

Audited
Financial
Statements

June 30,
2016

Fannett-Metal School District

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fannett-Metal School District
Willow Hill, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Fannett-Metal School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Fannett-Metal 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Fannett-Metal School District, as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof 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 OPEB schedule of funding progress on page 42, budgetary comparison schedule on page 43, schedule of the school district's proportionate share of the net pension liability – PSERS on page 44, and the schedule of the school district's contributions – PSERS on page 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Smith Elliott Kearn's Company, LLC

Chambersburg, Pennsylvania
December 1, 2016

FANNETT-METAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNIT FOUNDATION
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 3,266,472	\$ 21,374	\$ 3,287,846	\$ 70,025
Receivables:				
Taxes	277,785	-	277,785	-
Intergovernmental	279,164	-	279,164	-
Other	9,391	-	9,391	-
Prepaid expenses	1,179	-	1,179	-
Inventories	-	9,774	9,774	-
Total current assets	<u>3,833,991</u>	<u>31,148</u>	<u>3,865,139</u>	<u>70,025</u>
Noncurrent Assets				
Land (not depreciated)	668,580	-	668,580	-
Site improvements, net	239,913	-	239,913	-
Buildings and improvements, net	1,511,802	-	1,511,802	75,288
Furniture and equipment, net	130,516	21,933	152,449	-
Total noncurrent assets	<u>2,550,811</u>	<u>21,933</u>	<u>2,572,744</u>	<u>75,288</u>
TOTAL ASSETS	<u>6,384,802</u>	<u>53,081</u>	<u>6,437,883</u>	<u>145,313</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	<u>1,067,274</u>	<u>28,256</u>	<u>1,095,530</u>	<u>-</u>
Total assets and deferred outflow of resources	<u>\$ 7,452,076</u>	<u>\$ 81,337</u>	<u>\$ 7,533,413</u>	<u>\$ 145,313</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 11,083	\$ 2,860	\$ 13,943	\$ -
Accrued salaries and benefits/withholdings	535,403	-	535,403	-
Portion due or payable within one year:				
Compensated absences	<u>32,304</u>	<u>-</u>	<u>32,304</u>	<u>-</u>
Total current liabilities	<u>578,790</u>	<u>2,860</u>	<u>581,650</u>	<u>-</u>
Noncurrent liabilities				
Portion due or payable after one year:				
Net pension obligation	9,955,247	310,481	10,265,728	-
Net OPEB obligation	54,447	1,094	55,541	-
Compensated absences	<u>129,216</u>	<u>-</u>	<u>129,216</u>	<u>-</u>
Total noncurrent liabilities	<u>10,138,910</u>	<u>311,575</u>	<u>10,450,485</u>	<u>-</u>
TOTAL LIABILITIES	<u>10,717,700</u>	<u>314,435</u>	<u>11,032,135</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	<u>56,202</u>	<u>1,910</u>	<u>58,112</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	2,550,811	21,933	2,572,744	75,288
Restricted	592,346	-	592,346	25,922
Unrestricted	<u>(6,464,983)</u>	<u>(256,941)</u>	<u>(6,721,924)</u>	<u>44,103</u>
TOTAL NET POSITION	<u>(3,321,826)</u>	<u>(235,008)</u>	<u>(3,556,834)</u>	<u>145,313</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 7,452,076</u>	<u>\$ 81,337</u>	<u>\$ 7,533,413</u>	<u>\$ 145,313</u>

* - Net of eliminations

FANNETT-METAL SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue			Component Unit Foundation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
Instruction	\$ 4,698,321	\$ 2,528	\$ 1,460,833	\$ 3,620	\$ (3,231,340)	\$ -	\$ (3,231,340)	\$ -
Instructional student support	761,165	-	53,298	-	(707,867)	-	(707,867)	-
Administrative and financial support services	840,040	-	79,360	-	(760,680)	-	(760,680)	-
Operation and maintenance of plant services	536,371	5,644	28,155	-	(502,572)	-	(502,572)	-
Pupil transportation	440,856	-	324,794	-	(116,062)	-	(116,062)	-
Student activities	169,327	24,212	43,407	-	(101,708)	-	(101,708)	-
Total governmental activities	<u>7,446,080</u>	<u>32,384</u>	<u>1,989,847</u>	<u>3,620</u>	<u>(5,420,229)</u>	<u>-</u>	<u>(5,420,229)</u>	<u>-</u>
Business-type activities								
Food service	<u>286,928</u>	<u>120,839</u>	<u>157,486</u>	<u>-</u>	<u>-</u>	<u>(8,603)</u>	<u>(8,603)</u>	<u>-</u>
Total primary government	<u>\$ 7,733,008</u>	<u>\$ 153,223</u>	<u>\$ 2,147,333</u>	<u>\$ 3,620</u>	<u>\$ (5,420,229)</u>	<u>\$ (8,603)</u>	<u>\$ (5,428,832)</u>	
Component Unit - Foundation	<u>\$ 16,390</u>	<u>\$ -</u>	<u>\$ 13,800</u>	<u>\$ -</u>				<u>\$ (2,590)</u>
General revenues:								
Property taxes levied for general purposes, public utility realty tax, earned income tax					\$ 3,052,718	\$ -	\$ 3,052,718	\$ -
Grants, subsidies and contributions not restricted					2,351,635	-	2,351,635	23,890
Investment earnings					4,038	11	4,049	67
Miscellaneous income					11,583	-	11,583	-
Total general revenues					<u>5,419,974</u>	<u>11</u>	<u>5,419,985</u>	<u>23,957</u>
Change in net position					(255)	(8,592)	(8,847)	21,367
Net position - beginning					<u>(3,321,571)</u>	<u>(226,416)</u>	<u>(3,547,987)</u>	<u>123,946</u>
Net position - ending					<u>(\$ 3,321,826)</u>	<u>(\$ 235,008)</u>	<u>(\$ 3,556,834)</u>	<u>\$ 145,313</u>

FANNETT-METAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2016

	General Fund	Capital Reserve Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,674,126	\$ 592,346	\$ 3,266,472
Taxes receivable, net	277,785	-	277,785
Intergovernmental receivables	279,164	-	279,164
Receivable from other funds	411	-	411
Other receivables	8,980	-	8,980
Prepaid expenditures	1,179	-	1,179
Total assets	<u>\$ 3,241,645</u>	<u>\$ 592,346</u>	<u>\$ 3,833,991</u>
LIABILITIES			
Accounts payable	\$ 11,083	\$ -	\$ 11,083
Accrued salaries and benefits/withholdings	535,403	-	535,403
Total liabilities	<u>546,486</u>	<u>-</u>	<u>546,486</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable tax revenue	183,326	-	183,326
Total deferred inflows of resources	<u>183,326</u>	<u>-</u>	<u>183,326</u>
FUND BALANCES			
Nonspendable fund balance			
Prepaid expenditures	1,179	-	1,179
Restricted fund balance			
Future capital projects	-	592,346	592,346
Committed fund balance			
Future health care expenses	472,768	-	472,768
Future retirement benefits	515,000	-	515,000
Future capital improvements	360,000	-	360,000
Future technology	90,000	-	90,000
Future payout of sick leave balances	44,625	-	44,625
Future instructional materials	17,606	-	17,606
Assigned fund balance			
Future athletic activities	12,204	-	12,204
2016-2017 budget deficit	123,211	-	123,211
Unassigned fund balance	875,240	-	875,240
Total fund balances	<u>2,511,833</u>	<u>592,346</u>	<u>3,104,179</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,241,645</u>	<u>\$ 592,346</u>	<u>\$ 3,833,991</u>

FANNETT-METAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2016

Total fund balances - governmental funds \$ 3,104,179

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	6,383,403	
Accumulated depreciation	<u>(3,832,592)</u>	2,550,811

Taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.

183,326

Long-term liabilities are not due and payable in the current period and are not included in the balance sheet of governmental funds, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and associated deferred inflows and deferred outflows of resources consist of:

Compensated absences	(161,520)	
OPEB liability	(54,447)	
Net pension liability	(9,955,247)	
Deferred outflows related to pension liability	1,067,274	
Deferred inflows related to pension liability	<u>(56,202)</u>	(9,160,142)

Net position of governmental activities in the Statement of Net Position \$ (3,321,826)

FANNETT-METAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
- Governmental Funds
Year Ended June 30, 2016

	General Fund	Capital Reserve Fund	Total Governmental Funds
REVENUES			
Local revenues			
Taxes	\$ 3,181,770	\$ -	\$ 3,181,770
Investment earnings	3,352	686	4,038
Revenue from intermediate sources	123,542	-	123,542
Other	83,213	-	83,213
State sources	3,814,910	-	3,814,910
Federal sources	367,404	-	367,404
Total revenues	<u>7,574,191</u>	<u>686</u>	<u>7,574,877</u>
EXPENDITURES			
Instruction	4,399,773	-	4,399,773
Support services	2,495,460	-	2,495,460
Operation of noninstructional services	162,165	-	162,165
Facilities acquisition, construction and improvements	-	40,193	40,193
Total expenditures	<u>7,057,398</u>	<u>40,193</u>	<u>7,097,591</u>
Excess (deficiency) of revenues over expenditures	<u>516,793</u>	<u>(39,507)</u>	<u>477,286</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers	(50,000)	50,000	-
Total other financing sources and uses	<u>(50,000)</u>	<u>50,000</u>	<u>-</u>
Net change in fund balances	<u>466,793</u>	<u>10,493</u>	<u>477,286</u>
Fund balances - beginning	<u>2,045,040</u>	<u>581,853</u>	<u>2,626,893</u>
Fund balances - ending	<u>\$ 2,511,833</u>	<u>\$ 592,346</u>	<u>\$ 3,104,179</u>

FANNETT-METAL SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Net change in fund balances - total governmental funds: \$ 477,286

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlays differed from depreciation expense in the current period.

Depreciation expense	(156,055)	
Capital outlays	<u>77,534</u>	
		(78,521)

Because certain taxes will not be collected for several months after the School District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenue changed by this amount this year.

(129,052)

Some expenses reported in the statement of activities do not require the use of current financial resources and thus are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid of:

Compensated absences	(56,449)
OPEB liability	985
Net pension liability and related deferred outflows and inflows	(214,504)

Change in net position of governmental activities

\$ (255)

FANNETT-METAL SCHOOL DISTRICT
Statement of Net Position - Proprietary Fund
June 30, 2016

	Food Service
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 21,374
Inventory	<u>9,774</u>
Total current assets	<u>31,148</u>
Non-current Assets	
Furniture and equipment	103,315
Accumulated depreciation	<u>(81,382)</u>
Total non-current assets	<u>21,933</u>
Total assets	<u>53,081</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension liability	<u>28,256</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 81,337</u>
LIABILITIES	
Current Liabilities	
Accounts payable	<u>\$ 2,860</u>
Noncurrent Liabilities	
Net pension liability	310,481
OPEB obligation	<u>1,094</u>
Total noncurrent liabilities	<u>311,575</u>
Total liabilities	<u>314,435</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension liability	<u>1,910</u>
NET POSITION	
Net investment in capital assets	21,933
Unrestricted	<u>(256,941)</u>
Total net position	<u>(235,008)</u>
Total liabilities and net position	<u>\$ 81,337</u>

FANNETT-METAL SCHOOL DISTRICT**Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund
Year Ended June 30, 2016**

	Food Service
OPERATING REVENUE	
Food service revenues	\$ 120,839
Total operating revenues	<u>120,839</u>
OPERATING EXPENSES	
Food and milk purchases	126,064
Salaries	92,648
Employee benefits	50,572
Supplies	7,226
Depreciation	3,851
Other purchased services	<u>6,567</u>
Total operating expenses	<u>286,928</u>
Operating (loss)	<u>(166,089)</u>
NON-OPERATING REVENUES (EXPENSES)	
Federal subsidies	134,313
State subsidies	23,173
Interest income	<u>11</u>
Total non-operating revenue	<u>157,497</u>
Change in net position	(8,592)
Net position - beginning	<u>(226,416)</u>
Net position - ending	<u>\$ (235,008)</u>

FANNETT-METAL SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
Year Ended June 30, 2016

	Food Service
Cash flows from operating activities	
Cash received from food sales	\$ 125,679
Cash payments to suppliers for goods	(157,414)
Cash payments to and on behalf of employees	(139,701)
Cash payments for services	<u>(6,567)</u>
Net cash (used) by operating activities	<u>(178,003)</u>
Cash flows from noncapital financing activities	
Federal subsidies	151,757
State subsidies	<u>23,004</u>
Net cash provided by noncapital financing activities	<u>174,761</u>
Cash flows from investing activities	
Earnings on investments	<u>11</u>
Net (decrease) in cash and cash equivalents	(3,231)
Cash and cash equivalents - beginning	<u>24,605</u>
Cash and cash equivalents - ending	<u>\$ 21,374</u>
Reconciliation of income (loss) from operations to net cash provided by operating activities	
Operating (loss)	\$ (166,089)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Donated food used	(19,514)
Depreciation	3,851
(Increase) decrease in:	
Inventories	(3,925)
Accounts receivable	4,840
Increase (decrease) in:	
Interfunds payable	(1,874)
Net pension liability and related items	5,393
Accounts payable	<u>(685)</u>
Total adjustments	<u>(11,914)</u>
Net cash (used) by operating activities	<u>\$ (178,003)</u>

FANNETT-METAL SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2016

	Agency Fund	Private Purpose Trust Funds
ASSETS		
Cash and cash equivalents	\$ 70,353	\$ 2,686
Investments	-	20,900
Total assets	<u>\$ 70,353</u>	<u>\$ 23,586</u>
LIABILITIES		
Payroll withholdings	\$ 11,805	-
Due to other funds	411	-
Due to student groups	58,137	-
Total liabilities	<u>70,353</u>	<u>-</u>
NET POSITION		
Net position held in trust for scholarships	<u>-</u>	<u>23,586</u>
Total net position	<u>-</u>	<u>23,586</u>
Total liabilities and net position	<u>\$ 70,353</u>	<u>\$ 23,586</u>

FANNETT-METAL SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	Private Purpose Trust Funds
<hr/>	
ADDITIONS	
Interest income	\$ 139
Total additions	<u>139</u>
DEDUCTIONS	
Scholarships and awards/grants	450
Supplies	43
Fees	<u>10</u>
Total deductions	<u>503</u>
Change in net position	(364)
Net position - beginning	<u>23,950</u>
Net position - ending	<u>\$ 23,586</u>

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Fannett-Metal School District (School District) operates a public school system which is comprised of the Townships of Fannett and Metal in Franklin County, and part of Toboyne Township in Perry County, Pennsylvania.

The financial statements of the 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 the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Governmental Accounting Standards Board Statements define the criteria used to determine the composition of the reporting entity. These standards require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, (3) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (4) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The School District is not a component unit of any other entities. Based on the above criteria, the School District has no component units other than the Fannett-Metal Education Foundation.

The Fannett-Metal Education Foundation is presented as a discretely presented component unit.

Fannett-Metal Education Foundation

Fannett-Metal Education Foundation is governed by a twelve member board. Although it is legally separate from the School District, the Foundation is considered a component unit of the School District under generally accepted governmental accounting principles because its sole purpose is to provide benefit to the School District and its students through funding of grants and programs. Due to the nature and significance of the Foundation in relation to the School District, the Foundation is included as a discretely presented component unit in the School District's government-wide financial statements.

Separate financial statements of the Foundation are available by contacting the Foundation at 14901 Path Valley Road, Willow Hill, PA 17271.

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint Ventures

The following joint ventures are not component units of Fannett-Metal School District and are not included in this report.

Franklin Learning Center - is a separate entity organized by five local school districts to provide special education services in Franklin County. Each of the participating school districts appoints members to serve on the joint operating committee. The number of members appointed is based on average daily membership by each school district. Each school district has an ongoing financial responsibility to fund the Center's operations.

Lincoln Intermediate Unit #12 - is a separate legal entity organized by constituent school districts in York, Adams, and Franklin counties to provide services to the school districts. Each member school district appoints members to serve on the Board of Directors of the Intermediate Unit. The School District contracts with the Intermediate Unit primarily for special education services and training.

Complete financial statements for each of the entities described above can be obtained from the respective administrative office. The School District has no equity interest in the above joint ventures.

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid 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. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

Governmental Funds

Governmental Funds are those through which most governmental functions of the School District are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The School District reports the following major governmental funds:

General Fund

The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are primarily derived from local property, earned income, and other taxes, and state and federal subsidies. Many of the more important activities of the School District, including instruction, administration, and certain noninstructional services are accounted for in this fund. This is a legally budgeted fund, and any unrestricted fund balances are considered as resources available for use.

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (continued)

Governmental Funds (continued)

Capital Reserve Fund

The capital reserve fund (Section 2932 is authorized by Pennsylvania Law 145, Act of April 30, 1943, known as School Laws of Pennsylvania) accounts for (1) monies transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, (2) surplus monies in the General Fund of the School District at the end of any fiscal year, and (3) interest earnings on the fund itself. These funds must be used for capital improvements.

Proprietary Fund

Proprietary Funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector. The focus of proprietary funds is on the determination of net earnings and capital maintenance. The following fund is utilized:

Food Service Fund – Enterprise Fund – Major Fund

This fund accounts for all revenues and expenses pertaining to cafeteria operations as authorized under Section 504 of the Public School Code of 1949. It is the intent of the governing body that the cost of providing food or services to the students on a continuing basis be financed or recovered primarily through user charges or cost reimbursement plans.

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. Private-purpose trust funds include several bequests that have been established in prior years. Only the earnings are available for the specific purpose of providing awards and scholarships as prescribed by donor stipulation. Officials of the School District determine the winners of the awards and scholarships, which are made only if there are qualified recipients and adequate earnings. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Student Activity and Payroll Funds are classified as Agency Funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

In addition, a separate column is used to present the financial information for the discretely presented component unit, Fannett-Metal Education Foundation.

The government-wide statements are prepared using the economic resources measurement focus. This 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District, and for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and 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 and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental 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 proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate 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 (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds 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 revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Fiduciary funds are reported using the economic resources measurement focus.

Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as a liability until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses of the food service fund generally result from providing food services, including charges for meals and the costs of food, salaries and benefits, depreciation, and other expenses. Federal and State subsidies are considered non-operating revenues as no exchange transaction occurs.

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required.

1. The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
2. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the Board is required.
3. Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board, which authorizes the School District to make expenditures. Appropriations lapse at the end of the fiscal period.
4. Included in the General Fund budget are program budgets as prescribed by the state and federal agencies funding the programs. These budgets are approved on a program-by-program basis by the state or federal agency. These programs frequently result in supplementary budget appropriations.

Capital budgets are not implemented for the Capital Reserve Fund. All transactions of the Capital Reserve Fund are approved by the Board prior to commitment, thereby constructively achieving budgetary control.

Cash and Cash Equivalents and Investments

Cash includes all demand deposits, petty cash, savings, money market accounts, PSDLAF accounts, and certificates of deposit with an original maturity of less than three months. Investments include certificates of deposit with an original maturity of greater than three months. Investments are stated at market value. Accrued interest is included with other receivables on the balance sheet and statement of net position.

Inventory

Inventory in the Food Service Fund consists of expendable supplies and food (valued at cost) held for consumption. Government-donated commodities are valued at estimated fair market value. The expendable supplies are recorded as an expense when used. The cost of governmental fund inventories are recorded as expenditures when purchased in the fund financial statement. Governmental fund supplies inventories are not deemed to be significant at June 30.

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary fund are reported both in the business-type activities column of the government-wide statement of net position and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair values as of the date received. The School District maintains a capitalization threshold of \$ 1,500. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets is not capitalized unless it is incurred in a proprietary fund.

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

	Governmental Activities	Business-Type Activities
Site improvements	20 years	N/A
Buildings and improvements	20 - 30 years	N/A
Furniture and equipment (including vehicles and textbooks)	5 - 10 years	5 - 12 years

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School District has several items that qualify for reporting in this category, which are the employer contributions made for the School District's share of the pension plan after the measurement date of the pension plan, amounts deferred due to differences between employer contributions and the proportionate share of total contributions, and changes in the School District's proportionate share of the plan between years. These will be recognized in future periods.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows and Inflows of Resources (continued)

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources consists of the net difference between projected and actual earnings on the School District's proportionate share of the pension plan investments. The School District also reports unavailable tax revenue on the governmental funds balance sheet as deferred inflows of resources.

Interfund Activity/Internal Balances

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. Advances between funds which are not expected to be repaid are accounted for as transfers. Interfund balances and transactions are eliminated in the government-wide financial statements.

Exchange transactions, if any, between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements.

Bond premiums and discounts, deferred charge on bond refunding, as well as prepaid bond insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The deferred charge on bond refunding is reported as deferred outflows of resources and amortized over the term of the related debt. Prepaid bond insurance costs are reported as an asset and amortized over the term of the related debt. Other bond issuance costs are expensed at the time the debt is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and original discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as support service expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Retirement Plans

The School District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The School District accounts for the plan under the provisions of GASB Statements, which establish standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

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

Compensated Absences

Liability for compensated absences is accounted for in accordance with the provisions of the GASB. These provisions require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Vacation leave only applies to twelve month employees. Unused vacation leave is accrued at June 30, 2016 in the Statement of Net Position and expensed in the Statement of Activities. Sick leave is granted as appropriate, and a provision is made annually in the budget for the cost of substitute personnel. There is payment for unused sick leave at the time of retirement with 20 years of service or at age 62. Rates paid vary depending on employee classification. The amount of vested sick pay is reflected in the government-wide financial statements.

Payments for vacation and sick pay are expensed as paid in the governmental fund financial statements.

Other Postemployment Benefits Other Than Pension

The School District provides post-retirement benefits by permitting retired employees the ability to participate in the employee health plan at the same premium rate, albeit 100% paid for by the retiree, the School District is providing an implicit rate subsidy to its retirees. These benefits are financed on a pay-as-you-go basis.

In addition to the other postemployment benefit detailed above, the Public School Employees' Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees, which is a cost-sharing multiple employer defined benefit plan.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position – Government-Wide/Proprietary Funds

In the government-wide financial statements and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets: This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those capital assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent bond proceeds is not included in the calculation of net investment of capital assets. Rather, that portion of debt is included in the same net position component as the unspent proceeds. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of assets or related debt also should be included in this component of net position.

Restricted Net Position: This category of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. These restrictions could include constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. Restricted net position as of June 30, 2016 is for future capital expenses.

Unrestricted Net Position: This component of net position is the amount of assets, deferred outflows resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance – Governmental Fund Financial Statements

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and long term amounts of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds (Continued)

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the School Board. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Assigned: This classification includes spendable amounts that are reported in governmental funds other than in the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the School Board, or a subordinate high-level body, such as the finance committee, or business manager that is authorized to assign amounts to be used for specific purposes. As detailed in its Fund Balance Policy, the finance committee or Business Manager has the authority to make assignments of fund balance. Thus these assignments can be made or changed without formal action by the Board. The assignment of fund balance cannot result in a negative unassigned fund balance.

Unassigned: This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The general fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within the other classifications. A negative unassigned fund balance may occur in any fund when there is an over expenditure of restricted or committed fund balance. In this case, any assigned fund balance (and unassigned fund balance in the general fund) would be eliminated prior to reporting a negative unassigned fund balance.

Policy Regarding Order of Spending

When fund balance resources are available for a specific purpose in multiple classifications, the School District's policy is to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned and committed. This order of spending may be altered per board approval.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 2 CASH AND INVESTMENTS

Section 440.1 of the Pennsylvania School Code and Act 10 of 2016 define allowable investments for school districts, which are summarized as follows:

- U.S. Treasury Bills
- Short term obligations of the U.S. Government or its agencies
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation of the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity
- Shares of an investment company registered under the Investment Company Act of 1940
- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent
- Commercial paper issues by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the banker's acceptances do not exceed 180 days
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2016, \$ 473,037 of the School District's bank balance of \$ 785,488 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	-
Uninsured and collateralized by collateral held by the pledging bank's trust department but not in the School District's name in accordance with the provisions of Pennsylvania Act 72.	<u>473,037</u>
	<u>\$ 473,037</u>

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk – Investments (Continued)

Included in cash and cash equivalents on the statement of net position and balance sheet are pooled investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF) of \$ 2,682,093. PSDLAF-MAX are basically mutual funds that consist of short term money market instruments and seek to maintain a constant net asset value of \$ 1 per share. These funds are accessible on a daily basis and are considered cash equivalents for reporting purposes. PSDLAF and PSDLAF-MAX deposits are invested by PSDLAF directly in portfolios of securities held by the PSDLAF agent in a collateral pool. The School District is exposed to custodial credit risk because the collateral securities held by PSDLAF's agents are not in the School District's name.

The School District has a formal written policy that limits the investments that are not backed by the "full faith and credit" of the federal or state government to those with the highest two credit ratings available for such investments issued by a recognized organization. At June 30, 2016, the School District's investments in PSDLAF were rated AAAM by Standards and Poor's.

Investments in PSDLAF are subject to income, market and credit risk related to the potential decline in current income, the potential for a decline in market value and the potential that an issuer of securities held in the investment portfolios of the fund would fail to make timely payments of principal and interest payments, respectively.

Valuation of Investments at PSDLAF

In accordance with the Government Accounting Standards Board, portfolio securities are valued at amortized cost, which approximates market value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of the investment.

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The School District does not have a formal written investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments in the PSDLAF-MAX are not subject to interest rate risk as the funds are accessible on a daily basis and the interest rates change daily based on market conditions.

Concentration of Credit Risk

The School District places no limit on the amount it may invest in any one issuer. More than 5% of the School District's investments were in PSDLAF.

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Policies Followed at PSDLAF

Regulatory Oversight

The operation of PSDLAF is governed by an eleven member Board of Trustees, nine of whom are elected and two of whom serve as ex officio. The Trustees have full, exclusive and absolute control and authority over the business of the Fund and its assets, subject to rights of the Settlers as provided in the Declaration of Trust.

PSDLAF is not registered with the Securities and Exchange Commission (SEC); however, PSDLAF follows investment procedures similar to those followed by SEC registered money market funds.

The School District has no limitations or restrictions on withdrawals on accounts held at PSDLAF.

NOTE 3 TAXES

The School District collects property taxes, earned income taxes, per capita and occupational taxes, and other taxes and fees primarily from taxpayers located in the Townships of Fannett and Metal in Franklin County and part of Toboyne Township in Perry County, Pennsylvania.

Real estate taxes are considered fully collectible since liens can be filed on properties. The uncollectible portion of per capita taxes was estimated based on previous collection experience.

Property taxes are levied as of July 1 on assessed property values. The tax bills are mailed by the Tax Collectors on July 1 and are payable as follows:

Discount	July 1 - August 31
Face	September 1 - October 31
Penalty	November 1 - January 15

After January 15, the bills are considered delinquent and turned over to the Franklin or Perry County Tax Claim Bureau for collection.

NOTE 4 TAXES RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

Taxes receivable and unavailable revenue in the fund financial statements consist of the following as of June 30, 2016:

Real estate	\$ 180,484
Per capita	7,316
Earned income	86,069
Real estate transfer tax	<u>3,916</u>
	277,785
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(94,459)</u>
Taxes estimated to be collected after sixty days (unavailable), recorded as deferred inflows of resources in governmental funds	<u>\$ 183,326</u>

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 5 INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

Interfund receivable and payable balances consist of the following as of June 30, 2016:

<u>Funds</u>	<u>Due From</u>	<u>Due To</u>
General	\$ 411	\$ -
Payroll (Agency)	-	411
	<u>\$ 411</u>	<u>\$ 411</u>

The payroll fund owes the general fund for payroll related reimbursements.

Interfund transfers consist of the following for the year ended June 30, 2016:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$ 50,000
Capital Reserve	50,000	-
	<u>\$ 50,000</u>	<u>\$ 50,000</u>

The interfund transfer from the General Fund to the Capital Reserve fund is for future capital improvements.

NOTE 6 INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at June 30, 2016 consist of the following:

Local: Special Ed	\$ 39,991
State: Retirement	146,858
Social security	28,588
Ready to learn	8,749
Transportation	6,503
Federal: Direct programs	<u>48,475</u>
	<u>\$ 279,164</u>

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 7 CAPITAL ASSETS

Capital asset activity for the School District consists of the following as of and for the year ended June 30, 2016:

	Balances June 30, 2015	Additions	Retirements	Balances June 30, 2016
Governmental Activities				
Cost				
Assets not being depreciated				
Land	\$ 668,580	\$ -	\$ -	\$ 668,580
Construction in progress	41,712	-	(41,712)	-
Assets being depreciated				
Site improvements	639,172	3,504	-	642,676
Buildings and improvements	4,339,229	106,152	-	4,445,381
Furniture and equipment	1,497,985	9,590	(880,809)	626,766
Total cost	7,186,678	119,246	(922,521)	6,383,403
Accumulated depreciation	(4,557,346)	(156,055)	880,809	(3,832,592)
Capital assets, net	<u>\$ 2,629,332</u>	<u>\$ (36,809)</u>	<u>\$ (41,712)</u>	<u>\$ 2,550,811</u>
Business-Type Activities				
Cost				
Machinery and equipment	\$ 184,690	\$ (80,150)	\$ (1,225)	\$ 103,315
Accumulated depreciation	(158,906)	76,299	1,225	(81,382)
Capital assets, net	<u>\$ 25,784</u>	<u>\$ (3,851)</u>	<u>\$ -</u>	<u>\$ 21,933</u>

Depreciation expense for the year ended June 30, 2016 was charged to governmental functions as follows:

Instruction	\$ 86,596
Instructional student support	17,697
Operation and maintenance of plant services	48,757
Transportation	1,755
Student activities	1,250
	<u>\$ 156,055</u>

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 8 ACCRUED SALARIES AND BENEFITS

Accrued salaries and benefits consist of the following as of June 30, 2016:

General Fund:	
Accrued salaries	\$ 231,368
Retirement	286,501
Social security	<u>17,534</u>
	<u>\$ 535,403</u>

NOTE 9 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended June 30, 2016 were as follows:

	Balances June 30, 2015	Additions	Reductions	Balances June 30, 2016	Current Portion	Long-Term Portion
Vacation	\$ 9,138	\$ 23,650	\$ (19,411)	\$ 13,377	\$ 2,675	\$ 10,702
Sick Pay & Personal Leave	<u>95,933</u>	<u>63,810</u>	<u>(11,600)</u>	<u>148,143</u>	<u>29,629</u>	<u>118,514</u>
	<u>\$ 105,071</u>	<u>\$ 87,460</u>	<u>\$ (31,011)</u>	<u>\$ 161,520</u>	<u>\$ 32,304</u>	<u>\$ 129,216</u>

NOTE 10 PENSION PLAN

General Information About the Pension Plan

Plan Description

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

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (C) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

NOTE 10 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Benefits Provided (Continued)

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

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

Contributions

Member contributions:

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

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

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

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 10 PENSION PLAN (CONTINUED)

General Information About the Pension Plan (Continued)

Contributions (Continued)

Employer Contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2016 was 25.00% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions recognized as revenue by the pension plan from the School District were \$ 777,878 for the year ended June 30, 2016.

State Funding:

The Commonwealth of Pennsylvania generally reimburses the School District for 50% of its retirement expense. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100% of the School District's share of these amounts. During the year ended June 30, 2016, the School District recognized revenue of \$ 432,126 as reimbursement for its current year pension payments.

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 \$ 10,265,728 in the Statement of Net Position 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 0.0237 percent, which was an increase of 0.0004 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense as follows:

Governmental Activities	\$ 957,160
Business-Type Activities	28,555

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 10 PENSION PLAN (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 42,000
Changes in assumptions	-	-
Net difference between projected and actual investment earnings	-	21,142
Changes in proportion - plan	310,984	-
Change in proportion - fund	(5,030)	(5,030)
Difference between employer contributions and proportionate share of total contributions	23,758	-
Contributions subsequent to the measurement date	765,818	-
	<u>\$ 1,095,530</u>	<u>\$ 58,112</u>

The \$ 765,818 reported as deferred outflows of resources related to pension 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 outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2017	\$	38,553
2018		38,553
2019		38,553
2020		<u>155,941</u>
Total	\$	<u>271,600</u>

NOTE 10 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions

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

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

The actuarial assumptions used in the June 30, 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 PSERS 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 expenses 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.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS 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.

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 10 PENSION PLAN (CONTINUED)

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

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	(14.0%)	(1.1%)
	100.0%	

The above was the PSERS Board's adopted asset allocation policy and best estimates of arithmetic 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.

NOTE 10 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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 7.5%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

	1% Decrease	Current	1% Increase
	6.5%	7.5%	8.5%
District's proportionate share of the net pension liability	<u>\$ 12,653,000</u>	<u>\$ 10,265,728</u>	<u>\$ 8,259,000</u>

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.

Payables to the Pension Plan

As of June 30, 2016, the School District had \$ 286,501 of pension related liabilities included in accrued salaries and benefits, of which \$ 226,839 is for the contractually required contribution for the second quarter of 2016 and \$ 59,662 is related to the accrued wages incurred as of June 30, 2016.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The School District has a healthcare plan for retired employees of the School District, which is a single employer defined benefit healthcare plan administered by the School District. The plan provides medical, prescription drug, dental, and vision coverage for both the retiree and spouse. To continue coverage upon retirement, the retirees who were either administrators or support staff must reimburse the School District for the full amount of the premiums. The coverage is continued for the retiree and spouse until they are old enough to receive Medicare.

Funding Policy

The contribution requirements of plan members and the School District are established and may be amended by the School District. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the School District. Plan members receiving benefits also contributed \$ 19,551.

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with parameters of GASB Statement 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 thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's net OPEB obligation to the plan:

Annual required contribution (ARC)	\$ 35,980
Estimated interest on net OPEB obligation	1,589
Estimated adjustment to ARC	<u>(6,856)</u>
Annual OPEB cost	30,713
Estimated employer contributions made	<u>(31,698)</u>
Change in net OPEB obligation	(985)
Net OPEB obligation - beginning of the year	<u>56,526</u>
Net OPEB obligation - end of the year	<u><u>\$ 55,541</u></u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2016	\$ 30,713	103.2%	\$ 55,541
2015	\$ 31,290	88.1%	\$ 56,526
2014	\$ 32,859	60.2%	\$ 52,794

Funding Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan had the following funded status and progress:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/13	\$ -	\$ 233,251	\$ 233,251	0.00%	\$ 2,990,800	7.80%

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Status and Funding Progress (Continued)

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 healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information in the future, about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 the 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 the plan members to that point. The actuarial methods and assumptions used 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.

In the July 1, 2013 actuarial valuation, the entry age normal cost method was used. The actuarial assumption included a 4.0 percent investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 8.0 percent in 2012, decreasing 1.0 percent annually to an ultimate rate of 5 percent in 2014 and later. The actuarial valuation of assets was based on the fair value of assets, of which there are none. The UAAL is being amortized based on a level dollar 10 year open period.

Other Post-Employment Benefits – Public School Employees’ Retirement System (PSERS)

In addition to the other postemployment benefit detailed above, the Pennsylvania State Employees’ Retirement System (PSERS) also provides a health insurance premium assistance program for all eligible employees who qualify and elect to participate, which is a cost-sharing multiple employer defined benefit plan. The PSERS Retirement Board is established by state law as an independent administrative board of the Commonwealth. The plan benefits and contributions are specified in the Pennsylvania Public School Employees’ Code. Changes in benefit and contribution provisions must be made by legislation. Pursuant to state law, all legislative bills and amendments proposing to change the plan are to be accompanied with an actuarial note prepared by an enrolled actuary from the Public Employee Retirement Commission providing an estimate of the cost and actuarial effect of the proposed change. Under this program, School District 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. The PSERS issues a publicly available financial report that includes financial statements and required supplementary information that can be obtained from their website at <http://www.psers.state.pa.us/>.

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Other Post-Employment Benefits – Public School Employees’ Retirement System (PSERS) (Continued)

Participating eligible employees 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 employees must obtain their health insurance through the School District. The contribution rate is set at a level necessary to establish reserves sufficient to provide premium assistance for the subsequent fiscal year. The portion of the total contribution rate for the School District and the Commonwealth used to fund the premium assistance was 0.84% for the year ended June 30, 2016.

The information below summarizes the required contributions, the percentage of required contribution contributed and the contribution rate for the current year and two preceding years:

Fiscal Year Ended	Required Contribution	Percentage of Required Contribution Contributed	Contribution Rate
2016	\$ 26,137	100.00%	0.84%
2015	\$ 26,741	100.00%	0.90%
2014	\$ 26,924	100.00%	0.93%

NOTE 12 RISK MANAGEMENT

The School District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School District has purchased commercial insurance to cover general liability, directors and officers liability, unemployment compensation and workers’ compensation. For these insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The School District is a member of the Tuscarora Intermediate Unit Capital Insurance Trust (“TIUCIT”), a public entity risk pool, for its employees’ medical insurance. The member districts of TIUCIT elect trustees to manage it, and the risk is shared among all members. TIUCIT self-insures health and medical dental and vision coverage. Stop loss insurance is used for major medical claims exceeding \$ 150,000. Premiums charged in excess of claims paid and administrative costs are deposited into a premium stabilization fund. Additional premiums could be charged to make up any deficiencies in this fund. Provisions are in effect to refund any excess monies should a member withdraw or the trust be dissolved. At June 30, 2015, the latest audited information available, TIUCIT has cash to cover future claims of approximately \$ 3.4 million. Premiums paid to TIUCIT for the year ended June 30, 2016 were \$ 727,399. Separate financial statements are prepared for and available from the TIUCIT.

All expenditures for the School District’s risk management are recorded in the general fund or food service fund.

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 13 COMMITMENTS AND CONTINGENCIES

The School District is subject to real estate tax assessment appeals on an ongoing basis. If tax appeals are successful, the result is a loss of tax revenue to the School District. It is anticipated that any material loss of tax revenue on individual tax appeals will be offset with additional revenues from other properties or other sources of revenue and would not create a financial hardship to the School District.

The School District is involved at times with various lawsuits in the normal course of operations. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result have been made in the financial statements. Management believes that losses resulting from these matters, if any, would be substantially covered under the School District's professional liability insurance policy and would not have a material effect on the financial position of the School District.

The School District participates in numerous state and federal programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Commitments

The School District signed a contract prior to year end totaling \$ 72,428 for paving of the parking lots at the School District. No costs were incurred as of June 30, 2016.

NOTE 14 LEASES

The School District has entered into noncancelable leases for copiers. Rent expense for the year ended June 30, 2016 was \$ 11,200. The School District has the following future minimum payments on long-term leases:

2016-2017	\$ 19,200
2017-2018	19,200
2018-2019	19,200
2019-2020	19,200
2020-2021	12,800
	<u>\$ 89,600</u>

FANNETT-METAL SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 15 FANNETT-METAL EDUCATION FOUNDATION

The Foundation is included in these financial statements as a discretely presented component unit. The following details the significant footnotes of the Foundation.

Cash and Investments

Cash and cash equivalents of the Foundation represent demand deposits and money market funds.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the Foundation’s deposits may not be returned to it. The Foundation does not have a written policy for custodial credit risk. As of June 30, 2016, none of the Foundation’s bank balance of \$ 70,025 was exposed to custodial credit risk.

Building and Improvements

Building and improvements are stated at cost. Depreciation is computed using the straight-line method over the following useful lives:

	Years
Building	39
Building Improvements	15

Net Position

The following details the net position of the Foundation as of June 30, 2016:

Temporarily Restricted	\$ 25,922
Unrestricted	<u>119,391</u>
Total net position	<u>\$ 145,313</u>

Transactions Between the Primary Government and Component Unit

During the year ended June 30, 2016, the Foundation transferred \$ 7,404 to the School District to assist in funding various programs.

REQUIRED SUPPLEMENTARY INFORMATION

FANNETT-METAL SCHOOL DISTRICT
OPEB (Other Post Employment Benefit Plan)
Unaudited Required Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/13	\$ -	\$ 233,251	\$ 233,251	0.00%	\$ 2,990,800	7.80%
07/01/10	\$ -	\$ 352,830	\$ 352,830	0.00%	\$ 3,381,328	10.43%
07/01/08	\$ -	\$ 243,046	\$ 243,046	0.00%	\$ 3,304,229	7.36%

FANNETT-METAL SCHOOL DISTRICT
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2016

	BUDGET		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY/ GAAP BASIS)	WITH FINAL BUDGET
REVENUES				
Local Sources				
Taxes	\$ 3,053,568	\$ 3,053,568	\$ 3,181,770	\$ 128,202
Investment earnings	500	500	3,352	2,852
Revenue from intermediate sources	94,000	94,000	123,542	29,542
Other	42,068	42,068	83,213	41,145
State sources	3,586,829	3,586,829	3,814,910	228,081
Federal sources	<u>371,304</u>	<u>371,304</u>	<u>367,404</u>	<u>(3,900)</u>
Total revenues	<u>7,148,269</u>	<u>7,148,269</u>	<u>7,574,191</u>	<u>425,922</u>
EXPENDITURES				
Instruction				
Regular programs	3,564,332	3,461,077	3,259,294	201,783
Special programs	732,121	835,376	767,542	67,834
Vocational education programs	129,000	135,658	131,567	4,091
Other instructional programs	<u>81,848</u>	<u>75,190</u>	<u>241,370</u>	<u>(166,180)</u>
Total instruction	<u>4,507,301</u>	<u>4,507,301</u>	<u>4,399,773</u>	<u>107,528</u>
Support Services				
Pupil personnel	255,168	255,168	240,040	15,128
Instructional staff	398,034	398,034	344,818	53,216
Administration	738,595	738,595	641,326	97,269
Pupil health	148,636	148,636	152,104	(3,468)
Business	152,315	152,315	163,509	(11,194)
Operation and maintenance of plant	486,841	486,841	508,775	(21,934)
Student transportation	520,574	520,574	439,606	80,968
Other support services	<u>5,400</u>	<u>5,400</u>	<u>5,282</u>	<u>118</u>
Total support services	<u>2,705,563</u>	<u>2,705,563</u>	<u>2,495,460</u>	<u>210,103</u>
Operation of Noninstruction Services				
Student activities	22,012	22,012	22,145	(133)
Student athletics	<u>80,275</u>	<u>80,275</u>	<u>140,020</u>	<u>(59,745)</u>
Total operation of noninstructional services	<u>102,287</u>	<u>102,287</u>	<u>162,165</u>	<u>(59,878)</u>
Total expenditures	<u>7,315,151</u>	<u>7,315,151</u>	<u>7,057,398</u>	<u>257,753</u>
Excess (deficiency) of revenues over expenditures	<u>(166,882)</u>	<u>(166,882)</u>	<u>516,793</u>	<u>683,675</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net change in fund balances	<u>\$ (166,882)</u>	<u>\$ (166,882)</u>	<u>\$ 466,793</u>	<u>\$ 633,675</u>

FANNETT-METAL SCHOOL DISTRICT
Schedule of School District's Proportionate Share of Net Pension Liability
- Public School Employees' Retirement System
Year Ended June 30, 2016

For the Fiscal Year Ended June 30	School District's Proportion of the Net Pension Liability (Asset)	School District's Proportionate Share of the Net Pension Liability (Asset)	School District's Covered Payroll - measurement period	School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0237%	\$ 10,265,728	\$ 3,051,788	336.38%	54.36%
2015	0.0233%	\$ 9,222,308	\$ 2,973,108	310.19%	57.24%

NOTES

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

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

FANNETT-METAL SCHOOL DISTRICT
Schedule of School District's Contributions - Public School Employees'
Retirement System
Year Ended June 30, 2016

For the Fiscal Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll - Fiscal Year	Contributions as a Percentage of Covered Employee Payroll
2016	\$ 804,014	\$ 804,014	\$ -	\$ 3,161,594	25.43%
2015	\$ 609,101	\$ 609,101	\$ -	\$ 3,051,788	19.96%
2014	\$ 463,211	\$ 463,211	\$ -	\$ 2,973,108	15.58%
2013	\$ 310,760	\$ 310,760	\$ -	\$ 2,895,662	10.73%

NOTES

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.