

CLAYSBURG-KIMMEL SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORT

June 30, 2017

Ritchey, Ritchey & Koontz

CERTIFIED PUBLIC ACCOUNTANTS

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School Board
Claysburg-Kimmel School District

We have performed the Single Audit of the Claysburg-Kimmel District for the fiscal year ended June 30, 2017, and have enclosed the Single Audit package.

The Single Audit was done to fulfill the requirements of the Uniform Guidance. It entailed: 1. an audit of the financial statements and our opinion thereon; 2. an examination of the schedule of expenditures of federal awards and our opinion thereon; 3. a review of the internal control structure based solely on the understanding obtained as part of the audit of the financial statements; 4. a review of compliance based on an audit of financial statements in accordance with Government Auditing Standards; and 5. a review of compliance with laws and regulations related to federal expenditures.

During the course of our audit, no conditions were discovered that required the issuance of a management letter to the District.

Very truly yours,

Ritchey, Ritchey & Koontz

Ritchey, Ritchey & Koontz

Bedford, Pennsylvania
December 22, 2017

Ritchey, Ritchey & Koontz

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Claysburg-Kimmel School District
Claysburg, Pennsylvania

Please perform the following actions:

Present and approve the audit report at a School Board Meeting.

Advertise the availability of the audit report in a newspaper of general circulation.

Please distribute copies as follows:

One (1) Copy, electronically filed to:

RA-BOASingleAudit@state.pa.us
Commonwealth of Pennsylvania
Bureau of Audits
Special Audit Services Division
Forum Place - 8th Floor
555 Walnut Street
Harrisburg, PA 17101

One (1) Copy, electronically filed to:

Single Audit Clearinghouse
1201 E 10th St
Jeffersonville IN 47132-0001

One (1) Copy:

To remain open for public inspection in the School District office.

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Independent Auditor's Report

School Board
Claysburg-Kimmel School District
Claysburg, Pennsylvania

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 Claysburg-Kimmel School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Claysburg-Kimmel School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–14; the budgetary comparison information on page 46; the Schedule of the District's Proportionate Share of the Net Pension Liability on page 47; and the Schedule of District Contributions – Pennsylvania Employees State Retirement System on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the Claysburg-Kimmel 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 Claysburg-Kimmel School District's internal control over financial reporting and compliance.

Very truly yours,

Ritchey, Ritchey & Koontz

Ritchey, Ritchey & Koontz

Bedford, Pennsylvania
December 22, 2017

**CLAYSBURG-KIMMEL SCHOOL DISTRICT
CLAYSBURG, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
Required Supplementary Information (RSI)
June 30, 2017**

The discussion and analysis of Claysburg-Kimmel School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole.

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

FINANCIAL HIGHLIGHTS

During fiscal year 2016-17, the Claysburg-Kimmel School District was able to control expenditures through prudent management while closely monitoring revenues.

Among major funds, the General Fund had \$11,711,549 in revenues and \$11,525,201 in expenditures. The General Fund's balance increased by \$186,348.

USING THE ANNUAL FINANCIAL REPORT (AFR)

The AFR consists of an Introductory Section and a Financial Section that provides additional information regarding the District. Within this Financial Section are the Management Discussion and Analysis (this section) and a series of financial statements and notes to those statements.

These statements are organized so that the reader can understand the Claysburg-Kimmel School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term, as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like a business. For this District, this is our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities – All of the District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- Business type activities – The District operates a food service operation and charges fees to staff, students, and visitors to help it cover the costs of the food service operation. The Food Service Program is reported as business activities.

FUND FINANCIAL STATEMENTS

The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is based on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District’s proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds – The District is the trustee, or fiduciary, for some student activity clubs and some scholarship funds. All of the District’s fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District’s other financial statements because the District cannot use these assets to finance its operations.

Figure A-1 provides an overview of the District’s Government-wide and Fund Financial Statements.

**Figure A-1
Major Features of Claysburg-Kimmel School District
Government-wide and Fund Financial Statements**

	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or Fiduciary, such as Education, Administration and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else’s resources – Scholarship Funds
Required financial statements	Statement of Net Position, Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows	Statement of Net Position, Statement of Changes in Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total Net Position was \$(4,217,940) at June 30, 2017. As a result of the accounting changes due to GASB 68, the total net position includes the recognition of the District's share of PSERS' pension liability in the amount of \$17,196,000.

Table A-1
Fiscal year Ended June 30, 2017
Net Position

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-</u> <u>TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
Current and other Assets	\$ 7,609,040	\$ 100,576	\$ 7,709,616
Capital assets	<u>16,007,083</u>	<u>17,079</u>	<u>16,024,162</u>
TOTAL ASSETS	\$ <u>23,616,123</u>	\$ <u>117,655</u>	\$ <u>23,733,778</u>
 Deferred Outflows of Resources	 \$ <u>3,364,063</u>	 \$ <u>0</u>	 \$ <u>3,364,063</u>
 Current and other Liabilities	 \$ 2,577,208	 \$ 64,593	 \$ 2,641,801
Long-term liabilities	<u>28,232,980</u>	<u>0</u>	<u>28,232,980</u>
TOTAL LIABILITIES	\$ <u>30,810,188</u>	\$ <u>64,593</u>	\$ <u>30,874,781</u>
 Deferred Inflows of Resources	 \$ <u>441,000</u>	 \$ <u>0</u>	 \$ <u>441,000</u>
 Net Position			
Invested in capital assets, net of related debt	\$ 5,179,269	\$ 0	\$ 5,179,269
Restricted: Capital Projects	452,186	0	452,186
Unrestricted	<u>(9,902,457)</u>	<u>53,062</u>	<u>(9,849,395)</u>
 TOTAL NET POSITION	 \$ <u>(4,271,002)</u>	 \$ <u>53,062</u>	 \$ <u>(4,217,940)</u>

Most of the District's Net Position is invested in capital assets (buildings, land, and equipment).

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

Table A-2 presents the total revenues and the expenses of both Governmental Activities and Business-type Activities for the year.

Table A-2
Fiscal Year Ended June 30, 2017
Changes in Net Position

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
Revenues			
Program revenues:			
Charges for services	\$ 41,816	\$ 198,391	\$ 240,207
Operating grants and contributions	2,926,083	407,460	3,333,543
Capital grants and contributions	220,545	0	220,545
General revenues:			
Property taxes	2,521,158	0	2,521,158
Other taxes	716,022	0	716,022
Grants, subsidies and contributions, unrestricted	5,269,262	0	5,269,262
Other revenues	<u>8,605</u>	<u>0</u>	<u>8,605</u>
TOTAL REVENUES	\$ <u>11,703,491</u>	\$ <u>605,851</u>	\$ <u>12,309,342</u>
Expenses			
Instruction	\$ 6,656,266	\$ 0	\$ 6,656,266
Instructional student support	1,123,290	0	1,123,290
Administrative and financial support	1,127,722	0	1,127,722
Operation and maintenance of plant	1,158,319	0	1,158,319
Pupil transportation	460,687	0	460,687
Student activities	369,992	0	369,992
Community services	12,483	0	12,483
Interest on long-term debt	324,765	0	324,765
Unallocated depreciation expense	585,522	0	585,522
Food Services	<u>0</u>	<u>592,293</u>	<u>592,293</u>
TOTAL EXPENSES	\$ <u>11,819,046</u>	\$ <u>592,293</u>	\$ <u>12,411,339</u>
INCREASE (DECREASE) IN NET POSITION	\$ <u>(115,555)</u>	\$ <u>13,558</u>	\$ <u>(101,997)</u>

Table A-3 shows the District’s nine largest functions – instructional programs, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, long-term debt, as well as each program’s net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-3
Fiscal Year Ended June 30, 2017
Governmental Activities

<u>FUNCTIONS/PROGRAMS</u>	<u>Total Cost</u> <u>of</u> <u>Services</u>	<u>Net Cost of</u> <u>Services</u>
Instruction	\$ 6,656,266	\$ 4,464,825
Instructional student support	1,123,290	993,350
Administrative	1,127,722	1,010,300
Operation and maintenance	1,158,319	1,071,530
Pupil transportation	460,687	74,538
Student activities	369,992	313,834
Community services	12,483	12,483
Long-term debt	324,765	104,220
Unallocated depreciation expense	<u>585,522</u>	<u>585,522</u>
	<u>\$ 11,819,046</u>	8,630,602
TOTAL GOVERNMENTAL ACTIVITIES		
Less:		
Unrestricted grants, subsidies		<u>5,269,262</u>
TOTAL NEEDS FROM LOCAL TAXES		
AND OTHER REVENUES		<u>\$ 3,361,340</u>

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-4
Fiscal Year Ended June 30, 2017
Business-type Activities

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food Services	\$ <u>592,293</u>	\$ <u>(13,558)</u>
Total Business-Type Activities		\$ <u>(13,558)</u>

The Statement of Revenues, Expenses and Changes in Fund Net Position for this proprietary fund will further detail the actual results of operations.

THE DISTRICT FUNDS

At June 30, 2017, the District governmental funds reported a combined fund balance of \$5,596,771, an increase of \$81,691.

	<u>2015</u>	<u>2016</u>	<u>Difference</u>
General Fund	\$ 4,958,237	\$ 5,144,585	\$ 186,348
Capital Projects	556,843	452,186	(104,657)
Non-Major Governmental Funds*	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$ <u>5,515,080</u>	\$ <u>5,596,771</u>	\$ <u>81,691</u>

*NOTE: In following GASB 54 Guidelines, the Athletic Fund for 2016 and 2017 was included in the General Fund.

GENERAL FUND BUDGET

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted which is after the end of the fiscal year, which is not prohibited by state laws. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided.

The District applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process.

Budgeted expenditures and other financial uses increased this same amount to compensate for the additional approved grants. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas.

The Budgetary Reserve includes amounts that will be funded by designated fund balances for planned opportunities of expenditures for improvements/enhancements to the District operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$16,024,162 invested in a broad range of capital assets, including land, buildings, and furniture and equipment.

Governmental Activities

Capital assets - net of depreciation

Land, buildings, furniture and equipment	\$ 16,024,162
Construction in progress	<u>0</u>
TOTAL CAPITAL ASSETS	<u>\$ 16,024,162</u>

DEBT ADMINISTRATION

As of July 1, 2016, the District had total outstanding bond principal of \$11,930,000. During the year, the District made regularly scheduled payments against this principal of \$650,000, resulting in ending outstanding debt as of June 30, 2017 of \$11,280,000.

**Table A-5
Outstanding Debt**

	<u>2016</u>	<u>2017</u>
General Obligation Notes/Bonds	\$ <u>11,930,000</u>	\$ <u>11,280,000</u>

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's general obligation is rated by Standard and Poor's "AAA" and insured by FGIC. The School Code presently provides that in all cases where the School District fails to pay the payment of any indebtedness, the Secretary of Education shall withhold out of any appropriation due the School District an amount equal to the principal amount and interest and pay to the bank.

The District continues to implement the GASB 45 standard. This standard requires governmental entities to accrue the cost for OPEB (excluding pension benefits) while members are in active employment. This requires a periodic actuarial valuation be done. Based on the number of plan participants, a valuation is to be done every three years unless significant changes occur.

For fiscal year 2017, the District continued the requirements of GASB Statement No. 68. This statement establishes standard in disclosure requirements for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to the District's pension.

The comparison of budgeted revenue and expenditure categories is as follows.

**Table A-6
BUDGETED REVENUES**

	2016-17	2015-16
Local	27%	28%
State	69%	69%
Federal/Other	4%	3%

BUDGETED EXPENDITURES

	2016-17	2015-16
Instruction	55%	54%
Support Services	33%	32%
Non-Instructional/Community	3%	3%
Fund Transfers/Debt/Capital	9%	11%

Labor Relations

The professional staff of the Claysburg-Kimmel School District is represented by the Claysburg-Kimmel Education Association, an affiliation of the Pennsylvania State Teachers Association (PSEA). This group, which represents approximately 59 of the Claysburg-Kimmel School District's staff, has the responsibility of bargaining for these employees. Administration and the professional staff successfully negotiated a new contract that runs from July 1, 2016 through June 30, 2020. The current agreement provided and estimated 3.3% salary increase to this staff in 2016-17.

The support personnel are represented by the Claysburg-Kimmel Educational Support Personnel Association, an affiliation of the PSEA. This group represents approximately 42 staff members and has the responsibility for bargaining for these employees. Administration and the Support Staff successfully negotiated a new contract that runs from July 1, 2017 through June 30, 2022.

The remaining administration and support staff are not represented by any collective bargaining agreement, and any increase in compensation was done in accordance with Act 93. The staff in this category received an average 3.0% salary increase during the 2016-17 fiscal year.

LEADERSHIP

The District Superintendent retired as of June 30, 2017. An Interim Superintendent fulfilled that leadership role until December 11, 2017, when the new Superintendent began his tenure.

NEW ACCOUNTING SOFTWARE

The District transitioned to a new accounting software during the 2016-2017 fiscal year, transitioning from Tenex to Tyler Infinite Visions. This transition gives the District a more up to date system and will provide the District with a valuable asset for years to come.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or wish to request additional financial information, please contact Michelle Smithmyer, Business Manager, at Claysburg-Kimmel School District, 531 Bedford Street, Claysburg, PA 16625, (814) 239-5141 ext. 1354.

CLAYSBURG-KIMMEL SCHOOL DISTRICT

Statement of Net Position

As of June 30, 2017

	ASSETS		
	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Current Assets			
Cash & cash equivalents	\$ 6,253,632	\$ 13,677	\$ 6,267,309
Taxes receivable, net	362,326	0	362,326
Due from other governments	702,407	43,395	745,802
Other receivables	77,639	38,343	115,982
Inventories	0	5,161	5,161
Prepaid expenses	<u>213,036</u>	<u>0</u>	<u>213,036</u>
Total current assets	<u>7,609,040</u>	<u>100,576</u>	<u>7,709,616</u>
Non Current Assets			
Land	79,000	0	79,000
Site improvements	95,779	0	95,779
(net of accumulated depreciation)			
Building & building improvements	15,722,143	0	15,722,143
(net of accumulated depreciation)			
Furniture & equipment	<u>110,161</u>	<u>17,079</u>	<u>127,240</u>
(net of accumulated depreciation)			
Total non current assets	<u>16,007,083</u>	<u>17,079</u>	<u>16,024,162</u>
Total Assets	\$ <u>23,616,123</u>	\$ <u>117,655</u>	\$ <u>23,733,778</u>
Deferred Outflows of Resources	\$ <u>3,364,063</u>	\$ <u>0</u>	\$ <u>3,364,063</u>

The accompanying notes are an integral part of this statement.

CLAYSBURG-KIMMEL SCHOOL DISTRICT
Statement of Net Position
As of June 30, 2017

LIABILITIES AND NET POSITION

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Current Liabilities			
Internal balances	\$ (38,990)	\$ 38,990	\$ 0
Due to other governments	10,274	0	10,274
Accounts payable	7,726	57	7,783
Accrued interest	145,623	0	145,623
Current portion of long term debt	1,055,579	19,915	1,075,494
Accrued salaries & benefits	1,396,996	0	1,396,996
Deferred revenues	<u>0</u>	<u>5,631</u>	<u>5,631</u>
Total current liabilities	<u>2,577,208</u>	<u>64,593</u>	<u>2,641,801</u>
Non Current Liabilities			
Bonds payable	10,615,000	0	10,615,000
Other postemployment benefits (OPEB)	421,980	0	421,980
District's share of PSER's pension liability	<u>17,196,000</u>	<u>0</u>	<u>17,196,000</u>
Total non current liabilities	<u>28,232,980</u>	<u>0</u>	<u>28,232,980</u>
Total Liabilities	\$ <u>30,810,188</u>	\$ <u>64,593</u>	\$ <u>30,874,781</u>
Deferred Inflows of Resources	\$ <u>441,000</u>	\$ <u>0</u>	\$ <u>441,000</u>
Net Position			
Invested in capital assets net of related debt	\$ 5,179,269	\$ 0	\$ 5,179,269
Restricted for:			
Capital projects	452,186	0	452,186
Unrestricted	<u>(9,902,457)</u>	<u>53,062</u>	<u>(9,849,395)</u>
Total net position	\$ <u>(4,271,002)</u>	\$ <u>53,062</u>	\$ <u>(4,217,940)</u>

The accompanying notes are an integral part of this statement.

CLAYSBURG-KIMMEL SCHOOL DISTRICT
Statement of Activities
As of June 30, 2017

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:								
Depreciation & amortization- Unallocated	\$ 585,522	\$ 0	\$ 0	\$ 0	\$ 0	\$ (585,522)	\$ 0	\$ (585,522)
Instruction	6,656,266	0	2,715	2,188,726	0	(4,464,825)	0	(4,464,825)
Instructional student support	1,123,290	0	0	129,940	0	(993,350)	0	(993,350)
Administrative & financial support	1,127,722	0	0	117,422	0	(1,010,300)	0	(1,010,300)
Operation & maintenance of plant services	1,158,319	0	0	86,789	0	(1,071,530)	0	(1,071,530)
Pupil transportation	460,687	0	0	386,149	0	(74,538)	0	(74,538)
Student activities	369,992	0	39,101	17,057	0	(313,834)	0	(313,834)
Community services	12,483	0	0	0	0	(12,483)	0	(12,483)
Interest on long term debt	<u>324,765</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>220,545</u>	<u>(104,220)</u>	<u>0</u>	<u>(104,220)</u>
Total Governmental Activities	11,819,046	0	41,816	2,926,083	220,545	(8,630,602)	0	(8,630,602)
Business-type activities								
Food service	<u>592,293</u>	<u>0</u>	<u>198,391</u>	<u>407,460</u>	<u>0</u>	<u>0</u>	<u>13,558</u>	<u>13,558</u>
Total	\$ <u>12,411,339</u>	\$ <u>0</u>	\$ <u>240,207</u>	\$ <u>3,333,543</u>	\$ <u>220,545</u>	<u>(8,630,602)</u>	<u>13,558</u>	<u>(8,617,044)</u>
General Revenues:								
Taxes:								
						2,521,158	0	2,521,158
						716,022	0	716,022
						5,269,262	0	5,269,262
						626	0	626
						<u>7,979</u>	<u>0</u>	<u>7,979</u>
						<u>8,515,047</u>	<u>0</u>	<u>8,515,047</u>
						(115,555)	13,558	(101,997)
						(4,155,447)	<u>39,504</u>	(4,115,943)
						\$ <u>(4,271,002)</u>	\$ <u>53,062</u>	\$ <u>(4,217,940)</u>

The accompanying notes are an integral part of this statement.

CLAYSBURG-KIMMEL SCHOOL DISTRICT
Balance Sheet – Governmental Funds
As of June 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash & cash equivalents	\$ 5,814,946	\$ 438,686	\$ 6,253,632
Taxes receivable, net	162,888	0	162,888
Due from other funds	91,419	13,500	104,919
Due from other governments	702,407	0	702,407
Other receivables	57,712	0	57,712
Prepaid expenses	<u>166,790</u>	<u>0</u>	<u>166,790</u>
 Total Assets	 <u>\$ 6,996,162</u>	 <u>\$ 452,186</u>	 <u>\$ 7,448,348</u>
LIABILITIES			
Due to other funds	\$ 51,166	\$ 0	\$ 51,166
Due to other governments	10,274	0	10,274
Accounts payable	2,562	0	2,562
Current portion of long term debt	390,579	0	390,579
Accrued salaries and benefits	<u>1,396,996</u>	<u>0</u>	<u>1,396,996</u>
 Total liabilities	 <u>1,851,577</u>	 <u>0</u>	 <u>1,851,577</u>
FUND BALANCE			
Restricted fund balance	0	452,186	452,186
Committed fund balance:			
Capital projects	300,110	0	300,110
Retirement	3,000,000	0	3,000,000
Health insurance	250,000	0	250,000
Unassigned fund balance:			
General fund	1,542,164	0	1,542,164
Athletic	<u>52,311</u>	<u>0</u>	<u>52,311</u>
 Total fund balance	 <u>5,144,585</u>	 <u>452,186</u>	 <u>5,596,771</u>
 Total Liabilities & Fund Balance	 <u>\$ 6,996,162</u>	 <u>\$ 452,186</u>	 <u>\$ 7,448,348</u>

The accompanying notes are an integral part of this statement.

CLAYSBURG-KIMMEL SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

As of June 30, 2017

Total fund balance, governmental funds \$ 5,596,771

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 the assets is \$28,302,087 and the accumulated depreciation is (\$12,295,004). 16,007,083

Taxes receivable will be collected but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 199,438

Accounting for deferred outflows and inflows related to pension activity.

Deferred outflows	\$ 3,364,063	
Deferred inflows	<u>(441,000)</u>	

Total		2,923,063
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Prepaid insurance is an amount paid in the current year for which the benefit is received in the subsequent year. It is listed as a current asset on the statement of activities. It is considered an expense in the governmental funds. 46,246

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

Bonds payable	(11,280,000)	
Accrued interest on the bonds	(145,623)	
Other postemployment benefits payable	(421,980)	
District's share of PSER's pension liability	<u>(17,196,000)</u>	

Total		<u>(29,043,603)</u>
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Total Net Position – Governmental Activities		\$ <u>(4,271,002)</u>
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The accompanying notes are an integral part of this statement.

CLAYSBURG-KIMMEL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds

As of June 30, 2017

	General <u>Fund</u>	Capital Projects <u>Fund</u>	Debt Service <u>Fund</u>	Total Governmental <u>Funds</u>
Revenues				
Local sources	\$ 3,199,767	\$ 0	\$ 0	\$ 3,199,767
State sources	8,135,100	0	0	8,135,100
Federal sources	<u>376,682</u>	<u>0</u>	<u>0</u>	<u>376,682</u>
Total revenue	<u>11,711,549</u>	<u>0</u>	<u>0</u>	<u>11,711,549</u>
Expenditures				
Instruction	6,376,423	0	0	6,376,423
Support	3,789,123	0	0	3,789,123
Noninstructional services	298,065	0	0	298,065
Capital outlay	0	104,657	0	104,657
Debt service (principal & interest)	0	0	982,784	982,784
Refund of prior year receipts	<u>431</u>	<u>0</u>	<u>0</u>	<u>431</u>
Total expenditures	<u>(10,464,042)</u>	<u>(104,657)</u>	<u>(982,784)</u>	<u>(11,551,483)</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>1,247,507</u>	<u>(104,657)</u>	<u>(982,784)</u>	<u>160,066</u>
Other Financing Sources (Uses)				
Interfund transfers from other funds	0	0	982,784	982,784
Interfund transfers out	<u>(1,061,159)</u>	<u>0</u>	<u>0</u>	<u>(1,061,159)</u>
Total other financing sources (uses)	<u>(1,061,159)</u>	<u>0</u>	<u>982,784</u>	<u>(78,375)</u>
Net Change in Fund Balances	186,348	(104,657)	0	81,691
Fund Balance, July 1, 2016	<u>4,958,237</u>	<u>556,843</u>	<u>0</u>	<u>5,515,080</u>
Fund Balance, June 30, 2017	\$ <u>5,144,585</u>	\$ <u>452,186</u>	\$ <u>0</u>	\$ <u>5,596,771</u>

The accompanying notes are an integral part of this statement.

CLAYSBURG-KIMMEL SCHOOL DISTRICT
 Reconciliation of the Governmental Funds
 Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities
 As of June 30, 2017

Total net change in fund balances, governmental funds \$ 81,691

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation	\$(585,522)	
Capital outlays	<u>104,657</u>	
Total		(480,865)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues increased by this amount this year. (8,058)

An increase or decrease in prepaid expenses is treated as an increase or reduction of expenses on the statement of activities. During the year, prepaid expenses (insurance) increased by this amount. 600

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of Net Position. 650,000

Interest on long term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the statement of activities over the amount due is shown here. 5,959

In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contribution was: (81,108)

District pension contributions are reported as expenditures in the governmental funds when made. Pension expense in the statement of activities is based on the change in the net pension liability. District pension contributions in the funds are \$1,401,063 and pension expense in the statement of activities is \$1,684,837. (283,774)

Change in Net Position of Governmental Activities \$(115,555)

The accompanying notes are an integral part of this statement.

CLAYSBURG-KIMMEL SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund – Food Service
As of June 30, 2017

ASSETS

Current Assets

Cash & cash equivalents	\$ 13,677
Due from other funds	32,502
Due from other governments	43,395
Other receivables	38,343
Inventory	<u>5,161</u>

Total current assets \$ 133,078

Non Current Assets

Furniture & equipment (net of depreciation)	<u>17,079</u>
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Total Assets \$ 150,157

LIABILITIES

Current Liabilities

Due to other funds	\$ 71,492
Accounts payable	57
Current portion of long term debt	19,915
Deferred revenue	<u>5,631</u>

Total Current Liabilities 97,095

NET POSITION

Unrestricted 53,062

Total Liabilities and Net Position \$ 150,157

The accompanying notes are an integral part of this statement.

CLAYSBURG-KIMMEL SCHOOL DISTRICT
Statement of Revenue, Expenses and Changes in Net Position
Proprietary Fund – Food Service
As of June 30, 2017

Operating Revenues		
Food service revenue		\$ 198,391
Operating expenses		
Salaries	\$ 157,843	
Employee benefits	75,208	
Other purchased services	288,151	
Supplies	16,272	
Depreciation	5,260	
Other	<u>49,559</u>	
Total operating revenues		(<u>592,293</u>)
Operating (Loss)		(393,902)
Non Operating Revenues		
State sources	44,087	
Federal sources	<u>363,373</u>	
Total non operating revenues		<u>407,460</u>
Change in Net Position		13,558
Total Net Position, July 1, 2016		<u>39,504</u>
Total Net Position, June 30, 2017		\$ <u>53,062</u>

The accompanying notes are an integral part of this statement.

CLAYSBURG-KIMMEL SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund – Food Service
As of June 30, 2017

Cash Flows from Operating Activities

Cash received from users	\$ 197,840
Cash payment to employees for services	(215,494)
Cash payments to suppliers for goods	(351,871)
Cash payments for other operating expenses	<u>(4,637)</u>

Net cash provided by (used for) operating activities \$(374,162)

Cash Flows from Non Capital Financing Activities

State sources	41,642
Federal sources	<u>322,424</u>

Total cash flows from non capital financing activities 364,066

Cash Flows from Capital and Related Financing Activities

Facilities acquisition, construction and improvement services (14,130)

Net (Decrease) in Cash and Cash Equivalents (24,226)

Cash and Cash Equivalents, July 1, 2016 37,903

Cash and Cash Equivalents, June 30, 2017 \$ 13,677

Reconciliation of Operating Income to Cash Provided by
(Used for) Operating Activities

Operating (Loss) \$(393,902)

Adjustments to Reconcile Operating Income (Loss) to Net
Cash Provided by (Used for):

Depreciation	\$ 5,260
Decrease in accounts receivable	7,216
(Increase) in inventories	(2,403)
(Decrease) in accounts payable	(9,697)
Increase in accrued salaries & benefits	19,915
(Decrease) in deferred revenue	<u>(551)</u>

Total adjustments 19,740

(Used for) Operating Activities \$(374,162)

The accompanying notes are an integral part of this statement.

CLAYSBURG-KIMMEL SCHOOL DISTRICT
Statement of Net Position - Fiduciary Funds
As of June 30, 2017

	<u>Activity Funds</u>	<u>Other Agency</u>	<u>Total Fiduciary</u>
ASSETS			
Current Assets			
Cash & cash equivalents	\$ 241,273	\$ 255,083	\$ 496,356
Due from other funds	<u>5,148</u>	<u>16</u>	<u>5,164</u>
Total Assets	\$ <u>246,421</u>	\$ <u>255,099</u>	\$ <u>501,520</u>
 LIABILITIES			
Current Liabilities			
Due to other funds	\$ 19,927	\$ 0	\$ 19,927
Accounts payable	<u>226,494</u>	<u>255,099</u>	<u>481,593</u>
Total current liabilities	246,421	255,099	501,520
NET POSITION	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Net Position	\$ <u>246,421</u>	\$ <u>255,099</u>	\$ <u>501,520</u>

The accompanying notes are an integral part of this statement.

CLAYSBURG-KIMMEL SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Claysburg-Kimmel School District provides elementary and secondary education to approximately 843 students in southern Blair and northern Bedford County. The District is a municipal branch of the State of Pennsylvania. It is governed by a nine-member elected school board.

General

The accounts of the School District are maintained, and the accompanying financial statements have been prepared on the basis of accounting practices prescribed or permitted by the *Manual of Accounting and Related Financial Procedures for Pennsylvania School Systems*, issued by the Pennsylvania Department of Education in accordance with the provisions of the school laws of Pennsylvania.

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

Reporting Entity

The District is controlled by a School Board which has oversight responsibility over the public education activities in the School District. The Board is not included in any other governmental reporting entity as defined by GASB Statement No. 14, because Board members are elected by the public and have decision making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. For these reasons, the District is recognized as a primary government in accordance with accounting principals generally accepted in the United States of America.

This report includes all of the services provided by the District to residents within its boundaries. These services include providing educational services to kindergarten, elementary and secondary aged children. In evaluating the District as a primary government in accordance with GASB Statement 14, Financial Reporting Entity, management has addressed all potential component units. Consistent with applicable guidance, the criteria used by the District to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given situation, the District reviews the applicability of the following criteria:

The District is financially accountable for:

1. Organizations that make up the legal municipal entity.
2. Legally separate organizations, if the District appoints a voting majority of the organization's governing body and the District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District.
 - a. Impose its Will - If the District can significantly influence the programs, projects, or activities of, or the level of services performed by, the organization.
 - b. Financial Benefit or Burden - Exists if the District (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.
3. Organizations fiscally dependent on the District. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the District.

Based upon the application of these criteria, no potential component units were required to be addressed in defining the government's reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and state and federal subsidies, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by programs revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include charges to customers and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed the provider have been met.

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, amounts due from other governments, interest and miscellaneous fees associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other items are considered to be measurable and available only when cash is received by the government.

Fund Accounting

The accounts of the School District are organized on the basis of funds or account groups, each of which is considered as a separate entity. Thus, the operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

The funds used by the School District include:

-- Governmental Fund Types

These are the funds through which most governmental functions are furnished. The School District's major funds included in this category are:

- * General Fund - Accounts for all financial resources except those required to be accounted for in other funds.
- * Capital Projects Fund - Accounts for financial resources to be used for the acquisition or construction of major capital facilities.
- * Debt Service Fund - Accounts for financial resources to be used for expenditures of principal and interest, and related fees.

-- Proprietary Fund Type -

This type of fund accounts for operations that are financed and operated in a manner similar to private business enterprises. The School District's major proprietary fund is:

- * Enterprise Fund - Accounts for all financial resources associated with the operation of food service.

-- Fiduciary Fund Type, Agency Funds

Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District's agency funds are:

- * Activities Fund – Accounts for funds held by student groups in activity accounts.
- * Other Agency Funds – These are scholarship funds donated to the District to be awarded to worthy students to use for post secondary education.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule the effect of inter fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to students for goods and services provided, 2) operating grants and contributions, and 3) capital grants and contributions.

Internally dedicated resources are reported as *general revenues* rather than program revenues. Therefore, general revenues include all taxes.

The District's proprietary fund distinguishes operating revenues from non-operating items. Operating revenues and expenses generally result from the provision of services. The principle operating revenues of the District's cafeteria are from charges for food services. Operating expenses for the cafeteria include the cost of food, salaries and related costs, depreciation and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Use of Estimates

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

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within ninety days of the date acquired by the District.

The School Code authorizes the District to invest in obligations of the United States, obligations of the Commonwealth of Pennsylvania or to deposit funds in federally insured banking institutions. If deposits in banking institutions exceed the federally insured amounts, the banking institution must post additional collateral to secure District deposits.

Inventories, Materials, and Supplies

Materials and supplies of the general fund are expensed as purchased. Year end inventories of these items were not material to the financial statements. The cafeteria inventory is expensed on a first-in, first-out basis and valued at the lower of cost or market.

Prepaid Expenses

Amounts paid in the current year for which the benefit is received in the subsequent year are listed as the current asset, prepaid expenses.

Capital Assets

Capital assets including land, land improvements, buildings and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. A specific capitalization policy has not been adopted by the District. Equipment capitalized has been identified by the District as all equipment purchased in conjunction with building and improvement projects with a useful life of more than one year. Management has elected to capitalize equipment as noted above with a value of \$1,000 or more. Buildings and improvements are based on the actual cost of construction. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred (if any) during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during this fiscal year.

Land improvements, buildings and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Buildings	45 years
Land improvements	15-20 years
Equipment	5-15 years

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position.

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

Net Position – Statement of Net Position

Net Position represents the difference between assets and liabilities. 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. Restricted Net Position is those funds limited by external parties or by law through constitutional provisions or enabling legislation.

Fund Balance – Governmental Funds Balance Sheet

GASB 54 has defined fund balance classifications as follows:

Non spendable – amounts that cannot be spent because they are in a non spendable form (prepaid expenses) or legally or contractually required to be maintained intact.

Restricted – amounts limited by external parties or by law through constitutional provisions or enabling legislation.

Committed – amounts designated by the School Board as required for future use (increases in health care and retirement).

Assigned – amounts that are intended for a particular purpose, such as a rate stabilization fund or segregation of amounts intended for costs expected to be incurred in the future.

Unassigned – amounts available for current use, not restricted in any manner.

Pensions

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

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2 percent or 2.5 percent, 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 percent or 2.5 percent, 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 percent (Membership Class T-C) or at 6.5 percent (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 percent (Membership Class T-C) or at 7.5 percent (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 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5 percent (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 percent (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 percent and 9.5 percent and Membership Class T-F contribution rate to fluctuate between 10.3 percent and 12.3 percent.

Employer Contributions:

The school district's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.2 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,401,063 for the year ended June 30, 2017.

Property Tax Calendar

Preliminary property tax assessments are set by the School Board at the May board meeting of each fiscal year. These assessments are finalized at the meeting in June. Notices of property taxes due are mailed to residents on July 1. Taxes at discount are due on or before September 30 (for Kimmel Twp residents – Greenfield Twp residents have a discount due date of August 31); taxes at face value are due on or before November 30 (for Kimmel Twp residents – Greenfield Twp residents have a face value due date of October 31); and taxes with penalty are due to the District's tax collector on or before December 31 (pertains to both municipalities). On that date, delinquent accounts are turned over to the County for collection.

Subsequent Events

Subsequent events have been considered through December 22, 2017, which is the date the financial statements were available to be issued.

2. BUDGETING

The District is required by state law to adopt an annual budget for the General Fund. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

- * Because the District intends to raise property taxes at or below a State prescribed index, the School Board passes a resolution by January 3 of the preceding year and properly notifies the State.
- * Prior to May of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- * A meeting of the Board of Directors is then called for the purpose of adopting the proposed budget after 30 days public notice of the meeting has been given.
- * Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

- * The budget must be filed with the Pennsylvania Department of Education by July 31 of the fiscal year.

The appropriated budget is prepared by fund, function and object. The legal level of control is at the total function expenditure level. Management is authorized to make budget transfers between functions and objects. Annual appropriations lapse at year end.

3. CASH AND INVESTMENTS

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

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

The deposit and investment policy of the District adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits, highly liquid money market funds or pooled for investment purposes in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and are captioned as "cash and cash equivalents" on the balance sheet. These investments are stated at cost which approximates market. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the District.

Deposits

At June 30, 2017, the deposits of the District can be categorized to indicate the level of risk assumed. Category 1 includes bank balances that are insured or collateralized by insured or registered securities held by the government or its agent in the government's name. Category 2 includes bank balances collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Category 3 includes bank balances collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name. The District's deposits in money market funds cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. At June 30, 2017, the District's deposits were as follows:

	Fair Value\ Carrying <u>Amount</u>	<u>Category 1</u>	<u>Uncategorized</u>
Governmental Fund - General Fund			
Cash in Banks	\$ 5,799,695	\$ 5,799,695	\$ 0
Money Market Funds:			
PSDLAF	<u>15,251</u>	<u>0</u>	<u>15,251</u>
Total	\$ <u>5,814,946</u>	\$ <u>5,799,695</u>	\$ <u>15,251</u>
Governmental Fund - Capital Projects Fund			
Cash in Banks	\$ <u>438,686</u>	\$ <u>438,686</u>	\$ <u>0</u>
Business-type Activity - Enterprise Fund – Food Service			
Cash in Banks	\$ <u>13,677</u>	\$ <u>13,677</u>	\$ <u>0</u>
Fiduciary Fund - Activity Funds - Other Agency Funds			
Cash in Banks	\$ <u>496,356</u>	\$ <u>496,356</u>	\$ <u>0</u>

For deposits and investments cost and market value are the same.

4. CAPITAL ASSETS

Capital asset activity for the year ending June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>
Land	\$ 79,000	\$ 0	\$ 79,000
Site improvements	\$ 280,775	\$ 10,629	\$ 291,404
Buildings & building improvements	\$ 26,512,094	\$ 0	\$ 26,512,094
Furniture & equipment	\$ 1,325,561	\$ 94,028	\$ 1,419,589
Furn. & equip. – Food Service	\$ 77,893	\$ 14,130	\$ 92,023

Site improvements increased \$10,629 due to an engineering/feasibility study on the Athletic fields at the High School. General Fund equipment additions of \$94,028 were due to the purchase of a new phone system, split between the High School and the Elementary School; the purchase of a water softener at the Elementary School; and the purchase of a dishwasher at the Elementary School. Food Service equipment additions of \$14,130 were due to the purchase of a ServeWell Hot/Cold Table and the new cafeteria software system.

A schedule of assets and related accumulated depreciation is as follows:

	<u>Ending Balance</u>	<u>Accumulated (Depreciation)</u>	<u>Net</u>
Land	\$ 79,000	\$ 0	\$ 79,000
Site improvements	\$ 291,404	(195,625)	95,779
Buildings & building improvements	\$ 26,512,094	(10,789,951)	15,722,143
Furniture & equipment	\$ 1,419,589	(1,309,428)	110,161
Furn. & equip. – Food Service	\$ 92,023	(74,944)	17,079

Depreciation expense of \$585,522 was charged to general government activities and \$5,260 was charged to business-type activities, for a total depreciation expense for the District of \$590,782.

5. CHANGES IN GENERAL LONG TERM DEBT

The District issues general obligation bonds to provide for the acquisition and construction of major capital facilities. These bonds are direct obligations and pledge the full faith and credit of the District. All payments of principal and interest on General Obligation Bonds are paid by the debt service fund from transfers made by the general fund. Changes in general long term debt for the year ending June 30, 2017, were as follows:

	<u>Bonds Payable</u>
Balance at July 1, 2016	\$ 11,930,000
New issues	0
Payments\redemptions of General Obligation Bonds	<u>(650,000)</u>
Balance at June 30, 2017	\$ 11,280,000
Less: current portion	<u>(665,000)</u>
Non current obligation	\$ <u>10,615,000</u>

6. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The District has adopted the following policies to accrue and account for these benefits.

- * The District accrues a liability for vacation leave that was earned, but not used, during the current or prior periods and for which employees can receive compensation in a future period.
- * The District accrues a liability for sick leave as the benefits are earned, if it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on an employee's termination or retirement.

Additionally, the current portion of the liability is reflected on the District's balance sheet if it is to be paid from expendable, available financial resources.

In accordance with the aforementioned, the District accrued the following for compensated absences.

Balance at July 1, 2016	\$ 395,106
Decrease during the year	<u>(4,527)</u>
Balance at June 30, 2017	\$ <u>390,579</u>

This amount is shown as a current portion of long-term debt as of June 30, 2017.

7. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In accordance with various labor and employment agreements, the District provides various post employment medical and pharmacy benefits to retirees and their spouses. In accordance with Governmental Accounting Standards Board Statement #45, Accounting and Financial reporting by Employers for Postemployment Benefit Plans Other than Pension Plans, the District is required to have a valuation performed once every two years. The District's most recent valuation was as of July 1, 2015.

The District self insures the liability for these benefits and funds them on a pay as you go basis. Benefits covered include medical and pharmacy. Professional staff is eligible for these incentives upon retirement under PSERS (superannuation or early retirement provisions) after attaining 30 years of PSERS service, including 15 years of service with the District. They are also eligible under Act 110/43 if eligible. Support staff is covered under Act 110/43.

For professional staff, under the current contract incentive, retiree coverage ends at age 65, death or qualification for Medicare if earlier. No spousal coverage is permitted. Under the prior contract incentive, retiree coverage ends at age 65, death or qualification for Medicare if earlier. Spousal coverage may continue until the earlier of death or cessation of retiree coverage. Act 110/43 coverage may continue until age 65, or death or qualification for Medicare if earlier. Spouse coverage may continue until the earliest of age 65, death, qualification for Medicare or cessation of retiree coverage.

For support staff, retiree coverage ends at age 65, death or qualification for Medicare if earlier. Spousal coverage may continue until the earlier of death or cessation of retiree coverage. Retirees or spouse must pay full premium coverage for healthcare.

To value the cost of these District post employment benefits, the District contracted for an actuarial valuation in accordance with GASB 45. The significant assumptions of this valuation are contained in the actuary's report available at the District administration office.

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize and unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The actuarial report calculated a total Accumulated Postemployment Benefit Obligation for all current active employees and retired employees of \$909,339 as of July 1, 2016. When amortized based on actuarial assumptions, the District should be recognizing an ARC of \$179,502 each year to fund this obligation. For the year ending June 30, 2016, the unfunded non-current liability was \$340,872. The amount recognized for the year ending June 30, 2017 was an addition in this amount of \$81,108. The non-current liability, \$421,980 is shown on the District's Statement of Net Position.

8. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

At June 30, 2017: the enterprise fund – food service owed the general fund \$71,492, and the agency fund– activities owed the general fund \$19,927. At June 30, 2017, the general fund owed: the enterprise fund – food service \$32,502, the governmental fund – capital projects \$13,500 and the agency fund – activities \$5,164.

For the year ended June 30, 2017, the general fund transferred: \$982,784 to the governmental fund - debt service to pay principal and interest on general obligation bonds, and \$78,375 to the agency fund – activities to support student activities.

9. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2017, the District reported a liability of \$17,196,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2015 to June 30, 2016. 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, 2016, the District’s proportion was .0347 percent, which was an increase of .0011 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,684,837. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual Experience	\$ 0	\$ 143,000
Changes in Assumptions	621,000	0
Net difference between projected and actual Investment earnings	958,000	0
Changes in Proportion	384,000	298,000
Difference between employer contributions and proportionate share of total contributions	0	0
Contributions made subsequent to the measurement date	<u>1,401,063</u>	<u>0</u>
Total	\$ <u>3,364,063</u>	\$ <u>441,000</u>

\$1,401,063 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 pension expense as follows:

Year ended June 30:

2017	250,000
2018	250,000
2019	564,000
2020	457,000

Changes in Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2016:

- * The Investment Rate of Return was adjusted from 7.50 percent to 7.25 percent.
- * The inflation assumption was decreased from 3.0 percent to 2.75 percent.
- * Salary growth changed from an effective average of 5.50 percent, which was comprised of inflation of 3.0 percent, real wage growth and for merit or seniority increases of 2.50 percent, to an effective average of 5.0 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases.
- * Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
MLPs/Infrastructure	5.0%	4.8%
Real Estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	<u>(14.0%)</u>	0.5%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2016.

Discount rate

The discount rate used to measure the total pension liability was 7.25 percent. 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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
District's proportionate share of the net pension liability	\$ <u>21,036,000</u>	\$ <u>17,196,000</u>	\$ <u>13,970,000</u>

Pension plan fiduciary net position

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

10. 2014 SERIES OF GENERAL OBLIGATION BONDS

On September 3, 2014, the Claysburg-Kimmel School District issued the 2014 Series of General Obligation Bonds in the principal amount of \$3,240,000. The bond proceeds were used to (1) currently refund the District's General Obligation Bonds Series of 2008 in the amount of \$2,976,375; (2) fund various capital improvements throughout the District (transfer to capital projects fund of \$117,899); and (3) pay the costs of issuance. This refunding resulted in a savings to the District of about \$139,306.

Interest rates on the bonds vary from 2.0 to 3.45 percent.

Principal and interest payments are due on the bonds as follows:

<u>School Year Ending June 30,</u>	<u>Principal Due 1/15</u>	<u>Interest Due</u>		<u>Total Debt Service</u>
		<u>7/15</u>	<u>1/15</u>	
2018	\$ 30,000	\$ 51,973	\$ 51,973	\$ 133,946
2019	30,000	51,673	51,673	133,346
2020	30,000	51,373	51,373	132,746
2021	30,000	51,073	51,073	132,146
2022	35,000	50,736	50,736	136,472
2023 – 2027	190,000	245,241	245,241	680,482
2028 – 2031	<u>2,820,000</u>	<u>142,340</u>	<u>142,340</u>	<u>3,104,680</u>
Total	<u>\$ 3,165,000</u>	<u>\$ 644,409</u>	<u>\$ 644,409</u>	<u>\$ 4,453,818</u>

11. 2015 SERIES OF GENERAL OBLIGATION BONDS

On October 21, 2015, the Claysburg-Kimmel School District issued the 2015 Series of General Obligation Bonds in the principal amount of \$8,995,000. The bond proceeds were used to (1) currently refund the District's General Obligation Bonds Series of 2010 in the amount of \$8,871,418; (2) pay the costs of issuance; and (3) transfer surplus monies of \$24,585 to the capital projects fund. This refunding resulted in a savings to the District of about \$383,037.

Interest rates on the bonds vary from 1.0 to 3.0 percent.

Principal and interest payments are due on the bonds as follows:

School Year Ending June 30,	Principal Due 1/15	Interest Due 7/15 1/15		Total Debt Service
2018	\$ 635,000	\$ 106,889	\$ 106,889	\$ 848,778
2019	655,000	100,539	100,539	856,078
2020	675,000	90,714	90,714	856,428
2021	695,000	80,589	80,589	856,178
2022	720,000	70,164	70,164	860,328
2023 – 2027	3,895,000	221,808	221,808	4,338,616
2028	<u>840,000</u>	<u>12,600</u>	<u>12,600</u>	<u>865,200</u>
Total	<u>\$ 8,115,000</u>	<u>\$ 683,303</u>	<u>\$ 683,303</u>	<u>\$ 9,481,606</u>

12. FUND BALANCE RESTRICTIONS AND COMMITMENTS

During the year, the District committed portions of its general fund balance for the following:

Capital Projects	\$ 300,110
Retirement	3,000,000
Health Insurance	<u>250,000</u>
Total	<u>\$ 3,550,110</u>

Amounts in the capital projects fund, fund balance are considered restricted fund balance and also are shown as restricted Net Position on the Statement of Net Position.

13. CONTINGENT LIABILITIES

Grant Programs

The District participates in state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs.

Risk Financing

The District is exposed to various risks of loss related to torts; theft of, damage to; and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

CLAYSBURG-KIMMEL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u> <u>Basis</u>	Final Budget Positive (Negative)
Revenues				
Local sources	\$ 3,144,984	\$ 3,144,984	\$ 3,199,767	\$ 54,783
State sources	7,884,820	7,884,820	8,135,100	250,280
Federal sources	<u>391,309</u>	<u>420,123</u>	<u>376,682</u>	<u>(43,441)</u>
Total revenue	<u>11,421,113</u>	<u>11,449,927</u>	<u>11,711,549</u>	<u>261,622</u>
Expenditures				
Regular programs	4,740,787	4,801,516	4,793,775	7,741
Special programs	1,144,023	1,085,362	1,083,282	2,080
Vocational programs	529,769	507,769	498,487	9,282
Other instructional programs	13,550	20,173	880	19,293
Pupil personnel services	157,920	223,420	215,671	7,749
Instructional staff services	344,001	699,624	689,500	10,124
Administrative services	874,012	962,512	935,711	26,801
Pupil health	190,358	198,358	191,227	7,131
Business services	152,560	153,560	151,384	2,176
Operation & maintenance of plant services	1,193,687	1,140,687	1,136,061	4,626
Student transportation services	556,500	461,500	460,687	813
Central & other support services	375,305	10,305	6,684	3,621
Other support services	2,100	2,600	2,197	403
Student activities	0	288,000	285,582	2,418
Community services	26,420	13,420	12,483	937
Debt service	980,724	0	0	0
Refund of prior year receipts	<u>0</u>	<u>1,000</u>	<u>431</u>	<u>569</u>
Total expenditures	<u>(11,281,716)</u>	<u>(10,569,806)</u>	<u>(10,464,042)</u>	<u>105,764</u>
Excess of Revenue over Expenditures	<u>139,397</u>	<u>880,121</u>	<u>1,247,507</u>	<u>367,386</u>
Other Financing Sources (Uses)				
Transfers out	(221,951)	(1,062,675)	(1,061,159)	1,516
Budgetary reserve	<u>(100,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total other financing sources	<u>(321,951)</u>	<u>(1,062,675)</u>	<u>(1,061,159)</u>	<u>1,516</u>
Net Change in Fund Balances	(182,554)	(182,554)	186,348	368,902
Fund Balance, July 1, 2016	<u>4,958,237</u>	<u>4,958,237</u>	<u>4,958,237</u>	<u>0</u>
Fund Balance, June 30, 2017	\$ <u>4,775,683</u>	\$ <u>4,775,683</u>	\$ <u>5,144,585</u>	\$ <u>368,902</u>

See independent auditor's report on supplementary information.

CLAYSBURG-KIMMEL SCHOOL DISTRICT
Schedule of the District's Proportionate Share
Of the Net Pension Liability

<u>For the Years Ending June 30,</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.0347%	0.0336%	0.0341%	0.0351%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 17,196,000	\$ 14,554,000	\$ 13,497,000	\$ 14,369,000
District's Covered-Employee Payroll	\$ 4,494,245	\$ 4,321,643	\$ 4,346,737	\$ 4,507,714
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	382.62%	336.77%	310.51%	318.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.14%	54.35%	57.24%	54.49%

See independent auditor's report on supplementary information.

CLAYSBURG-KIMMEL SCHOOL DISTRICT
 Schedule of District Contributions – Pennsylvania State Employee’s Retirement System

<u>For the Years Ending June 30,</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 1,074,837	\$ 862,367	\$ 695,500	\$ 518,500
Contributions in Relation to the Contractually Required Contribution	<u>(1,074,837)</u>	<u>(862,367)</u>	<u>(695,500)</u>	<u>(518,500)</u>
Contribution Deficiency (Excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
District’s Covered-Employee Payroll	\$ <u>4,494,245</u>	\$ <u>4,321,643</u>	\$ <u>4,346,737</u>	\$ <u>4,507,714</u>
Contributions as a Percentage of Covered- Employee Payroll	<u>23.91%</u>	<u>19.95%</u>	<u>16.00%</u>	<u>11.50%</u>

See independent auditor’s report on supplementary information.

*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*

Ritchey, Ritchey & Koontz

CERTIFIED PUBLIC ACCOUNTANTS

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School Board
Claysburg-Kimmel School District
Claysburg, Pennsylvania

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 the Claysburg-Kimmel School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Claysburg-Kimmel School District's basic financial statements, and have issued our report thereon dated December 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Claysburg-Kimmel 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 Claysburg-Kimmel School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Claysburg-Kimmel 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 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 the Claysburg-Kimmel 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.

Very truly yours,

Ritchey, Ritchey & Koontz

Ritchey, Ritchey & Koontz

Bedford, Pennsylvania
December 22, 2017

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

Ritchey, Ritchey & Koontz

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Independent Auditor's Report

School Board
Claysburg-Kimmel School District
Claysburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Claysburg-Kimmel School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Claysburg-Kimmel School District's major federal programs for the year ended June 30, 2017. The Claysburg-Kimmel School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion compliance for each of the Claysburg-Kimmel 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* 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 the Claysburg-Kimmel 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 the Claysburg-Kimmel School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Claysburg-Kimmel 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, 2017.

Report on Internal Control Over Compliance

Management of the Claysburg-Kimmel 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, we considered the Claysburg-Kimmel 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 the Claysburg-Kimmel 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.

Very truly yours,

Ritchey, Ritchey & Koontz

Ritchey, Ritchey & Koontz

Bedford, Pennsylvania
December 22, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CLAYSBURG KIMMEL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For fiscal year ending June 30, 2017

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Source Code</u>	<u>CFDA #</u>	<u>Passed through Grantor's #</u>	<u>Award Amount</u>	<u>Grant Period</u>	<u>Tot Rec'd</u>	<u>Beg Bal</u>	<u>Expenditures</u>	<u>End Bal</u>
<u>US Department of Education</u>									
Passed thru PA Department of Education									
Title I Improving Basic Progr	(I)	84.010	013-160087	279,507.00	07/01/15 - 06/30/16	37,816.67	37,816.67	0.00	0.00
Title I Improving Basic Progr	(I)	84.010	013-170087	309,271.00	07/01/16 - 06/30/17	288,401.20	0.00	309,271.00	20,869.80
Title II Imp Teacher Quality	(I)	84.367	020-160087	61,802.00	07/01/15 - 06/30/16	8,182.67	8,182.67	0.00	0.00
Title II Imp Teacher Quality	(I)	84.367	020-170087	60,852.00	07/01/16 - 06/30/17	56,837.35	0.00	60,852.00	4,014.65
Total passed thru PA Dept of Education				<u>711,432.00</u>		<u>391,237.89</u>	<u>45,999.34</u>	<u>370,123.00</u>	<u>24,884.45</u>
Passed thru Appalachia IU8									
Special Education Cluster:									
IDEA - B	(I)	84.027	N/A	150,969.98	07/01/15 - 06/30/16	150,969.98	150,969.98	0.00	0.00
IDEA - B	(I)	84.027	N/A	167,605.81	07/01/16 - 06/30/17	0.00	0.00	167,605.81	167,605.81
IDEA 619	(I)	84.173	N/A	599.00	07/01/15 - 06/30/16	599.00	599.00	0.00	0.00
IDEA 619	(I)	84.173	N/A	2,012.00	07/01/16 - 06/30/17	<u>0.00</u>	<u>0.00</u>	<u>2,012.00</u>	<u>2,012.00</u>
Total Special Education Cluster						151,568.98	151,568.98	169,617.81	169,617.81
Total passed thru Appalachia IU8				<u>321,186.79</u>		<u>151,568.98</u>	<u>151,568.98</u>	<u>169,617.81</u>	<u>169,617.81</u>
<u>Total US Department of Education</u>				<u>1,032,618.79</u>		<u>542,806.87</u>	<u>197,568.32</u>	<u>539,740.81</u>	<u>194,502.26</u>
<u>US Department of Health & Human Services</u>									
Passed thru PA Department of Health & Welfare									
Medicaid Cluster:									
Title XIX - Medical Assistance	(I)	93.778	N/A	8,053.11	07/01/15 - 06/30/16	7,430.29	7,430.29		0.00
Title XIX - Medical Assistance	(I)	93.778	N/A	3,800.64	07/01/16 - 06/30/17	<u>1,167.23</u>	<u>0.00</u>	<u>3,800.64</u>	<u>2,633.41</u>
Total Medicaid Cluster						8,597.52	7,430.29	3,800.64	2,633.41
Total passed thru PA Dept of Health & Welfare				<u>11,853.75</u>		<u>8,597.52</u>	<u>7,430.29</u>	<u>3,800.64</u>	<u>2,633.41</u>
<u>Total US Department of Health & Human Services</u>				<u>11,853.75</u>		<u>8,597.52</u>	<u>7,430.29</u>	<u>3,800.64</u>	<u>2,633.41</u>
<u>US Department of FEMA</u>									
Passed thru PA Emergency Management Agency									
Public Assistance Grants	(I)	97.036	N/A	2,758.43	01/01/16 - 9/23/16	2,758.43	0.00	2,758.43	0.00
Total Passed thru PA Emergency Management Agency				<u>2,758.43</u>		<u>2,758.43</u>	<u>0.00</u>	<u>2,758.43</u>	<u>0.00</u>
<u>Total US Department of FEMA</u>				<u>2,758.43</u>		<u>2,758.43</u>	<u>0.00</u>	<u>2,758.43</u>	<u>0.00</u>

CLAYSBURG KIMMEL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For fiscal year ending June 30, 2017

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Source Code	CFDA #	Passed through Grantor's #	Award Amount	Grant Period	Tot Rec'd	Beg Bal	Expenditures	End Bal
US Department of Agriculture									
Passed thru PA Department of Education									
Child Nutrition Cluster:									
National School Breakfast	(I)	10.553	365	N/A	07/01/15 - 06/30/16		0.00	0.00	0.00
National School Breakfast	(I)	10.553	365	N/A	07/01/16 - 06/30/17	66,123.71	0.00	76,509.18	10,385.47
National School Lunch	(I)	10.555	362	N/A	07/01/15 - 06/30/16		0.00	0.00	0.00
National School Lunch	(I)	10.555	362	N/A	07/01/16 - 06/30/17	<u>207,618.64</u>	<u>0.00</u>	<u>237,776.22</u>	<u>30,157.58</u>
Total Child Nutrition Cluster						273,742.35	0.00	314,285.40	40,543.05
National School Breakfast	(S)	N/A	511	N/A	07/01/15 - 06/30/16		0.00	0.00	0.00
National School Breakfast	(S)	N/A	511	N/A	07/01/16 - 06/30/17	4,246.40	0.00	4,894.20	647.80
National School Lunch	(S)	N/A	510	N/A	07/01/15 - 06/30/16		0.00	0.00	0.00
National School Lunch	(S)	N/A	510	N/A	07/01/16 - 06/30/17	12,567.18	0.00	14,364.10	1,796.92
Fresh Fruit & Vegetable	(I)	10.582	362	N/A	07/01/16 - 06/30/17	16,145.50	0.00	16,552.54	407.04
Total passed thru PA Dept of Education				N/A		<u>306,701.43</u>	<u>0.00</u>	<u>350,096.24</u>	<u>43,394.81</u>
Passed thru PA Department of Agriculture									
Child Nutrition Cluster:									
National School Lunch Program	(I)	10.555	2-05-07-150	N/A	07/01/16 - 06/30/17	(A) <u>31,420.63</u>	(B) <u>(4,439.57)</u>	(C) <u>32,534.60</u>	(D) <u>(3,325.60)</u>
Total Child Nutrition Cluster						31,420.63	(4,439.57)	32,534.60	(3,325.60)
Total passed thru PA Dept of Agriculture				N/A		<u>31,420.63</u>	<u>(4,439.57)</u>	<u>32,534.60</u>	<u>(3,325.60)</u>
Total Child Nutrition Cluster (both Departments)						<u>305,162.98</u>	<u>(4,439.57)</u>	<u>346,820.00</u>	<u>37,217.45</u>
Total US Department of Agriculture				N/A		<u>338,122.06</u>	<u>(4,439.57)</u>	<u>382,630.84</u>	<u>40,069.21</u>
State Award Expenditures						<u>(16,813.58)</u>	<u>0.00</u>	<u>(19,258.30)</u>	<u>(2,444.72)</u>
Total Federal Financial Assistance						<u>1,047,230.97</u>	<u>200,559.04</u>	<u>909,672.42</u>	<u>234,760.16</u>

Source Code Legend:

(D) Indicates direct funding
(I) Indicates indirect funding
(S) Indicates State matching funding

Other Code Legend:

(A) Indicates total commodities received.
(B) Indicates beginning commodity inventory at July 1, 2016.
(C) Indicates commodities used.
(D) Indicates ending commodity inventory at June 30, 2017.

Reconciliation with Federal subsidy confirmation:

Per above \$875,471.30
Monies passed thru Appalachia IUS (151,568.98)
Title XIX admin (8,597.52)
Donated commodities (31,420.63)
Federal money passed thru other agencies (2,758.43)
School Lunch/Breakfast matching subsidy 16,813.58
Medical Assistance ACCESS 0.00
Per confirmation \$697,939.32

CLAYSBURG-KIMMEL SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
June 30, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis

The schedule of expenditures of federal awards includes the federal grant activity of the Claysburg-Kimmel School District and is prepared under the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect Cost Rate

Claysburg-Kimmel School District has not elected to use the 10% *de minimis* indirect cost rate.

Inventory Valuation

Inventories are accounted for under the first-in, first-out method. Purchased commodities are valued at the lower of cost or market. Donated commodities are based on USDA valuations.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CLAYSBURG KIMMEL SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Section I – Summary of Auditor’s Results

For the Year Ending June 30, 2017

Financial Statements

Type of auditor’s report: Unqualified.

Internal over financial reporting

- * Material weakness(es) identified? Yes No
- * Significant deficiency(ies) identified Yes None Reported
- * Non compliance material to financial
noted? Yes No

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? Yes No
- * Significant deficiency(ies) identified Yes None Reported

Type of auditor’s report issued on compliance
for major programs: Unqualified.

Any audit findings disclosed that are
required to be reported in accordance
with the Uniform Guidance? Yes No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Federal Program</u>
10.553, 10.555	Child Nutrition Cluster
Dollar threshold used to distinguish between type A & type B programs	\$750,000

The District qualified as a low risk auditee? Yes No