

**Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928**

Single Audit Report

**For the Year Ended
June 30, 2016**

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List of Report Distribution

December 2, 2016

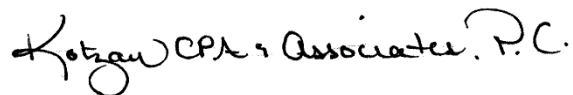
To the Members of the Board
Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928

Board Members:

Not later than thirty days after receipt of the audit report, Conemaugh Township Area School District must distribute the audit report as follows:

One (1) copy to:	Commonwealth of Pennsylvania - Bureau of Audits (submitted electronically)
One (1) copy to:	Single Audit Clearinghouse (submitted electronically)

Sincerely,



Kotzan CPA & Associates, P.C.

Independent Auditors' Report

To the Members of the Board
Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Conemaugh Township Area 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.

Auditors' 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 from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Conemaugh Township Area 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

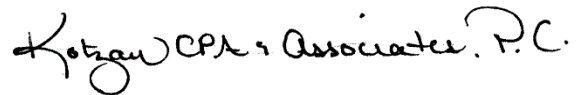
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension information, and budgetary comparison information on pages 5 through 13, page 54 and page 55, respectively, be presented to supplement the basic financial 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards and certain state grants is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and certain state grants is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016 on our consideration of Conemaugh Township Area 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 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 Conemaugh Township Area School District's internal control over financial reporting and compliance.



Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
December 2, 2016

Management's Discussion and Analysis

Conemaugh Township Area School District

2015-2016

This Management's Discussion and Analysis (MD & A) offers an overview of the Conemaugh Township Area School District's (CTASD) financial performance during the fiscal year July 1, 2014-June 30, 2016. It should be read in conjunction with the financial statements, which follow. Comparative data from fiscal year 2014-2015 is required and is included in this report.

FINANCIAL STATEMENTS

Financial Statements have been audited by Kotzan CPA & Associates, P.C. and prepared in accordance with GASB Statement No. 34, presenting both entity-wide and fund-type reports using both the accrual and modified accrual basis of accounting respectively.

GASB # 34 REPORTING

Every effort has been made to ensure this report is easy-to-read and understandable to all citizens of the Conemaugh Township Area School District and other interested parties. Questions and comments regarding the included information may be obtained either in person or by mail by contacting: Mrs. Gina Rembold, Business Manager, 300 W. Campus Avenue, Davidsville, PA 15928; Phone (814) 479-7431 or email regina.rembold@ctasd.org. The remainder of the report contains information included in the fiscal year 2015-2016 Annual Financial Report (PDE form 2057) and local auditor's report. Comparative data for 2014-2015 vs. 2015-2016 is included in the following report.

Government-wide Statements

The government-wide statements report information about the District as a whole using the accrual method of accounting. Net assets include all of the district's assets and liabilities. Current year revenues and expenditures are included in the statement of activity regardless of when paid or received. This approach allows school districts to account for assets and liabilities more like a "for-profit" business would, making comparisons easier and more consistent.

The financial well-being of the District can be more easily assessed using the net assets report, or the overall difference between assets and liabilities. The following reports only show the District's financial stability and do not address the overall success or failure of the District. Determining if the District is providing a quality education to its students while maintaining financial stability is much more difficult and involves many non-financial factors not included in this analysis. It is important to keep in mind, as these reports are reviewed, financial statements, although very important, are only one part of the overall operation of the District.

The government-wide statements are divided into two categories:

1. **Government Activities** - Includes all basic activities, such as education, administration, transportation, capital projects and athletics.
2. **Business-Type Activities** - Food Service Department. Fees and charges to staff and students help support the cost of operation.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Fund Financial Statements

Fund financial statements provide information about the significant funds, *not the district as a whole*.

Governmental Funds - Governmental funds encompass most of the District's activities. Government fund statements present a detailed, short-term financial view of the District on a modified accrual basis.

Proprietary Funds - Proprietary funds are more like a business-type activity. The District Food Service Fund is a proprietary fund in that money is collected through fees and charges and supports the expenses of the fund.

Fiduciary Funds - Funds where the District is a custodian or trustee. The District cannot use these funds for any operational expenditure. The Student Activities Fund and Scholarship Fund represent fiduciary funds.

FINANCIAL HIGHLIGHTS

The Conemaugh Township Area School District's general fund posted revenues of \$13,772,858 and expenditures of \$13,672,309. The difference resulted in a surplus of revenues over expenditures in the amount of \$100,549. Conemaugh Township Area School District's general fund maintains a healthy fund balance of \$6,073,076 at June 30, 2016, \$800,000 of which was assigned in an effort to offset the anticipated PSERS rate increases. These amounts are reflected in the fund financial statements (modified accrual basis).

Property taxes were not increased in 2014-2015 or 2015-2016 and remain at 27.96 mills.

During the 2012-2013 fiscal year the District issued the Series of 2012 General Obligation Bonds in the amount of \$8,225,000 to fund the Elementary School renovation. The balance outstanding at June 30, 2016 was \$7,190,000. During the 2013-2014 fiscal year the District issued the Series of 2014 General Obligation Bonds in the amount of \$4,095,000 to fund various capital improvements in the District and to refund the District's 2006 lease agreement with the Bank of America. The balance outstanding at June 30, 2016 was \$3,810,000.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Entity-Wide Financial Analysis

Table 1 summarizes the assets, liabilities, and net position of the District at June 30, 2016, as compared to June 30, 2015.

Table 1
Condensed Schedule of Net Position

	Governmental Activities		Business-type Activities		Total School District		Change
	2016	2015	2016	2015	2016	2015	2015-16
Assets							
Current assets	\$ 11,806,529	\$ 13,175,651	\$190,912	\$ 126,360	\$11,997,441	\$ 13,302,011	\$ (1,304,570)
Capital assets	16,553,624	15,309,344	115,264	124,741	16,668,888	15,434,085	1,234,803
Total assets	<u>\$ 28,360,153</u>	<u>\$ 28,484,995</u>	<u>\$306,176</u>	<u>\$ 251,101</u>	<u>\$28,666,329</u>	<u>\$ 28,736,096</u>	<u>\$ (69,767)</u>
Deferred Outflows of Resources	<u>\$ 1,951,531</u>	<u>\$ 1,710,570</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,951,531</u>	<u>\$ 1,710,570</u>	<u>\$ 240,961</u>
Liabilities							
Current liabilities	\$ 2,420,540	\$ 2,189,897	\$ 61,383	\$ 31,557	\$ 2,481,923	\$ 2,221,454	\$ 260,469
Long-term liabilities	30,311,966	28,833,291	43,628	38,421	30,355,594	28,871,712	1,483,882
Total liabilities	<u>\$ 32,732,506</u>	<u>\$ 31,023,188</u>	<u>\$105,011</u>	<u>\$ 69,978</u>	<u>\$32,837,517</u>	<u>\$ 31,093,166</u>	<u>\$ 1,744,351</u>
Deferred Inflows of Resources	<u>\$ 120,000</u>	<u>\$ 1,259,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 120,000</u>	<u>\$ 1,259,000</u>	<u>\$ (1,139,000)</u>
Net Position							
Invested in capital assets, net of related debt	\$ 5,959,884	\$ 6,921,141	\$115,265	\$ 124,741	\$ 6,075,149	\$ 7,045,882	\$ (970,733)
Restricted	1,580,180	1,702,514	0	0	1,580,180	1,702,514	(122,334)
Unrestricted	(10,080,886)	(10,710,278)	85,900	56,382	(9,994,986)	(10,653,896)	658,910
Total net position	<u>\$ (2,540,822)</u>	<u>\$ (2,086,623) *</u>	<u>\$201,165</u>	<u>\$ 181,123</u>	<u>\$ (2,339,657)</u>	<u>\$ (1,905,500)</u>	<u>\$ (434,157)</u>

* Net position as of June 30, 2015 does not agree to the beginning balance of net position on the statement of activities due to an equity transfer of \$12,255. See Note 14 to the financial statements.

Current assets are largely comprised of cash and investments. Capital assets represent land, construction in progress, buildings, and equipment less accumulated depreciation. Current liabilities primarily include accrued salaries and wages as well as the current portion of long-term debt. Long-term debt is comprised of the compensated absences liability, the OPEB liability, net pension liability, and the Series 2012 and Series 2014 Bonds.

The most significant fluctuations reflected above are the decreases in deferred inflows of resources.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Table 2 summarizes the revenues, expenses, and changes in net position of the District for the year ended June 30, 2016 compared to the year ended June 30, 2015.

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total School District		Variance
	2016	2015	2016	2015	2016	2015	2015-16
Program Revenues:							
Charges for services	\$ 76,671	\$ 67,340	\$230,907	\$ 214,055	\$ 307,578	\$ 281,395	\$ 26,183
Operating grants and contributions	2,947,453	2,764,335	412,287	385,385	3,359,740	3,149,720	210,020
Capital grants and contributions	4,036	0	12,255	0	16,291	0	16,291
General Revenues:							
Taxes levied	3,805,221	3,868,000	0	0	3,805,221	3,868,000	(62,779)
Grants and entitlements	6,911,964	6,865,083	0	0	6,911,964	6,865,083	46,881
Investment earnings	88,144	100,682	1,050	695	89,194	101,377	(12,183)
Other	3,430	3,332	0	0	3,430	3,332	98
Transfers	(292)	(85)	292	85	0	0	0
Total Revenues	<u>13,836,627</u>	<u>13,668,687</u>	<u>656,791</u>	<u>600,220</u>	<u>14,493,418</u>	<u>14,268,907</u>	<u>224,511</u>
Program Expenses:							
Instruction	8,457,136	8,231,802	0	0	8,457,136	8,231,802	225,334
Support services							
Instructional student support	725,681	663,406	0	0	725,681	663,406	62,275
Administrative and financial support services	2,301,773	2,061,971	0	0	2,301,773	2,061,971	239,802
Operation and maintenance	1,255,258	1,375,943	0	0	1,255,258	1,375,943	(120,685)
Pupil transportation	730,833	691,401	0	0	730,833	691,401	39,432
Student activities	470,401	464,473	0	0	470,401	464,473	5,928
Interest on long-term debt	337,489	304,825	0	0	337,489	304,825	32,664
Food service	0	0	636,749	614,378	636,749	614,378	22,371
Total Expenses	<u>14,278,571</u>	<u>13,793,821</u>	<u>636,749</u>	<u>614,378</u>	<u>14,915,320</u>	<u>14,408,199</u>	<u>507,121</u>
Increase (Decrease) in net position	<u>\$ (441,944)</u>	<u>\$ (125,134)</u>	<u>\$ 20,042</u>	<u>\$ (14,158)</u>	<u>\$ (421,902)</u>	<u>\$ (139,292)</u>	<u>\$ (282,610)</u>

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

The Change in Net Position across funds in 2015-2016 was a decrease of \$421,902.

Revenues of the governmental activities increased in 2015-2016, primarily in operating grants and grants and entitlements. The District's food service revenue increased \$56,571 over prior year, while expenses increased \$22,371.

Despite rising costs, the District continued to offer free breakfast to all students, grades K-12.

The previous table shows the cost of program services and the charges for services and grants offsetting those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues and unrestricted state entitlements.

Table 3
Net Revenue/Expenses

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Program Expenses				
Governmental Activities:				
Instruction	\$ 8,457,136	\$6,073,146	\$ 8,231,802	\$6,053,539
Instructional student support	725,681	698,181	663,406	598,905
Administration	2,301,773	2,279,967	2,061,971	2,039,878
Maintenance	1,255,258	1,230,258	1,375,943	1,375,943
Pupil transportation	730,833	220,073	691,401	174,651
Student activities	470,401	412,155	464,473	414,585
Community services	0	(858)	0	(180)
Interest and fiscal charges	<u>337,489</u>	<u>337,489</u>	<u>304,825</u>	<u>304,825</u>
Net program expenses	<u>\$14,278,571</u>	11,250,411	<u>\$13,793,821</u>	10,962,146
Less: Unrestricted state entitlements		<u>(6,911,964)</u>		<u>(6,865,083)</u>
Total governmental activities		<u>\$4,338,447</u>		<u>\$4,097,063</u>
Business-type activities:				
Food service	<u>\$ 636,749</u>	<u>\$ 18,700</u>	<u>\$ 614,378</u>	<u>\$ 14,938</u>

Governmental Activities

Total net cost of service increased from 2014-2015 to 2015-2016, largely due to personnel costs; salaries and retirement contributions.

Business-Type Activities

Food service management—the cafeteria showed an increase in the net cost of service in 2015-2016 compared to 2014-2015, reflecting the overall increase in food service expenses.

**Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)**

FUND FINANCIAL ANALYSIS

General Fund Revenues

The Conemaugh Township Area School District derived its revenue from three main sources; local effort, state subsidy and reimbursements, and federal funding. State funding continued to be the largest revenue source for Conemaugh Township Area School District in 2015-2016. State subsidies and/or reimbursements accounted for 68% of the total revenue received in 2015-2016 (\$9,401,019); 30% (\$4,124,647) was local effort, consisting largely of real estate tax collections; 2% (\$247,192) represented the federal share which was basically Title grants and Medical ACCESS reimbursements.

2015-2016

Function/Description	Budgeted	Actual	Variance
6000-Local Revenues	\$ 4,095,680	\$ 4,124,647	\$ 28,967
7000-State Revenues	9,348,439	9,401,019	52,580
8000-Federal Revenues	253,469	247,192	(6,277)
9000-Other Revenues	0	0	0
Totals	\$ 13,697,588	\$ 13,772,858	\$ 75,270

2015-2016 Differences from Budgeted to Actual

Local

- Very little deviation from budgeted to actual largely due to the stable tax rate and tax base in the District.

State

- Small deviation from budgeted to actual as the state revenue remained virtually unchanged.

Federal

- There was a small reduction in ACCESS funding and Title funding.

**Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)**

General Fund Expenditures

CTASD expenditures during 2015-2016 totaled \$13,672,309. A breakdown of expenditures is illustrated in the table below.

Function/Description	Budgeted	Actual	Variance
1100-Regular Education	\$ 5,838,206	\$ 5,688,319	\$ 149,887
1200-Special Education	1,793,905	1,768,532	25,373
1300-Vocational Education	270,600	146,321	124,279
1400-Other Education	57,251	47,072	10,179
1500-Nonpublic School Programs	8,000	1,976	6,024
2100-Pupil Services	482,610	401,413	81,197
2200-Media Services	277,824	265,764	12,060
2300-Administration	957,220	928,538	28,682
2400-Health Services	283,240	296,447	(13,207)
2500-Business Office	442,294	477,111	(34,817)
2600-Maintenance	1,135,736	1,108,313	27,423
2700-Transportation	747,700	690,692	57,008
2800/2900-IU Programs	414,046	389,065	24,981
3000-Extracurricular Activities	479,131	437,827	41,304
4000-Construction	0	0	0
5000-Financing	823,158	1,024,919	(201,761)
Totals - rounded	\$ 14,010,921	\$ 13,672,309	\$ 338,612

2015-2016 Differences from Budgeted to Actual

- Savings in the 1100 category was a result of lower healthcare increases than expected and less spending for supplies.
- Fewer students participating in the vocational education program and a larger than expected refund for the GJCTC resulted in savings in the 1300 category.
- A transfer of \$300,000 from the General Fund to the Capital Reserve Fund contributed to the 5000 category being significantly over budget.

General Fund Expenditure Comparative Data 2014-2015 vs. 2015-2016

An illustrative comparative chart below shows the overall expenditures from 2014-2015 vs. 2015-2016.

Fiscal Year	Category-1000	Category-2000	Category-3000	Category-4000	Category-5000
2014-2015	\$7,459,532	\$4,317,225	\$445,983	\$ 0	\$ 906,195
2015-2016	\$7,652,220	\$4,557,343	\$437,827	\$ 0	\$1,024,919
Difference	\$ 192,688	\$ 240,118	\$ (8,156)	\$ 0	\$ 118,724

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Fund Financials Comparative Data 2015-2016

CTASD's fund balance exceeded the State's recommendation of between 8-12%, however, having a larger fund balance allowed the District to avoid borrowing to cover operating expenses during the budget stalemate in Harrisburg for the 15-16 school year. By maintaining a significant fund balance, the District was able to cover all payrolls and bills until state funding was restored. The District was able to earn nearly \$80,000 in interest by investing the fund balance money throughout the school year.

During the 15-16 school year, the District was able to add approximately \$100,000 to the fund balance.

Capital Assets

The following table illustrates changes in capital assets, net of depreciation, by asset type.

Capital Assets - Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2016	2015	2016	2015	2016	2015	2015-16
Land	\$ 46,560	\$ 46,560	\$ 0	\$ 0	\$ 46,560	\$ 46,560	0.0%
Site improvements	2,174,284	2,189,910	0	0	2,174,284	2,189,910	-0.7%
Buildings	12,308,983	11,797,194	0	0	12,308,983	11,797,194	4.3%
Construction in progress	973,405	117,904	0	0	973,405	117,904	725.6%
Equipment and furniture	<u>1,050,392</u>	<u>1,157,776</u>	<u>115,264</u>	<u>124,741</u>	<u>1,165,656</u>	<u>1,282,517</u>	-9.1%
Total	<u>\$16,553,624</u>	<u>\$ 15,309,344</u>	<u>\$115,264</u>	<u>\$124,741</u>	<u>\$16,668,888</u>	<u>\$ 15,434,085</u>	8.0%

The increase in capital assets in fiscal year 2016 reflects the completion of the high school locker room and other renovation projects, the continuation of the high school fieldhouse and dugout projects, and the purchase of various equipment and a vehicle.

Debt

The following table illustrates a condensed summary of outstanding long-term debt, including percentage change.

Outstanding Long-Term Debt

	Total School District		Total Percentage Change
	2016	2015	2015-2016
Other general obligation debt	<u>\$11,000,000</u>	<u>\$11,405,000</u>	<u>-3.6%</u>
Total	<u>\$11,000,000</u>	<u>\$11,405,000</u>	<u>-3.6%</u>

Total debt includes funding the Elementary School renovations and additions as well as debt to fund a High School renovation project and retire previous energy saving project debt.

Conemaugh Township Area School District
Management's Discussion and Analysis (MD&A)

Act 72/Act 1 of 2006

The Board of Directors took no action on Act 72 which signified that the District opted out of Act 72. Act 1 of 2006, a revamped Act 72, with many of the same provisions was approved by the State in June 2006.

Final Notes:

The Board and Administration of the Conemaugh Township Area School District encourages the citizens and taxpayers of the District to review this document in conjunction with other financial resources that are available, including the Pennsylvania Department of Education's website at www.pde.state.pa.us and the CTASD website at www.ctasd.org. The District's website contains a wealth of information about the District, its staff, students, Board, and financial status.

Lastly, when reviewing this data included in this report, it is important to note that the financial condition of the District, while very important, is not the only indicator of a successful school district and must be considered only as one piece of the complex picture that makes up the Conemaugh Township Area School District.

BASIC FINANCIAL STATEMENTS

Conemaugh Township Area School District
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current assets:			
Cash and equivalents	\$ 9,727,634	\$ 111,412	\$ 9,839,046
Investments	494,000	0	494,000
Taxes receivable	1,032,502	0	1,032,502
Intergovernmental receivables	464,843	41,677	506,520
Other receivables	37,550	0	37,550
Inventories	<u>50,000</u>	<u>37,823</u>	<u>87,823</u>
Total current assets	<u>11,806,529</u>	<u>190,912</u>	<u>11,997,441</u>
Noncurrent assets:			
Land	46,560	0	46,560
Construction in progress	973,405	0	973,405
Depreciable capital assets, net	<u>15,533,659</u>	<u>115,264</u>	<u>15,648,923</u>
Total noncurrent assets	<u>16,553,624</u>	<u>115,264</u>	<u>16,668,888</u>
Total assets	<u>28,360,153</u>	<u>306,176</u>	<u>28,666,329</u>
Deferred Outflows of Resources			
Defined benefit pension plan:			
Change in proportionate share	561,000	0	561,000
Contributions subsequent to measurement date	<u>1,390,531</u>	<u>0</u>	<u>1,390,531</u>
Total deferred outflows of resources	<u>1,951,531</u>	<u>0</u>	<u>1,951,531</u>
Total assets and deferred outflows of resources	<u>\$ 30,311,684</u>	<u>\$ 306,176</u>	<u>\$ 30,617,860</u>

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Internal balances	\$ (22,739)	\$ 22,739	\$ 0
Intergovernmental payables	39,768	0	39,768
Accounts payable	491,776	0	491,776
Accrued salaries and benefits	1,022,216	0	1,022,216
Payroll deductions and withholdings	391,784	0	391,784
Accrued interest payable	53,960	0	53,960
Current portion of long-term obligations	443,775	1,063	444,838
Unearned revenues	0	37,581	37,581
Total current liabilities	2,420,540	61,383	2,481,923
Noncurrent liabilities:			
Bonds payable, net	10,494,761	0	10,494,761
Long-term portion of compensated absences	311,676	43,628	355,304
Other post-employment benefits (OPEB)	57,529	0	57,529
Net pension liability	19,448,000	0	19,448,000
Total noncurrent liabilities	30,311,966	43,628	30,355,594
Total liabilities	32,732,506	105,011	32,837,517
Deferred Inflows of Resources			
Defined benefit pension plan:			
Difference between projected and actual investment earnings	40,000	0	40,000
Difference between expected and actual experience	80,000	0	80,000
Total deferred inflows of resources	120,000	0	120,000
Net Position			
Invested in capital assets, net of debt	5,959,884	115,264	6,075,148
Restricted for capital projects	1,580,180	0	1,580,180
Unrestricted	(10,080,886)	85,901	(9,994,985)
Total net position	(2,540,822)	201,165	(2,339,657)
Total liabilities, deferred inflows of resources and net position	\$ 30,311,684	\$ 306,176	\$ 30,617,860

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Statement of Activities
For the Year Ended June 30, 2016**

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction	\$ 8,457,136	\$ 40,856	\$ 2,343,134	\$ 0	\$ (6,073,146)	\$ 0	\$ (6,073,146)
Instructional student support	725,681	0	27,500	0	(698,181)	0	(698,181)
Administration and financial support services	2,301,773	0	21,806	0	(2,279,967)	0	(2,279,967)
Operations and maintenance of plant services	1,255,258	0	25,000	0	(1,230,258)	0	(1,230,258)
Pupil transportation	730,833	0	510,760	0	(220,073)	0	(220,073)
Student activities	470,401	34,957	19,253	4,036	(412,155)	0	(412,155)
Community services	0	858	0	0	858	0	858
Interest on long-term debt	337,489	0	0	0	(337,489)	0	(337,489)
Total governmental activities	14,278,571	76,671	2,947,453	4,036	(11,250,411)	0	(11,250,411)
Business-Type Activities:							
Food service	636,749	230,907	412,287	12,255	0	18,700	18,700
Total primary government	<u>\$ 14,915,320</u>	<u>\$ 307,578</u>	<u>\$ 3,359,740</u>	<u>\$ 16,291</u>	<u>(11,250,411)</u>	<u>18,700</u>	<u>(11,231,711)</u>
General Revenues:							
Taxes levied					3,805,221	0	3,805,221
Grants, subsidies and contributions, not restricted					6,911,964	0	6,911,964
Investment earnings					88,144	1,050	89,194
Miscellaneous					3,430	0	3,430
Transfers between governmental, business-type activities					(292)	292	0
Total general revenues					<u>10,808,467</u>	<u>1,342</u>	<u>10,809,809</u>
Change in net position					(441,944)	20,042	(421,902)
Net position, beginning of year, restated					<u>(2,098,878)</u>	<u>181,123</u>	<u>(1,917,755)</u>
Net position, end of year					<u>\$ (2,540,822)</u>	<u>\$ 201,165</u>	<u>\$ (2,339,657)</u>

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Balance Sheet
Governmental Funds
June 30, 2016**

	General Fund	Major Fund Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 6,867,595	\$ 2,860,039	\$ 9,727,634
Investments	0	494,000	494,000
Taxes receivable	1,032,502	0	1,032,502
Due from other funds	22,739	0	22,739
Due from other governments	464,843	0	464,843
Other receivables	37,550	0	37,550
Inventories	50,000	0	50,000
 Total assets	8,475,229	3,354,039	11,829,268
Deferred Outflows of Resources			
	0	0	0
 Total assets and deferred outflows of resources	\$ 8,475,229	\$ 3,354,039	\$ 11,829,268
Liabilities			
Due to other governments	\$ 39,768	\$ 0	\$ 39,768
Accounts payable	28,938	462,838	491,776
Accrued salaries and benefits	1,022,216	0	1,022,216
Payroll deductions and withholding	391,784	0	391,784
 Total liabilities	1,482,706	462,838	1,945,544
Deferred Inflows of Resources			
Delinquent taxes receivable	919,447	0	919,447
 Total deferred inflows of resources	919,447	0	919,447
Fund Balance			
Nonspendable	50,000	0	50,000
Restricted	0	2,891,201	2,891,201
Assigned	800,000	0	800,000
Unassigned	5,223,076	0	5,223,076
 Total fund balance	6,073,076	2,891,201	8,964,277
 Total liabilities, deferred inflows of resources, and fund balance	\$ 8,475,229	\$ 3,354,039	\$ 11,829,268

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2016**

Total fund balance – governmental funds \$ 8,964,277

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds. The cost of assets is \$31,263,852 and the accumulated depreciation is \$14,710,228. 16,553,624

Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures and therefore, are recorded as deferred inflows of resources in the funds. 919,447

Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable	\$(11,000,000)	
Unamortized bond discounts	95,239	
Accrued interest payable	(53,960)	
Compensated absences	(345,451)	
OPEB obligation	(57,529)	
Net pension liability	<u>(19,448,000)</u>	(30,809,701)

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

Deferred outflows related to pensions	\$1,951,531	
Deferred inflows related to pensions	<u>(120,000)</u>	<u>1,831,531</u>

Total net position of governmental activities **\$ (2,540,822)**

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Major Fund Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 4,124,647	\$ 12,954	\$ 4,137,601
State sources	9,401,019	0	9,401,019
Federal sources	<u>247,192</u>	<u>0</u>	<u>247,192</u>
Total revenues	<u>13,772,858</u>	<u>12,954</u>	<u>13,785,812</u>
Expenditures			
Instruction	7,652,220	0	7,652,220
Support services	4,557,343	7,823	4,565,166
Non-instructional services	437,827	0	437,827
Capital outlay	0	2,021,200	2,021,200
Debt service (principal and interest)	<u>724,627</u>	<u>0</u>	<u>724,627</u>
Total expenditures	<u>13,372,017</u>	<u>2,029,023</u>	<u>15,401,040</u>
Excess of revenues over (under) expenditures	<u>400,841</u>	<u>(2,016,069)</u>	<u>(1,615,228)</u>
Other financing sources (uses)			
Interfund transfers	<u>(300,292)</u>	<u>300,000</u>	<u>(292)</u>
Total other financing sources (uses)	<u>(300,292)</u>	<u>300,000</u>	<u>(292)</u>
Net change in fund balance	100,549	(1,716,069)	(1,615,520)
Fund balance, beginning of year, restated	<u>5,972,527</u>	<u>4,607,270</u>	<u>10,579,797</u>
Fund balance, end of year	<u>\$ 6,073,076</u>	<u>\$ 2,891,201</u>	<u>\$ 8,964,277</u>

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
To the Statement of Activities
For the Year Ended June 30, 2016

Total net change in fund balance – governmental funds \$(1,615,520)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Capital outlay	\$2,016,216	
Depreciation expense	<u>(771,936)</u>	1,244,280

Because some property taxes will not be collected for several months after the District’s year end, they are not considered as “available” revenues in the governmental funds. Deferred inflows of resources from tax revenues increased by this amount this year. 52,903

Interest on long-term debt is recognized in the governmental funds when it is due. In the statement of activities, interest expense is recognized as interest accrues. The liability for accrued interest expense increased by this amount this year. (17,862)

In the governmental funds, compensated absences are measured by the amounts used. The statement of activities measures by the amounts earned. The liability for compensated absences increased by this amount this year. (1,678)

Other post-employment benefits (OPEB) are recognized as expenditures in the governmental funds when they are paid. In the statement of activities, other post-employment benefits are recognized as expenses when incurred. The liability for OPEB increased by this amount this year. (50,481)

Governmental funds report district pension contributions as expenditures in the year required to be made. However, pension expense, which is the change in net pension liability, adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

District pension contributions	\$ 1,390,531	
Pension expense	<u>(1,844,570)</u>	(454,039)

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
To the Statement of Activities
For the Year Ended June 30, 2016

The principal payments on long-term debt consume current financial resources of governmental funds. However, they reduce long-term liabilities on the statement of net position. Further, the effect of bond discounts and premiums are reported in the funds in the year of issue but are deferred and amortized in the statement of activities. The effect is shown below:

Bond principal payments	\$405,000	
Amortization of bond discount	<u>(4,547)</u>	<u>400,453</u>
Change in net position of governmental activities		<u>\$ (441,944)</u>

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Statement of Net Position
Proprietary Fund
June 30, 2016**

	<u>Food Service</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 111,412
Intergovernmental receivables	41,677
Inventory	37,823
Total current assets	190,912
Noncurrent assets:	
Furniture and equipment, net	115,264
Total noncurrent assets	115,264
Total assets	306,176
Deferred Outflows of Resources	
Total assets and deferred outflows of resources	0
	\$ 306,176
Liabilities	
Current liabilities:	
Due to other funds	\$ 22,739
Unearned revenue	37,581
Current portion of compensated absences	1,063
Total current liabilities	61,383
Noncurrent liabilities:	
Long-term portion of compensated absences	43,628
Total noncurrent liabilities	43,628
Total liabilities	105,011
Deferred Inflows of Resources	
Total liabilities, deferred inflows of resources and net position	0
Net Position	
Invested in capital assets	115,264
Unrestricted	85,901
Total net position	201,165
Total liabilities, deferred inflows of resources and net position	\$ 306,176

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2016

	<u>Food Service</u>
Operating revenues	
Food service revenue	\$ 230,907
Total operating revenues	<u>230,907</u>
Operating expenses	
Salaries	199,727
Employee benefits	101,858
Purchased property services	6,388
Other purchased services	300
Supplies	306,544
Depreciation	21,732
Dues and fees	200
Total operating expenses	<u>636,749</u>
Operating income (loss)	<u>(405,842)</u>
Nonoperating revenues (expenses)	
Earnings on investments	1,050
State sources	58,512
Federal sources	353,775
Total nonoperating revenues (expenses)	<u>413,337</u>
Income (loss) before contributions and transfers	<u>7,495</u>
Contributions and transfers	
Capital contributions	12,255
Transfers in (out)	292
Total contributions and transfers	<u>12,547</u>
Change in net position	20,042
Total net position, beginning of year	<u>181,123</u>
Total net position, end of year	<u>\$ 201,165</u>

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2016**

	<u>Food Service</u>
Cash flows from operating activities	
Cash received from users	\$ 230,567
Cash payments to employees for services	(194,657)
Cash payments to suppliers for goods and services	<u>(425,923)</u>
Net cash provided by (used for) operating activities	<u>(390,013)</u>
Cash flows from non-capital financing activities	
State sources	43,123
Federal sources	403,494
Transfers in	<u>292</u>
Net cash provided by (used for) non-capital financing activities	<u>446,909</u>
Cash flows from investing activities	
Earnings on investments	<u>1,050</u>
Net cash provided by (used for) investing activities	<u>1,050</u>
Net increase (decrease) in cash and cash equivalents	57,946
Cash and cash equivalents, beginning of year	<u>53,466</u>
Cash and cash equivalents, end of year	<u>\$ 111,412</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ (405,842)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	21,732
(Increase) decrease in inventories	(10,111)
Increase (decrease) in accounts payable	(522)
Increase (decrease) in accrued salaries/benefits	5,070
Increase (decrease) in unearned revenue	<u>(340)</u>
Total adjustments	<u>15,829</u>
Net cash provided by (used for) operating activities	<u>\$ (390,013)</u>
Non-cash capital financing activities	
Capital contribution to purchase capital assets	<u>\$ 12,255</u>

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016**

	Agency Fund
Assets	
Cash and cash equivalents	\$ 33,204
Total assets	33,204
Deferred Outflows of Resources	0
Total assets and deferred outflows of resources	\$ 33,204
Liabilities	
Due to students	\$ 33,204
Total liabilities	33,204
Deferred Inflows of Resources	0
Net Position	0
Total liabilities, deferred inflows of resources and net position	\$ 33,204

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

1. Description of School District and Reporting Entity

The Conemaugh Township Area School District is a Local Education Agency of the third class, governed by a nine-member publicly elected board, located in the Commonwealth of Pennsylvania. The District has approximately 1,020 enrolled students and operates two school buildings, including an elementary school (grades K-5) and a middle/senior high school (grades 6-12). The District also participates in a local area vocational/technical school with various other districts.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Conemaugh Township Area School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable or other organizations whose nature and significant relationship with the School District are such that exclusion would cause the School District's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (1) either the School District's ability to impose its will on the organization; or (2) there is potential for the organization to provide a financial benefit to or impose a financial burden on the School District. The School District has no component units.

2. Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of these accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of goods and services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

Fund financial statements are also provided in the report for all governmental funds, proprietary funds, and the fiduciary funds of the School District. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial record during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the School District's major governmental funds:

General Fund – The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund – The capital projects fund is used to account for and report financial resources that are restricted to be used for the acquisition, construction, renovation, and deferred maintenance of major capital facilities or equipment, and for debt service.

Proprietary Funds

Proprietary funds focus on the determination of net position, changes in net position and cash flows and are classified as either internal service or enterprise funds. Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District. There are no internal service funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The following is the School District's major enterprise fund:

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

Food Service Fund – This fund accounts for the financial transactions related to the food service operation of the School District.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no private purpose trust funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The School District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program.

C. Measurement Focus

Government-wide Financial Statements

Government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School District are included on the statement of net position.

Fund Financial Statements

Fund financial statements are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary fund is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e. revenues) and decreases (i.e. expenses) in net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Proprietary Fund types distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Food Service fund are charges for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are reported using the economic resources measurement focus.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and deferred inflows and outflows of resources, and in the presentation of expenses versus expenditures. Unearned revenues are addressed in Note 2M, and deferred inflows/outflows of resources in Note 2N.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 5). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Data

An operating budget is adopted each year for the General Fund on a modified accrual basis of accounting.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

The School District is required to adopt a proposed budget at least thirty (30) days prior to adoption of the annual budget. The proposed budget shall be printed or otherwise made available for public inspection to all persons and shall be made available for duplication to any person, on request, at least twenty (20) days prior to the date set for the adoption of the budget. Final action shall not be taken on the proposed budget until after ten (10) days of public notice.

The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the board is required. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2016.

Fund balances in Budgetary Funds may be appropriated based on resolutions passed by the Board of Education, which authorized the School District to make expenditures. Appropriations lapse at the end of the fiscal period. 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 recorded.

Included in the General Fund budget are program budgets as prescribed by the State and Federal agencies funding the program. These budgets are approved on a program by program basis by the State or Federal funding agency.

An Enterprise fund budget is not adopted; however, a formal budget is prepared and approved by management and expenditures are controlled on the basis of this budget.

F. Investment Valuation

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant observable inputs.

The District's investments include a long-term, non-negotiable certificate of deposit held by Pennsylvania Local Government Investment Trust (PLGIT). Similar to checking and savings accounts, non-negotiable certificates of deposit are not subject to fair value or the aforementioned fair value level disclosures.

Although included in cash and cash equivalents on the District's financial statements, the District also invests in pooled funds with the Pennsylvania Local Government Investment Trust (PLGIT). These funds represent investments held in 2a7-like pools. Portfolio securities are valued at amortized cost, which approximates market value. PLGIT portfolios act like money market mutual funds, in that, their objective is to maintain a stable net asset value of \$1.00 per share. The District reports these funds at the pool's share price. These funds are further discussed in Note 3.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016**

H. Inventory

On government-wide financial statements inventories are presented at the lower cost or market on a first-in, first-out basis and are expensed when used.

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories (\$50,000) is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by nonspendable fund balance which indicates they do not constitute “available spendable resources” even though they are a component of net current assets. The General Fund is the only governmental fund that has material inventory balances as of June 30, 2016.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2016. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2016 are reported as unearned revenue.

I. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets used by the proprietary fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund financial statements.

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

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

Description	Estimated Lives
Buildings and Improvements	15 - 40 years
Furniture and Equipment	5 - 20 years
Site Improvements	15 - 30 years

J. Original Issue Discounts

Bond discounts are reported as direct adjustments to the face amount of the bond and are deferred and amortized over the life of the bond using the straight-line method of amortization.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

K. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are determined to be collectible, and no allowance has been established.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

L. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

M. Unearned Revenues

The District reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

N. Deferred Outflows/Inflows of Resources

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in this year's financial statements include a deferred outflow of resources for contributions made to the District's cost-sharing multi-employer defined benefit pension plan between the measurement date of the net pension liability from the plan and the end of the District's fiscal year. They further include a deferred amount arising from the change in the District's proportionate share of the net pension liability, which is amortized to pension expense over a total of five years, including the current year. No deferred outflows of resources affect the fund financial statements in the current year. See further detail on deferred outflows of resources related to the pension plan at Note 10.

Deferred Inflows of Resources

The District's statement of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). Deferred inflows of resources are reported on the District's statement of net position for actual pension plan experience and investment earnings in excess of the expected amounts included in determining pension expense. These deferred inflows of resources are amortized to pension expense over a total of five years, including the current year. See further detail on deferred inflows of resources related to the pension plan at Note 10.

In the District's governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as a deferred inflow of resources (\$919,447).

O. Fund Balance Classification

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable Fund Balance – amounts that are not in nonspendable form (such as inventory or prepaid items) or are legally or contractually required to be maintained intact.
- Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016**

- Assigned Fund Balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- Unassigned Fund Balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

As of June 30, 2016, fund balance components, other than unassigned, consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>
General Fund:			
Inventory	\$ 50,000	\$ 0	\$ 0
Future retirement costs	0	0	800,000
Capital Projects Fund	<u>0</u>	<u>2,891,201</u>	<u>0</u>
Total	<u>\$ 50,000</u>	<u>\$ 2,891,201</u>	<u>\$ 800,000</u>

The School Board establishes (and modifies or rescinds) fund balance commitments by resolution of the board. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance may be established by the Business Manager and/or Superintendent, as delegated by the School Board.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

P. Net Position

Net position represents the assets and deferred outflows of resources, net of liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

The government-wide statement of net position reports \$1,580,180 of restricted net position, which is restricted by enabling legislation for capital projects.

Q. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

R. Pension Plan

Substantially all full-time and part-time employees of the District participate in a cost-sharing multi-employer defined benefit pension plan. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires cost-sharing employers such as the District to recognize a liability for their proportionate share of the collective net pension liability. The standard further requires the District to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows and inflows of resources related to pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to 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, and investments are reported at fair value.

3. Cash and Cash Equivalents and Investments

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest its monies as follows:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided certain requirements are met.

Repurchase agreements with respect to U. S. Treasury bills or obligations.

Local Government Investment Pools (LGIPs) which include, but are not limited to, the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT).

Under Pennsylvania Act 10 of 2016, effective May 24, 2016, all Pennsylvania local governments, including school districts, have additional investment options including commercial paper, bankers' acceptances, and negotiable certificates of deposit. These additional investments are subject to maturity terms and credit rating requirements, as defined in the Act. However, due to the collateralization requirements of the Code and because negotiable certificates of deposit do not exist in the current investment market in a collateralized form to satisfy the requirements, they are not an investment lawfully available to school districts at this time.

**Conemaugh Township Area School District
Notes to Financial Statements
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The deposit and investment policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents include demand deposits at local financial institutions, in addition to cash on hand of \$200. The market values of deposits are equal to the cost of the deposits. Cash and cash equivalents further include pooled funds with the Pennsylvania Local Government Investment Trust (PLGIT), further discussed below.

PLGIT insures that it will not place deposits with any single issuing institution if the largest participant's pro rata share of such deposits exceeds insurance limits unless such deposits are collateralized as prescribed by Act 72 of the Commonwealth of Pennsylvania. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, PLGIT "liquid portfolios" meet the requirements of investments held in 2a7-like pools, and accordingly, portfolio securities are valued at amortized cost, which approximates market value. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT portfolios act like money market mutual funds, in that, their objective is to maintain a stable net asset value of \$1.00 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit. Investments in certain PLGIT portfolios are highly liquid, as deposits can be converted to cash within twenty-four hours without loss of principal or interest. However, other portfolios, although liquid, impose penalties for withdrawals prior to initial holding periods of 30 days or for exceeding limits on the number of withdrawals per month. Another has a 7-day wait time in the case of premature redemptions, in addition to a premature redemption penalty.

The District's investments as reported on the financial statements include a long-term, non-negotiable certificate of deposit held by PLGIT. This certificate of deposit is stated at cost, including accrued interest, which approximates market value.

Cash

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk, however the District's deposits in excess of the FDIC limit are collateralized in accordance with the Pennsylvania Security for Public Deposit Act. As of June 30, 2016, \$9,432,381 of the District's bank balance of \$9,682,381 was exposed to custodial risk as:

Uninsured and uncollateralized	\$ 0
Collateralized with securities held by the pledging financial institution	0
Uninsured and collateral held by the pledging bank's trust department not in the District's name	<u>9,432,381</u>
Total	<u>\$9,432,381</u>

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016**

Reconciliation to Financial Statements

Uninsured amount above	\$9,432,381
Plus: Insured amount	250,000
Deposits in transit	300,000
Less: Outstanding checks	<u>(461,953)</u>
Carrying amount – bank balances	9,520,428
Plus: Petty cash	200
Pooled cash equivalents	845,622
Less: Certificate of deposit considered investments	<u>(494,000)</u>
Total cash per financial statements	<u>\$9,872,250</u>

Investments

As of June 30, 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	12 months	\$ 494,000
PA Local Government Investment Trust	N/A	<u>845,622</u>
Total		<u>\$1,339,622</u>

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments to those authorized by State statutes. However, the District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2016, the District's investments were rated as:

<u>Investment</u>	<u>Standard & Poor's</u>
PA Local Government Trust	AAAm

Concentration of Credit Risk

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in possession of an outside party. The District has no investment subject to custodial credit risk.

Reconciliation to Financial Statements

Total investments above	\$1,339,622
Less: Deposits in investment pool considered cash equivalents	<u>(845,622)</u>
Total investments per financial statements	<u>\$ 494,000</u>

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

4. Real Estate Taxes

Real estate taxes for the School District are collected from the Borough of Benson and the Townships of Conemaugh and West Paint. The tax on real estate for public school purposes for fiscal 2016 was 27.96 mills (\$27.96 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations of property (\$104,348,581) are determined by Somerset County, and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	- Levy Date
July 1 - September 30	- 2% Discount Period
October 1 - November 30	- Face Payment Period
December 1 - December 31	- 10% Penalty Period
January 15	- Lien Date

5. Taxes Receivable

The elected tax collectors are required to return any uncollected taxes to the county's tax claim bureau by January 15. It has been determined the amount of outstanding taxes as of June 30, 2016 is \$1,032,502. The School District, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable. An allowance for uncollectible taxes was not established by the administration. A portion of the amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance recorded as a deferred inflow of resources in the fund financial statements.

Uncollected taxes for the year ended June 30, 2016:

Realty Transfer Tax	\$ 3,432
Delinquent Real Estate	32,266
Interim Real Estate	967
Earned Income Taxes	72,290
Occupation Taxes	<u>4,100</u>
 Uncollected Taxes Recognized as Revenue (received within 60 days)	 113,055
 Real Estate Taxes – Deferred Inflow of Resources	 <u>919,447</u>
 Total Taxes Receivable	 <u>\$1,032,502</u>

6. Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenues of \$37,581 in the Proprietary Fund represent credits on student cafeteria accounts (\$6,403) and donated commodities inventory on hand (\$31,178) at June 30, 2016.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

7. Due From Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District or collections made by another governmental unit on behalf of the School District. At June 30, 2016, the following amounts are due from other governmental units:

<u>Due From</u>	<u>General Fund</u>	<u>Proprietary Fund</u>
Federal	\$ 95,285	\$38,577
State	369,558	3,100
Local	<u>0</u>	<u>0</u>
	<u>\$464,843</u>	<u>\$41,677</u>

8. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers/ Deductions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 46,560	\$ 0	\$ 0	\$ 46,560
Construction in progress	<u>117,904</u>	<u>891,764</u>	<u>(36,263)</u>	<u>973,405</u>
Total capital assets, not being depreciated	<u>164,464</u>	<u>891,764</u>	<u>(36,263)</u>	<u>1,019,965</u>
Capital assets, being depreciated:				
Buildings and improvements	21,224,043	918,317	36,263	22,178,623
Furniture and equipment	3,839,332	68,143	0	3,907,475
Site improvements	<u>4,019,797</u>	<u>137,992</u>	<u>0</u>	<u>4,157,789</u>
Total capital assets, being depreciated	<u>29,083,172</u>	<u>1,124,452</u>	<u>36,263</u>	<u>30,243,887</u>
Less accumulated depreciation:				
Buildings and improvements	9,426,849	442,791	0	9,869,640
Furniture and equipment	2,681,556	175,527	0	2,857,083
Site improvements	<u>1,829,887</u>	<u>153,618</u>	<u>0</u>	<u>1,983,505</u>
Total accumulated depreciation	<u>13,938,292</u>	<u>771,936</u>	<u>0</u>	<u>14,710,228</u>
Total capital assets, being depreciated, net	<u>15,144,880</u>	<u>352,516</u>	<u>36,263</u>	<u>15,533,659</u>
Governmental activities capital assets, net	<u>\$ 15,309,344</u>	<u>\$ 1,244,280</u>	<u>\$ 0</u>	<u>\$ 16,553,624</u>

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

	Beginning Balance	Additions	Transfers/ Deductions	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Equipment	\$ 459,503	\$ 12,255	\$ 0	\$ 471,758
Total capital assets, being depreciated	459,503	12,255	0	471,758
Less accumulated depreciation:				
Equipment	334,762	21,732	0	356,494
Total accumulated depreciation	334,762	21,732	0	356,494
Business-type activities capital assets, net	\$ 124,741	\$ (9,477)	\$ 0	\$ 115,264

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Instruction	\$468,565
Instruction support	40,141
Administration and finance	127,369
Operation and maintenance of plant	69,474
Pupil transportation	40,141
Student activities	26,246
Total depreciation expense – governmental activities	\$771,936

9. Defined Benefit Pension Plan

Plan Description

The District contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employee’s Retirement System (PSERS). Benefit provisions of the plan are established under the provisions of the Pennsylvania Public School Employees’ Retirement Code (the Code) and may be amended by an act of the Pennsylvania State Legislature. The plan provides retirement and disability, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying plan members and beneficiaries. It also provides for refunds of a member’s accumulated contribution upon termination of a member’s employment in the public school sector. The members eligible to participate in the plan include all full-time employees, part-time hourly employees who render at least 500 hours of service in the school year, and part-time per diem employees who render at least 80 days of service in the school year. PSERS issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained at www.psers.state.pa.us.

Funding Policy

The contribution policy is set by the Code and requires contributions by active members, employers, and the Commonwealth.

Conemaugh Township Area School District
Notes to Financial Statements
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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 became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 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 benefit that would have been effective if the member had retired on the day before death.

Contributions

Member Contributions:

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

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

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for new 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%.

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016**

Employer Contributions:

The contribution required of participating employers is based on an actuarial valuation and is expressed as a percentage of annual covered payroll during the period for which the amount is determined. Before July 1, 1995, the school district and the Commonwealth shared the employer contribution rate equally. Since July 1, 1995, the school districts are required to pay the entire employer contribution rate and are reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the market value/personal income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate.

The District's contractually required contribution rate, 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. For the fiscal year ended June 30, 2016, the rate of the employer's contribution was 25.84 percent of covered payroll. The 25.84 percent rate is composed of a pension contribution rate of 25.00 percent for pension benefits and 0.84 percent for healthcare insurance premium assistance. Conemaugh Township Area School District's contributions to PSERS for the year ending June 30, 2016 were \$1,437,253.

10. 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 \$19,448,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2014 to June 30, 2015. The 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 0.0449%, which was an increase of 0.0004% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,844,570. 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>
Difference between expected and actual experience	\$ 0	\$ 80,000
Changes in assumptions	0	0
Net difference between projected and actual investment earnings	0	40,000
Changes in proportions	561,000	0
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions subsequent to the measurement date	1,390,531	0
	<u>\$ 1,951,531</u>	<u>\$ 120,000</u>

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

\$1,390,531, 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 in the year ended June 30, 2017. Other amounts, reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in the pension expense as follows:

Year Ended June 30:		
2017	\$	60,000
2018		60,000
2019		60,000
2020		261,000
2021		0
Thereafter		0
	<u>\$</u>	<u>441,000</u>

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 three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female), with age set back seven years for males and three 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 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.

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

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016**

<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>100.0%</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.

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 one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
District's proportionate share of the net pension liability	\$ 23,972,000	\$ 19,448,000	\$ 15,646,000

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.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

11. Post-employment Healthcare Benefits

The Public School Employees' Retirement System (PSERS) provides a health insurance premium assistance program (premium assistance), a post-employment healthcare plan as defined in the Public School Employees' Retirement Code and amended by Act 29. The program is available to all eligible annuitants who elect to participate. Under this program, an employer contribution rate for premium assistance was established to provide reserves in the Health Insurance Account that are sufficient for the payment of premium assistance benefits.

Participating eligible annuitants are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their monthly insurance premium. In order to receive premium assistance, eligible annuitants must obtain their health insurance through their employer or the System's Health Options Program (HOP), in which the system acts as a conduit between the insurance companies and the eligible annuitant.

12. Postemployment Benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. Under GASB Statement No. 45, the District recognizes the cost of postemployment healthcare in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Because the District adopted the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 20 years, commencing with the 2009 liability.

Plan Description

The District provides continuation of medical and pharmacy benefits to employees who retire from the District. Further, the District offers retirement cash bonuses. Retirement cash bonuses include \$1,500 plus \$50/year of service.

Eligibility

- A. Teachers and Administrators:
 - a) Healthcare
 - i) District incentive – 30 years of PSERS service, including at least 15 years with the District, and PSERS retirement eligibility
 - ii) Act 110/43 – if employee does not meet District incentive requirements
 - b) Cash bonus – 15 years of District service and PSERS retirement eligibility

- B. Support Staff:
 - a) Healthcare – Eligibility for Act 110/43
 - b) Cash Bonus – 15 years of District service and PSERS retirement eligibility

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016**

Duration of Healthcare Benefits

Teachers and Administrators eligible for District incentive:

Retirees receive coverage for the lesser of 10 years or until age 65 or qualification for Medicare if earlier. Spousal coverage can also be purchased. Spousal coverage ceases with the cessation of retiree coverage, or upon spouse's attainment of age 65 or qualification for Medicare if earlier.

Teachers and Administrators eligible for Act 110/43:

Retirees can purchase coverage until the earlier of age 65 or qualification for Medicare. Spousal coverage can also be purchased. Spousal coverage ceases with the cessation of retiree coverage, or upon spouse's attainment of age 65 or qualification for Medicare if earlier.

Support Staff:

Retirees can purchase coverage until the earlier of age 65 or qualification for Medicare. Spousal coverage can also be purchased. Spousal coverage ceases with the cessation of retiree coverage, or upon spouse's attainment of age 65 or qualification for Medicare if earlier.

Participant Contributions

- A. Teachers and Administrators:
 - a) Eligible for District Incentive
 - i) Retiree submits \$100 monthly premium assistance to the District and pays any increases in premium rate post-retirement
 - ii) Spouse – premium rate
 - b) Eligible under Act 110/43 – premium rate
- B. Support Staff – premium rate
- C. Future retirees in the QHDHP – receive employer contribution to an HSA:
 - a) Year of retirement 2016-16 – 70% of deductible during retirement
 - b) Year of retirement 2016-17 – 70% of deductible during retirement
 - c) Year of retirement 2017-18 – 55% of deductible during retirement

All contracts with the District's union employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change.

OPEB benefits are administered by District personnel. No separate financial statements are issued.

The number of participants as of July 1, 2014, the effective date of the triennial OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

	District
Active employees	93
Retired employees	25
Spouses of retired employees	<u>3</u>
Total	<u>121</u>

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016**

Funding Policy

The District currently pays for postemployment health care benefits on a pay-as-you-go basis, and these financial statements assume that pay-as-you-go funding will continue.

Annual Other Postemployment Benefit Cost

For the fiscal year ended June 30, 2016, the District's annual OPEB cost (i.e., expense) of \$210,081 is equal to the adjusted Annual Required Contribution. Considering the District's annual OPEB cost as well as the payment of current health insurance premiums, which totaled \$159,600, the result was an increase in the District's Net OPEB Obligation of \$50,481 for the year ended June 30, 2016.

	District
Actuarial Accrued Liability (AAL)	
Retired employees	\$ 563,000
Active employees	1,163,700
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,726,700</u>
Normal cost at beginning of year	\$ 72,300
Amortization factor based on 20 years	13.3525
Annual covered payroll	To be determined
UAAL as % of covered payroll	To be determined

	District
ARC Normal Cost	\$ 76,772
Amortization of UAAL	133,656
Annual required contribution (ARC)	210,428
Interest on Net OPEB Obligation	0
Adjustment to ARC	<u>(347)</u>
Annual OPEB cost (expense)	210,081
Contribution for the fiscal year	<u>(159,600)</u>
Increase in Net OPEB Obligation	50,481
Net OPEB Asset June 30, 2015	7,048
Net OPEB Obligation June 30, 2016	<u>\$ 57,529</u>
Percent of annual OPEB cost contributed	75.97%

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation of the fiscal years ending June 30, 2016, 2015 and 2014 for the benefits were as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2016	\$ 210,081	75.97%	\$ 57,529
6/30/2015	\$ 202,897	95.22%	\$ 7,048
6/30/2014	\$ 236,517	101.18%	\$ (2,649)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Most included coverages are "community-rated" and annual premiums for community-rated coverages were used as a proxy for claims costs without age adjustment. The unfunded actuarial accrued liability is being amortized over 20 years on a level percent of payroll closed basis.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the liabilities were computed using the projected unit credit method and level percent of payroll amortization. The actuarial assumptions utilized a 3.25% discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in the selection of the 3.25% rate. The valuation assumes a 7.4% healthcare cost trend increase for fiscal year 2016-17, reduced by decrements to a rate of 5.4% by 2025.

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016**

13. Long-Term Obligations

During the fiscal year ended June 30, 2016, general long-term obligations changed as follows:

	Bonds Payable	Compensated Absences	Total General Long-term Obligations
Beginning of year	\$ 11,405,000	\$ 383,394	\$ 11,788,394
Principal retirement	(405,000)	0	(405,000)
Changes in compensated absences	<u>0</u>	<u>6,748</u>	<u>6,748</u>
End of year	11,000,000	390,142	11,390,142
Less: current portion	(410,000)	(34,838)	(444,838)
Less: Original issue discount, net	<u>(95,239)</u>	<u>0</u>	<u>(95,239)</u>
Long-term liabilities	<u>\$ 10,494,761</u>	<u>\$ 355,304</u>	<u>\$ 10,850,065</u>

The future annual payments required to amortize all outstanding debt and obligations, except for the compensated absences, as of June 30, 2016, including total interest payments are as follows:

Year Ended June 30,	General Obligation Bonds		
	Interest	Principal	Total
2017	312,781	410,000	722,781
2018	304,481	420,000	724,481
2019	296,681	425,000	721,681
2020	288,976	430,000	718,976
2021	280,471	440,000	720,471
2022-2026	1,244,293	2,360,000	3,604,293
2027-2031	892,497	2,710,000	3,602,497
2032-2036	409,254	2,930,000	3,339,254
2037-2038	<u>31,991</u>	<u>875,000</u>	<u>906,991</u>
	<u>\$ 4,061,425</u>	<u>\$ 11,000,000</u>	<u>\$ 15,061,425</u>

General Obligation Bonds, Series of 2014

The District issued General Obligation Bonds, Series of 2014, dated June 17, 2014, in the principal amount of \$4,095,000. The proceeds of the bonds were used to fund various capital improvements to the facilities of the School District, refund the District's 2006 lease agreement with the Banc of America, and to pay all costs and expenses incurred by the District in connection with the issuance and sale of these bonds. The bonds bear interest rates ranging from 0.37% to 4.00% with annual principal maturities from March 2015 through September 2035. The balance outstanding at June 30, 2016 was \$3,810,000.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

General Obligation Bonds, Series of 2012

The District issued General Obligation Bonds, Series of 2012, dated September 26, 2012, in the principal amount of \$8,225,000. The proceeds of the bonds were used to fund certain additions and alterations to the Conemaugh Township Area Elementary School and other capital projects within the District, and to pay all costs incidental to the issuance of these bonds. The bonds bear interest rates ranging from 0.600% to 3.625% with annual principal maturities from December 2012 through December 2037. The balance outstanding at June 30, 2016 was \$7,190,000.

Accumulated Compensated Absences

In accordance with accounting principles generally accepted in the United States of America, the District accrues liabilities for compensated absences. Compensated absences reflect the potential cost of sick leave earned by employees as of June 30, 2016. The School District allows all employees to accumulate their unused sick leave. Upon retirement, eligible employees shall receive separation benefits based upon the total days of unused sick leave accumulated while in the employ of Conemaugh Township Area School District at the rate of \$40 per day for the first 100 days, \$50 per day for days 101-200 and 460 per day for accumulated unused days in excess of 200. The School District has computed a total liability of \$390,142 at June 30, 2016 with \$345,451 reflected in the general fund and \$44,691 reflected in the proprietary fund. Due to the nature of the obligation for accrued separation benefits, annual requirements to amortize such obligations are not determinable and have not been presented.

General obligation bonds entered into for governmental activity purposes are liquidated by the general fund. Compensated absences liabilities for governmental activities will be paid by the general fund; whereas, those related to business-type activities will be paid by the proprietary fund.

14. Interfund Transactions

Interfund transfers during the year ended June 30, 2016 consisted of the following:

	<u>Transfer in</u>	<u>Transfer out</u>	<u>Equity Transfer</u>
Capital Projects Fund (major fund)	\$300,000	\$ 0	\$(12,255)
General Fund (major fund)	0	300,292	0
Food Service Fund (major fund)	<u>292</u>	<u>0</u>	<u>12,255</u>
	<u>\$300,292</u>	<u>\$300,292</u>	<u>\$ 0</u>

In fiscal year 2016, the District transferred funds to the Capital Projects Fund to assist with capital expenditures. The District further transferred funds to the Food Service Fund to cover student receivables at June 30, 2016. The equity transfer reflects capital assets purchased out of Capital Projects Fund for the Food Service Fund.

**Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016**

15. Operating Leases

The School District entered into a noncancellable operating lease for copiers. Rental expenditures under all operating lease agreements were \$24,541 for fiscal year 2016. Future minimum rental payments required under operating leases that have remaining lease terms as of June 30 are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Payment</u>
2017	\$16,927
2018	16,927
2019	<u>2,821</u>
Total minimum payments required	<u>\$36,675</u>

16. Contingent Liabilities

Grant Programs

The School District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditures which may be disallowed pursuant to the term of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

17. Self Insurance - Medical Insurance

The School District is participating in the insurance consortium with the Greater Johnstown Area Consortium to provide for the medical care for eligible employees and their dependents. The consortium, which administers the plan, monitors the school's deposits into the school district trust account to be held for the benefits described above and Highmark Services, the plan administrator, processes and pays the claims. The consortium limits its liability by purchasing stop-loss insurance coverage. Conemaugh Township Area School District's liability at June 30, 2016 for unpaid claims incurred prior to the fiscal year end is not readily determinable. No liability has been recorded for these claims at June 30, 2016 as the District recognizes medical claim expense as claims are paid.

18. Risk Management

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2016 and the two previous fiscal years, no settlements exceeded insurance coverage.

Conemaugh Township Area School District
Notes to Financial Statements
June 30, 2016

19. Related Party Transactions

Intermediate Unit Participation

The District is a member of Appalachia Intermediate Unit 8. The District avails itself of various services provided by this membership including special education, curriculum development, and certain internal service functions. The total of services provided to Conemaugh Township Area School District for the year ended June 30, 2016 for IU8 programs amounted to \$375,237. At June 30, 2016, the District had a balance due to Appalachia IU8 of \$33,725 for services.

Jointly Governed Organization

The District governs, with several other school districts, the Greater Johnstown Area Vocational-Technical School. Each district is represented on the vo-tech's school board. However, no on-going financial interest or responsibility exists between the School District and the vo-tech. Students of the District have available at the Vocational-Technical School courses and curriculums related to the technical training fields. Costs of the Vocational-Technical School are shared with other local school districts. Conemaugh Township Area School District made direct payments totaling \$144,804 for the current year's operations.

20. Economic Dependency

Conemaugh Township Area School District receives approximately 68% of its revenue from the State of Pennsylvania in the form of state subsidies. Changes in funding levels by the State could have a material effect on future operations of the District.

21. Nonmonetary Transactions

The District receives one of its federal program subsidies by means of noncash transfer. The U.S. Department of Agriculture, through the Pennsylvania Department of Agriculture, provides food commodities under the National School Lunch Program. These nonmonetary commodity items are valued at market values and recorded as revenue as utilized. The total food commodities donated by the federal government for the fiscal year 2016 totaled \$42,298.

22. Restatement of Fund Balance and Net Position

The restatement of the fund balance and net position of the Capital Projects Fund is the result of an equity transfer, as discussed in Note 14 to the financial statements.

**Conemaugh Township Area School District
Required Supplementary Information – Pension Schedules
June 30, 2016**

Schedule of Proportionate Share of the Net Pension Liability

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability	0.0449%	0.0445%	0.0428%
District's proportionate share of net pension liability	\$ 19,448,000	\$ 17,614,000	\$ 17,520,000
District's covered-employee payroll*	\$ 5,781,388	\$ 5,678,784	\$ 5,498,078
District's proportionate share of net pension liability as percentage of its covered-employee payroll	336.39%	310.17%	318.66%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%	54.49%

*The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2015, 2014, and 2013).

Schedule of District Contributions

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 1,390,531	\$ 1,149,570	\$ 869,154
Contributions in relation to the contractually required contributions	<u>(1,390,531)</u>	<u>(1,149,570)</u>	<u>(869,154)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 5,652,029	\$ 5,781,388	\$ 5,678,784
Contributions as a percentage of covered-employee payroll	24.60%	19.88%	15.31%

Note: These schedules are intended to present information for ten years. Additional years will be displayed prospectively as information becomes available.

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Schedule of Revenues, Expenditures and Changes
In Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	(Budgetary Basis)	Budget Favorable (Unfavorable)
Revenues:				
Local sources	\$4,095,680	\$4,095,680	\$4,124,647	\$ 28,967
State sources	9,348,439	9,348,439	9,401,019	52,580
Federal sources	<u>253,469</u>	<u>253,469</u>	<u>247,192</u>	<u>(6,277)</u>
Total revenues	<u>13,697,588</u>	<u>13,697,588</u>	<u>13,772,858</u>	<u>75,270</u>
Expenditures:				
Instruction:				
Regular programs	5,838,206	5,838,206	5,688,319	149,887
Special programs	1,793,905	1,793,905	1,768,532	25,373
Vocational education programs	270,600	270,600	146,321	124,279
Other instructional programs	57,251	57,251	47,072	10,179
Nonpublic school programs	8,000	8,000	1,976	6,024
Support services:				
Pupil personnel	482,610	482,610	401,413	81,197
Instructional staff	277,824	277,824	265,764	12,060
Administration	957,220	957,220	928,538	28,682
Pupil health	283,240	283,240	296,447	(13,207)
Business	442,294	442,294	477,111	(34,817)
Operation and maintenance of plant	1,135,736	1,135,736	1,108,313	27,423
Student transportation	747,700	747,700	690,692	57,008
Central	412,046	412,046	386,103	25,943
Other support services	2,000	2,000	2,962	(962)
Operation of noninstructional services:				
Student activities	476,131	476,131	436,427	39,704
Community services	3,000	3,000	1,400	1,600
Debt service:				
Principal and interest	<u>723,158</u>	<u>723,158</u>	<u>724,627</u>	<u>(1,469)</u>
Total expenditures	<u>13,910,921</u>	<u>13,910,921</u>	<u>13,372,017</u>	<u>538,904</u>
Excess (deficiency) of revenues over expenditures	(213,333)	(213,333)	400,841	614,174
Other financing sources (uses)				
Interfund transfers	0	0	(300,292)	(300,292)
Budgetary reserve	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>	<u>100,000</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(300,292)</u>	<u>(200,292)</u>
Net change in fund balance	(313,333)	(313,333)	100,549	413,882
Fund balance, beginning of year	<u>6,022,601</u>	<u>6,022,601</u>	<u>5,972,527</u>	<u>(50,074)</u>
Fund balance, end of year	<u>\$ 5,709,268</u>	<u>\$ 5,709,268</u>	<u>\$ 6,073,076</u>	<u>\$ 363,808</u>

See accompanying notes to the basic financial statements.

Conemaugh Township Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2016

Federal/Grant Project Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantors Number	Grant Period Beginning/End Date	Program Or Award Amount	Total Received For the Year	Accrued (Unearned) Revenue at July 1, 2015	Revenue Recognized	Expenditures	Passed Through to Subrecipients	Accrued (Unearned) Revenue June 30, 2016
<u>U.S. DEPARTMENT OF EDUCATION</u>											
Passed through the Pennsylvania Department of Education:											
ECIA Title I	I	84.010	013-160094	07/01/15-09/30/16	\$ 167,293	\$ 123,004	\$ 0	\$ 138,252	\$ 138,252	\$ 0	\$ 15,248
ECIA Title I	I	84.010	013-150094	07/01/14-09/30/15	175,500	45,851	11,282	34,569	34,569	0	0
ECIA Title II Part A	I	84.367	020-160094	07/01/15-09/30/16	46,871	43,753	0	46,871	46,871	0	3,118
ECIA Title II Part A	I	84.367	020-150094	07/01/14-09/30/15	<u>47,142</u>	<u>9,412</u>	<u>9,412</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total passed through the Pennsylvania Department of Education					<u>436,806</u>	<u>222,020</u>	<u>20,694</u>	<u>219,692</u>	<u>219,692</u>	<u>0</u>	<u>18,366</u>
Passed through Appalachia Intermediate Unit #08:											
IDEA Part B - Section 611	I	84.027	062-160008	07/01/15-09/30/16	187,533	111,176	0	187,533	187,533	0	76,357
IDEA Part B - Section 619	I	84.173	131-150008B	07/01/15-06/30/16	<u>2,096</u>	<u>2,096</u>	<u>0</u>	<u>2,096</u>	<u>2,096</u>	<u>0</u>	<u>0</u>
Subtotal Special Education Cluster					<u>189,629</u>	<u>113,272</u>	<u>0</u>	<u>189,629</u>	<u>189,629</u>	<u>0</u>	<u>76,357</u>
Title II-B Mathematics and Science	I	84.366	unknown	07/01/15-09/30/16	6,150	6,150	0	6,150	6,150	0	0
Title II-B Mathematics and Science	I	84.366	unknown	07/01/14-09/30/15	<u>10,360</u>	<u>3,840</u>	<u>(2,015)</u>	<u>5,855</u>	<u>5,855</u>	<u>0</u>	<u>0</u>
Total passed through Appalachia Intermediate Unit #08					<u>206,139</u>	<u>123,262</u>	<u>(2,015)</u>	<u>201,634</u>	<u>201,634</u>	<u>0</u>	<u>76,357</u>
Total U.S. Department of Education					<u>642,945</u>	<u>345,282</u>	<u>18,679</u>	<u>421,326</u>	<u>421,326</u>	<u>0</u>	<u>94,723</u>

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2016**

Federal/Grant Project Title	Source Code	Federal C.F.D.A. Number	Pass Through Grantors Number	Grant Period Beginning/End Date	Program Or Award Amount	Total Received For the Year	Accrued (Unearned) Revenue at July 1, 2015	Revenue Recognized	Expenditures	Passed Through to Subrecipients	Accrued (Unearned) Revenue June 30, 2016	
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>												
Passed through the Pennsylvania Department of Public Welfare:												
Medical Assistance Program - Reimbursement SBAP Administration Reimbursement	I	93.778	044-167367	07/01/15-06/30/16	N/A	2,042	0	2,604	2,604	0	562	
Total U.S. Department of Health and Human Services						2,042	0	2,604	2,604	0	562	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>												
Passed through the Pennsylvania Department of Agriculture:												
National School Lunch - (USDA Commodities)	I	10.555	N/A	07/01/15-06/30/16	N/A	(a) 42,298	(b) (23,092)	34,212	(c) 34,212	0	(d) (31,178)	
Passed through the Pennsylvania Department of Education:												
National School Lunch Federal	I	10.555	N/A	07/01/15-06/30/16	N/A	231,830	29,322	229,940	229,940	0	27,432	
School Breakfast Program	I	10.553	N/A	07/01/15-06/30/16	N/A	90,791	12,313	89,623	89,623	0	11,145	
Subtotal Child Nutrition Cluster						364,919	18,543	353,775	353,775	0	7,399	
State Matching Funds	S	N/A	N/A	07/01/15-06/30/16	N/A	26,253	3,547	25,806	25,806	0	3,100	
Total U.S. Department of Agriculture						391,172	22,090	379,581	379,581	0	10,499	
TOTAL FINANCIAL ASSISTANCE						\$ 642,945	\$ 738,496	\$ 40,769	\$ 803,511	\$ 803,511	\$ 0	\$ 105,784

See accompanying notes to the basic financial statements.

**Conemaugh Township Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2016**

Notes to Schedule of Expenditures of Federal Awards and Certain State Grants

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards and certain state grants (the Schedule) includes the federal award activity of Conemaugh Township Area School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Conemaugh Township Area School District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Conemaugh Township Area School District.

Note B - Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Conemaugh Township Area School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

Note C - Donated Commodities

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, the District had food commodities totaling \$31,178 in inventory.

- (a) Total amount of commodities received from the Department of Agriculture.
- (b) Beginning inventory at July 1, 2015.
- (c) Total amount of commodities used.
- (d) Ending inventory at June 30, 2016.

Note D - Direct/Indirect Funding

The following source codes reflect program funding:

- D = Direct Funding
- I = Indirect Funding
- F = Federal Share
- S = State Share

**Conemaugh Township Area School District
Schedule of Expenditures of Federal Awards and Certain State Grants
For the Year Ended June 30, 2016**

Notes to Schedule of Expenditures of Federal Awards and Certain State Grants

Note E – Reconciliation to Financial Statements

Total Federal Sources reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$247,192
Less: School Based Access Medical Reimbursement Program	(24,896)
Add: IDEA-B Section 611 passed through, recorded as Local Sources	187,533
Add: IDEA – Section 619 passed through, recorded as Local Sources	2,096
Add: Title II-B passed through, recorded as Local Sources	<u>12,005</u>
 Total Federal Expenditures – Governmental Funds	 <u>423,930</u>
 Total Federal Sources reported on Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	 <u>353,775</u>
 Total Federal Expenditures – Proprietary Fund	 <u>353,775</u>
 Total Federal Expenditures	 <u>\$777,705</u>

Note F - Test of 20% Rule (Low-Risk)

Total Expenditures	\$803,511	
Less: State’s Share of National School Lunch Program and School Breakfast Program	<u>(25,806)</u>	
Total Federal Expenditures	<u>\$777,705</u>	
 Child Nutrition Cluster	 \$353,775	
Tested	<u>\$353,775</u>	= 45.5%
Total Federal Expenditures	\$777,705	

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditors' Report

To the Members of the Board
Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Conemaugh Township Area School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Conemaugh Township Area School District's basic financial statements, and have issued our report thereon dated December 2, 2016.

Internal Control Over Financial Reporting

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

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

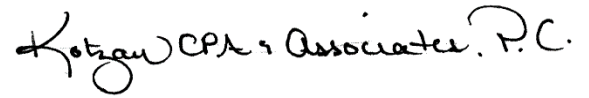
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Kotzan CPA & Associates, P.C." The signature is written in a cursive, flowing style.

Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
December 2, 2016

**Report on Compliance for Each Major Federal Program and on
Internal Control Over Compliance Required by The Uniform Guidance**

Independent Auditors' Report

To the Members of the Board
Conemaugh Township Area School District
West Campus Avenue
Davidsville, Pennsylvania 15928

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Conemaugh Township Area School District's compliance.

Opinion on Each Major Federal Program

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

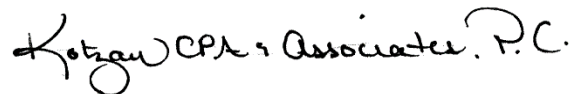
Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Kotzan CPA & Associates, P.C.
Johnstown, Pennsylvania
December 2, 2016

**Conemaugh Township Area School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency identified not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency identified not considered to be material weakness(es)? _____ Yes X None reported

Type of auditors' report issued on compliance for major programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II – Financial Statement Findings No Findings

Section III – Federal Award Findings and Questioned Costs No Findings or Questioned Costs