4,520,201)</b>                             | <b>\$ (8,578)</b>        | <b>\$ (4,528,779)</b>  |
| <b>Net Position - July 1, 2015 (Deficit)</b>             |                      |                      |                                    |                                  | <b>(49,643,457)</b>                               | <b>189,138</b>           | <b>(49,454,319)</b>    |
| <b>Net Position - June 30, 2016 (Deficit)</b>            |                      |                      |                                    |                                  | <b>\$ (54,163,658)</b>                            | <b>\$ 180,560</b>        | <b>\$ (53,983,098)</b> |

The accompanying notes are an integral part of these financial statements



**ELIZABETH FORWARD SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

**EXHIBIT C**

|                                                                               | <b>GENERAL<br/>FUND</b> | <b>SPECIAL<br/>REVENUE<br/>FUND</b> | <b>CAPITAL<br/>PROJECT<br/>FUND</b> | <b>DEBT<br/>SERVICE<br/>FUND</b> | <b>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</b> |
|-------------------------------------------------------------------------------|-------------------------|-------------------------------------|-------------------------------------|----------------------------------|-----------------------------------------|
| <b>ASSETS:</b>                                                                |                         |                                     |                                     |                                  |                                         |
| Cash and Cash Equivalents                                                     | \$ 2,825,287            | \$ 248,166                          | \$ 3,091                            | \$ -                             | \$ 3,076,544                            |
| Investments                                                                   | 197,797                 | -                                   | -                                   | 2,172,282                        | 2,370,079                               |
| Taxes Receivable, net                                                         | 3,508,861               | -                                   | -                                   | -                                | 3,508,861                               |
| Due From Other Governments                                                    | 1,394,126               | -                                   | -                                   | -                                | 1,394,126                               |
| Other Receivables                                                             | 26,201                  | -                                   | -                                   | -                                | 26,201                                  |
| Prepaid Expenses                                                              | 367,431                 | -                                   | -                                   | -                                | 367,431                                 |
| <b>TOTAL ASSETS</b>                                                           | <b>\$ 8,319,703</b>     | <b>\$ 248,166</b>                   | <b>\$ 3,091</b>                     | <b>\$ 2,172,282</b>              | <b>\$ 10,743,242</b>                    |
| <b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>           |                         |                                     |                                     |                                  |                                         |
| <b>LIABILITIES:</b>                                                           |                         |                                     |                                     |                                  |                                         |
| Accounts Payable                                                              | \$ 401,887              | \$ -                                | \$ -                                | \$ -                             | \$ 401,887                              |
| Accrued Salaries and Benefits                                                 | 3,803,201               | -                                   | -                                   | -                                | 3,803,201                               |
| Payroll Deductions and Withholdings                                           | 152,731                 | -                                   | -                                   | -                                | 152,731                                 |
| Unearned Revenues                                                             | 37,300                  | -                                   | -                                   | -                                | 37,300                                  |
| <b>TOTAL LIABILITIES</b>                                                      | <b>\$ 4,395,119</b>     | <b>\$ -</b>                         | <b>\$ -</b>                         | <b>\$ -</b>                      | <b>\$ 4,395,119</b>                     |
| <b>DEFERRED INFLOW OF RESOURCES:</b>                                          |                         |                                     |                                     |                                  |                                         |
| Delinquent Real Estate Taxes                                                  | \$ 3,243,155            | \$ -                                | \$ -                                | \$ -                             | \$ 3,243,155                            |
| <b>TOTAL DEFERRED INFLOW OF RESOURCES</b>                                     | <b>\$ 3,243,155</b>     | <b>\$ -</b>                         | <b>\$ -</b>                         | <b>\$ -</b>                      | <b>\$ 3,243,155</b>                     |
| <b>FUND BALANCES:</b>                                                         |                         |                                     |                                     |                                  |                                         |
| Nonspendable                                                                  | \$ 367,431              | \$ -                                | \$ -                                | \$ -                             | \$ 367,431                              |
| Restricted                                                                    | -                       | 248,166                             | -                                   | 2,172,282                        | 2,420,448                               |
| Assigned                                                                      | -                       | -                                   | 3,091                               | -                                | 3,091                                   |
| Unassigned                                                                    | 313,998                 | -                                   | -                                   | -                                | 313,998                                 |
| <b>TOTAL FUND BALANCES</b>                                                    | <b>\$ 681,429</b>       | <b>\$ 248,166</b>                   | <b>\$ 3,091</b>                     | <b>\$ 2,172,282</b>              | <b>\$ 3,104,968</b>                     |
| <b>TOTAL LIABILITIES, DEFERRED INFLOW OF<br/>RESOURCES, AND FUND BALANCES</b> | <b>\$ 8,319,703</b>     | <b>\$ 248,166</b>                   | <b>\$ 3,091</b>                     | <b>\$ 2,172,282</b>              | <b>\$ 10,743,242</b>                    |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

**Total Fund Balances - Governmental Funds** **\$ 3,104,968**

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 \$59,386,824, and the accumulated depreciation is \$40,183,404. 19,203,420

Property and wage taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures, are deferred and not recognized as revenue in governmental funds. 3,243,155

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

Deferred outflows of resources related to pensions (from pension schedule). 4,501,446

Deferred inflows of resources related to pensions (from pension schedule). (1,239,723)

Long term liabilities, including bonds payable, 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:

|                                               |               |              |
|-----------------------------------------------|---------------|--------------|
| Bonds payable                                 | \$ 22,306,661 |              |
| Capital lease payable                         | 2,555,285     |              |
| Accrued interest on the bonds                 | 1,488,622     |              |
| Net OPEB liability                            | 151,863       |              |
| Net Pension Liability (from pension schedule) | 55,964,000    |              |
| Compensated absences                          | 510,493       | (82,976,924) |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ (54,163,658)**

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|                                                              | <u>GENERAL FUND</u>   | <u>SPECIAL<br/>REVENUE<br/>FUND</u> | <u>CAPITAL<br/>PROJECTS<br/>FUND</u> | <u>DEBT<br/>SERVICE<br/>FUND</u> | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
|--------------------------------------------------------------|-----------------------|-------------------------------------|--------------------------------------|----------------------------------|-----------------------------------------|
| <b>REVENUES</b>                                              |                       |                                     |                                      |                                  |                                         |
| Local Sources                                                | \$ 19,521,783         | \$ 835,353                          | \$ 8                                 | \$ -                             | \$ 20,357,144                           |
| State Sources                                                | 17,334,536            | -                                   | -                                    | -                                | 17,334,536                              |
| Federal Sources                                              | 384,877               | -                                   | -                                    | -                                | 384,877                                 |
| <b>Total Revenue</b>                                         | <b>\$ 37,241,196</b>  | <b>\$ 835,353</b>                   | <b>\$ 8</b>                          | <b>\$ -</b>                      | <b>\$ 38,076,557</b>                    |
| <b>EXPENDITURES</b>                                          |                       |                                     |                                      |                                  |                                         |
| Instruction                                                  | \$ 22,382,967         | \$ 995,104                          | \$ -                                 | \$ -                             | \$ 23,378,071                           |
| Support Services                                             | 11,981,996            | -                                   | -                                    | 242,299                          | 12,224,295                              |
| Noninstructional Services                                    | 1,049,795             | -                                   | -                                    | -                                | 1,049,795                               |
| Capital Outlay                                               | 142,848               | -                                   | 105,798                              | -                                | 248,646                                 |
| Debt Service                                                 | 216,906               | -                                   | -                                    | 3,093,520                        | 3,310,426                               |
| Refund of Prior Year Revenues                                | 56,055                | -                                   | -                                    | -                                | 56,055                                  |
| <b>Total Expenditures</b>                                    | <b>\$ 35,830,567</b>  | <b>\$ 995,104</b>                   | <b>\$ 105,798</b>                    | <b>\$ 3,335,819</b>              | <b>\$ 40,267,288</b>                    |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 1,410,629</b>   | <b>\$ (159,751)</b>                 | <b>\$ (105,790)</b>                  | <b>\$ (3,335,819)</b>            | <b>\$ (2,190,731)</b>                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |                                     |                                      |                                  |                                         |
| Operating Transfers In                                       | \$ -                  | \$ -                                | \$ -                                 | \$ 3,098,520                     | \$ 3,098,520                            |
| Operating Transfers Out                                      | (3,101,778)           | -                                   | -                                    | -                                | (3,101,778)                             |
| Bond Proceeds                                                | -                     | -                                   | -                                    | 9,115,000                        | 9,115,000                               |
| Payoff Refunded Bonds                                        | -                     | -                                   | -                                    | (8,870,419)                      | (8,870,419)                             |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (3,101,778)</b> | <b>\$ -</b>                         | <b>\$ -</b>                          | <b>\$ 3,343,101</b>              | <b>\$ 241,323</b>                       |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ (1,691,149)</b> | <b>\$ (159,751)</b>                 | <b>\$ (105,790)</b>                  | <b>\$ 7,282</b>                  | <b>\$ (1,949,408)</b>                   |
| FUND BALANCE - JULY 1, 2015                                  | 2,372,578             | 407,917                             | 108,881                              | 2,165,000                        | 5,054,376                               |
| <b>FUND BALANCE - JUNE 30, 2016</b>                          | <b>\$ 681,429</b>     | <b>\$ 248,166</b>                   | <b>\$ 3,091</b>                      | <b>\$ 2,172,282</b>              | <b>\$ 3,104,968</b>                     |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**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** **\$ (1,949,408)**

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 (\$1,747,322) exceeds capital outlays (\$1,473,191) in the period. (274,131)

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 10,401,541

Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. (1,146,745)

Proceeds from capital leases are revenue in the governmental funds, however these proceeds are considered long-term liabilities for the purposes of the statement of net position. (1,126,086)

Proceeds from bond issues are revenue in the governmental funds, however these proceeds are considered long-term liabilities for the purposes of the statement of net position. (9,115,000)

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. (83,704)

Bond discount costs are reported in governmental funds as expenditures. However, in the statement of activities, these costs are capitalized and amortized over the life of the note as interest expense. 50,787

Because certain property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflow of resources increased by this amount this year. (1,190,403)

In the statement of activities, certain operating expenses - compensated absences and retiree health benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This year, compensated absences and the net OPEB earned exceeded the amount paid. (87,052)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (4,520,201)**

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**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                                                 | \$ 19,366,776         | \$ 19,366,776         | \$ 19,521,783               | \$ 155,007                                              |
| State Sources                                                 | 17,893,004            | 17,893,004            | 17,334,536                  | (558,468)                                               |
| Federal Sources                                               | 381,461               | 381,461               | 384,877                     | 3,416                                                   |
| <b>Total Revenues</b>                                         | <b>\$ 37,641,241</b>  | <b>\$ 37,641,241</b>  | <b>\$ 37,241,196</b>        | <b>\$ (400,045)</b>                                     |
| <b>EXPENDITURES</b>                                           |                       |                       |                             |                                                         |
| Regular Programs                                              | \$ 16,673,798         | \$ 16,261,954         | \$ 16,046,190               | \$ 215,764                                              |
| Special Programs                                              | 4,722,342             | 4,905,149             | 4,798,252                   | 106,897                                                 |
| Vocational Programs                                           | 1,413,295             | 1,343,540             | 1,331,504                   | 12,036                                                  |
| Other Instructional Programs                                  | 175,196               | 214,235               | 204,846                     | 9,389                                                   |
| Adult Education Programs                                      | 1,210                 | 1,210                 | -                           | 1,210                                                   |
| University/College Education Programs                         | 2,825                 | 2,825                 | 2,175                       | 650                                                     |
| Pupil Personnel Services                                      | 1,102,580             | 1,102,955             | 966,970                     | 135,985                                                 |
| Instructional Staff Services                                  | 1,627,996             | 1,635,900             | 1,584,761                   | 51,139                                                  |
| Administrative Services                                       | 2,517,263             | 2,418,438             | 2,262,864                   | 155,574                                                 |
| Pupil Health                                                  | 438,888               | 459,529               | 445,418                     | 14,111                                                  |
| Business Services                                             | 439,253               | 451,200               | 420,311                     | 30,889                                                  |
| Operation & Maintenance of Plant Services                     | 3,778,238             | 3,985,916             | 3,850,922                   | 134,994                                                 |
| Student Transportation Services                               | 2,074,621             | 2,074,621             | 2,147,251                   | (72,630)                                                |
| Central Services                                              | 241,637               | 308,320               | 277,912                     | 30,408                                                  |
| Other Support Services                                        | 25,617                | 25,617                | 25,588                      | 29                                                      |
| Student Activities                                            | 1,094,918             | 1,095,411             | 1,047,366                   | 48,045                                                  |
| Community Services                                            | 3,450                 | 3,458                 | 2,429                       | 1,029                                                   |
| Facilities Acquisition                                        | -                     | 142,849               | 142,847                     | 2                                                       |
| Debt Service                                                  | 285,562               | 285,562               | 216,906                     | 68,656                                                  |
| Refund of Prior Year Revenues                                 | -                     | -                     | 56,055                      | (56,055)                                                |
| <b>Total Expenditures</b>                                     | <b>\$ 36,618,689</b>  | <b>\$ 36,718,689</b>  | <b>\$ 35,830,567</b>        | <b>\$ 888,122</b>                                       |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ 1,022,552</b>   | <b>\$ 922,552</b>     | <b>\$ 1,410,629</b>         | <b>\$ 488,077</b>                                       |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                       |                       |                             |                                                         |
| Operating Transfers Out                                       | \$ (3,126,347)        | \$ (3,126,347)        | \$ (3,101,778)              | \$ 24,569                                               |
| Budgetary Reserve                                             | (100,000)             | -                     | -                           | -                                                       |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (3,226,347)</b> | <b>\$ (3,126,347)</b> | <b>\$ (3,101,778)</b>       | <b>\$ 24,569</b>                                        |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ (2,203,795)</b> | <b>\$ (2,203,795)</b> | <b>\$ (1,691,149)</b>       | <b>\$ 512,646</b>                                       |
| FUND BALANCE - JULY 1, 2015                                   | 2,212,508             | 2,203,795             | 2,372,578                   | 168,783                                                 |
| <b>FUND BALANCE - JUNE 30, 2016</b>                           | <b>\$ 8,713</b>       | <b>\$ -</b>           | <b>\$ 681,429</b>           | <b>\$ 681,429</b>                                       |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2016**

|                                           | <b><u>FOOD<br/>SERVICES</u></b> |
|-------------------------------------------|---------------------------------|
| <b>ASSETS</b>                             |                                 |
| <b>Current Assets:</b>                    |                                 |
| Cash and Cash Equivalents                 | \$ 40,562                       |
| Due From Other Governments                | 57,862                          |
| Inventories                               | 27,066                          |
| <b>TOTAL CURRENT ASSETS</b>               | <b><u>\$ 125,490</u></b>        |
| <b>Noncurrent Assets:</b>                 |                                 |
| Furniture and Equipment (net)             | \$ 80,586                       |
| <b>TOTAL NONCURRENT ASSETS</b>            | <b><u>\$ 80,586</u></b>         |
| <b>TOTAL ASSETS</b>                       | <b><u><u>\$ 206,076</u></u></b> |
| <b>LIABILITIES</b>                        |                                 |
| <b>Current Liabilities:</b>               |                                 |
| Accounts Payable                          | \$ 25,516                       |
| <b>TOTAL CURRENT LIABILITIES</b>          | <b><u>\$ 25,516</u></b>         |
| <b>TOTAL LIABILITIES</b>                  | <b><u>\$ 25,516</u></b>         |
| <b>NET POSITION</b>                       |                                 |
| Net Investment in Capital Assets          | \$ 80,586                       |
| Unrestricted                              | 99,974                          |
| <b>TOTAL NET POSITION</b>                 | <b><u>\$ 180,560</u></b>        |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b><u><u>\$ 206,076</u></u></b> |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|                                                | <b>FOOD<br/>SERVICES</b> |
|------------------------------------------------|--------------------------|
| <b><u>OPERATING REVENUES</u></b>               |                          |
| Food Services Revenue                          | \$ 498,845               |
| <b>Total Operating Revenues</b>                | <b>\$ 498,845</b>        |
| <b><u>OPERATING EXPENSES</u></b>               |                          |
| Other Purchased Services                       | \$ 897,161               |
| Supplies                                       | 114,466                  |
| Dues and Fees                                  | 3,289                    |
| Property                                       | 3,233                    |
| Depreciation                                   | 13,295                   |
| <b>Total Operating Expenses</b>                | <b>\$ 1,031,444</b>      |
| <br>                                           |                          |
| <b>OPERATING INCOME/(LOSS)</b>                 | <b>\$ (532,599)</b>      |
| <b><u>NONOPERATING REVENUES (EXPENSES)</u></b> |                          |
| Earnings on investments                        | \$ 33                    |
| State sources                                  | 30,751                   |
| Federal sources                                | 476,132                  |
| Transfer From General Fund                     | 3,233                    |
| Refund of Prior Year Expenditures              | 13,872                   |
| <b>Total Nonoperating Revenues (Expenses)</b>  | <b>\$ 524,021</b>        |
| <br>                                           |                          |
| <b>CHANGE IN NET POSITION</b>                  | <b>\$ (8,578)</b>        |
| <br>                                           |                          |
| NET POSITION - JULY 1, 2015                    | 189,138                  |
| <br>                                           |                          |
| NET POSITION - JUNE 30, 2016                   | <b>\$ 180,560</b>        |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|                                                                                                                  | <b><u>FOOD<br/>SERVICES</u></b> |
|------------------------------------------------------------------------------------------------------------------|---------------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                                               |                                 |
| Cash Received from Users                                                                                         | \$ 498,847                      |
| Cash Payments to Suppliers for Goods and Services                                                                | (922,222)                       |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                                          | <b><u>\$ (423,375)</u></b>      |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>                                           |                                 |
| Payment on Equipment Loan                                                                                        | \$ (5,000)                      |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>                                      | <b><u>\$ (5,000)</u></b>        |
| <b><u>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>                                       |                                 |
| State Sources                                                                                                    | \$ 28,366                       |
| Federal Sources                                                                                                  | 389,743                         |
| Other                                                                                                            | 13,872                          |
| <b>Net Cash Provided (Used) by Non-Capital and Related Financing Activities</b>                                  | <b><u>\$ 431,981</u></b>        |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                                               |                                 |
| Earnings on Investments                                                                                          | \$ 33                           |
| Deposits from Investment Pool                                                                                    | (3)                             |
| <b>Net Cash Provided (Used) by Investing Activities</b>                                                          | <b><u>\$ 30</u></b>             |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                                      | <b>\$ 3,636</b>                 |
| CASH AND CASH EQUIVALENTS - JULY 1, 2015                                                                         | <u>36,926</u>                   |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30, 2016</b>                                                                 | <b><u>\$ 40,562</u></b>         |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities:</b>        |                                 |
| <b>Operating Income (Loss)</b>                                                                                   | <b>\$ (532,599)</b>             |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)<br/>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                                 |
| Depreciation                                                                                                     | 13,295                          |
| Other Adjustments - Donated Commodities                                                                          | 51,690                          |
| Other Adjustments - Interfund Transfer                                                                           | 3,233                           |
| (Increase) Decrease in Prepaid Expense                                                                           | 15,404                          |
| (Increase) Decrease in Inventories                                                                               | 86                              |
| Increase (Decrease) in Accounts Payable                                                                          | 25,516                          |
| <b>Total Adjustments</b>                                                                                         | <b><u>\$ 109,224</u></b>        |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                                                          | <b><u>\$ (423,375)</u></b>      |
| <b>NONCASH NONCAPITAL FINANCING ACTIVITIES:</b>                                                                  |                                 |
| During the year, the District received \$51,690 of food commodities from the U.S. Department of Agriculture.     |                                 |

The accompanying notes are an integral part of these financial statements



ELIZABETH FORWARD SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

|                           | <u>ACTIVITY FUNDS</u>   |
|---------------------------|-------------------------|
| <b>ASSETS</b>             |                         |
| Cash and Cash Equivalents | \$ 70,271               |
| <b>TOTAL ASSETS</b>       | <u><u>\$ 70,271</u></u> |
| <b>LIABILITIES</b>        |                         |
| Other Current Liabilities | \$ 70,271               |
| <b>TOTAL LIABILITIES</b>  | <u><u>\$ 70,271</u></u> |

The accompanying notes are an integral part of these financial statements

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

The Elizabeth Forward School District was established under the authority of an act of the state legislature that designated a school board as the governing body. This district serves the surrounding municipalities that include the Township of Elizabeth, the Township of Forward, and the Borough of Elizabeth. The School District operates under a locally-elected nine member Board form of government and provides educational services as mandated by the Commonwealth of Pennsylvania and selected federal agencies. The Board of Education has complete authority over the operations and administration of the school district's activities.

The financial statements of the Elizabeth Forward School District 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, Elizabeth Forward School District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 72, '*Fair Value Measurement and Application*'; 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 School District'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 Elizabeth Forward School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the School District's reporting entity because of the significance of their operating or financial relationships with the School District. Based on the application of these criteria, the Elizabeth Forward School District has no component units.

The School District is associated with two jointly governed organizations (Note 12) and one public entity risk pool (Note 14). These organizations are:

- Jointly Governed Organizations:
  - Steel Center Area Vocational-Technical School
  - Allegheny Intermediate Unit
- Public Entity Risk Pool:
  - Allegheny County Schools Health Insurance Consortium

**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 School District 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 School District that are governmental and those that are considered business-type activities.

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.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**BASIS OF PRESENTATION (Continued)**

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for the District's business-type activities (food service operations) and for each function of the School District'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 that are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which the business-type activity or government function is self-financing or draws from the general revenues of the School District.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Major funds represent the District's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For Pennsylvania school districts, the General Fund and Food Service Fund are always considered major funds. Each major fund is presented in a separate column. Non-major funds are segregated and presented in a single column. 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.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**FUND ACCOUNTING**

The School District 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 school district functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**FUND ACCOUNTING (Continued)**

**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 School District's major and non-major governmental funds:

**MAJOR GOVERNMENTAL FUNDS:**

**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.

**SPECIAL REVENUE FUND** - The special revenue fund was established to account for proceeds from the Henry L. Hillman Foundation for targeted learning programs and was approved by the Comptroller's Office of the Pennsylvania Department of Education.

**CAPITAL PROJECT FUND** - The capital project fund accounts for financial resources used for the acquisition, construction, or improvement of capital facilities and other assets financed through the issuance of general obligation bonds.

**DEBT SERVICE FUND** - The debt service fund was established to account for debt service payments made on the district's bond issue obligations.

**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 school district (internal service funds). The School District's major and sole enterprise fund is its Food Service Fund that accounts for the financial transactions related to the food service operations of the District.

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The District's Agency Fund is comprised of the various student organization activity accounts administered by the District on behalf of the various student organizations.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

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 and fiduciary funds use the accrual basis of accounting.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

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 School District, available means expected to be received within sixty days of fiscal year-end.

Revenue resulting from non-exchange transactions, in which the School District receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions 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 Elizabeth Forward School District has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2016 under the modified accrual basis are **1)** delinquent real estate and earned income taxes collected by the district within 60 days following the close of the fiscal year, **2)** federal and state subsidies earned in the fiscal year 2015-2016, and **3)** other miscellaneous revenues earned in fiscal year 2015-2016 but received subsequent to June 30, 2016. On the governmental fund financial statements, receivables that will not be collected within the 'available' period have been reported as 'deferred inflow of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as part of federal source revenue.

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, retirement, and social security budgeted and pertaining to the 2015-2016 fiscal year, but which were paid in July and August of 2016 in accordance with labor agreements **2)** the district's share of retirement pay on salaries and wages earned during the second quarter of 2016 and **3)** utility costs and purchase orders for school supplies and operations obligated prior to June 30, 2016.

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

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**BUDGETS**

On May 27, 2015, the Elizabeth Forward School District adopted its fiscal year June 30, 2016 annual budget for the General Fund totaling \$39,845,036 in accordance with the provisions of the Pennsylvania 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 district, as approved by the board of education, 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.

**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.

**INVESTMENTS**

Investments include deposits pooled for investment purposes with the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Treasurer's INVEST Program for Local Governments, and money market funds and U.S. Treasury Notes held with Wells Fargo Bank. Investments are stated at fair value. State statutes authorize the School District 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 or 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 States 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 (PSDLAF, INVEST) do not operate under the provisions of the Public School Code. These investments are authorized under the Intergovernmental Cooperation Act of 1972.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**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 interfund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as off-setting internal balances on the statement of net position.

**INVENTORIES**

Inventories on the government-wide statement of net position (Exhibit A) and the proprietary fund statement of net position (Exhibit H) are recorded at a combination of actual cost and fair value on a first-in first-out basis. This inventory consists of purchased food and supplies and donated commodities from the U.S. Department of Agriculture as part of the food service program. The School District does not inventory the cost of such items as books and supplies, but rather records these items as expenditures in the governmental funds and an expense in the government-wide statement of activities at the time of purchase.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in both the business-type activity column of the government-wide statement of net position and on the proprietary fund 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 School District maintains a capitalization threshold of \$2,000. 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

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method using the ½ year convention over the following useful lives:

| <b><u>CATEGORY</u></b>     | <b><u>USEFUL<br/>LIFE</u></b> |
|----------------------------|-------------------------------|
| Site Improvements          | 20 years                      |
| Buildings and Improvements | 20-50 Years                   |
| Furniture and Equipment    | 5-20 years                    |
| Vehicles                   | 8 Years                       |
| Library Books and Software | 6 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 (Exhibit E), 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).

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**LONG-TERM DEBT FINANCING COSTS**

Bond issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. The School District incurred \$242,299 in bond issuance costs related to the 2016 Series A issue during the 2015-2016 fiscal year.

**COMPENSATED ABSENCES**

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, 'Accounting for Compensated Absences'. Members of the Elizabeth Forward Education Association are entitled to \$45 per day at retirement for all unused sick leave. Members of the Educational Support Personnel Association are entitled to \$20 per day at retirement up to a maximum of 200 days. Act 93 personnel are entitled to \$40 per day at retirement up to a maximum of \$6,500. Sick leave benefits are accrued as a liability at the time individuals become eligible for retirement in accordance with the terms of the District's collective bargaining agreements. The entire compensated absences liability of \$509,926 is shown as a non-current liability in the government-wide statement of net position. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.

**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 11.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. For the business-type activities, these obligations and all similar obligations are reported again on the proprietary fund statement of net position (Exhibit H).

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 during the fiscal year are considered to have been paid with current available financial resources. Bonds and 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 District'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 (Exhibit E) 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).



**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**UNEARNED REVENUE**

Unearned revenue arises when the District receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**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.

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy District 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, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets.
- Unrestricted – Consists of net position that does not meet the definition of ‘restricted’ or ‘net investment in capital assets’.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District’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 prepaid expenses) 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

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**FUND EQUITY (Continued)**

- Committed fund balance – amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the School District 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
- Unassigned fund balance – amounts that are available for any purpose

The School District establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The Board of Education has given authority to assign fund balance to the Finance Committee.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend the committed resources first, followed by assigned amounts and then unassigned amounts.

Act 48 of 2003 prohibits school districts from increasing real property taxes unless the school district has adopted a budget for such school year that includes an estimated ending unreserved undesignated fund balance which is not more than a specified percentage of the district's total budgeted expenditures. For the Elizabeth Forward School District, estimated ending unassigned fund balance must not exceed 8% of total budgeted expenditures.

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Elizabeth Forward School District, these revenues are food service charges for lunch and breakfast service. Operating expenses are the necessary costs incurred to provide the aforementioned food service. Non-operating revenues of the District's food service proprietary fund are **1)** investment earnings; **2)** state and federal subsidies, including donated commodities, received from the U.S. Department of Agriculture; **3)** transfers from the General Fund; and **4)** refunds of prior year expenditures. The District did not have non-operating expenses during the fiscal year.

**ESTIMATES**

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

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

The following represents the bank balance and carrying value for the Elizabeth Forward School District's cash and cash equivalents at June 30, 2016:

|                      | <b>Bank<br/>Balance</b> | <b>Carrying<br/>Value</b> |
|----------------------|-------------------------|---------------------------|
| General Fund         | \$ 4,321,691            | \$ 2,825,287              |
| Special Revenue Fund | 248,166                 | 248,166                   |
| Capital Project Fund | 3,091                   | 3,091                     |
| Enterprise Fund      | 40,509                  | 40,562                    |
| Agency Fund          | 70,358                  | 70,271                    |
|                      | <b>\$ 4,683,815</b>     | <b>\$ 3,187,377</b>       |

The difference between the bank balance and the carrying value represents year-end reconciling items such as deposits in transit and outstanding checks. 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 School District's deposits may not be returned to it. The School District'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, \$4,433,815 of the School District's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the School District's name. The District's investment policy requires a written safe keeping agreement and/or Act 72 agreement with each financial institution acting as depository. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**INVESTMENTS:**

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

|                      | <b>Fair Value</b>   | <b>No Stated<br/>Maturity</b> | <b>Credit Rating</b> |
|----------------------|---------------------|-------------------------------|----------------------|
| <b>Governmental:</b> |                     |                               |                      |
| PSDLAF               | \$ 197,797          | \$ 197,797                    | AAAm                 |
| Money Market Funds   | 2,172,282           | 2,172,282                     | N/A                  |
|                      | <b>\$ 2,370,079</b> | <b>\$ 2,370,079</b>           |                      |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**INVESTMENTS (Continued)**

The purpose of the Pennsylvania Treasurer's INVEST Program for Local Governments and the Pennsylvania School District Liquid Asset Fund (PSDLAF) 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. These funds are rated by a nationally recognized statistical rating organization as shown above. PA INVEST and PSDLAF 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 counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Wells Fargo (governmental funds), and PSDLAF have the characteristics of open-end mutual funds, and are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The School District does not have a policy that would limit its investment choices to those with certain credit ratings.

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District has no formal investment policy that limits its investment choices based on credit ratings by nationally recognized rating organizations.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Concentration of Credit Risk:**

The School District places no limit on the amount it may invest in any one issuer.

**Fair Value Measurements:**

The Elizabeth Forward School District'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:

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

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**INVESTMENTS (Continued)**

**Fair Value Measurements: (Continued)**

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 District by level within the fair value hierarchy:

|                    | Value<br>at 6/30/16 | Fair Value Measurements |             |             |
|--------------------|---------------------|-------------------------|-------------|-------------|
|                    |                     | Level 1                 | Level 2     | Level 3     |
| PSDLAF             | \$ 197,797          | \$ -                    | \$ -        | \$ -        |
| Money Market Funds | 2,172,282           | -                       | -           | -           |
|                    | <u>\$ 2,370,079</u> | <u>\$ -</u>             | <u>\$ -</u> | <u>\$ -</u> |

Investments held in external investment pools such as PLGIT, PSDLAF and INVEST 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 - PROPERTY TAXES**

The Elizabeth Forward School District levies property taxes July 1 of each fiscal year. The tax millage assessment for the 2015-2016 fiscal year was 20.6052 mills, which represents \$20.6052 of revenue for every \$1,000 of assessed property value. Taxpayers are entitled to a 2% discount if taxes are paid prior to August 31, 2015 Collections beginning November 1, 2015 are assessed a 10% penalty. Unpaid taxes are submitted to the District’s delinquent real estate tax collector (MBM Collections LLC) for collection. The amount of unpaid 2015 property taxes remitted to the delinquent real estate tax collector totaled approximately \$1,475,933.

Taxes receivable as shown in the government-wide statement of net position includes delinquent property taxes of \$9,799,770 net of an allowance for doubtful accounts of \$6,556,615. The allowance amount represents management’s estimate of prior year property taxes considered un-collectible based on past collection experience. For purposes of the governmental fund financial statements, \$3,243,155 of the above property taxes receivable (net), although measurable, does not meet the available criteria to finance current fiscal year operations. Accordingly, this amount is equally off-set as a credit to deferred inflow of resources in the fund financial statements.

The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the ‘measurable and available’ criteria under the modified accrual basis of accounting, 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).

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 - PROPERTY TAXES (Continued)**

Taxes receivable are comprised of the following at June 30, 2016:

|                                                                            |                     |
|----------------------------------------------------------------------------|---------------------|
| Delinquent Property Taxes (Net)                                            | \$ 3,243,155        |
| Delinquent Property Taxes - Collected<br>within 60 days of fiscal year end | 189,933             |
| Act 511 Taxes - Collected within<br>60 days of fiscal year end             | 75,773              |
|                                                                            | <u>\$ 3,508,861</u> |

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

The amount of 'due from other governments', as reflected on the government-wide statement of net position and the governmental funds balance sheet, is comprised of the following:

|                                    |                     |
|------------------------------------|---------------------|
| Commonwealth of Pennsylvania:      |                     |
| State Subsidies                    | \$ 1,195,433        |
| Federal Pass-Through Grants        | 752                 |
| Allegheny Intermediate Unit - IDEA | 5,787               |
| Tuition                            | 192,154             |
|                                    | <u>\$ 1,394,126</u> |

**NOTE 5 – OTHER ACCOUNTS RECEIVABLE**

The amount of 'other accounts receivable', totaling \$26,201, as reflected on the government-wide statement of net position (Exhibit A) and the governmental funds balance sheet (Exhibit C), is comprised of miscellaneous reimbursements due the District.

**NOTE 6 – PREPAID EXPENSES**

The amount of 'prepaid expenses', totaling \$367,431, as reflected on the government-wide statement of net assets (Exhibit A) and the governmental funds balance sheet (Exhibit C), represents health insurance payments totaling \$305,125 for July of 2016, and miscellaneous other prepaid expenditures totaling \$62,306 for costs paid related to fiscal year 2016-2017.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - 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                                                    | \$ 5,827,500                | \$ -                      | \$ -               | \$ 5,827,500                 |
| Site Improvements                                       | 4,182,636                   | -                         | -                  | 4,182,636                    |
| Building and Improvements                               | 42,439,724                  | -                         | -                  | 42,439,724                   |
| Furniture and Equipment                                 | 5,363,773                   | -                         | -                  | 5,363,773                    |
| Infrastructure                                          | 100,000                     | -                         | -                  | 100,000                      |
|                                                         | <u>\$ 57,913,633</u>        | <u>\$ -</u>               | <u>\$ -</u>        | <u>\$ 57,913,633</u>         |
| <b>Less: Accumulated depreciation</b>                   |                             |                           |                    |                              |
| Site Improvements                                       | \$ (2,516,869)              | \$ -                      | -                  | \$ (2,516,869)               |
| Building and Improvements                               | (32,531,569)                | -                         | -                  | (32,531,569)                 |
| Furniture and Equipment                                 | (3,380,644)                 | -                         | -                  | (3,380,644)                  |
| Infrastructure                                          | (7,000)                     | -                         | -                  | (7,000)                      |
|                                                         | <u>\$ (38,436,082)</u>      | <u>\$ -</u>               | <u>\$ -</u>        | <u>\$ (38,436,082)</u>       |
| <b>Governmental Activities<br/>Capital Assets, Net</b>  | <b><u>\$ 19,477,551</u></b> | <b><u>\$ -</u></b>        | <b><u>\$ -</u></b> | <b><u>\$ 19,477,551</u></b>  |
| <b>Business-Type Activities</b>                         |                             |                           |                    |                              |
| Furniture and Equipment                                 | \$ 249,758                  | \$ -                      | \$ -               | \$ 249,758                   |
| Less: Accumulated<br>Depreciation                       | (155,877)                   | (13,295)                  | -                  | (169,172)                    |
| <b>Business-Type Activities<br/>Capital Assets, Net</b> | <b><u>\$ 93,881</u></b>     | <b><u>\$ (13,295)</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 80,586</u></b>      |

Depreciation expense was charged to governmental functions as follows:

|                                               |                     |
|-----------------------------------------------|---------------------|
| Instruction                                   | \$ 1,553,417        |
| Instructional Student Support                 | 10,834              |
| Administrative and Financial Support Services | 162                 |
| Operation and Maintenance of Plant Services   | 83,070              |
| Student Transportation                        | 1,281               |
| Student Activities                            | 100,327             |
|                                               | <u>\$ 1,749,091</u> |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 8 – UNEARNED REVENUE**

Unearned revenues of \$37,300 represents 1) funds received by the District in connection with its technology protection fund to self-insure for the repair and replacement of damaged iPads loaned to District students and teachers totaling \$15,215, 2) \$22,086 in funds received for scholarships and other miscellaneous purposes anticipated to be used during the 2016-2017 fiscal year.

**NOTE 9 - LONG-TERM LIABILITIES**

**GENERAL OBLIGATION BONDS - SERIES of 1995B**

In June of 1995, the Elizabeth Forward School District issued General Obligation Bonds, Series of 1995B in the amount of \$8,154,666 for the purpose of refinancing certain of the District's Bond indebtedness and paying the costs of issuing the bonds. The bonds are capital appreciation bonds issued in denominations of \$5,000. Interest rates on the capital appreciation bonds range between 6.0 and 6.3% with the bonds scheduled to mature on September 1, 2024. The bonds are not subject to optional redemption prior to maturity. A summary of General Obligation Bonds – Series of 1995B outstanding at June 30, 2016 is as follows:

| <b>Year End<br/>June 30,</b> | <b>Principal</b>           | <b>Interest</b>             | <b>Total</b>                |
|------------------------------|----------------------------|-----------------------------|-----------------------------|
| 2017                         | \$ 585,705                 | \$ 1,584,295                | \$ 2,170,000                |
| 2018                         | 550,464                    | 1,619,536                   | 2,170,000                   |
| 2019                         | 517,371                    | 1,652,629                   | 2,170,000                   |
| 2020                         | 486,254                    | 1,683,746                   | 2,170,000                   |
| 2021                         | 457,002                    | 1,712,998                   | 2,170,000                   |
| 2022-2025                    | 1,926,566                  | 8,928,434                   | 10,855,000                  |
|                              | <b><u>\$ 4,523,362</u></b> | <b><u>\$ 17,181,638</u></b> | <b><u>\$ 21,705,000</u></b> |

**GENERAL OBLIGATION BONDS - SERIES of 1999**

In September of 1999, the Elizabeth Forward School District issued General Obligation Bonds, Series of 1999 in the amount of \$2,730,891 for the purpose of 1) funding various capital projects of the School District, 2) funding a capitalized interest fund and 3) paying a portion of the costs related to the issuance of the bonds. The bonds were issued in denominations of \$5,000. The bonds were issued in the form of current interest bonds and capital appreciation bonds. The current interest bonds fully matured during the 2009-2010 fiscal year. Interest rates range between 5.85 and 6.025% on the remaining Capital Appreciation Bonds which are scheduled to mature on September 1, 2029. The Capital Appreciation Bonds are not subject to redemption prior to maturity. A summary of General Obligation Bonds – Series of 1999 outstanding at June 30, 2016 is as follows:

| <b>Year End<br/>June 30,</b> | <b>Principal</b>           | <b>Interest</b>            | <b>Total</b>               |
|------------------------------|----------------------------|----------------------------|----------------------------|
| 2017                         | \$ 1,880                   | \$ 3,120                   | \$ 5,000                   |
| 2018                         | 1,775                      | 3,225                      | 5,000                      |
| 2019                         | 1,675                      | 3,325                      | 5,000                      |
| 2020                         | 1,581                      | 3,419                      | 5,000                      |
| 2021                         | 1,493                      | 3,507                      | 5,000                      |
| 2022-2026                    | 303,606                    | 1,101,394                  | 1,405,000                  |
| 2027-2030                    | 1,025,011                  | 4,514,989                  | 5,540,000                  |
|                              | <b><u>\$ 1,337,021</u></b> | <b><u>\$ 5,632,979</u></b> | <b><u>\$ 6,970,000</u></b> |



**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

**GENERAL OBLIGATION BONDS - SERIES A and B of 2012**

In November of 2012, the Elizabeth Forward School District issued General Obligation Bonds, Series A and B of 2012 in the amounts of \$6,255,000 and \$2,970,000 respectively. The purpose of the Series A bonds is for 1) refunding on a current basis, the District's outstanding general obligation notes – Series A of 2007, 2) refunding a former bank loan with PNC Bank, 3) finance various capital projects within the District and 4) paying the costs and expenses related to the issuance of the bonds. The purpose of the Series B bonds is for 1) refunding on a current basis, the District's outstanding general obligation notes – Series B of 2007, 2) finance various capital projects within the District and 3) paying the costs and expenses related to the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on June 1 and December 1 each year through maturity. Interest rates range between 2.0 and 3.125% with the Series A and B bonds scheduled to mature on December 1, 2036 and December 1, 2033 respectively. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement. A summary of General Obligation Bonds – Series A and B of 2012 outstanding at June 30, 2016 is as follows:

| Year End<br>June 30, | Series              |                     |                     |                     | Total                |
|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
|                      | 2012A<br>Principal  | 2012A<br>Interest   | 2012B<br>Principal  | 2012B<br>Interest   |                      |
| 2017                 | \$ 40,000           | \$ 142,981          | \$ 25,000           | \$ 86,169           | \$ 294,150           |
| 2018                 | 40,000              | 142,181             | 30,000              | 85,619              | 297,800              |
| 2019                 | 40,000              | 141,381             | 30,000              | 85,019              | 296,400              |
| 2020                 | 40,000              | 140,581             | 30,000              | 84,419              | 295,000              |
| 2021                 | 40,000              | 139,781             | 30,000              | 83,819              | 293,600              |
| 2022-2026            | 210,000             | 685,194             | 160,000             | 408,316             | 1,463,510            |
| 2027-2031            | 235,000             | 655,769             | 175,000             | 386,363             | 1,452,132            |
| 2032-2036            | 2,975,000           | 506,247             | 2,490,000           | 121,500             | 6,092,747            |
| 2037                 | 1,140,000           | 17,812              | -                   | -                   | 1,157,812            |
|                      | <b>\$ 4,760,000</b> | <b>\$ 2,571,927</b> | <b>\$ 2,970,000</b> | <b>\$ 1,341,224</b> | <b>\$ 11,643,151</b> |

**GENERAL OBLIGATION BONDS - SERIES A of 2016**

In June of 2016, the Elizabeth Forward School District issued General Obligation Bonds, Series A of 2016 in the amounts of \$9,115,000. The purpose of the Series A bonds is for refunding on a current basis, the District's outstanding general obligation bonds – Series of 2011, and paying the costs and expenses related to the issuance of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on March 1 and September 1 each year through maturity. Interest rates range between 2.0 and 2.75% with the bonds scheduled to mature on March 1, 2032. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement. A summary of General Obligation Bonds – Series A of 2016 outstanding at June 30, 2016 is as follows:

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

**GENERAL OBLIGATION BONDS - SERIES A of 2016 (Continued)**

| <b>Year End<br/>June 30,</b> | <b>Principal</b>           | <b>Interest</b>            | <b>Total</b>                |
|------------------------------|----------------------------|----------------------------|-----------------------------|
| 2017                         | \$ -                       | \$ 153,545                 | \$ 153,545                  |
| 2018                         | 360,000                    | 213,169                    | 573,169                     |
| 2019                         | 365,000                    | 205,919                    | 570,919                     |
| 2020                         | 375,000                    | 198,519                    | 573,519                     |
| 2021                         | 380,000                    | 130,969                    | 510,969                     |
| 2022-2026                    | 2,030,000                  | 835,906                    | 2,865,906                   |
| 2027-2031                    | 3,735,000                  | 572,809                    | 4,307,809                   |
| 2032                         | 1,870,000                  | 25,713                     | 1,895,713                   |
|                              | <b><u>\$ 9,115,000</u></b> | <b><u>\$ 2,336,549</u></b> | <b><u>\$ 11,451,549</u></b> |

In connection with the School District's various outstanding general obligation bond issues, the District paid approximately \$792,309 in bond discount costs and capitalized interest. These costs are being amortized on a straight-line basis over the life of the bond issue. The un-amortized amount of bond discount costs and capitalized interest totaling \$398,722 is reflected as a reduction against 'Bonds Payable – Long-Term Portion' in the governmental activities column on the government-wide statement of net position. Amortization of bond discount and capitalized interest totaled \$21,827 for the year ended June 30, 2016 and was charged to the 'Interest on Long-Term Debt' expense category in the statement of activities.

In accordance with Securities and Exchange Commission Rule 15c2-12 Disclosure, the Elizabeth Forward School District filed, posted, and uploaded the District's Annual Financial Report for the year ended June 30, 2016 to Electronic Municipal Market Access (EMMA) on December 31, 2016. The District's audited financial statements are filed, posted, and uploaded to EMMA following acceptance of the report by the Board of School Directors of the Elizabeth Forward School District.

**CAPITAL LEASE OBLIGATIONS – PNC EQUIPMENT FINANCE, LLC**

In March of 2010, the Elizabeth Forward School District entered into a capital lease obligation with PNC Equipment Finance, LLC in the amount of \$1,206,500. The purpose of the lease was to provide necessary funds to the District to enter into a Guaranteed Energy Savings Contract with Constellation Energy Projects & Services Group, Inc. The lease calls for semi-annual principal and interest payments at an interest rate of 4.3%. The lease is scheduled to mature on September 22, 2019. A summary of the Elizabeth Forward School District's minimum lease payment obligations outstanding with PNC Equipment Finance at June 30, 2016 is as follows:

| <b>Year End<br/>June 30</b> | <b>Principal</b>         | <b>Interest</b>         | <b>Total</b>             |
|-----------------------------|--------------------------|-------------------------|--------------------------|
| 2017                        | \$ 144,400               | \$ 22,702               | \$ 167,102               |
| 2018                        | 157,600                  | 16,351                  | 173,951                  |
| 2019                        | 260,600                  | 11,354                  | 271,954                  |
|                             | <b><u>\$ 562,600</u></b> | <b><u>\$ 50,407</u></b> | <b><u>\$ 613,007</u></b> |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

**CAPITAL LEASE OBLIGATIONS – APPLE INC.**

In August of 2013, the Elizabeth Forward School District entered into a capital lease obligation (Lease 1) with Apple Inc., in the amount of \$1,462,868, for the purchase of computer equipment. The lease calls for annual principal and interest payments of \$370,482.64 at an interest rate of .6952%. The lease is scheduled to mature on December 15, 2016.

In November of 2013, the Elizabeth Forward School District entered into a capital lease obligation (Lease 2) with Apple Inc., in the amount of \$26,730, for the purchase of computer equipment. The lease calls for annual principal and interest payments of \$6,890.89 at an interest rate of 1.98%. The lease is scheduled to mature on December 15, 2016.

In June of 2014, the Elizabeth Forward School District entered into a capital lease obligation (Lease 3) with Apple Inc., in the amount of \$284,700, for the purchase of computer equipment. The lease calls for one payment of \$150,000 and subsequent annual principal and interest payments of \$46,180.25 at an interest rate of 1.897%. The lease is scheduled to mature on December 15, 2016.

A summary of the Elizabeth Forward School District's minimum lease payment obligations outstanding with Apple Inc. at June 30, 2016 is as follows:

| <b>Year End<br/>June 30</b> | <b>Lease 1<br/>Principal</b> | <b>Lease 2<br/>Principal</b> | <b>Lease 3<br/>Principal</b> | <b>Interest</b> | <b>Total</b> |
|-----------------------------|------------------------------|------------------------------|------------------------------|-----------------|--------------|
| 2017                        | \$ 367,925                   | \$ 6,757                     | \$ 45,320                    | \$ 3,551        | \$ 423,553   |

**CAPITAL LEASE OBLIGATIONS – FORD BUSINESS MACHINES**

In May of 2015, the Elizabeth Forward School District entered into a capital lease obligation with Ford Business Machines and PNC Equipment Finance, LLC in the amount of \$548,778.57, for the purchase of photo copiers throughout the District. The lease calls for monthly principal and interest payments of \$9,987.77 at an interest rate of 3.518%. The lease is scheduled to mature on June 28, 2020. A summary of the Elizabeth Forward School District's minimum lease payment obligations outstanding with Ford Business Machines at June 30, 2016 is as follows:

| <b>Year End<br/>June 30</b> | <b>Principal</b>  | <b>Interest</b>  | <b>Total</b>      |
|-----------------------------|-------------------|------------------|-------------------|
| 2017                        | \$ 105,836        | \$ 14,017        | \$ 119,853        |
| 2018                        | 109,620           | 10,233           | 119,853           |
| 2019                        | 113,541           | 6,313            | 119,854           |
| 2020                        | 117,600           | 2,282            | 119,882           |
|                             | <b>\$ 446,597</b> | <b>\$ 32,845</b> | <b>\$ 479,442</b> |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

**CAPITAL LEASE OBLIGATIONS – AFS EDUCATION FINANCE**

In May of 2016, the Elizabeth Forward School District entered into a capital lease obligation with AFS Education Finance in the amount of \$1,126,086, for the purchase of lpads for students throughout the District. The lease calls for three (3) annual principal and interest payments of \$386,446.46 at an interest rate of 1.88% beginning on December 1, 2016. The lease is scheduled to mature on December 1, 2018. A summary of the Elizabeth Forward School District's minimum lease payment obligations outstanding with AFS Education Finance at June 30, 2016 is as follows:

| <b>Year End<br/>June 30</b> | <b>Principal</b>           | <b>Interest</b>         | <b>Total</b>               |
|-----------------------------|----------------------------|-------------------------|----------------------------|
| 2017                        | \$ 374,564                 | \$ 11,882               | \$ 386,446                 |
| 2018                        | 372,243                    | 14,203                  | 386,446                    |
| 2019                        | 379,279                    | 7,168                   | 386,447                    |
|                             | <b><u>\$ 1,126,086</u></b> | <b><u>\$ 33,253</u></b> | <b><u>\$ 1,159,339</u></b> |

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

|                          | <b>Balance<br/>7/1/2015</b> | <b>Additions</b>            | <b>Reductions</b>           | <b>Balance<br/>6/30/2016</b> | <b>Due Within<br/>One Year</b> |
|--------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|--------------------------------|
| General Obligation Bonds | \$ 23,344,120               | \$ 9,115,000                | \$ 9,753,736                | 22,705,384                   | \$ 652,585                     |
| Capital Leases           | 2,083,268                   | 1,126,086                   | 654,069                     | 2,555,285                    | 1,044,802                      |
| Loan - Nutrition Group   | 5,000                       | -                           | 5,000                       | -                            | -                              |
| Compensated Absences     | 509,926                     | 567                         | -                           | 510,493                      | -                              |
| Net Pension Liability    | 50,109,000                  | 5,855,000                   | -                           | 55,964,000                   | -                              |
| Net OPEB Obligation      | 65,377                      | 86,486                      | -                           | 151,863                      | -                              |
|                          | <b><u>\$ 76,116,691</u></b> | <b><u>\$ 16,183,139</u></b> | <b><u>\$ 10,412,805</u></b> | <b><u>\$ 81,887,025</u></b>  | <b><u>\$ 1,697,387</u></b>     |

**NOTE 10 – TAX AND REVENUE ANTICIPATION NOTE – SERIES OF 2015-2016**

In the 2015-2016 fiscal year, the Elizabeth Forward School District entered into Tax and Revenue Anticipation Notes -Series A and B of 2015-2016 in the amounts of \$6,551,000 and \$2,900,000 respectively with PNC Bank. The interest rate on the Series A note was 70% of the 1 month LIBOR rate plus .79%. The interest rate on the Series B note was .83%. Both notes had a scheduled maturity date of June 30, 2016. The notes were paid in full by June 30, 2016. Total interest paid was \$45,334.

**NOTE 11 - PENSION PLAN**

The Elizabeth Forward School District 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:

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 11 - PENSION PLAN (Continued)**

**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.

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 68.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 11 - PENSION PLAN (Continued)**

**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** – The District's contractually required contribution rate for the fiscal year ended June 30, 2016 was 25.84% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The 25.84% is comprised of a pension contribution rate of 25.00% for pension benefits and .84% for healthcare insurance premium assistance.

Elizabeth Forward School District pension contributions (includes health care component) for the three most recent fiscal years are as follows:

| <u>YEAR</u> | <u>DISTRICT<br/>EXPENSE</u> |
|-------------|-----------------------------|
| 2015-2016   | \$ 3,741,060                |
| 2014-2015   | 3,461,869                   |
| 2013-2014   | 2,645,233                   |

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

At June 30, 2016, the School District reported a liability of \$55,964,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the School District's proportion was .1292%, which was a decrease of .0026% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$4,766,191 (excludes health care component of .84%) in the Statement of Activities (Exhibit B).

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 11 - PENSION PLAN (Continued)**

At June 30, 2016, the School District 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 expected and actual experience                                        | \$ -                                      | \$ 231,000                               |
| Changes in assumptions                                                                   | -                                         | -                                        |
| Net difference between projected and actual investment earnings                          | -                                         | 113,000                                  |
| Changes in proportions                                                                   | 882,000                                   | 876,000                                  |
| Difference between employer contributions and proportionate share of total contributions | -                                         | 19,723                                   |
| Contributions subsequent to the measurement date                                         | 3,619,446                                 | -                                        |
|                                                                                          | <u>\$ 4,501,446</u>                       | <u>\$ 1,239,723</u>                      |

The \$3,619,446 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows/outflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Measurement<br/>Date<br/>Year End June 30,</u> | <u>Reporting<br/>Date<br/>Year End June 30,</u> | <u>Amortization<br/>Amount</u> |
|---------------------------------------------------|-------------------------------------------------|--------------------------------|
| 2016                                              | 2017                                            | \$ (391,723)                   |
| 2017                                              | 2018                                            | (372,000)                      |
| 2018                                              | 2019                                            | (372,000)                      |
| 2019                                              | 2020                                            | 778,000                        |

**Actuarial Assumptions**

The total pension liability as of June 30, 2015 (the measurement date) 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

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 11 - PENSION PLAN (Continued)**

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.

**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 | 23%                      | 4.80%                               |
| Private markets (equity)     | 15%                      | 6.60%                               |
| Private real estate          | 12%                      | 4.50%                               |
| Global fixed income          | 8%                       | 2.40%                               |
| U.S. long treasuries         | 3%                       | 1.40%                               |
| TIPS                         | 12%                      | 1.10%                               |
| High yield bonds             | 6%                       | 3.30%                               |
| Cash                         | 3%                       | 0.70%                               |
| Absolute return              | 10%                      | 4.90%                               |
| Risk parity                  | 10%                      | 3.70%                               |
| MLPs/Infrastructure          | 5%                       | 5.20%                               |
| Commodities                  | 8%                       | 3.10%                               |
| Financing (LIBOR)            | -14%                     | 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.



**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 11 - PENSION PLAN (Continued)**

**Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate**

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

|                                                                       | <b>1%<br/>Decrease<br/>6.50%</b> | <b>Current<br/>Discount<br/>Rate<br/>7.50%</b> | <b>1%<br/>Increase<br/>8.50%</b> |
|-----------------------------------------------------------------------|----------------------------------|------------------------------------------------|----------------------------------|
| School District's proportionate share of<br>the net pension liability | \$ 68,980,000                    | \$ 55,964,000                                  | \$ 45,023,000                    |

**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 12 – JOINTLY GOVERNED ORGANIZATIONS**

**STEEL CENTER AREA VOCATIONAL-TECHNICAL SCHOOL**

The Elizabeth Forward School District, in conjunction with ten other Pennsylvania School Districts, funds the operating budget of the Steel Center Area Vocational-Technical School. The Vocational-Technical School is designed to teach students trade related professions. Each district's share of tuition is based on the percentage of the district's enrollment to the total enrollment at the Steel Center Area Vocational-Technical School. The School District paid \$377,020 to the Vocational-Technical School during the 2015-2016 fiscal year. A representative from each district's school board sits on the board of the Vocational-Technical School. The Steel Center Area Vocational-Technical School issues separate financial statements annually which can be obtained by contacting the Steel Center Area Vocational-Technical School directly.

**ALLEGHENY INTERMEDIATE UNIT #3**

The Elizabeth Forward School District participates with 42 other School Districts and 5 Vocational-Technical schools located in Allegheny County in the Allegheny County Intermediate Unit #3 (AIU3). The AIU3 was established in 1971 by Act 102 of the Commonwealth of Pennsylvania to function as a regional educational service agency for 42 school districts, as well as nonpublic schools and other institutions, located within Allegheny County. The AIU3 provides services relative to curriculum development, continuing education, educational planning, instructional materials, pupil personnel, state and federal agency liaison and managerial oversight.

The Allegheny Intermediate Unit is governed by a thirteen (13) member board appointed by the 42 participating school districts on a rotating basis. The School District contributed \$15,538 to AIU3 for operations, institutionalized children, and transportation recovery through subsidy withholdings, for the year ended June 30, 2016. The Allegheny Intermediate Unit issues separate financial statements annually which can be obtained by contacting the AIU directly

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PLAN DESCRIPTION**

The Elizabeth Forward School District provides for post-employment health care benefits to all eligible employees per the terms of the District's collective bargaining agreements. Eligibility requirements for District personnel are as follows:

- Education Association – participants must have completed 30 years of service in the profession and who are at least 60 years of age at retirement.
- Administrators – participants must be 55 years of age, have worked in the District for at least 10 years, and have completed 20 years of PSERS service.

A Memorandum of Understanding between the Elizabeth Forward School District Board of Education and the Elizabeth Forward Education Association established a Professional Employee Early Retirement Incentive Program. The Incentive Program entitles eligible employees to specific health care benefits during the period between retirement and attaining Medicare age. Depending on the date of retirement, members can be responsible for increases in premium cost and contributions based on a percentage of the premium cost.

The plan is unfunded and does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

**FUNDING POLICY**

The contribution requirements of plan members and the School District are negotiated between the District and the union representatives and may be amended by the Elizabeth Forward Board of Education. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid to fund the health care benefits provided to current retirees. There are no assets that have been segregated and restricted to provide for retiree medical benefits. During the 2015-2016 fiscal year, the Elizabeth Forward School District contributed \$783,075 for 60 participants.

**ANNUAL OPEB COST AND NET OPEB OBLIGATION**

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

The following show the components of the Elizabeth Forward School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Elizabeth Forward School District's net OPEB obligation:

|                                            |    |                |
|--------------------------------------------|----|----------------|
| Annual required contribution               | \$ | 618,432        |
| Interest on net OPEB obligation            |    | 2,942          |
| Adjustment to annual required contribution |    | (9,912)        |
| Annual OPEB cost (expense)                 | \$ | 611,462        |
| Contributions made (estimate)              |    | (524,976)      |
| (Decrease) in net OPEB obligation          | \$ | 86,486         |
| Net OPEB obligation at July 1, 2015        |    | 65,377         |
| Net OPEB obligation at June 30, 2016       | \$ | <u>151,863</u> |

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the Net OPEB obligation is as follows:

| <u>FISCAL YEAR ENDED</u> | <u>ANNUAL OPEB COST</u> | <u>PERCENTAGE CONTRIBUTED</u> | <u>NET OPEB OBLIGATION</u> |
|--------------------------|-------------------------|-------------------------------|----------------------------|
| 6/30/2013                | \$ 720,465              | 98%                           | \$ 15,696                  |
| 6/30/2014                | 718,838                 | 90%                           | 78,988                     |
| 6/30/2015                | 610,011                 | 102%                          | 65,377                     |
| 6/30/2016                | 611,462                 | 86%                           | 151,863                    |

**FUNDED STATUS AND FUNDING PROGRESS**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarial amounts determined regarding the funded status of the plan and the annual required contributions of the School District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, as shown below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

| <u>ACTUARIAL VALUATION DATE</u> | <u>(A)<br/>ACTUARIAL VALUE OF ASSETS</u> | <u>(B)<br/>ACTUARIAL ACCRUED LIABILITY</u> | <u>(B-A)<br/>(UAAL)<br/>UNFUNDED ACTUARIAL ACCRUED LIABILITY</u> | <u>(A/B)<br/>FUNDED RATIO</u> | <u>(C)<br/>COVERED PAYROLL</u> | <u>(B-A)/C<br/>UAAL AS A % OF COVERED PAYROLL</u> |
|---------------------------------|------------------------------------------|--------------------------------------------|------------------------------------------------------------------|-------------------------------|--------------------------------|---------------------------------------------------|
| 7/1/14                          | \$ -                                     | \$ 3,262,558                               | \$ 3,262,558                                                     | 0%                            | \$ 15,197,007                  | 21.47%                                            |
| 7/1/12                          | -                                        | 3,639,491                                  | 3,639,491                                                        | 0%                            | 15,018,057                     | 24.23%                                            |
| 7/1/10                          | -                                        | 6,930,328                                  | 6,930,328                                                        | 0%                            | 14,493,430                     | 47.82%                                            |

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**ACTUARIAL METHODS AND ASSUMPTIONS**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The July 1, 2014 actuarial valuation report utilized the Entry Age Normal Cost Method. The actuarial assumptions included a 4.5% investment rate of return. The UAAL is being amortized based on a level dollar, 7 year open period resulting in an amortization factor of 5.8927. The health care cost trend rate was 6.5% in 2014, decreasing by .5% per year to 5.5% in 2016.

The Net OPEB liability of \$151,863 is reflected as part of Noncurrent Liabilities in the government-wide financial statement of net position (Exhibit A).

**NOTE 14 - RISK MANAGEMENT**

**GENERAL INSURANCE**

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

**HEALTH INSURANCE**

The Elizabeth Forward School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (ACSHIC) which purchases health benefits on behalf of participating public school districts. The school district 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 \$4,318,113 for the year ended June 30, 2016.

Participating school districts 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 \$777,231 is attributable to the Elizabeth Forward School District.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 15 – CONTINGENCIES**

**STATE AND FEDERAL SUBSIDIES**

The Elizabeth Forward School District state and federally funded programs are subject to audit by various governmental agencies. The district is potentially liable for any expenditure disallowed by the results of these audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures material to the financial statements of the District.

**NOTE 16 – INTER-FUND TRANSFERS**

Inter-fund transfers made during the 2015-2016 fiscal year were as follows:

|                   | <b><u>TRANSFERS IN</u></b> | <b><u>TRANSFERS OUT</u></b> |
|-------------------|----------------------------|-----------------------------|
| General Fund      | \$ -                       | \$ 3,105,011                |
| Debt Service Fund | 3,101,778                  | -                           |
| Enterprise Fund   | 3,233                      | -                           |
|                   | <b><u>\$ 3,105,011</u></b> | <b><u>\$ 3,105,011</u></b>  |

Transfers between the General Fund and Debt Service Fund were made to meet required debt obligation payments of the School District. The transfer to the Enterprise Fund was to account for purchases made on behalf of the Enterprise Fund.

**NOTE 17 – RELATED PARTY TRANSACTIONS**

During the 2015-2016 fiscal year, the Elizabeth Forward School District paid one vendor approximately \$4,760 for catering services. This vendor is affiliated with a member of the District's Board of Education.

**NOTE 18 – 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 Elizabeth Forward School District'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 Elizabeth Forward School District's June 30, 2018 financial statements.

In August of 2015, the Government Accounting Standards Board (GASB) issued Statement No. 77, *Tax Abatement Disclosures*. The primary objective of this Statement is the requirement of certain disclosures in regards to tax abatement agreements. The provisions of this Statement are effective for the Elizabeth Forward School District's June 30, 2017 financial statements.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 18 – PENDING GASB PRONOUNCEMENTS (Continued)**

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 Elizabeth Forward School District's June 30, 2017 financial statements.

The effects of the implementation of these standards on Elizabeth Forward School District's financial statements have not yet been determined.

**NOTE 19 – SUBSEQUENT EVENTS**

In connection with the Elizabeth Forward School District's general obligation bond indebtedness (Note 9), the District receives a reimbursement from the Pennsylvania Department of Education based on an approved calculated aid ratio as a percentage of its semi-annual debt payments to the Bond Trustee. For the 2015-2016 school year, the District did not receive this reimbursement until November of 2016. The criteria for recognition of revenue under the modified accrual basis of accounting at fiscal year-end, is that the revenue must be both 'estimable' and 'available'. PDE has determined that although the rental subsidy is estimable, since funding at the Commonwealth of Pennsylvania had not been secured for this reimbursement, and is not guaranteed, it did not meet the availability criteria and therefore should not be recognized as revenue in the 2015-2016 year. The effect of the General Fund balance of not reporting this revenue for the 2015-2016 fiscal year was a reduction in fund balance of approximately \$800,789.

On July 19, 2016, the Elizabeth Forward School District issued General Obligation Bonds Series B and C of 2016 in the amounts of \$2,405,000 and \$1,610,000 respectively. The purpose of the Series B issue is to currently refund a portion of the GOB Series 1995 issue, advance refund a portion of the GOB Series A of 2012 issue and pay for the cost of the issuance. The purpose of the Series C issue is to provide funds for various capital improvements to be undertaken in the District and pay for the cost of the issuance. The interest rates to be paid on the Series B and C issues range between 1.75%-2.875% and 2.875%-3% respectively and the maturity dates of the B and C issues are December 1, 2034 and December 1, 2036.

On July 1, 2016, the Elizabeth Forward School District entered into Tax and Revenue Anticipation Note - Series 2016-2017 in the amount of \$3,200,000 with PNC Bank. The interest rate on the note is .99% with a scheduled maturity date of June 28, 2017.

Management has determined that there are no other events, other than those listed above, subsequent to June 30, 2016 through the December 5, 2016 date of the 'Independent Auditor's Report' date, which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**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>   |
|---------------------------------------------------------------------|---------------|---------------|---------------|
| Contractually required contributions                                | \$ 3,741,060  | \$ 3,461,869  | \$ 2,645,233  |
| Contribution in relation to the contractually required contribution | (3,741,060)   | (3,461,869)   | (2,645,233)   |
| Contribution deficiency (excess)                                    | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   |
| District's covered-employee payroll                                 | \$ 16,245,648 | \$ 16,585,596 | \$ 16,145,699 |
| Contributions as a percentage of covered-employee payroll           | 23.03%        | 20.87%        | 16.38%        |

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

| As of the measurement date of June 30,                                                                      | <u>2015</u>   | <u>2014</u>   |
|-------------------------------------------------------------------------------------------------------------|---------------|---------------|
| District's proportion of the net pension liability                                                          | 0.1292%       | 0.1301%       |
| District's proportionate share of the net pension liability                                                 | \$ 55,964,000 | \$ 50,109,000 |
| District's covered-employee payroll                                                                         | \$ 16,585,596 | \$ 16,679,688 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 337.43%       | 300.42%       |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 54.24%        | 54.49%        |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year. This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.



**ELIZABETH FORWARD  
SCHOOL DISTRICT**

***AS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND THE UNIFORM GUIDANCE***

**Mark C. Turnley**

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Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Management and Board of Education  
Elizabeth Forward School District**

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Elizabeth Forward School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Elizabeth Forward School District's basic financial statements, and have issued my report thereon dated December 7, 2016.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Elizabeth Forward School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Elizabeth Forward School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Elizabeth Forward School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Elizabeth Forward School District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

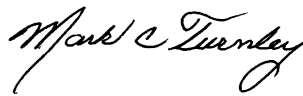
**To the Management and Board of Education  
Elizabeth Forward School District**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Elizabeth Forward School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Elizabeth Forward School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Elizabeth Forward School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

December 7, 2016  
New Brighton, Pennsylvania

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Education  
Elizabeth Forward School District**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

I have audited the Elizabeth Forward School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Elizabeth Forward School District's major federal programs for the year ended June 30, 2016. The Elizabeth Forward School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Elizabeth Forward School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Elizabeth Forward School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the Elizabeth Forward School District's compliance.

**Opinion on Each Major Federal Program**

In my opinion, Elizabeth Forward School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

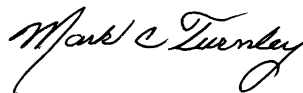
Management of Elizabeth Forward School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Elizabeth Forward School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Elizabeth Forward School District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item (2016-1) that I consider to be a material weakness.

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

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



Mark C. Turnley  
Certified Public Accountant

December 7, 2016  
New Brighton, Pennsylvania

**ELIZABETH FORWARD SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016**

| FEDERAL GRANTOR /<br>PROJECT TITLE                   | FUNDING<br>SOURCE | FEDERAL<br>CFDA<br>NUMBER | PASS-<br>THROUGH<br>GRANTOR<br>NUMBER | GRANT<br>PERIOD<br>BEGINNING /<br>ENDING DATE | PROGRAM<br>AWARD<br>AMOUNT | TOTAL<br>RECEIVED<br>THIS PERIOD | ACCRUED<br>(DEFERRED)<br>REVENUE<br>JULY 1 | REVENUE<br>RECOGNIZED | EXPENDITURES        | ACCRUED<br>(DEFERRED)<br>REVENUE<br>JUNE 30 |
|------------------------------------------------------|-------------------|---------------------------|---------------------------------------|-----------------------------------------------|----------------------------|----------------------------------|--------------------------------------------|-----------------------|---------------------|---------------------------------------------|
| <b>U.S. Department of Education:</b>                 |                   |                           |                                       |                                               |                            |                                  |                                            |                       |                     |                                             |
| <b>Passed through Pa. Dept. of Education:</b>        |                   |                           |                                       |                                               |                            |                                  |                                            |                       |                     |                                             |
| Title I                                              | Indirect          | 84.010                    | 13-160134                             | 7/1/15-9/30/16                                | \$ 277,396                 | \$ 277,396                       | \$ -                                       | \$ 277,396            | \$ 277,396          | (1) \$ -                                    |
| Title II - Improving Teacher Quality                 | Indirect          | 84.367                    | 20-160134                             | 7/1/15-9/30/16                                | 106,729                    | 106,729                          | -                                          | 106,729               | 106,729             | -                                           |
|                                                      |                   |                           |                                       |                                               |                            | \$ 384,125                       | \$ -                                       | \$ 384,125            | \$ 384,125          | \$ -                                        |
| <b>Passed through Allegheny Intermediate Unit</b>    |                   |                           |                                       |                                               |                            |                                  |                                            |                       |                     |                                             |
| IDEA                                                 | Indirect          | 84.027                    | 062-16-0-003                          | 7/1/15-6/30/16                                | \$ 382,694                 | \$ 376,907                       | \$ -                                       | \$ 382,694            | \$ 382,694          | \$ 5,787                                    |
| IDEA                                                 | Indirect          | 84.027                    | 062-15-0-003                          | 7/1/14-6/30/15                                | 410,938                    | 16,782                           | 16,782                                     | -                     | -                   | -                                           |
| IDEA - Section 619                                   | Indirect          | 84.173                    | 131-15-0-003                          | 7/1/15-6/30/16                                | N/A                        | 2,618                            | -                                          | 2,618                 | 2,618               | -                                           |
| Total IDEA                                           |                   |                           |                                       |                                               |                            |                                  |                                            |                       |                     |                                             |
|                                                      |                   |                           |                                       |                                               |                            | \$ 396,307                       | \$ 16,782                                  | \$ 385,312            | \$ 385,312          | \$ 5,787                                    |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                 |                   |                           |                                       |                                               |                            | <b>\$ 780,432</b>                | <b>\$ 16,782</b>                           | <b>\$ 769,437</b>     | <b>\$ 769,437</b>   | <b>\$ 5,787</b>                             |
| <b>U.S. Department of Agriculture:</b>               |                   |                           |                                       |                                               |                            |                                  |                                            |                       |                     |                                             |
| <b>Passed through Pa. Dept. of Education:</b>        |                   |                           |                                       |                                               |                            |                                  |                                            |                       |                     |                                             |
| National School                                      |                   |                           |                                       |                                               |                            |                                  |                                            |                       |                     |                                             |
| Lunch Program                                        | Indirect          | 10.555                    | N/A                                   | 7/1/15-6/30/16                                | N/A                        | \$ 300,778                       | \$ -                                       | \$ 343,999            | \$ 343,999          | \$ 43,221                                   |
| Lunch Program                                        | Indirect          | 10.555                    | N/A                                   | 7/1/14-6/30/15                                | N/A                        | 16,049                           | 16,049                                     | -                     | -                   | -                                           |
| Breakfast Program                                    | Indirect          | 10.553                    | N/A                                   | 7/1/15-6/30/16                                | N/A                        | 69,617                           | -                                          | 80,442                | 80,442              | 10,825                                      |
| Breakfast Program                                    | Indirect          | 10.553                    | N/A                                   | 7/1/14-6/30/15                                | N/A                        | 3,293                            | 3,293                                      | -                     | -                   | -                                           |
|                                                      |                   |                           |                                       |                                               |                            | 51,690                           | * 13,734                                   | ** 52,549             | 52,549              | 27,066                                      |
| <b>TOTAL DEPARTMENT OF AGRICULTURE</b>               |                   |                           |                                       |                                               |                            | <b>\$ 441,427</b>                | <b>\$ 33,076</b>                           | <b>\$ 476,990</b>     | <b>\$ 476,990</b>   | <b>\$ 81,112</b>                            |
| <b>U.S. Department of Health and Human Services:</b> |                   |                           |                                       |                                               |                            |                                  |                                            |                       |                     |                                             |
| <b>Passed through Pa. Dept. of Public Welfare:</b>   |                   |                           |                                       |                                               |                            |                                  |                                            |                       |                     |                                             |
| Title 19                                             | Indirect          | 93.778                    | N/A                                   | 7/1/15-6/30/16                                | N/A                        | \$ -                             | \$ -                                       | \$ 752                | \$ 752              | \$ 752                                      |
| Title 19                                             | Indirect          | 93.778                    | N/A                                   | 7/1/14-6/30/15                                | N/A                        | 229                              | 229                                        | -                     | -                   | -                                           |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b> |                   |                           |                                       |                                               |                            | <b>\$ 229</b>                    | <b>\$ 229</b>                              | <b>\$ 752</b>         | <b>\$ 752</b>       | <b>\$ 752</b>                               |
| <b>TOTAL FEDERAL ASSISTANCE</b>                      |                   |                           |                                       |                                               |                            | <b>\$ 1,222,088</b>              | <b># \$ 50,087</b>                         | <b>\$ 1,247,179</b>   | <b>\$ 1,247,179</b> | <b>\$ 87,651</b>                            |

**# Reconciliation with federal subsidy confirmation:**

|                                         |                   |
|-----------------------------------------|-------------------|
| Per above                               | \$ 1,222,088      |
| School Lunch/Breakfast matching subsidy | 28,366            |
| IDEA                                    | (396,307)         |
| Donated commodities                     | (51,690)          |
| Title 19                                | (229)             |
| Per confirmation                        | <u>\$ 802,228</u> |

\* Total USDA Commodity Received  
\*\* Represents beginning inventory - 7/1/15  
\*\*\* Represents ending inventory - 6/30/16  
(1) Denotes Major Program

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2016**

**NOTE 1 – BASIS OF PRESENTATION**

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are presented using the accrual method of accounting. Under this method, grant revenue is recognized to the extent expenditures are incurred. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made.

The federal expenditures are recognized, as applicable, under the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal financial award revenues are included in the financial statements as 'local source' and 'federal source' revenues.

**NOTE 4 – RECEIVABLES AND UNEARNED REVENUE**

Federal grants receivable are included as part of 'due from other governments' in Exhibit A and Exhibit C as referenced in Note 4 to the Financial Statements. Unearned federal grant revenue, if any, is included as part of 'unearned revenue' in Exhibit A and Exhibit C, and is referenced in Note 8 to the Financial Statements.

**NOTE 5 - NON-CASH ASSISTANCE**

The Elizabeth Forward School District received donated commodities from the Department of Agriculture in connection with its food service program. The amount of non-cash assistance expended in the accompanying schedule of expenditures of federal awards reflects the fair market value of the commodities used during the 2015-2016 fiscal year.

**NOTE 6 – INDIRECT COST RATE**

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

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes    X no
- Significant deficiency(ies) identified? \_\_\_yes    X no

Noncompliance material to financial statements noted? \_\_\_yes    X no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes    X no
- Significant deficiency(ies) identified? \_\_\_yes    X no

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_X\_ yes    \_\_\_no

Identification of major programs:

| <u>CFDA number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-------------------------------------------|
| 84.010                | Title I                                   |

The dollar threshold for distinguishing type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? \_X\_ yes    \_\_\_no

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

None



**ELIZABETH FORWARD SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Section III – Federal Award Findings and Questioned Costs**

Findings and questioned costs related to Federal Awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

- **FINDING 2016-1 – POLICIES AND PROCEDURES REQUIRED BY THE UNIFORM GUIDANCE**

**CONDITION:** Effective for the 2015-2016 fiscal year, the School District was required to adopt applicable fiscal policies and procedures as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). These policies and procedures were not adopted and implemented by the School District during the 2015-2016 fiscal year.

**CRITERIA:** 2 CFR Part 200 of the 'Uniform Guidance' requires non-federal agencies who receive federal funding to adopt and implement certain applicable fiscal policies and procedures related to internal control, cash management, conflict of interest, time and effort reporting, and travel which pertain to federal awards (grants and subsidies).

**CAUSE:** Although District management recognized the requirement to adopt and implement these policies and procedures in the current fiscal year, discussions regarding the content of these policies and procedures has extended past the 2015-2016 fiscal year, and consequently has delayed the District's ability to adopt and implement these required policies and procedures in a timely manner.

**EFFECT:** The District is not in compliance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) with regard to the adoption and implementation of certain applicable fiscal policies and procedures related to federal awards (grants and subsidies).

**CONTEXT:** As part of the audit process for the review and testing (as required) of the School District's internal controls relative to its federal awards, we requested copies of all required policies and procedures required under Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

**RECOMMENDATION:** Management and Board of Education of the School District need to continue the process of reviewing the language and content of these newly required policies and procedures, and subsequently adopt and implement these policies and procedures, so as to be in compliance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDING JUNE 30, 2016**

The District recognizes the importance that policy be in consort with Regulatory authorities and local governance. Toward that end the District is in the process of finalizing policies related to Uniform Grant Guidance (UGG). It is anticipated that UGG policies will be finalized before June 30, 2017.

**ELIZABETH FORWARD SCHOOL DISTRICT**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDING JUNE 30, 2016**

The audit report of the Elizabeth Forward School District for the year ended June 30, 2016 dated January 28, 2016, contained no audit findings.