

WEST SHORE SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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Greenawalt & Company, P.C.

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INDEPENDENT AUDITOR'S REPORT

Board of School Directors
West Shore School District
Lewisberry, 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 fiduciary funds of West Shore School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

IAR - 1

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 fiduciary funds of West Shore 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 management's discussion and analysis on pages MDA-1 through MDA-9, and other required supplementary information on pages ORSI-1 through ORSI-4, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

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


GREENAWALT & COMPANY, P.C.

November 7, 2016

Mechanicsburg, Pennsylvania

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The management of West Shore School District is pleased to present the following discussion and analysis of the District's financial position and financial activities. The purpose of this discussion is to provide a narrative summary in order to enhance the reader's understanding of the District's basic financial statements.

This format is in accordance with *Governmental Accounting Standards Board (GASB) Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Management's Discussion and Analysis (MD&A) includes comparisons of financial position at June 2016, 2015 and 2014. The MD&A also includes comparisons of current year financial activities to the previous year. The 2015 and 2014 amounts are taken from our prior year MD&A, and are otherwise not a part of the June 2016 financial statements. Dollar amounts in this summary are presented in millions to make it easier to read.

FINANCIAL HIGHLIGHTS

- The financial results for the 2015-2016 fiscal year include a fund balance increase in the General Fund of \$3,084,377. This was due to budgeted expenditures exceeding actual and actual revenues exceeded budget. A contributing factor was the lack of new Collective Bargaining Agreement with WSEA which resulted in professional salaries being frozen at 2013-14 rates.
- The Mt. Zion Elementary School was sold November 19, 2015 for \$225,000. The District would still like to sell Lemoyne Middle School but it has not received an acceptable offer for this property as of June 30, 2016.
- During 2015-16 school year the District entered into two major construction contracts: one for replacement of the boiler system at Red Land High School and the second for turf replacement and other upgrades at the Athletic Field. Most of the work was completed by the end of the summer of 2016. Capital Reserve Funds were used for these projects.
- In accordance with governmental accounting requirements, the District is obligated to report other post-employment benefits (OPEB). This resulted in a recording of an obligation of \$4,821,613 as of June 30, 2016. The notes to the financial statements include both discussion and analysis of this liability.
- The District's net pension liability for year ended June 30, 2016 was \$151,039,699.

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages FS-1 and FS-2) provide information about the activities of the District as a whole, and present a longer-term view of the District's finances than fund statements. The financial statements include a column labeled "Component Unit" to present information related to the West Shore Foundation. This is discussed in the Notes to Financial Statements on page FS-12.

Fund financial statements are presented on pages FS-3, FS-5 and FS-7 through FS-11. For governmental activities, these statements tell how District services have been financed in the short run, as well as show the amount remaining for future spending. Proprietary fund statements provide information about non-governmental operations, in this case food services. Fiduciary funds statements report funds held in trust by the District for such things as scholarship grants and student activities.

The Reconciliation of the Governmental Funds Balance Sheet on page FS-4 connects governmental fund balance to the total net position balance from the Statement of Net Position. The reconciliation on page FS-6 shows the components of the changes in net position.

Reporting the District as a Whole

The statements present financial activities and the results of those activities in two categories, Governmental and Business-type. Capital assets (land, buildings, improvements, furniture and equipment) are presented with all other assets. Long-term debt is presented with all other liabilities. This is distinctly different from the Fund statements in which assets and liabilities are separated into various funds such as General and Capital Projects.

The approach to measurement of revenue and expense is similar to that used in the private sector and is referred to as following the accrual basis of accounting. This is discussed further in the notes to the financial statements.

Reporting the District's Most Significant Funds

The funds statements provide financial information about the District's significant funds rather than the District as a whole. There are three fund types - Governmental, Proprietary and Fiduciary. The use of each type of fund is described in the notes to the financial statements. Unlike the financial statements that measure revenues on the accrual basis, the funds statements report revenues only to the extent cash has been received, or is expected to be received in the near future.

The District as Trustee

The District acts as fiduciary for two funds, a Private Purpose Trust for scholarship monies and a Student Activities fund. In comparison to the Governmental Funds, the amounts held in the fiduciary funds are small. Fund balances and activity for the year are presented on pages FS-10 and FS-11.

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

THE DISTRICT AS A WHOLE

Table A-1 summarizes and compares the 2016 Statement of Net Position from page FS-1 of the financial statements with the same measurements for 2015 and 2014. We have not included the component unit column in Table A-1 and instead refer you directly to the financial statements. Within this and certain other schedules in our discussion, we have presented the dollar figures in millions, unless otherwise indicated, to make them easier to read. This has resulted in rounding differences, and some columns may not add within a schedule.

Table A-1
Net Position
June 30, 2016

	Governmental Activities			Business-type Activities			Total Primary Government		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Current and other assets	\$ 45.4	\$ 37.1	\$ 29.1	\$ 0.9	\$ 0.8	\$ 0.5	\$ 46.3	\$ 37.9	\$ 29.6
Capital assets	76.6	78.1	81.8	0.1	0.1	0.1	76.7	78.2	81.9
Total assets	121.9	115.2	110.9	1.1	0.9	0.7	123.0	116.1	111.5
Deferred charges on refunding	0.0	0.1	-	-	-	-	0.0	0.1	-
Net deferred pension contributions	11.0	3.8	-	0.2	0.1	-	11.2	3.9	-
Total deferred outflows of resources	11.0	3.9	-	0.2	0.1	-	11.2	4.0	-
Current and other liabilities	16.6	13.6	10.7	0.1	0.1	-	16.6	13.7	10.7
Long-term liabilities	196.1	194.4	57.7	2.9	2.7	-	198.9	197.1	57.7
Total liabilities	212.6	208.0	68.4	2.9	2.8	-	215.5	210.9	68.4
Net pension earnings difference	10.0	10.1	-	0.2	0.2	-	10.2	10.3	-
Total deferred inflows of resources	10.0	10.1	-	0.2	0.2	-	10.2	10.3	-
Invested in capital assets (net of related debt)	35.1	31.5	29.8	0.1	0.1	0.1	35.2	31.6	30.0
Restricted for capital projects	-	0.2	0.3	-	-	-	-	0.2	0.3
Unrestricted (deficit)	(124.8)	(130.8)	12.5	(2.0)	(2.1)	0.5	(126.8)	(132.9)	13.0
Total net position (deficit)	\$ (89.7)	\$ (99.1)	\$ 42.7	\$ (1.8)	\$ (2.0)	\$ 0.6	\$ (91.6)	\$ (101.1)	\$ 43.3

Total net position is the difference between total assets plus total deferred outflows of resources, less total liabilities plus total deferred inflows of resources. The presentation of net deferred outflows of resources and net deferred inflows of resources related to pensions was new for 2015. This relates to new accounting and reporting requirements for pensions discussed in the footnotes on pages FS- 19 through FS-21 and FS-35 through FS-39.

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Total net position represents resources that can be used to pay for future operations and capital improvements. Most of the District's net position is invested in capital assets. These terms are discussed on pages FS-21 and FS-22.

At the end of fiscal year 2015, the total net position for governmental activities was reported as \$(99,087,365). During 2016, the balance increased by \$9,361,979 bringing it to \$(89,725,386) at the end of 2016. The change is analyzed in Table A-2.

Each year, the District pays down a portion of its debt. The scheduled redemptions for 2016 totaled \$5.35 million. The long-term liabilities balance at the end of each year reflects the prior year-end balance, plus new issues and less redemptions. Component changes to the general obligation debt, plus activity related to other components of long-term liabilities are presented in the notes to the financials on pages FS-28 through FS-39.

Table A-2 summarizes and compares activity presented in the Statement of Activities (page FS-2). It shows the items that make up the \$9,361,979 operational increase in the total Primary Government net position balance.

Table A-2
Changes in Net Position
Year ended June 30, 2016

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
<i>Program Revenues</i>						
Charges for services	\$ 0.8	\$ 0.6	\$ 1.6	\$ 1.5	\$ 2.3	\$ 2.1
Oper. grants and contributions	17.4	15.1	1.8	1.6	19.1	16.6
Capital grants and contributions	0.5	0.5	-	-	0.5	0.5
<i>General Revenues</i>						
Taxes	73.4	70.3	-	-	73.4	70.2
State general subsidies	14.1	13.7	-	-	14.1	13.7
Other	-	0.2	-	-	0.2	0.2
Total Revenues	106.2	100.4	3.3	3.0	109.6	103.5
Direct Expenses	96.8	96.6	3.1	3.1	100.0	99.6
Excess (Deficiency) before Transfers	9.4	3.8	0.2	(0.1)	9.6	3.9
Asset impairment	-	-	-	-	-	-
Change in net position	\$ 9.4	\$ 3.8	\$ 0.2	\$ (0.1)	\$ 9.6	\$ 3.9

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

During 2016, total revenues for the governmental activities exceeded total direct expenses by \$9,361,979 compared with \$3,838,842 for 2015. The components of the direct expenses are presented in Table A-3. There were no significant changes to the Business-type activities.

Governmental Activities

Table A-3 presents expense information from the Statement of Activities for governmental activities. The total cost of services represents the actual cost of providing the services, while the net cost represents the amount of cost not recovered through program revenues, user charges, grants and contributions. The total net cost of services of \$78,153,567 must be recovered through general revenues, primarily taxes and state subsidies. These general revenues for 2016 were \$87,515,546, exceeding the cost by \$9,361,979.

Table A-3
Governmental Activities
Year ended June 30, 2016

	Total Cost of Services		Less: Program Revenues		Net Cost of Services	
	2016	2015	2016	2015	2016	2015
Classroom instruction	\$ 64.4	\$ 64.1	\$ 13.6	\$ 12.1	\$ 50.8	\$ 52.1
Instructional student support (Note 1)	6.5	6.4	1.1	0.9	5.4	5.5
Administrative and financial support	9.8	9.4	0.8	0.6	9.0	8.7
Operation and maintenance of buildings	8.1	8.3	0.5	0.4	7.6	7.8
Student transportation	4.8	4.8	1.9	1.3	2.9	3.4
Extra-curricular student activities	1.5	1.5	0.4	0.3	1.1	1.2
Community services	0.0	0.1	0.0	0.0	0.0	0.1
Interest on long-term debt	1.3	1.6	0.5	0.5	0.8	1.1
Unallocated depreciation expense	0.4	0.4	-	-	0.4	0.4
Total governmental activities	\$ 96.9	\$ 96.6	\$ 18.7	\$ 16.3	78.2	80.3
Less state general subsidies					14.1	13.7
Total needs from taxes and other local sources					\$ 64.1	\$ 66.6

Note 1: This item represents such things as the library, school psychologist, etc.

The total costs of governmental activities for 2016 were 6.5% higher than 2015, primarily due to increases in the cost related to classroom instruction.

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business-Type Activities

Table A-4 is similar to the previous table, except it presents business-type service costs. For both years, the cost of food services was paid primarily by program revenues.

Table A-4
Business-Type Activities
Fiscal Year ended June 30, 2016

	Total Cost of Services		Less: Program Revenues		Net Cost of Services	
	2016	2015	2016	2015	2016	2015
Food services	\$ 3.2	\$ 3.0	\$ 3.3	\$ 3.1	\$ (0.1)	\$ (0.1)
Less: Investment earnings					-	-
Total business type activities					\$ (0.1)	\$ (0.1)

DISTRICT'S FUNDS

The information in Table A-5 summarizes and compares the Governmental Funds' Balance Sheets for June 30, 2016, 2015 and 2014.

Table A-5
Comparative Fund Balances

	2016	2015	2014	2015- 2016 Change	2014- 2015 Change
General Fund					
Nonspendable					
Inventories	\$ 0.21	\$ 0.19	\$ 0.15	\$ 0.02	\$ 0.04
Committed to:					
Future retirement costs	0.50	0.50	0.50	-	-
Future medical costs	2.00	-	-	2.00	-
Assigned to:					
Athletics and concessions	0.02	0.02	0.13	-	(0.11)
Unassigned	15.40	14.33	10.98	1.07	3.35
Total General Fund	\$ 18.13	\$ 15.05	\$ 11.76	\$ 3.08	\$ 3.28
Capital Projects Fund					
Restricted for:					
Capital projects	\$ -	\$ 0.14	\$ 0.34	(0.14)	(0.21)
Committed to:					
Capital improvements and debt service	6.07	4.07	3.04	2.00	1.03
Total Capital Projects Fund	\$ 6.07	\$ 4.20	\$ 3.38	\$ 1.86	\$ 0.82
Debt Service Fund					
Assigned to:					
Reduction of long-term debt	0.01	-	-	0.01	-
Total - Debt Service Fund	0.01	-	-	0.01	-
Total Fund Balance	\$ 24.21	\$ 19.25	\$ 15.14	\$ 4.96	\$ 4.11

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The basis of measurement for fund assets and liabilities is different than that used in the Statement of Net Position. The differences between the total governmental fund balance of \$24,205,757 and the total net position of \$(89,725,386) (see Table A-1) are itemized in the reconciliation presented within the financial statements on page FS-4. The most significant difference relates to the inclusion of the net pension liability of \$148,238,030 in the Statement of Net Position, but not the fund balance.

The Capital Projects fund balance increased from \$3,381,997 at the end of fiscal year 2014 to \$4,204,542 at the end of fiscal year 2015, and then increased to \$6,066,450 at the end of 2016. The capital expenditures were primarily used for capital improvements and included a transfer in from the General Fund totaling \$4,000,000 in 2016 and \$2,884,000 in 2015.

General Fund Budgetary Highlights

Table A-6 has been summarized from the comparative budget information presented on page ORSI-1 of the other required supplemental information.

Table A-6
Comparison of Budget to Actual
Year Ended June 30, 2016 and 2015

	Budget		Actual		Variance	
	2016	2015	2016	2015	2016	2015
Total revenues	\$ 103.6	\$ 99.5	\$ 106.1	\$ 99.5	\$ 2.5	\$ -
Total expenditures	101.7	101.0	99.6	93.5	(2.1)	(7.5)
Revenues over (under) expenditures	1.9	(1.5)	6.5	6.0	4.6	7.5
Other financing sources (uses)	(3.6)	1.3	(3.4)	(2.8)	0.2	(4.1)
Net change in fund balances	\$ (1.7)	\$ (0.2)	\$ 3.1	\$ 3.2	\$ 4.8	\$ 3.4

The variance between actual and budgeted revenues over (under) expenditures for fiscal year 2016 was favorable at \$4,807,554. The beginning fund balance was \$15,045,817. The actual net change in the General fund balance was an increase of \$3,084,377. Adding this to the beginning fund balance left an ending fund balance of \$18,130,194.

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CAPITAL ASSETS

Table A-7 summarizes and compares the Capital Assets note to the financial statements on pages FS-27 and FS-28, and includes the balance for 2014, brought forward from our 2015 MD&A. Each year, for capital assets other than land and construction in progress, this amount is depreciated (reduced in value) to reflect usage.

Table A-7
Governmental Activities Capital Assets Comparison (net of accumulated depreciation)

	June 30		
	2016	2015	2014
Land	\$ 2.7	\$ 2.7	\$ 2.7
Construction in progress	2.0	0.2	0.2
Buildings and improvements	70.2	74.0	77.5
Furniture and Equipment	1.6	1.2	1.4
Total Capital Assets, net of accumulated depreciation	\$ 76.5	\$ 78.1	\$ 81.8

Capital assets, net of accumulated depreciation, decreased by \$3,625,864 in 2015 over 2014. The balance decreased again by \$1,568,706 during 2016.

DEBT ADMINISTRATION

Table A-8 summarizes the long-term liabilities note to the financial statements on pages FS-28 to FS-39 for 2016 and 2015, as well as the 2014 balances brought forward from our 2015 MD&A. Most of the debt relates to general obligation bonds sold by the District to pay for capital improvements. Our ability to raise future funds through the issuance of debt depends on how well our existing bonds are rated by the investment community. Currently, the District is rated by Moody's Investor Services as A1 versus Aa3 as of the previous year.

Table A-8
Governmental Activities Long-Term Liability Comparison

	June 30		
	2016	2015	2014
General obligation debt	\$ 40.7	\$ 45.7	\$ 50.9
Capital leases	0.3	0.2	0.2
Compensated absences	1.6	1.6	1.4
Other post employment benefit obligations	4.8	4.5	4.1
Net pension liability	151.0	144.3	155.6
Total governmental long-term liabilities	\$ 198.4	\$ 196.3	\$ 212.2

**WEST SHORE SCHOOL DISTRICT
LEWISBERRY, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

In May of 2016, the District authorized the issuance of Series of 2016 bonds in the total fact amount of \$9,555,000. The proceeds were used to refund a portion of the Series AA of 2010 bonds, resulting in a net increase in present value of approximately \$663,693 due to a decrease in the amount of future payments.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

Table A-9 compares the 2017 budget, approved on June 9, 2016, to the final 2016 budget.

Table A-9
Comparison of Budgets
Years Ended June 30, 2017 and 2016

	2017	2016	Change in Dollars	%
Total revenues	\$ 109.9	\$ 103.6	\$ 6.3	6.1%
Total expenditures	109.8	101.7	8.1	7.9%
Revenues over (under) expenditures	0.2	1.9	(1.7)	-
Other financing sources (uses)	-	(3.6)	3.6	-
Net change in fund balances	\$ 0.2	\$ (1.7)	\$ 1.9	-

The budget for 2016-2017 represents a 6.1% increase in revenues and a 7.96% increase in expenditures from the 2015-2016 budgeted amounts. The increased revenue relates to local and state sources. The adopted 2016-2017 budget includes a real estate tax increase.

CONTACTING THE DISTRICT

The District's financial report is intended to provide the readers with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the district office by mail at West Shore School District, 507 Fishing Creek Road, PO Box 803, New Cumberland, PA 17070, or by phone at (717) 938-9577. This audit report may also be viewed on our website located at www.wssd.k12.pa.us.

WEST SHORE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 31,870,817	\$ 664,422	\$ 32,535,239	\$ 39,725
Investments	-	-	-	647,420
Taxes receivable (net of allowance for uncollectibles)	7,647,122	-	7,647,122	-
Internal balances	57,722	(57,722)	-	-
Due from other governments	4,489,244	181,775	4,671,019	-
Other receivables	176,364	96,098	272,462	-
Inventories	209,080	53,086	262,166	-
Amounts receivable from life insurance contracts	943,404	-	943,404	-
Capital assets not being depreciated	4,761,473	-	4,761,473	-
Capital assets being depreciated, net	71,793,753	111,859	71,905,612	-
Total assets	121,948,979	1,049,518	122,998,497	687,145
Deferred outflows of resources				
Net deferred pension contributions	10,990,611	206,425	11,197,036	-
Total deferred outflows of resources	10,990,611	206,425	11,197,036	-
Liabilities				
Accounts payable	2,272,619	8,650	2,281,269	1,036
Payroll and benefits payable	13,780,344	-	13,780,344	-
Unearned revenues	340,286	60,986	401,272	-
Accrued interest on bonds and capital leases payable	168,003	-	168,003	-
Long-term liabilities				-
Due within one year	6,001,846	7,386	6,009,232	-
Due in more than one year	41,349,410	41,856	41,391,266	-
Unamortized bond premiums and discounts	472,159	-	472,159	-
Net pension liability	148,238,030	2,801,669	151,039,699	-
Total liabilities	212,622,697	2,920,547	215,543,244	1,036
Deferred inflows of resources				
Deferred charges on refunding	24,443	-	24,443	-
Net pension earnings difference	10,017,836	177,864	10,195,700	-
Total deferred inflows of resources	10,042,279	177,864	10,220,143	-
Net position				
Invested in capital assets (net of related debt)	35,074,052	111,859	35,185,911	-
Temporarily restricted	-	-	-	24,504
Unrestricted (deficit)	(124,799,438)	(1,954,327)	(126,753,765)	661,605
Total net position (deficit)	\$ (89,725,386)	\$ (1,842,468)	\$ (91,567,854)	\$ 686,109

The accompanying notes are an integral part of these financial statements.

WEST SHORE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Direct Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary Government								
Governmental activities								
Instruction	\$ 64,369,633	\$ 395,938	\$ 13,157,612	\$ -	\$ (50,816,083)	\$ -	\$ (50,816,083)	
Instructional student support	6,507,964	-	1,112,197	-	(5,395,767)	-	(5,395,767)	
Administrative and financial support	9,837,805	-	792,146	-	(9,045,659)	-	(9,045,659)	
Operation and maintenance of plant	8,076,121	127,033	337,250	-	(7,611,838)	-	(7,611,838)	
Pupil transportation	4,826,450	-	1,892,077	-	(2,934,373)	-	(2,934,373)	
Student activities	1,505,420	261,127	117,645	-	(1,126,648)	-	(1,126,648)	
Community services	17,107	-	7,843	-	(9,264)	-	(9,264)	
Interest on long-term debt	1,343,298	-	-	518,346	(824,952)	-	(824,952)	
Unallocated depreciation expense	388,983	-	-	-	(388,983)	-	(388,983)	
Total governmental activities	96,872,781	784,098	17,416,770	518,346	(78,153,567)	-	(78,153,567)	
Business-type activities								
Food service	3,164,560	1,559,260	1,802,916	-	-	197,616	197,616	
Total primary government	<u>\$ 100,037,341</u>	<u>\$ 2,343,358</u>	<u>\$ 19,219,686</u>	<u>\$ 518,346</u>	<u>(78,153,567)</u>	<u>197,616</u>	<u>(77,955,951)</u>	
Component Units								
West Shore Foundation	<u>\$ 117,512</u>	<u>\$ -</u>	<u>\$ 41,645</u>	<u>\$ -</u>				<u>\$ (75,867)</u>
		General revenues						
		Taxes						
		Real estate taxes			55,120,529	-	55,120,529	-
		Personal taxes			608,898	-	608,898	-
		Earned income taxes			16,258,202	-	16,258,202	-
		Other taxes			1,434,258	-	1,434,258	-
		Investment earnings			23,916	4	23,920	(5,320)
		Other local revenues			223,319	-	223,319	-
		Loss on sale of capital assets			(223,763)	-	(223,763)	-
		State general subsidies			14,070,187	-	14,070,187	-
		Total general revenues			87,515,546	4	87,515,550	(5,320)
		Changes in net position			9,361,979	197,620	9,559,599	(81,187)
		Net position (deficit) - beginning			(99,087,365)	(2,040,088)	(101,127,453)	767,296
		Net position (deficit) - ending			<u>\$ (89,725,386)</u>	<u>\$ (1,842,468)</u>	<u>\$ (91,567,854)</u>	<u>\$ 686,109</u>

The accompanying notes are an integral part of these financial statements.

WEST SHORE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Capital Projects	Debt Service	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 25,093,214	\$ 6,768,590	\$ 9,013	\$ 31,870,817
Taxes receivable (net of allowance for uncollectibles)	7,647,122	-	-	7,647,122
Due from other funds	57,722	-	-	57,722
Due from other governments	4,489,244	-	-	4,489,244
Other receivables	176,364	-	-	176,364
Inventories	209,080	-	-	209,080
Amounts receivable from life insurance contracts	943,404	-	-	943,404
Total assets	\$ 38,616,150	\$ 6,768,590	\$ 9,013	\$ 45,393,753
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable	\$ 1,570,479	\$ 702,140	\$ -	\$ 2,272,619
Payroll and benefits payable	13,780,344	-	-	13,780,344
Unearned revenues	340,286	-	-	340,286
Total liabilities	15,691,109	702,140	-	16,393,249
Deferred inflows of resources				
Unavailable tax revenue	4,794,747	-	-	4,794,747
Total deferred inflows of resources	4,794,747	-	-	4,794,747
Fund balances				
Nonspendable				
Inventories	209,080	-	-	209,080
Committed to				
Future retirement costs	500,000	-	-	500,000
Future medical costs	2,000,000	-	-	2,000,000
Capital improvements and debt service	-	6,066,450	-	6,066,450
Assigned to				
Athletics and concessions	21,699	-	-	21,699
Reduction of long-term debt	-	-	9,013	9,013
Unassigned	15,399,515	-	-	15,399,515
Total fund balances	18,130,294	6,066,450	9,013	24,205,757
Total liabilities, deferred inflows of resources and fund balances	\$ 38,616,150	\$ 6,768,590	\$ 9,013	\$ 45,393,753

The accompanying notes are an integral part of these financial statements.

WEST SHORE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances - Governmental funds \$ 24,205,757

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

Capital assets are not financial resources and therefore are not presented as assets in the governmental funds.
but are reported in the governmental activities in the statement of net position. At year end, capital assets consist of:

Cost of assets	\$ 158,800,947	
Accumulated depreciation	<u>(82,245,721)</u>	76,555,226

Taxes receivable will be collected, but are not available soon enough to pay for current year expenditures,
and therefore are unavailable in the governmental funds. At year end, these taxes receivable consist of:

Real estate taxes	1,349,099	
Personal taxes	91,178	
Earned income taxes	<u>3,354,470</u>	4,794,747

Certain liabilities are not due and payable out of current economic resources, and therefore are not reported
as liabilities in the governmental funds. At year end, these liabilities consist of:

Bonds payable	(40,650,000)	
Capital lease obligations	(334,571)	
Other post employment benefits	(4,801,091)	
Compensated absences	<u>(1,565,594)</u>	
Long-term and other liabilities	(47,351,256)	
Accrued interest on bonds payable	<u>(168,003)</u>	(47,519,259)

Bond discounts (premiums) are presented as expenditures in the governmental funds.

At year end, the unamortized bond related costs remaining are:

Bond discounts (premiums)		(472,159)
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Refunding bonds issued by the District create deferred charges that are amortized to interest expense over the shorter life
between the new and old bonds, are reported as deferred inflow of resources on the statement of net position.

(24,443)

Certain liabilities, such as net pension obligations, are not due and payable in the current period and, therefore,
are not reported in the governmental funds. At year end, these liabilities consist of:

Net pension liability	(148,238,030)	
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore,
are not reported in the governmental funds. At year end these consists of:

Deferred outflows of resources related to pensions	10,990,611	
Deferred inflows of resources related to pensions	<u>(10,017,836)</u>	<u>(147,265,255)</u>

Net position (deficit) - Governmental activities		<u>\$ (89,725,386)</u>
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The accompanying notes are an integral part of these financial statements.

WEST SHORE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General	Capital Projects	Debt Service	Total Governmental Funds
Revenues				
Local sources - taxes	\$ 73,043,650	\$ -	\$ -	\$ 73,043,650
Local sources - other	2,573,018	8,853	-	2,581,871
State sources	29,196,298	-	-	29,196,298
Federal sources	1,258,468	-	-	1,258,468
Total revenues	<u>106,071,434</u>	<u>8,853</u>	<u>-</u>	<u>106,080,287</u>
Expenditures				
Instruction	62,284,325	-	-	62,284,325
Support services	28,501,519	-	243,334	28,744,853
Noninstructional services	1,534,669	-	-	1,534,669
Capital outlay	113,270	2,146,945	-	2,260,215
Debt service	7,132,620	-	-	7,132,620
Refunds of prior year's revenues	8,917	-	-	8,917
Total expenditures	<u>99,575,320</u>	<u>2,146,945</u>	<u>243,334</u>	<u>101,965,599</u>
Excess (deficiency) of revenues over expenditures	<u>6,496,114</u>	<u>(2,138,092)</u>	<u>(243,334)</u>	<u>4,114,688</u>
Other financing sources (uses)				
Sale of fixed assets	240,051	-	-	240,051
Transfers from other funds	-	4,000,000	-	4,000,000
Transfers to other funds	(4,000,000)	-	-	(4,000,000)
Refunding bonds issues	-	-	9,602,442	9,602,442
Proceeds from extended term financing	348,212	-	-	348,212
Payments on refunded bond issues	-	-	(9,350,095)	(9,350,095)
Total other financing sources (uses)	<u>(3,411,737)</u>	<u>4,000,000</u>	<u>252,347</u>	<u>840,610</u>
Net change in fund balances	3,084,377	1,861,908	9,013	4,955,298
Fund balances - beginning	<u>15,045,917</u>	<u>4,204,542</u>	<u>-</u>	<u>19,250,459</u>
Fund balances - ending	<u>\$ 18,130,294</u>	<u>\$ 6,066,450</u>	<u>\$ 9,013</u>	<u>\$ 24,205,757</u>

The accompanying notes are an integral part of these financial statements.

WEST SHORE SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Total net change in fund balances - Governmental funds \$ 4,955,298

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

Capital outlays are presented as expenditures in the governmental funds. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense, and impairments of capital assets are recorded when the impairment becomes known. During the year, the amount by which capital outlays exceed depreciation expense and impairments is as follows:

Capital outlays	\$ 3,102,647	
Depreciation expense	<u>(4,207,539)</u>	(1,104,892)

Capital assets-realized loss on sale, adjusted cost basis of the assets exceeded the amount of proceeds received resulting in recognized loss		(463,814)
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Deferred inflows of resources that do not provide current financial resources in the governmental funds but are earned in the statement of activities. Deferred inflows of resources increased (decreased) during the year as follows:

Real estate taxes	63,305	
Personal taxes	41,707	
Earned income taxes	<u>282,141</u>	387,153

Bond proceeds and principal repayments are presented as other financing sources and expenditures (other financing uses if refunded bonds) in the governmental funds. In the statement of activities, proceeds and repayments do not effect net position.

Proceeds from refunding bond issue	(9,555,000)	
Principal repayments	<u>14,565,000</u>	5,010,000

Bond discounts (premiums) and the difference between new bonds and any related refunded bonds are presented as expenditures in the governmental funds, whereas these amounts are unearned and amortized in the statement of activities:

Deferred amount on refunding (Amortization) and accretion, net	(125,565)	
	<u>389,462</u>	263,897

Capital lease proceeds are reported as other financing sources in the governmental funds. They are shown as liabilities in the statement of net assets. During the year, one capital lease obligation was issued.

(348,212)

Payments of capital lease obligation principal are presented as expenditures in the governmental funds. The principal repayment reduces the liability for capital leases in the statement of net position.

222,202

Payments of interest are presented as expenditures in the governmental funds when the payment is due. In the statement of activities, the expense is measured by the amount accrued during the year. The liability for accrued interest on bonds payable and capital leases decreased during the year.

40,876

Payments of compensated absences are presented as expenditures in the governmental funds. In the statement of activities, the expense is measured by the amount earned by employees during the year. The liability for compensated absences decreased during the year.

55,316

Payments of other post employment benefits are presented as expenditures in the governmental funds. In the statement of activities, the expense includes actuarial estimates, primarily for amortization of prior costs. The liability for other post employment benefits increased during the year.

(318,803)

Pension costs are presented as expenditures in the governmental funds. In the statement of activities, the changes in the unfunded pension obligation and changes in the deferred outflows and inflows related to pensions are reported as additional pension costs:

Change in deferred outflows and inflows	(1,866,540)	
Amortization of difference between plan contributions and actual contributions	(4,582)	
Amortization of change in proportionate share of net pension liability	<u>2,534,080</u>	<u>662,958</u>

Change in net position - Governmental activities	\$	<u><u>9,361,979</u></u>
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The accompanying notes are an integral part of these financial statements.

WEST SHORE SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Food Service</u>
Assets	
Cash and cash equivalents	\$ 664,422
Due from other governments	181,775
Other receivables	96,098
Inventories	<u>53,086</u>
Total current assets	995,381
Capital assets being depreciated, net	<u>111,859</u>
Total assets	<u>1,107,240</u>
Deferred outflows of resources	
Net deferred pension contributions	<u>206,425</u>
Total deferred outflows of resources	<u>206,425</u>
Liabilities	
Current liabilities	
Accounts payable	8,650
Due to other funds	57,722
Unearned revenue	60,986
Current portion of compensated absences	4,308
Current portion of other post employment benefit obligations	<u>3,078</u>
Total current liabilities	<u>134,744</u>
Long-term liabilities	
Long term portion of compensated absences	24,412
Other post employment benefit obligations	17,444
Net pension liability	<u>2,801,669</u>
Total long-term liabilities	<u>2,843,525</u>
Total liabilities	<u>2,978,269</u>
Deferred inflows of resources	
Net pension earnings difference	<u>177,864</u>
Total deferred inflows of resources	<u>177,864</u>
Net position	
Invested in capital assets (net of related debt)	111,859
Unrestricted	<u>(1,954,327)</u>
Total net position (deficit)	<u><u>\$ (1,842,468)</u></u>

The accompanying notes are an integral part of these financial statements.

WEST SHORE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Food Service
Operating revenues - Food service revenue	<u>\$ 1,559,260</u>
Operating expenses	
Salaries	906,184
Employee benefits	379,320
Purchased property service	80,197
Other purchased services	1,540,967
Food and milk	178,930
Other supplies	33,253
Depreciation	43,214
Other operating expenses	2,495
Total operating expenses	<u>3,164,560</u>
Operating loss	<u>(1,605,300)</u>
Nonoperating revenues	
Earnings on investments	4
State sources - social security and retirement subsidies	140,632
State sources - meal subsidies	101,996
Federal sources - meal subsidies	1,391,279
Federal sources - donated commodities	169,009
Total nonoperating revenues	<u>1,802,920</u>
Change in net position	197,620
Net position (deficit) - beginning	<u>(2,040,088)</u>
Net position (deficit) - ending	<u><u>\$ (1,842,468)</u></u>

The accompanying notes are an integral part of these financial statements.

WEST SHORE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Food Service</u>
Operating activities	
Cash received from users	\$ 1,556,337
Cash payments to employees for services	(1,162,140)
Cash payments to suppliers for goods and services	(160,323)
Cash payments for other operating expenses	<u>(1,700,207)</u>
Net cash used for operating activities	<u>(1,466,333)</u>
Non-capital financing activities	
State sources	228,375
Federal sources	<u>1,246,540</u>
Net cash provided by non-capital financing activities	<u>1,474,915</u>
Investing activities	
Earnings on investments	4
Purchase of capital assets	<u>(62,926)</u>
Net cash used for investing activities	<u>(62,922)</u>
Net change in cash and cash equivalents	(54,340)
Cash and cash equivalents - beginning	<u>718,762</u>
Cash and cash equivalents - ending	<u><u>\$ 664,422</u></u>
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	<u>\$ (1,605,300)</u>
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	43,214
Donated commodities	169,009
Net change in other assets and other liabilities	
Accounts receivable	(89,768)
Inventories	(34,457)
Due to/from other funds	108,815
Accounts payable	(65,926)
Compensated absences	16,437
Deferred revenue	(6,468)
Pension liability	(3,285)
Other post employment benefit obligations	1,396
Total adjustments	<u>138,967</u>
Net cash used for operating activities	<u><u>\$ (1,466,333)</u></u>

The accompanying notes are an integral part of these financial statements.

WEST SHORE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016

	Private Purpose Trust	Student Activities	Total
Assets			
Cash and cash equivalents	\$ 64,612	\$ 463,406	\$ 528,018
Total assets	<u>64,612</u>	<u>463,406</u>	<u>528,018</u>
Liabilities			
Due to student groups	<u>-</u>	<u>463,406</u>	<u>463,406</u>
Total liabilities	<u>-</u>	<u>463,406</u>	<u>463,406</u>
Net position - restricted	<u>\$ 64,612</u>	<u>\$ -</u>	<u>\$ 64,612</u>

The accompanying notes are an integral part of these financial statements.

WEST SHORE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

	Private Purpose Trust
	<u> </u>
Additions	
Gifts and contributions	\$ 6,186
Interest income	<u> 74</u>
Total additions	6,260
Deductions	
Scholarships and awards	<u> 4,962</u>
Change in net position	1,298
Net position - beginning	<u> 63,314</u>
Net position - ending	<u><u> \$ 64,612</u></u>

The accompanying notes are an integral part of these financial statements.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

West Shore School District is the level of government which has oversight responsibility and control over activities related to public school education. The report includes services provided by the District to residents within the boundaries of the Cumberland County municipalities of Lemoyne Borough, Lower Allen Township, New Cumberland Borough and Wormleysburg Borough and the York County municipalities of Fairview Township, Goldsboro Borough, Lewisberry Borough and Newberry Township. Services provided include a comprehensive curriculum for primary and secondary education as well as special education and vocational education programs. The District receives revenue from local, state and federal sources and must comply with the requirements of these funding sources.

Reporting entity

The GASB establishes criteria for determining the activities, organizations and functions of government to be included in the financial statement of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the school's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are:

Economic resources received or held by the separate organization are entirely for the direct benefit of the District or its constituents.

The District is entitled to (or has the ability to) access a majority of the economic resources received or held by the separate organization.

The economic resources received or held by an individual organization that the District is entitled to (or has the ability to) access is significant to the District.

The District has included the West Shore Foundation (the Foundation) as a discretely presented component unit. The financial data of the Foundation is reported in the component unit column in the basic financial statements. This separate column is used to emphasize that the Foundation is legally separate from the District. The Foundation was formed in 1987 for the purpose of supporting projects related to educational programs and to create opportunities for development for the students, staff and community within the West Shore School District. The separate financial statements for the Foundation are available by contacting the District office.

Jointly - governed organizations

The District is a participant in four jointly-governed organizations, each of which is a separate legal entity that offers services to the District and its residents. Each of these entities serves several school districts and/or municipalities and therefore are not included in this reporting entity. These entities do not have taxing power, but are required to adopt an annual budget, which is funded primarily by its member Districts or others that use its services. Complete financial statements for these entities can be obtained from the respective entity's administrative office.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Jointly - governed organizations (Cont'd.)

Cumberland County Tax Bureau provides earned income tax collection services.

Capital Area Intermediate Unit provides special education services and programs.

Cumberland Perry Area Vocational Technical School provides vocational and technical education services and programs.

Harrisburg Area Community College provides community college education services and programs.

Basis of presentation

The financial statements of the District have been prepared in accordance with U.S. generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) establishes U.S. generally accepted accounting principles for governments. Accounting guidance is also provided through the Comptroller's office for Pennsylvania's Department of Education. The more significant of these accounting policies are as follows:

Basis of presentation - District-wide financial statements

District-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present information on all of the nonfiduciary activities of the District. As a general rule the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are presented separately from business-type activities which rely to a significant extent, on fees and charges for support.

District-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Real estate and personal 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 and 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 and amortization are charged as an expense against current operations. Capital assets (net of accumulated depreciation), bonds payable (net of unamortized discounts) and net pension liability are presented in the statement of net position.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation - District-wide financial statements (Cont'd.)

The statement of activities demonstrates the degree to which the direct expenses of given functions or programs are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or program. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are presented as general revenues.

Basis of presentation - Fund financial statements

Fund financial statements are also provided for all governmental funds, proprietary funds, and fiduciary funds of the District. Major individual governmental funds and major individual proprietary funds are presented as separate columns in the fund financial statements. Nonmajor funds, if any, are aggregated and presented in a single column. Fiduciary funds are reported by fund.

Governmental funds are presented 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 received within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if received within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recognized as unearned revenues until earned. Expenditures generally are recognized 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 recognized only when payment is due.

Proprietary funds generally follow standards for accounting and financial presentation for private business enterprises to the extent that those standards do not conflict with or contradict guidance of the GASB. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses for the District's proprietary fund include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are presented as nonoperating revenues and expenses.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation - Fund financial statements (Cont'd.)

Fund accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

When both restricted and unrestricted resources are available, the District's general policy to use the restricted (primarily operating grants) resources first, then unrestricted resources as they are needed.

The District has the following types of funds:

Governmental Funds – These funds account for the activities through which most of the District's operations are provided.

Proprietary Funds – These funds account for the operations of the District that are financed and operated in a manner similar to private business enterprises.

Fiduciary Funds – These funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are therefore not available to support the District's own programs.

The District presents the following major governmental funds:

The General Fund is the primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

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

The Pennsylvania School Code dictates specific procedures relative to budget adoption and financial statement presentation. The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year. This process includes the publishing of notices by advertisement, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District, and that public hearings are held on the proposed operating budget which are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Basis of presentation - Fund financial statements (Cont'd.)

Fund accounting (Cont'd.)

Legal budgetary control is maintained at the sub-function/major object level. The Board may approve transfers of funds appropriated to any particular item of expenditure in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval, provided it is not at a higher level than the Board adopted budget.

In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order, contract or other form of commitment, an encumbrance is recognized. Unused encumbrances expire at the end of each year.

Included in the budget are program budgets as prescribed by the federal and state agencies funding the program. These budgets are approved on a program by program basis by the federal and state funding agencies.

The Capital Projects Fund can consist of more than one project to separately account for each project, if required. Each issuance of new debt (primarily bonds) is recorded as an individual project to account for the debt proceeds and the expenditure of those proceeds. The District maintains a Capital Reserve Fund for amounts transferred from the General Fund and the expenditure of those funds for capital outlays or related debt service on capital projects.

The Debt Service Fund, when applicable, accounts for the refinancing of existing debt.

The District presents the following proprietary fund:

The Food Service Fund accounts for the operations of the cafeterias.

The District presents the following fiduciary funds:

The Private Purpose Trust Fund accounts for assets held by the District in a trustee capacity which are used for various scholarship and award programs for students.

The Student Activities Fund accounts for programs operated and sponsored by various clubs and organizations within the schools.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Cash and cash equivalents and investments

Cash and cash equivalents are considered to be cash on hand, demand deposits (including pooled investments), and short-term investments with original maturities of three months or less from the date of acquisition.

The types of authorized investments are limited by State regulations. Pooled investment funds are required to be operated in accordance with State regulations.

Investments, including pooled investments, are reported at fair value.

Taxes and taxes receivable

Real estate and personal taxes are levied as of July 1 with a legal, enforceable claim against the property. Amounts not collected within six months (December 31) are considered delinquent and submitted to outside agencies/entities for collection actions.

Receivables and payables between funds

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds". Any residual balances outstanding between the governmental activities and business-type activities are presented in the district-wide financial statements as "internal balances". Balances between funds are considered to be short-term items pending periodic repayments.

Inventories and prepaid expenses

Inventories are presented at the lower of cost or market on a first-in, first-out basis, and are expensed when consumed. Donated commodities are recognized as revenue and are inventoried at an estimated cost value.

Certain payments, if any, to vendors reflect expenses applicable to future accounting periods and are presented as prepaid expenses in both district-wide and fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are presented in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$ 5,000 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous groups with individual costs of less than \$ 5,000 as capital assets for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are presented at historical cost or estimated historical cost if purchased or constructed.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Capital assets (Cont'd.)

Major outlays for capital assets and improvements are capitalized when incurred. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Upon sale or retirement, the cost and related accumulated depreciation, if applicable, are eliminated from the respective district-wide and proprietary accounts and any resulting gain or loss is reflected in those accounts.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Buildings	40	-
Building improvements and renovations	20 to 40	-
Site improvements	15 to 20	-
Transportation equipment	8	-
Furniture, fixtures and equipment	3 to 15	5 to 12
Library books	7	-
Computer equipment	3	3

Long-term liabilities

In district-wide financial statements, and in proprietary fund types in fund financial statements, bonds and notes payable and other long-term obligations are presented as liabilities. Bond discounts (premiums) and any charges on refundings are amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance and charges on refundings, as current period expenditures. The face amount of debt issued is presented as other financing sources while discounts and charges on refundings are presented as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are presented as support service expenditures.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Deferred outflows/inflows of resources other than pensions

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources, as appropriate. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will *not* be recognized as an outflow of resources (i.e. expense) until then. The District has no items in this category.

In addition to liabilities, the governmental funds balance sheet reports a separate section for deferred inflows of resources, as appropriate. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of resources that applies to future periods and so will *not* be recognized as an inflow of resources (i.e. revenue) until that time. The District has two types of this item one arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable tax revenue*, is reported only in the governmental funds balance sheet. These unavailable revenues from taxes are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item relates to deferred charges on refundings reported in the district-wide statement of net position. Charges on refundings result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Pensions

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 PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Pensions (Cont'd.)

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefits 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.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Pensions (Cont'd.)

Contributions (Cont'd.)

Member contributions (Cont'd.)

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%.

Employer contributions

The school districts' 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 to the pension plan for the District were \$ 11,178,595 for the year ended June 30, 2016.

Net position

Net position (deficit) represents total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources. In district-wide financial statements and proprietary fund financial statements, categories of net position are:

Invested in capital assets (net of related debt) - This category groups all capital assets into one component of net position. Accumulated depreciation and outstanding debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Net position (Cont'd.)

Unrestricted - This category presents the net position (deficit) of the District, which is not restricted for any project or other purpose. However, these funds may be committed or assigned for specific projects or purposes in the fund financial statements.

Temporarily restricted (component unit only) - This category presents external time and/or use restrictions imposed by donors.

Permanently restricted (component unit only) - This category presents donor-imposed stipulations that they be maintained permanently with only the income available for specified uses.

Governmental fund balances

GASB has established criteria for classifying fund balances into specifically defined classifications based on a hierarchy that reflects the extent to which the District is bound to honor constraints on how those funds can be spent. The District's general policy is to first use restricted funds, if any, prior to using unassigned funds. The classifications of fund balance are:

Nonspendable - Amounts that cannot be spent because they are either in a (a) non-spendable form (i.e. inventories) or (b) legally or contractually required to be maintained intact (i.e. the principal of a permanent fund).

Restricted - Amounts constrained to be used for a specific purpose as per: External parties, contributors or enabling legislation.

Committed - Amounts constrained to be used for a specific purpose as per: The District's highest level of decision making authority which is the Board of School Directors.

Assigned - Amounts intended to be used for a specific purpose as per: Committee or individual authorized by the Board of School Directors. Under the District's budgetary policies, the Director of Business Affairs may assign amounts for athletics and concessions.

Unassigned - Amounts available for any purpose (amounts that are not Nonspendable, Restricted, Committed or Assigned) in the General Fund.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Estimates

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

Recent accounting standards

The following reflects only those pronouncements effective for upcoming reporting periods which based on our review, may be applicable to the District's reporting requirements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement replaces Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43 and Statement No. 50, *Pension Disclosures*. This statement is effective for financial statements for fiscal years beginning after June 15, 2016. The District is currently evaluating what effect, if any, the adoption of GASB 74 will have on the District's financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and establishes new accounting and financial reporting requirements for OPEB plans. This statement is effective for fiscal years beginning after June 15, 2017. The District is currently evaluating what effect, if any, the adoption of GASB 75 will have on the District's financial statements.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Recent accounting standards (Cont'd.)

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosure*. This statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The District is currently evaluating what effect, if any, the adoption of GASB 77 will have on the District's financial statements.

There are other GASB pronouncements that will become effective for future reporting periods. The District does not currently anticipate any significant impact on the District's financial statements from these pronouncements.

Subsequent events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through November 7, 2016, the date the financial statements were available to be issued.

CASH AND CASH EQUIVALENTS AND INVESTMENTS

Pennsylvania statutes provide for investment of District Funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations, and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of funds for investment purposes.

Custodial credit risk is the risk that in the event of a depository institution failure, the District's deposits may not be returned to it. The District does not have a formal investment policy for custodial credit risk. However, the District requires all deposits in excess of federal deposit insurance coverage to be collateralized by the depository institution with approved collateral as provided by law.

As of June 30, 2016, the District's deposits totaled \$ 22,021,953 and the depository institution balances totaled \$ 23,865,534. Of the depository institution balances, \$ 568,950 was covered by federal depository insurance and \$ 23,296,584 was collateralized by pooled assets. The pooled assets collateral is held by the Federal Reserve Bank, but is not titled in the District's name.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd.)

The District also has cash equivalents with Pennsylvania Local Government Investment Trust (PLGIT) and Pennsylvania School District Liquid Asset Fund (PSDLAF) that operate as common law trusts established pursuant to the Intergovernmental Cooperation Act and related statutes for the purpose of pooling investments. Each organization's fundamental policy is to maintain a net asset value of \$ 1 per share, but there can be no assurance that the net asset value will not vary from \$ 1 per share. They may only purchase securities which are permitted under PA law. As of June 30, 2016, District deposits in PLGIT and PSDLAF totaled \$ 6,768,590 and \$ 4,270,042, respectively.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy for interest rate risk. The weighted average maturity of the securities held by PLGIT and PSDLAF is generally less than 90 days.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal investment policy for credit risk. The District's deposits in PLGIT and PSDLAF were rated "AAAm" by Standard & Poor's.

Cash on hand totaled \$ 2,672 at June 30, 2016.

Cash and cash equivalents are as follows:

Governmental activities	\$ 31,870,817
Business-type activities	664,422
Fiduciary funds	<u>528,018</u>
Total cash and cash equivalents	<u>\$ 33,063,257</u>

TAXES RECEIVABLE

Taxes receivable are as follows:

	Taxes Receivable (Gross)	Allowance for Uncollectibles	Taxes Receivable (Net)	Unavailable Tax Revenue
Real estate taxes	\$ 1,842,001	\$ 131,571	\$ 1,710,430	\$ 1,349,099
Personal taxes	301,746	204,747	96,999	91,178
Earned income taxes	<u>5,839,693</u>	-	<u>5,839,693</u>	<u>3,354,470</u>
General Fund	7,983,440	336,318	7,647,122	4,794,747
Full accrual adjustment	-	-	-	<u>(4,794,747)</u>
Governmental activities	<u>\$ 7,983,440</u>	<u>\$ 336,318</u>	<u>\$ 7,647,122</u>	<u>\$ -</u>

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

DUE FROM/TO OTHER FUNDS AND INTERFUND TRANSFERS

Interfund balances were as follows:

<u>Assets</u>		<u>Liabilities</u>	
General Fund	\$ 57,722	\$ 57,722	Food Service Fund

Interfund transfers were as follows:

<u>Other financing sources</u>		<u>Other financing uses</u>	
Capital Projects Fund	\$ 4,000,000	\$ 4,000,000	General Fund

DUE FROM OTHER GOVERNMENTS

Due from other governments are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Local sources - taxes	\$ 145,173	\$ -	\$ 145,173
Local sources - federal grants	518,357	-	518,357
State sources	3,597,432	12,202	3,609,634
Federal sources	<u>228,282</u>	<u>169,573</u>	<u>397,855</u>
	<u>\$ 4,489,244</u>	<u>\$ 181,775</u>	<u>\$ 4,671,019</u>

AMOUNTS RECEIVABLE ON LIFE INSURANCE

The District provides its current and former administrative employees with life insurance coverage through the use of split-dollar endorsement insurance agreements. Under these agreements, the District pays the life insurance premiums and is reimbursed for a portion of the premiums by the employees, predominantly through payroll deductions. The premiums may continue after the employee's retirement under certain circumstances. The District is the owner of all the split-dollar endorsement insurance policies.

Upon the death or termination, other than retirement, of the employee, the District is entitled to receive the greater of the amount of the premiums paid by it toward the policy, or any excess death benefit provided by the policy after payment of death benefits. It has been the District's policy to record a receivable equal to the lesser of the net cash values of the policies or the total accumulated premiums paid, which totals \$ 943,404 at June 30, 2016.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

CAPITAL ASSETS

Changes in capital assets were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,749,549	\$ -	\$ -	\$ 2,749,549
Construction in progress	<u>179,790</u>	<u>2,011,924</u>	<u>(179,790)</u>	<u>2,011,924</u>
	<u>2,929,339</u>	<u>2,011,924</u>	<u>(179,790)</u>	<u>4,761,473</u>
Capital assets being depreciated				
Site improvements	5,172,743	-	(46,666)	5,126,077
Buildings and improvements	131,506,757	326,920	(1,084,363)	130,749,314
Furniture, fixtures and equipment	11,533,382	860,168	(602,804)	11,790,746
Library books	1,933,804	24,059	(208,859)	1,749,004
Transportation equipment	<u>5,256,856</u>	<u>59,366</u>	<u>(691,889)</u>	<u>4,624,333</u>
	<u>155,403,542</u>	<u>1,270,513</u>	<u>(2,634,581)</u>	<u>154,039,474</u>
Accumulated depreciation				
Site improvements	(4,535,238)	(117,562)	46,666	(4,606,134)
Buildings and improvements	(58,145,853)	(3,589,840)	620,549	(61,115,144)
Furniture, fixtures and equipment	(11,035,945)	(291,736)	602,804	(10,724,877)
Library books	(1,780,057)	(59,595)	208,859	(1,630,793)
Transportation equipment	<u>(4,711,856)</u>	<u>(148,806)</u>	<u>691,889</u>	<u>(4,168,773)</u>
	<u>(80,208,949)</u>	<u>(4,207,539)</u>	<u>2,170,767</u>	<u>(82,245,721)</u>
Capital assets being depreciated, net	<u>75,194,593</u>	<u>(2,937,026)</u>	<u>(463,814)</u>	<u>71,793,753</u>
Governmental activities capital assets, net	<u>\$ 78,123,932</u>	<u>\$ (925,102)</u>	<u>\$ (643,604)</u>	<u>\$ 76,555,226</u>
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	\$ 709,775	\$ 62,926	\$ -	\$ 772,701
Accumulated depreciation				
Furniture and equipment	<u>(617,628)</u>	<u>(43,214)</u>	<u>-</u>	<u>(660,842)</u>
Capital assets being depreciated, net	<u>92,147</u>	<u>19,712</u>	<u>-</u>	<u>111,859</u>
Business-type activities capital assets, net	<u>\$ 92,147</u>	<u>\$ 19,712</u>	<u>\$ -</u>	<u>\$ 111,859</u>

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

CAPITAL ASSETS (Cont'd.)

Included above in the governmental activities' furniture, fixtures and equipment are assets being purchased under capital lease obligations. The total cost of these assets and the related accumulated depreciation thereon at June 30, 2016 are \$ 500,710 and \$ 186,405 (net \$ 314,305), respectively.

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Instruction	\$ 2,659,199
Instructional student support	385,872
Administrative and financial support	555,443
Operation and maintenance of plant	55,352
Pupil transportation	153,245
Student activities	9,445
Unallocated depreciation expense	<u>388,983</u>
 Total depreciation expenses – Governmental activities	 <u>\$ 4,207,539</u>
 Business-type activities	
Food service	<u>\$ 43,214</u>

LONG-TERM LIABILITIES

Changes in the following long-term liabilities were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
General obligation debt	\$ 45,660,000	\$ 9,555,000	\$ (14,565,000)	\$ 40,650,000	\$ 4,995,000
Capital leases	208,561	348,212	(222,202)	334,571	127,112
Compensated absences	1,620,910	187,820	(243,136)	1,565,594	385,079
Other post employment benefits	4,482,288	741,857	(423,054)	4,801,091	494,655
Net pension liability	<u>144,271,714</u>	<u>22,524,535</u>	<u>(15,756,550)</u>	<u>151,039,699</u>	<u>-</u>
	<u>\$ 196,243,473</u>	<u>\$ 33,357,424</u>	<u>\$ (31,209,942)</u>	<u>\$ 198,390,955</u>	<u>\$ 6,001,846</u>
 Business-type activities					
Compensated absences	\$ 12,283	\$ 21,247	\$ (4,810)	\$ 28,720	\$ 4,308
Other post employment benefits	19,126	14,193	(12,797)	20,522	3,078
Net pension liability	<u>2,662,807</u>	<u>422,343</u>	<u>(283,481)</u>	<u>2,801,669</u>	<u>-</u>
	<u>\$ 2,694,216</u>	<u>\$ 457,783</u>	<u>\$ (301,088)</u>	<u>\$ 2,850,911</u>	<u>\$ 7,386</u>

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Bonds payable

Changes in the following bonds payable were as follows:

	<u>Beginning Balance</u>	<u>New Issue</u>	<u>Refunding</u>	<u>Scheduled Redemptions</u>	<u>Ending Balance</u>
Series of 2009	\$ 19,955,000	\$ -	\$ -	\$ (1,085,000)	\$ 18,870,000
Series AA of 2010	15,280,000	-	(9,215,000)	(5,000)	6,060,000
Series A of 2011	7,855,000	-	-	(1,690,000)	6,165,000
Series AA of 2011	2,570,000	-	-	(2,570,000)	-
Series of 2016	-	-	9,555,000	-	9,555,000
	<u>\$ 45,660,000</u>	<u>\$ -</u>	<u>\$ 340,000</u>	<u>\$ (5,350,000)</u>	<u>\$ 40,650,000</u>

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Callable Date</u>	<u>Amounts Due Within One Year</u>
Series of 2009	2.00% to 5.00%	May 2029	November 2019	\$ 1,115,000
Series AA of 2010	2.00% to 3.65%	November 2028	November 2016	855,000
Series A of 2011	3.00% to 4.00%	November 2017	None	3,025,000
Series of 2016	1.65% to 2.00%	September 2028	September 2021	-
				<u>\$ 4,995,000</u>

Scheduled debt service requirements, payable by the General Fund, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,995,000	\$ 1,241,500	\$ 6,236,500
2018	5,170,000	1,097,943	6,267,943
2019	2,300,000	961,594	3,261,594
2020	2,390,000	874,910	3,264,910
2021	2,470,000	788,582	3,258,582
2022 to 2026	13,870,000	2,673,991	16,543,991
2027 to 2029	<u>9,455,000</u>	<u>484,509</u>	<u>9,939,509</u>
	<u>\$ 40,650,000</u>	<u>\$ 8,123,029</u>	<u>\$ 48,773,029</u>

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Bonds payable (Cont'd.)

In May 2016 the District authorized the issuance of Series of 2016 bonds in the total face amount of \$ 9,555,000 to be used to advance refund a portion of the Series AA of 2010 bonds. After refunding the portion of the bonds (\$ 9,350,095), paying issuance costs (\$ 243,334), a receiving bond premiums (\$ 47,442), net proceeds of \$ 9,013 were realized, which were deposited into the debt service fund for use in the September 2016 debt service payment. Total debt service payments on the new debt are less than those on the old debt by approximately \$ 813,000, resulting in an economic gain (difference between the present values of the debt service payments on the old and new debt) on the refunding of approximately \$ 663,693.

Capital lease obligations

Effective July 15, 2012, the District entered into a capital lease obligation with Pinnacle Public Finance, Inc. for the purchase of approximately \$ 380,000 of technology equipment. Payments of \$ 97,179 at an interest rate of 1.45% were due each July 15th through the year 2016. The lease obligation was paid in full in 2016.

Effective August 1, 2014, the District entered into a capital lease obligation with Apple, Inc. for the purchase of approximately \$ 150,000 of technology equipment. Payments of \$ 39,028 at an interest rate of 1.90% are due each August 1st through the year 2017.

Effective July 7, 2015, the District entered into a capital lease obligation with Apple, Inc. for the purchase of approximately \$ 348,000 of technology equipment. Payments of \$ 89,526 at an interest rate of 1.90% are due each August 1st through the year 2018.

Changes in capital lease obligations were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
Pinnacle Public Finance, Inc., 1.45%, annual payments of \$ 97,179, due 7/15/2016	\$ 95,791	\$ -	\$ 95,791	\$ -
Apple, Inc., 1.90%, annual payments of \$ 39,028, due 8/1/2017	112,770	-	36,885	75,885
Apple, Inc., 1.90%, annual payments of \$ 89,526, due 8/1/2018	<u>-</u>	<u>348,212</u>	<u>89,526</u>	<u>258,686</u>
	<u>\$ 208,561</u>	<u>\$ 348,212</u>	<u>\$ 222,202</u>	<u>\$ 334,571</u>

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Capital lease obligations (Cont'd.)

The future minimum lease obligations and the net present value of these lease payments at June 30, 2016 were as follows:

2016-17	\$ 128,554
2017-18	128,554
2018-19	<u>89,525</u>
Total minimum lease payments	346,633
Less: amounts representing interest	<u>12,062</u>
 Present value of minimum lease payments	 <u>\$ 334,571</u>

Compensated absences

Compensated absences (those for which employees are compensated) are presented using the termination payment method. A liability is computed using estimates which apply historical data to current factors. The District maintains records of unused leave and applies the contracted rate for employees eligible for termination payments. The District allows only restricted sabbatical leave and therefore does not present any liability in advance of the sabbatical. Payments for compensated absences are made in the year the absence is taken or the employee retires. When an employee retires, the payout is as follows:

Vacation leave – Administrative employees may accumulate up to five days of unused vacation time per year, up to a maximum of 50 days for non-contracted administrators, with additional days granted to contracted administrators. Unused vacation days are paid at retirement based on the retiree's daily rate then in effect.

Sick leave – Teachers, support staff and administrators who retire with at least 15, 15 and 10 years full-time active service with the District, respectively, are eligible to receive a benefit based on the number of unused sick days they have accumulated to the date of retirement based on various options available to the retirees.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Other post-employment benefits (OPEBs)

OPEBs are presented in accordance with GASB Statement No. 45, which requires their recognition as part of the compensation package of active employees for services rendered. The cost and obligation for OPEBs are measured by an actuarial valuation.

Plan description

Under the collective bargaining agreements with the District's teachers and with its support staff, the District provides for the continuance of medical, prescription drug and dental coverage for employees with 15 years of service with the District until the retiree becomes 65 years of age. The retiree will pay the active monthly contribution amount for each month of coverage. There are also provisions to allow deceased teachers' spouses to stay in the plan by paying the active contribution amount for a maximum of three years beyond the death of the retiree.

The District also provides for the continuance of medical, prescription drug and dental coverage for its retired administrators. The District pays 86.5% of the active contribution amount and the member pays the remaining 13.5%. Three retired administrators and their spouses are eligible to remain in the plan for their lifetimes. Other already retired administrators are eligible for the continuance of their medical prescription drug and dental coverage until age 65; spousal coverage for these other retired administrators ceases at the earlier of the retired member or spouse reaching age 65.

Administrators retiring after July 1, 2006 with at least 15 years of service with the District are also eligible for the continuance of their medical and prescription drug coverage until reaching age 65. Spousal coverage for these administrators ceases at the earlier of the retired member or spouse reaching age 65. The District pays the full single contribution rate for the retired member until the earlier of 10 years after retirement or the member reaching age 65. If the spouse is on the plan, then the member must pay the difference between the single contribution rate and the two-party rate. After the ten years of the District paid benefit, the member and spouse can stay on the plan by paying the full contribution rate until age 65. In addition, administrators retiring after July 1, 2006 with at least 15 years of service to the District are eligible to continue their life insurance coverage for their lifetime. The life insurance coverage is based on the years of service to the District. The District pays the premiums in full, but the retiree is required to contribute the economic benefit value based on their age and amount of insurance coverage.

Participant information	
Active participants	831
Vested former participants	0
Retired participants	<u>78</u>
	<u>909</u>

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Other post-employment benefits (OPEBs) (Cont'd.)

Funding policy

The District funds Plan liabilities on a "pay-as-you-go" basis, and has not established an OPEB trust fund to accumulate assets to fund Plan obligations. The District has no statutory or contractual obligation to fund the Plan and only does so at the District's discretion.

Annual OPEB cost and net OPEB obligation

The District's annual OPEB cost (expense) is calculated based on the actuarially determined annual required contribution (ARC) of the District. The ARC represents the amount needed to fund the cost of benefits attributed to the current year, plus an amortized portion of the unfunded actuarial accrued liability (UAAL). The District uses a level dollar method, which results in the UAAL being amortized over a period of 7 years.

Components of the District's annual OPEB cost, the amount actually contributed to the Plan, and changes in the net OPEB obligation are as follows:

Employer normal cost	\$ 259,627
Amortization of unfunded actuarial accrued liability	<u>1,057,756</u>
Annual required contribution	1,317,383
Interest on the net OPEB obligation	202,564
Adjustment to the ARC	<u>(763,897)</u>
Annual OPEB cost	756,050
Contributed to the plan	<u>(435,851)</u>
Increase in net OPEB obligation	320,199
Net OPEB obligation - beginning	<u>4,501,414</u>
 Net OPEB obligation - end	 <u><u>\$ 4,821,613</u></u>

The percentage of OPEB cost contributed was as follows:

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 756,050	57.65%	\$ 4,821,613

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Other post-employment benefits (OPEBs) (Cont'd.)

Funding status and funding progress

The District's actuarial accrued liability (AAL) for OPEBs as of May 2014 was \$ 6,233,038. There are no Plan assets, thus, the entire amount is unfunded. The District does not have any current plans to fund the AAL.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
May 2014	\$ -	\$ 6,233,038	\$ 6,233,038	0.00%	\$ 42,740,508	14.58%

Actuarial methods and assumptions

Actuarial assumptions and methods used in the May 2014 actuarial valuation include the following:

Interest rate	4.50%
General inflation rate	2.50%
Health care cost trend rate	6.50% in 2014 decreasing by 0.5% per year to 5.5% in 2016 Rates gradually decrease from 5.3% in 2017 to 4.2% in 2089 and later
Actuarial cost method	Benefits are allocated on a level basis over the earnings of an individual from date of hire to assumed retirement age
Amortization period	7 years

Actuarial evaluations on an ongoing basis involve estimates of the reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits are based on the types of benefits provided under the plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point in time.

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued liabilities.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Other post-employment benefits (OPEBs) (Cont'd.)

Actuarial methods and assumptions (Cont'd.)

The required schedule of funding progress in the other required supplementary information (ORSI) immediately following the notes to the financial statements, is to present multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the District maintains no Plan assets, information relative to Plan asset disclosures is not applicable.

PSERS health insurance premium assistance

While PSERS is primarily responsible for administering a defined benefit pension plan, it also administers its Health Insurance Premium Assistance Program (Premium Assistance). Under this program, employer contribution rates for Premium Assistance are established to provide reserves in its Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

The contribution rate for employers used to fund Premium Assistance was .84% for the year ended June 2016. Contributions to the Premium Assistance plan for the District were \$ 375,601 for the year ended June 2016. This is in addition to the 25.00% employer contribution rate for the pension plan.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, the District reported a liability of \$ 151,039,699 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 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 District's proportion was .3487%, which was a decrease of .158% from its proportion measured as of June 30, 2014.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)

For the year ended June 30, 2016, the District recognized pension expense of \$ 10,515,638. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ (305,705)
Difference between expected and actual experience	-	(623,301)
Changes in proportions	-	(9,266,694)
Difference between employer contributions and proportionate share of total contributions	18,441	-
Contributions subsequent to the measurement date	<u>11,178,595</u>	<u>-</u>
	<u>\$ 11,197,036</u>	<u>\$ (10,195,700)</u>

In the year ended June 30, 2016, \$ 11,178,595 was reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the year ended June 30 as follows:

2017	\$ (3,429,000)
2018	(3,429,000)
2019	(3,429,000)
2020	92,000

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

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 Board at its March 11, 2011 board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)

Actuarial assumptions (Cont'd.)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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)	<u>(14.0%)</u>	1.1%
	<u>100%</u>	

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

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

LONG-TERM LIABILITIES (Cont'd.)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Cont'd.)

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

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

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 186,172,000	\$ 151,040,000	\$ 121,512,000

Pension plan fiduciary net position

Detailed information about PSERS' fiduciary net position is available in PSERS *Comprehensive Annual Financial Report* which can be found on the System's website at www.psers.state.pa.us.

OPERATING LEASES

The District has entered into several operating lease agreements in which it has agreed to lease certain pieces of equipment (predominantly copy machines and fiber optic transmission systems) over various time periods. The copier agreements contain termination and "lease-up" trade-in provisions which could allow the District to effectively change the terms of the agreements. Total operating lease payments included in General Fund expenditures for the year ended June 30, 2016 approximated \$ 309,857. Minimum lease rental payments for future years, assuming no voluntary terminations, are expected to be as follows:

2016-17	\$ 309,857
2017-18	240,100
2018-19	3,118
2019-20	<u>-</u>
Total	<u>\$ 553,075</u>

The District subleases excess capacity (in the form of a royalty) in its Educational Broadband Station through September 2018 to a commercial entity. Under terms of the agreement, the District currently receives a royalty for the excess capacity in the amount of \$ 108,410 annually, increasing by 3% per year for the remaining term of the agreement.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

RISK MANAGEMENT

Health insurance

The District self-insures its employees' medical, dental and prescription drug benefits and retains independent claims companies to administer the plans. The District obtains reinsurance coverage for the medical and prescription drug benefits through a commercial insurance company, reinsuring claims in excess of \$ 205,000 specific (per person). The District does not reinsure its dental benefits which are subject to a \$ 1,000 per participant liability per year. A summary of the District transactions is as follows:

Cash balance - medical, dental and drug expenses, July 1		\$ 2,961,887
District accruals through June 30 and employee co-share		13,415,940
Interest earned		3,293
Benefit claims paid, net of stop loss insurance proceeds	\$ (10,576,440)	
Stop loss insurance premiums	(389,256)	
Administrative and other fees, net	<u>(485,210)</u>	
		<u>(11,450,906)</u>
Cash balance - medical, dental and drug expenses, June 30		4,930,214
Additional cash available for the month of June		<u>1,145,938</u>
Total cash available		<u>\$ 6,076,152</u>

The amount available for benefit claims was as follows:

Accrual for benefit claims	\$ 3,492,572
Accrual for health insurance coverage on payroll payable	<u>1,145,938</u>
	4,638,510
Cash available for future benefit claims	<u>1,437,642</u>
Total cash available	<u>\$ 6,076,152</u>

Management maintains the accrued medical, dental and drug expenses at a level it believes will be sufficient to pay the estimated amounts of claims that will be incurred but not reported (IBNR). In estimating the expense accrual, management considers advice from its independent claims companies and any extraordinary claims that have been incurred or are expected to be incurred and paid from expendable available financial resources. An additional accrual for estimated claims, including additional estimated claims from accrued summer payrolls, has been recorded at the District-wide level.

WEST SHORE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (Cont'd.)
JUNE 30, 2016

RISK MANAGEMENT (Cont'd.)

Other insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

For State unemployment compensation laws, the District is self-insured, which is a common practice for local governmental units. Any unemployment claims are paid by the District on a quarterly basis as incurred.

COMMITMENTS AND CONTINGENCIES

The terms of the District's contract with its teaching staff, which expired in August 2014, was extended until a new contract is negotiated. The District's contracts with its support staff was renewed through June 2018.

In the normal course of preparing for the subsequent school year, the District has awarded bids for various supplies, fuel contracts, etc. The District entered into two construction contracts for the turf field and the Red Land boiler projects during the year for a total cost of \$ 3,728,935 and \$ 1,243,712, respectively. For the year ended June 30, 2016, the District incurred approximately \$ 2,015,000 in costs. The outstanding commitments at June 30, 2016 for these contracts are approximately \$ 2,950,000.

The District participates in numerous state and federal grant 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 review by the grantor agencies; therefore, any findings or adjustments by the grantor agencies could have an effect on the recorded grants receivable and/or deferred grant revenues, and on the related grant revenues and expenditures.

The District is named as a defendant in various lawsuits, all in the ordinary course of business. The District intends to vigorously defend itself against these actions. Legal counsel for the District has advised that they cannot offer an opinion as to the probable outcome of all such actions. In the opinion of management, the ultimate liabilities, if any, resulting from these claims will not have a material adverse effect on the financial position of the District.

SUBSEQUENT EVENTS

The District authorized issuance of Series A of 2016 general obligation note in the amount of \$ 6,172,000 for the purpose of advance refunding the balance of Series AA of 2010 general obligation bond and to pay related costs.

WEST SHORE SCHOOL DISTRICT
BUDGETARY COMPARISON INFORMATION - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Revenues				
Local sources - taxes	\$ 71,828,033	\$ 71,828,033	\$ 73,043,650	\$ 1,215,617
Local sources - other	2,112,589	2,112,589	2,573,018	460,429
State sources	28,346,775	28,346,775	29,196,298	849,523
Federal sources	1,292,725	1,292,725	1,258,468	(34,257)
Total revenues	103,580,122	103,580,122	106,071,434	2,491,312
Expenditures				
Regular programs	50,164,773	45,580,998	45,460,962	120,036
Special programs	13,682,214	14,675,731	13,909,483	766,248
Vocational programs	1,062,523	1,062,523	1,062,523	-
Other instructional programs	1,461,946	1,455,945	1,195,012	260,933
Community college programs	656,345	656,345	656,345	-
Pupil personnel	3,631,613	3,631,613	3,487,738	143,875
Instructional staff	1,070,562	1,107,686	1,106,406	1,280
Administration	6,298,394	6,293,885	5,959,774	334,111
Pupil health	1,623,650	1,623,650	1,577,642	46,008
Business	1,238,625	1,235,625	1,069,239	166,386
Operation and maintenance of plant	8,188,534	8,187,039	8,004,125	182,914
Student transportation	4,590,559	4,666,812	4,666,655	157
Support services - central	2,463,245	2,580,655	2,536,582	44,073
Other support services	93,148	93,358	93,358	-
Student activities	1,748,860	1,517,333	1,516,900	433
Community services	98,231	38,732	17,769	20,963
Capital outlay	139,000	113,270	113,270	-
Debt service (principal and interest)	7,150,517	7,132,622	7,132,620	2
Refunds of prior year's revenues	-	8,917	8,917	-
Total expenditures	105,362,739	101,662,739	99,575,320	2,087,419
Excess (deficiency) of revenues over expenditures	(1,782,617)	1,917,383	6,496,114	4,578,731
Other financing sources (uses)				
Sale of fixed assets	-	-	240,051	240,051
Proceeds from extended term financing	359,440	359,440	348,212	(11,228)
Transfers (in) out	-	(4,000,000)	(4,000,000)	-
Budgetary reserve	(300,000)	-	-	-
Net changes in fund balances	(1,723,177)	(1,723,177)	3,084,377	4,807,554
Fund balance - beginning	8,734,000	8,734,000	15,045,917	6,311,917
Fund balance - ending	\$ 7,010,823	\$ 7,010,823	\$ 18,130,294	\$ 11,119,471

Note: Separately budgeted expenditures for school sponsored athletics are reflected as part of the student activities budget amounts.

WEST SHORE SCHOOL DISTRICT
OTHER POST EMPLOYMENT BENEFIT PLANS
LAST 3 BIENNIAL REPORTS

HEALTH CARE BENEFITS
SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
May 2014	\$ -	\$ 6,233,038	\$ 6,233,038	0.00%	\$ 42,740,508	14.58%
May 2012	-	7,503,210	7,503,210	0.00%	45,000,232	16.67%
May 2010	-	6,907,317	6,907,317	0.00%	50,341,351	13.72%

The District is required to have an actuarial valuation at least biennially (every 2 years). If the plan experiences significant changes, a new actuarial valuation should be performed rather than waiting for the next scheduled valuation date.

WEST SHORE SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

<u>Year Ended</u>	<u>District Proportion of the Net Pension Liability</u>	<u>District Proportionate Share of the Net Pension Liability</u>	<u>District's Covered Employee Payroll</u>	<u>District Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</u>
June 30, 2015	0.3645%	\$ 144,271,714	\$ 46,514,777	310.16%	57.24%
June 30, 2016	0.3487%	151,039,699	44,867,367	336.64%	54.36%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ending June 30, 2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

WEST SHORE SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS*

Year Ended	Statutorily Required Contribution	Actual Employer Contribution	Contribution Excess/ (Deficiency)	District's Covered Member Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2015	\$ 9,016,230	\$ 9,016,230	\$ -	\$ 44,028,029	20.5%
June 30, 2016	11,178,595	11,178,595	-	44,714,380	25.0%

* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the year prior to the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in fiscal year ending June 30, 2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.