Audit Presentation:
Borough of State College

May 2, 2016

MaherDuessel
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

Pursuing the profession while promoting the public good*
www.md-cpas.com
2015 Reporting

- Borough
  - DCED Annual Report
  - Single Audit
  - Management Letter
  - Communication to Those Charged with Governance

- Tax Office – Local Services Tax Account financial statements

- Centre Tax Agency – Tax Collector financial statements and related reports
Required Audit Communications

- Management’s responsibilities vs. auditor’s responsibilities
  - Opinions
- Significant accounting policies
  - GAAP basis
  - GASB 68 and 71 implemented
Required Audit Communications (cont.)

- Accounting estimates
  - Liabilities for pension and OPEBs
- No sensitive disclosures
- Corrected and uncorrected misstatements
- No disagreements/difficulties
Reporting Structure

Borough Financial Statements

Entity-wide (pages 1-2)

Fund (pages 3-13)

Notes (beginning on page 14)

Governmental Funds

Business-type Funds
GASB Statement No. 68
Employer Accounting for Pensions

- Effective for the Borough’s 2015 reporting year
  - Restatement of $8.9 million
- Significant changes for defined benefit plans
  - Net Pension liability (NPL) is recorded on the Statement of Net Position
    (Note: NPL = Total Pension Liability (TPL) – Pension assets)
    (Previous guidance: Only difference between actual contributions and annual required contributions impacted the Statement of Net Position)
  - Plan assets must be accounted for at market
  - Market changes only partially recognized in current year – deferred and amortized over five years.
  - More expanded disclosures and required supplementary information
## GASB 68 Implementation

### Net Pension Liability (Asset) by Plan (in 000s)

<table>
<thead>
<tr>
<th>Plan</th>
<th>Ratio</th>
<th>TPL</th>
<th>Plan Position</th>
<th>NPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police</td>
<td>87%</td>
<td>$34,998</td>
<td>$30,410</td>
<td>$4,588</td>
</tr>
<tr>
<td>General Government</td>
<td>77%</td>
<td>26,445</td>
<td>20,384</td>
<td>6,061</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>87%</strong></td>
<td><strong>61,443</strong></td>
<td><strong>50,794</strong></td>
<td><strong>10,649</strong></td>
</tr>
</tbody>
</table>

New financial statement categories:

- **Deferred Outflows**
- **Deferred Inflows**

<table>
<thead>
<tr>
<th>Projected vs. actual earnings on investments</th>
<th>Deferred Outflows</th>
<th>Deferred Inflows</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$1,394</td>
</tr>
</tbody>
</table>

Projected vs. actual experience

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,484</td>
</tr>
</tbody>
</table>
General Fund - 2015 Fund Balance $6.3 Million
(amounts presented in millions)

- Unassigned: $3.2
- Nonspendable: $0.5
- Assigned - Pension: $2.6
- Assigned - Risk: $0.7

$1.9
Other Governmental Funds - 2015 Fund Balance
$4.4 Million (amounts presented in millions)

- Restricted - Liquid Fuels
- Restricted - Housing
- Assigned - Capital Projects
- Assigned - Housing
- Assigned - Asset Replacement
General Fund 2015 Revenue Budget vs. Actual
(amounts presented in millions)

- **Taxes**: Budget $13.0 vs. Actual $12.4
- **Charges for Service**: Budget $6.0 vs. Actual $7.3
- **Grants**: Budget $1.7 vs. Actual $1.8
- **Other**: Budget $2.0 vs. Actual $1.8
General Fund 2015 Expenses Budget vs. Actual
(amounts presented in millions)

- **General Government**: $6.3 (Budget), $6.9 (Actual)
- **Public Safety**: $11.6 (Budget), $10.9 (Actual)
- **Highways & Streets**: $2.2 (Budget), $2.1 (Actual)
- **Debt Service**: $1.1 (Budget), $1.0 (Actual)
- **Other**: $2.8 (Budget), $2.7 (Actual)
Financial Trends: Proprietary Funds
(amounts presented in millions)

- Revenue
- Expense

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$11.8</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$12.3</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$12.3</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$12.3</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$13.1</td>
<td>$11.7</td>
</tr>
</tbody>
</table>

MaherDusssel
Certified Public Accountants
Single Audit – Uniform Guidance

- $900,000 in federal awards expended
- Community Development Block Grant considered major program
- Single audit reporting
  - Unmodified opinion on compliance
  - Internal control over compliance finding related to overdraw of administrative funds
  - Status of prior year findings: Internal control finding related to cash reconciliations resolved
Pending Pronouncements

- GASB 72 – Fair Value Measurement (2016)
- GASB 73 – Pensions (2016)
- GASB 74 – OPEBs, Plan (2017)
- GASB 75 – OPEBs, Employer (2018)
- GASB 76 – GAAP Hierarchy (2016)
- GASB 77 – Tax Abatement (2016)
- GASB 79 – External Investment Pools (2016)
- GASB 80 – Component Units (2017)
- GASB 81 – Split Interest (2017)
Centre Tax Agency

Unmodified opinion on financial statements

No significant deficiencies or material weaknesses noted

Unmodified opinion on compliance with PA Act 32

Collections - $57.7 Million (amounts presented in millions)

- Member TCD's
- Non-member TCD's
- Commissions & Refunds

$47.2

$8.4

$2.1
Contact Information

**Jeff Kent**  
Phone: 412-535-5539  
Email: jkent@md-cpas.com

**Joe Minich**  
Phone: 412-535-5510  
Email: jminich@md-cpas.com

**Dustin Starr**  
Phone: 412-535-5541  
Email: dstarr@md-cpas.com

Pittsburgh  
Three Gateway Center  
Six West  
Pittsburgh, PA 15222  
Main 412.471.5500  
Fax 412.471.5508

Harrisburg  
3003 North Front Street  
Suite 101  
Harrisburg, PA 17110  
Main 717.232.1230  
Fax 717.232.8230

Butler  
112 Hollywood Drive  
Suite 204  
Butler, PA 16001  
Main 724.285.6800  
Fax 724.285.6875