

CENTRAL CAMBRIA SCHOOL DISTRICT

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

**CENTRAL CAMBRIA  
SCHOOL DISTRICT**  
EBENSBURG, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

OTHER INFORMATION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE

WITH REPORTS OF  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
JUNE 30, 2018**

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**EBENSBURG, PENNSYLVANIA**  
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**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**EBENSBURG, PENNSYLVANIA**  
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**To the Management and Board of Education  
Central Cambria School District**

## **Independent Auditor's Report**

### **Report on Financial Statements**

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Central Cambria School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Central Cambria School District as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance GASB Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*. My opinions are not modified with respect to this matter.

## **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 iv-xiv and the required supplementary information on pages 45-49, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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***

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Central Cambria 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 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 my 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*, I have also issued my report dated March 8, 2019 on my consideration of the Central Cambria School District's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Central Cambria School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mark C. Turnley". The signature is written in a cursive, flowing style.

Mark C. Turnley, CPA

March 8, 2019  
New Brighton, Pennsylvania

**CENTRAL CAMBRIA SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**INTRODUCTION**

The discussion and analysis of the Central Cambria School District's financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2018. This discussion and analysis presents the district's financial performance as a whole. The financial statements and the notes to the basic financial statements provide a more detailed look at the finances for the 2017-2018 school year.

The Management Discussion and Analysis (MD&A) is a requirement of the Comprehensive Annual Financial Report (CAFR) conforming to the model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999. GASB 34 requires a comparison of certain information between the current year and the prior year.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2017-18 fiscal year are as follows:

- The District's total governmental and business-type activities liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources as of June 30, 2018 by \$10,867,874 (net position – deficit). The net position deficit is the result of the District's implementation of GASB Statement No. 68 '*Accounting and Financial Reporting for Pensions*' during the 2014-2015 fiscal year. The District is required to recognize their proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net pension obligation. For the Central Cambria School District, this liability stands at \$34,253,610 for governmental activities and \$1,059,390 for business-type activities as of June 30, 2018.
- Total revenues were \$23,451,327 for all governmental funds (excluding other financing sources) of which the general fund accounted for \$23,420,833 worth of these revenues.
- The School District had \$23,402,976 in expenditures for all governmental funds (excluding other financing uses) of which the general fund accounted for \$22,693,722 of those expenditures.
- At the end of the current fiscal year, the fund balance of the General Fund was \$15,140,022 of which \$249,196 was non-spendable (earmarked for July of 2018 health insurance liabilities), and \$8,288,369 was assigned for 1) future PSERS rate increases of \$778,500, 2) future debt service and unanticipated expenditures of \$7,500,000, and 3) athletic expenditures totaling \$9,869. The remaining unassigned fund balance available for general operations was \$6,602,457.

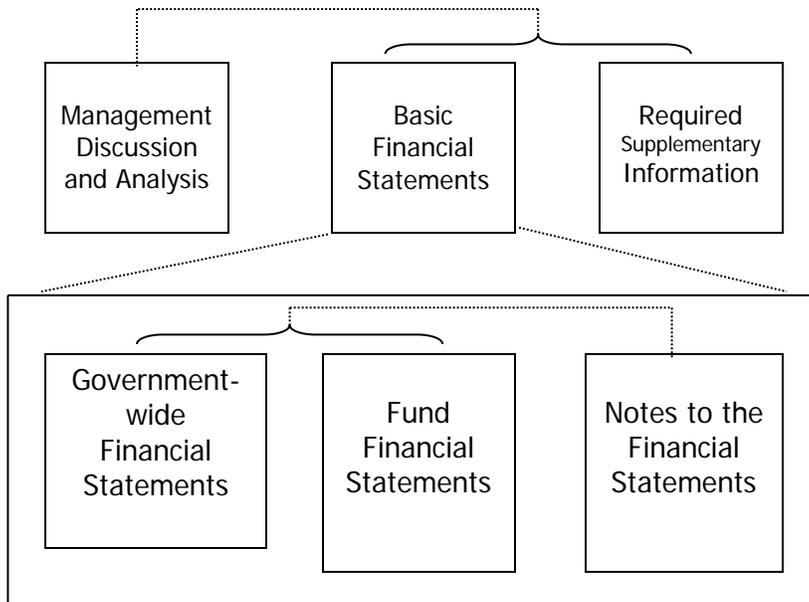
**CENTRAL CAMBRIA SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**USING THE ANNUAL FINANCIAL REPORT (GASB 34)**

The Annual Financial Report consists of this Management Discussion and Analysis and a series of financial statements and notes to those statements. The statements are organized so that the reader can understand Central Cambria School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Figure A-1 shows how the required parts of the Financial Section are arranged and relate to one another:

Figure A-1  
Required components of  
Central Cambria School District's  
Financial Report



**CENTRAL CAMBRIA SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**USING THE ANNUAL FINANCIAL REPORT (GASB 34) (Continued)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2  
Major Features of Central Cambria School District's  
Government-wide and Fund Financial Statements  
Fund Statements

|                                        | Government-<br>wide<br>Statements                                                    | Governmental<br>Funds                                                                                                                                                                      | Proprietary<br>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 and Activity Funds |
| Required financial statements          | Statement of net position<br>Statement of activities                                 | Balance Sheet<br>Statement of revenues, expenditures, and changes in fund balance                                                                                                          | Statement of net position<br>Statement of revenues, expenses and changes in net position<br>Statement of cash flows | Statement of fiduciary net position<br>Statement of changes in fiduciary 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                                   |

**CENTRAL CAMBRIA SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**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 they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

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, the reader needs 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, student support, administration and community services. Property taxes, 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 students, staff and visitors to help it cover the costs of the food service operation.

**Fund Financial Statements**

The District's fund financial statements, which begin on Page 3, provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be reported separately 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 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.

**CENTRAL CAMBRIA SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements (Continued)**

**Fiduciary funds** - The District is the trustee, or fiduciary, for some private purpose trust funds and student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Net Position on Pages 11 and 12. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

A comparative breakdown of assets, liabilities and net position of the District for the past two fiscal years is as follows:

Table A-1  
Fiscal Year Ended June 30, 2018 and 2017  
Net Position

|                                                                | -----JUNE 30, 2018-----    |                             |                        | JUNE 30, 2017         |
|----------------------------------------------------------------|----------------------------|-----------------------------|------------------------|-----------------------|
|                                                                | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                  | TOTAL                 |
| Current Assets                                                 | \$ 21,487,060              | \$ 1,159,330                | \$ 22,646,390          | \$ 21,789,240         |
| Capital Assets                                                 | 18,488,832                 | 59,839                      | 18,548,671             | 18,621,009            |
| Deferred Outflows of Resources                                 | 6,816,101                  | 194,341                     | 7,010,442              | 7,288,320             |
| <b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOWS OF RESOURCES</b>     | <b>\$ 46,791,993</b>       | <b>\$ 1,413,510</b>         | <b>\$ 48,205,503</b>   | <b>\$ 47,698,569</b>  |
| Current Liabilities                                            | \$ 3,665,692               | \$ 810,729                  | \$ 4,476,421           | \$ 3,509,541          |
| Long-Term Liabilities                                          | 53,088,745                 | 1,103,100                   | 54,191,845             | 51,087,224            |
| Deferred Inflows of Resources                                  | 395,031                    | 10,080                      | 405,111                | 394,000               |
| <b>TOTAL LIABILITIES AND DEFERRED<br/>INFLOWS OF RESOURCES</b> | <b>\$ 57,149,468</b>       | <b>\$ 1,923,909</b>         | <b>\$ 59,073,377</b>   | <b>\$ 54,990,765</b>  |
| Net Investment in Capital Assets                               | \$ 5,545,100               | \$ 59,839                   | \$ 5,604,939           | \$ 4,731,189          |
| Unrestricted (Deficit)                                         | (15,902,575)               | (570,238)                   | (16,472,813)           | (12,023,385)          |
| <b>TOTAL NET POSITION (Deficit)</b>                            | <b>\$ (10,357,475)</b>     | <b>\$ (510,399)</b>         | <b>\$ (10,867,874)</b> | <b>\$ (7,292,196)</b> |

Current assets between the current and prior fiscal year increased by \$857,150 (4%). Capital assets decreased as depreciation expense for the 2017-2018 fiscal year exceeded fixed asset additions by approximately \$72,338. This combined with the District's \$935,000 principal payment on its long-term bond obligations resulted in an increase in the net investment of capital assets totaling \$873,750. The changes to long-term liabilities, deferred inflows/outflows of resources, and the increase in deficit net position is directly related to 1) the updated actuarial valuation received from PSERS which measures the School District's net pension liability, and 2) the School District's implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions".

The results of this year's operations as a whole are reported in the Statement of Activities on Page 2. 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.

**CENTRAL CAMBRIA SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

The following Table A-2 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues, expenses, and change to the net position for the past two fiscal years.

Table A-2  
Fiscal Year Ended June 30, 2018 and June 30, 2017  
Changes in Net Position

|                                      | ----- JUNE 30, 2018 -----  |                             |                      | JUNE 30, 2017        |
|--------------------------------------|----------------------------|-----------------------------|----------------------|----------------------|
|                                      | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                | TOTAL                |
| <b>REVENUES</b>                      |                            |                             |                      |                      |
| <b>Program Revenues:</b>             |                            |                             |                      |                      |
| Charges for Services                 | \$ 322,665                 | \$ 505,219                  | \$ 827,884           | \$ 873,147           |
| Grants and Contributions             | 5,904,809                  | 644,273                     | 6,549,082            | 6,641,008            |
| <b>General Revenues:</b>             |                            |                             |                      |                      |
| Property, Other Taxes                | 9,582,908                  | -                           | 9,582,908            | 9,479,988            |
| Grants, Subsidies and Contributions  | 7,352,590                  | -                           | 7,352,590            | 7,310,644            |
| Investment Earnings                  | 204,237                    | 6,113                       | 210,350              | 107,432              |
| Sale of Fixed Assets                 | -                          | -                           | -                    | -                    |
| Miscellaneous                        | 12,250                     | -                           | 12,250               | 752                  |
| Interfund Transfers                  | (31,235)                   | 31,235                      | -                    | -                    |
| <b>TOTAL REVENUES</b>                | <b>\$ 23,348,224</b>       | <b>\$ 1,186,840</b>         | <b>\$ 24,535,064</b> | <b>\$ 24,412,971</b> |
| <b>EXPENSES</b>                      |                            |                             |                      |                      |
| Instruction                          | \$ 14,129,551              | \$ -                        | \$ 14,129,551        | \$ 14,305,005        |
| Instructional Student Support        | 2,304,380                  | -                           | 2,304,380            | 2,294,755            |
| Administrative and Financial Support | 2,057,677                  | -                           | 2,057,677            | 2,165,687            |
| Operation and Maintenance of Plant   | 2,150,708                  | -                           | 2,150,708            | 1,965,372            |
| Pupil Transportation                 | 1,301,593                  | -                           | 1,301,593            | 1,454,213            |
| Student Activities                   | 531,607                    | -                           | 531,607              | 570,207              |
| Community Services                   | 279                        | -                           | 279                  | 353                  |
| Capital Outlay                       | 51,630                     | -                           | 51,630               | 40,749               |
| Interest on Long-term Debt           | 351,175                    | -                           | 351,175              | 372,955              |
| Food Services                        | -                          | 1,233,564                   | \$ 1,233,564         | 1,178,447            |
| <b>TOTAL EXPENSES</b>                | <b>\$ 22,878,600</b>       | <b>\$ 1,233,564</b>         | <b>24,112,164</b>    | <b>\$ 24,347,743</b> |
| <b>CHANGE IN NET POSITION</b>        | <b>\$ 469,624</b>          | <b>\$ (46,724)</b>          | <b>422,900</b>       | <b>\$ 65,228</b>     |

Overall revenues were fairly consistent between the current and prior fiscal years with the largest increase coming from local taxes which increased \$102,920 and investment earnings which increased \$102,918. The decrease in expenditures was mainly due to the aforementioned implementation of GASB Statement No. 75 "Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions". See the District Funds section of this report for further explanation of variances from the prior year.

Table A-3 shows the District's eight largest functions - instructional programs, instructional student support, 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) for the past two fiscal years. 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.

**CENTRAL CAMBRIA SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

Table A-3  
Fiscal Year Ended June 30, 2018 and June 30, 2017  
Governmental Activities

|                                                            | -----JUNE 30, 2018-----          |                                | -----JUNE 30, 2017-----          |                                |
|------------------------------------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                                            | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> |
| <b>EXPENSES</b>                                            |                                  |                                |                                  |                                |
| Instruction                                                | \$ 14,129,551                    | \$ 9,886,294                   | \$ 14,305,005                    | \$ 10,230,097                  |
| Instructional Student Support                              | 2,304,380                        | 2,043,949                      | 2,294,755                        | 2,042,757                      |
| Administrative and Financial Support                       | 2,057,677                        | 1,824,053                      | 2,165,687                        | 1,947,075                      |
| Operation and Maintenance of Plant                         | 2,150,708                        | 2,020,570                      | 1,965,372                        | 1,859,299                      |
| Pupil Transportation                                       | 1,301,593                        | 366,440                        | 1,454,213                        | 442,962                        |
| Student Activities                                         | 531,607                          | 440,925                        | 507,207                          | 478,461                        |
| Community Services                                         | 279                              | 279                            | 353                              | 353                            |
| Capital Outlays                                            | 51,630                           | 51,630                         | 40,749                           | 40,749                         |
| Interest on Long-term Debt                                 | 351,175                          | 16,986                         | 372,955                          | (281,060)                      |
| <b>TOTAL EXPENSES</b>                                      | <b><u>\$ 22,878,600</u></b>      | <b><u>\$ 16,651,126</u></b>    | <b><u>\$ 23,106,296</u></b>      | <b><u>\$ 16,760,693</u></b>    |
| <b>Less:</b>                                               |                                  |                                |                                  |                                |
| Unrestricted Grants, Subsidies                             |                                  | <u>7,352,590</u>               |                                  | <u>7,310,644</u>               |
| <b>TOTAL NEEDS FROM LOCAL TAXES<br/>AND OTHER REVENUES</b> |                                  | <b><u>\$ 9,298,536</u></b>     |                                  | <b><u>\$ 9,450,049</u></b>     |

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, 2018 and June 30, 2017  
Business-Type Activities

|                                                                   | ----- JUNE 30, 2018 -----        |                                | ----- JUNE 30, 2017 -----        |                                |
|-------------------------------------------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                                                   | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> |
| <b>EXPENSES</b>                                                   |                                  |                                |                                  |                                |
| Food Service                                                      | \$ 1,233,564                     | \$ (84,072)                    | \$ 1,178,447                     | \$ (72,895)                    |
| Investment Earnings                                               |                                  | 6,113                          |                                  | 2,729                          |
| Transfers                                                         |                                  | <u>31,235</u>                  |                                  | <u>189</u>                     |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES<br/>NET INCOME &lt;LOSS&gt;</b> |                                  | <b><u>\$ (46,724)</u></b>      |                                  | <b><u>\$ (69,977)</u></b>      |

While the District continued to incur a net loss in food service operations during the 2017-2018 fiscal year, the net position improved approximately \$23,253 due to an increase in food service revenues of \$53,605 offset by an increase in operating expenses of \$41,504.

**CENTRAL CAMBRIA SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**THE DISTRICT FUNDS**

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$18,476,768 compared to \$18,459,652 for the year ended June 30, 2017. The general fund balance decreased by \$1,272,889. The capital project fund balance increased by \$1,290,005. The following is additional information concerning revenues, expenses and fund balance.

**REVENUES**

The revenues received into the general fund during 2017-2018 came from three major sources: local, state, and federal revenues. Of total revenues, local revenues account for 45%, state revenues are 54% and federal revenues only 1%.

Local revenues can be grouped in two major categories, tax revenues and non-tax revenues. Local real estate tax (both current and delinquent) accounted for 83% of total tax revenues and 76% of total local revenues in 2017-2018. Other forms of tax revenue include earned income tax, per capita tax, real estate transfer tax, and other Act 511 tax collections. Overall tax revenue increased in the 2017-2018 fiscal year by approximately \$197,298. Non-tax revenues, including federal monies received through the intermediate unit, athletic admissions and fees, interest earnings, tuition from other PA school districts and other miscellaneous revenues accounted for 8% of total local revenues.

Basic education subsidy and special education subsidy are the two largest sources of state revenue with basic education subsidy providing 58% of the total and special education subsidy providing 9% of the total. Subsidies decreased overall during 2017-2018 by \$122,506. This was mainly due to the increase in retirement reimbursement monies of \$186,546, and the decrease in rental subsidy reimbursement of \$319,825 during 2017-2018 is a result of the state's failure to release reimbursements during 2015-2016 fiscal year, resulting in a one-time doubling in 2016-2017.

Federal revenues accounted for just 1% of the total revenues, and were fairly consistent with the prior fiscal year.

| <u>FUNCTION</u> | <u>REVENUES</u>      | <u>VARIANCE<br/>FROM<br/>PRIOR YEAR</u> | <u>%<br/>CHANGE</u> | <u>AMOUNT<br/>OVER (UNDER)<br/>2017-2018<br/>BUDGET</u> |
|-----------------|----------------------|-----------------------------------------|---------------------|---------------------------------------------------------|
| Local Sources   | \$ 10,477,505        | \$ 327,493                              | 3.1%                | \$ 296,062                                              |
| State Sources   | 12,588,763           | (122,536)                               | -1.0%               | 218,863                                                 |
| Federal Sources | 354,565              | (54,970)                                | -15.5%              | (45,435)                                                |
| <b>TOTAL</b>    | <b>\$ 23,420,833</b> | <b>\$ 149,987</b>                       |                     | <b>\$ 469,490</b>                                       |

**CENTRAL CAMBRIA SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**THE DISTRICT FUNDS (Continued)**

**EXPENDITURES**

The revenues received during the 2017-2018 fiscal year were used to pay general fund expenditures of \$22,693,722 (excluding transfers). These expenses were categorized into five major functions: instruction, support services, non-instructional operations, capital outlays, and other financing uses. Additionally, the District transferred \$2,000,000 capital projects fund during the 2017-2018 fiscal year.

The 2017-2018 general fund expenditures (excluding transfers) increased by \$537,433 or 2.4% from the past fiscal year mainly due to increases in wages, retirement contributions and other employee benefits.

| <u>FUNCTION</u>                   | <u>EXPENSES</u>      | <u>VARIANCE<br/>FROM<br/>PRIOR YEAR</u> | <u>%<br/>CHANGE</u> | <u>AMOUNT<br/>OVER (UNDER)<br/>2017-2018<br/>BUDGET</u> |
|-----------------------------------|----------------------|-----------------------------------------|---------------------|---------------------------------------------------------|
| Instructional Services            | \$ 13,397,052        | \$ 441,325                              | 3.3%                | \$ (811,479)                                            |
| Support Services                  | 7,477,043            | 108,093                                 | 1.4%                | 539,379                                                 |
| Non-instructional Services        | 514,848              | (6,204)                                 | -1.2%               | 45,463                                                  |
| Other Financing Uses/Debt Service | 3,304,779            | 1,993,480                               | 60.3%               | 2,003,969                                               |
| <b>TOTAL</b>                      | <b>\$ 24,693,722</b> | <b>\$ 2,536,694</b>                     |                     | <b>\$ 1,777,332</b>                                     |

**GENERAL FUND BUDGET**

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget (transfers) to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on Page 7 of the financial statements. The District applies for federal, state, and local grants and these grants cannot always be anticipated exactly during the budget development process. A comparison of the current year and upcoming fiscal year budget is as follows:

| <u>FUNCTION</u> | <u>2017-2018<br/>BUDGETED<br/>REVENUES</u> | <u>2018-2019<br/>BUDGETED<br/>REVENUES</u> |
|-----------------|--------------------------------------------|--------------------------------------------|
| Local Sources   | 44%                                        | 44%                                        |
| State Sources   | 54%                                        | 54%                                        |
| Federal Sources | 2%                                         | 2%                                         |
| <b>TOTAL</b>    | <b>100%</b>                                | <b>100%</b>                                |

**CENTRAL CAMBRIA SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**GENERAL FUND BUDGET (Continued)**

| <u>FUNCTION</u>   | <u>2017-2018<br/>BUDGETED<br/>EXPENDITURES</u> | <u>2018-2019<br/>BUDGETED<br/>EXPENDITURES</u> |
|-------------------|------------------------------------------------|------------------------------------------------|
| Instruction       | 62%                                            | 60%                                            |
| Support Services  | 30%                                            | 31%                                            |
| Non-Instructional | 2%                                             | 2%                                             |
| Debt              | 6%                                             | 7%                                             |
| <b>TOTAL</b>      | <b>100%</b>                                    | <b>100%</b>                                    |

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2018, the District had \$18,548,671 invested in a broad range of capital assets, including land, buildings and furniture and equipment, net of depreciation. This amount represents a net decrease (including additions, deletions and depreciation) of \$72,338 from 2016-2017 which is a result of depreciation expense exceeding new asset additions. The District's most significant additions during the 2017-2018 fiscal year were expenditures related to façade repair, auditorium upgrades, computer infrastructure upgrades, athletic facility improvements, and improvements to the Jackson Elementary School.

**DEBT ADMINISTRATION**

As of July 1, 2017, the District had total outstanding bond principal of \$13,910,000 on its General Obligation Bond issues. The District made payments against principal during the year of \$935,000. At June 30, 2018 the District had the following outstanding debt:

|                                                 | <u>AMOUNT</u>        | <u>S &amp; P<br/>RATING</u> |
|-------------------------------------------------|----------------------|-----------------------------|
| General Obligation Bond Issue - Series of 2014A | \$ 3,070,000         | AA-/Stable                  |
| General Obligation Bond Issue - Series of 2014B | 370,000              | AA-/Stable                  |
| General Obligation Bond Issue - Series of 2015A | 8,030,000            | AA-/Stable                  |
| General Obligation Bond Issue - Series of 2014B | 1,505,000            | AA-/Stable                  |
|                                                 | <u>\$ 12,975,000</u> |                             |

Other long-term obligations include accrued sick leave for specific employees of the District, retiree health insurance, and net pension obligations. More detailed information about our long-term liabilities is included in Notes 8, 9, and 10 to the financial statements.

**CENTRAL CAMBRIA SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2018**

**MAJOR FINANCIAL AND ECONOMIC FACTORS**

Retirement contribution rates are projected by PSERS to increase rapidly from the current 32.57% to 34% by the year 2020. While recent legislation changing the PSERS program has slowed the rate of increase, increases are anticipated for the foreseeable future. Such increases would have a significant negative impact on District finances and therefore, educational programs. In an attempt to mitigate the short-term financial impact of the increase, the District has assigned a portion of the fund balance to be applied to stabilize PSERS rate increases. District officials continue to closely monitor this issue.

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

The 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 School District's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, please contact Ms. Mary Ann Kaschalk, Business Manager at (814) 472-8870 or by mail at Central Cambria School District, 208 Schoolhouse Road, Ebensburg, PA, 15931.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

**EXHIBIT A**

|                                                                           | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>           |
|---------------------------------------------------------------------------|------------------------------------|-------------------------------------|------------------------|
| <b>ASSETS</b>                                                             |                                    |                                     |                        |
| <b>Current Assets:</b>                                                    |                                    |                                     |                        |
| Cash and Cash Equivalents                                                 | \$ 9,003,371                       | \$ 1,084,731                        | \$ 10,088,102          |
| Investments                                                               | 9,495,601                          | -                                   | 9,495,601              |
| Internal Balances                                                         | 760,205                            | (760,205)                           | -                      |
| Taxes Receivable, net                                                     | 568,835                            | -                                   | 568,835                |
| Due From Other Governments                                                | 1,409,852                          | 54,893                              | 1,464,745              |
| Inventory                                                                 | -                                  | 16,017                              | 16,017                 |
| Prepaid Expenses                                                          | 249,196                            | 3,332                               | 252,528                |
| <b>Total Current Assets</b>                                               | <b>\$ 21,487,060</b>               | <b>\$ 398,768</b>                   | <b>\$ 21,885,828</b>   |
| <b>Noncurrent Assets:</b>                                                 |                                    |                                     |                        |
| Land                                                                      | \$ 584,678                         | \$ -                                | \$ 584,678             |
| Site Improvements (net)                                                   | 981,470                            | -                                   | 981,470                |
| Building & Building Improvements (net)                                    | 16,078,165                         | -                                   | 16,078,165             |
| Machinery & Equipment (net)                                               | 788,645                            | 59,839                              | 848,484                |
| Construction in Progress                                                  | 55,874                             | -                                   | 55,874                 |
| <b>Total Noncurrent Assets</b>                                            | <b>\$ 18,488,832</b>               | <b>\$ 59,839</b>                    | <b>\$ 18,548,671</b>   |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 39,975,892</b>               | <b>\$ 458,607</b>                   | <b>\$ 40,434,499</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                     |                                    |                                     |                        |
| Deferred Outflows Related to Pensions                                     | \$ 6,191,021                       | \$ 191,475                          | \$ 6,382,496           |
| Deferred Outflows Related to OPEB                                         | 625,080                            | 2,866                               | 627,946                |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>\$ 6,816,101</b>                | <b>\$ 194,341</b>                   | <b>\$ 7,010,442</b>    |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$ 46,791,993</b>               | <b>\$ 652,948</b>                   | <b>\$ 47,444,941</b>   |
| <b>LIABILITIES</b>                                                        |                                    |                                     |                        |
| <b>Current Liabilities:</b>                                               |                                    |                                     |                        |
| Accounts Payable                                                          | \$ 257,597                         | \$ 9,479                            | \$ 267,076             |
| Current Portion - Long Term Debt                                          | 950,000                            | -                                   | 950,000                |
| Accrued Interest                                                          | 114,420                            | -                                   | 114,420                |
| Accrued Salaries and Benefits                                             | 2,331,997                          | 22,372                              | 2,354,369              |
| Payroll Withholdings                                                      | 11,678                             | -                                   | 11,678                 |
| Unearned Revenues                                                         | -                                  | 18,316                              | 18,316                 |
| <b>Total Current Liabilities</b>                                          | <b>\$ 3,665,692</b>                | <b>\$ 50,167</b>                    | <b>\$ 3,715,859</b>    |
| <b>Noncurrent Liabilities:</b>                                            |                                    |                                     |                        |
| Bonds Payable - Long Term Portion                                         | \$ 11,993,732                      | \$ -                                | \$ 11,993,732          |
| Accrued Compensated Absences                                              | 642,103                            | -                                   | 642,103                |
| Net Pension Liability                                                     | 34,253,610                         | 1,059,390                           | 35,313,000             |
| Net OPEB Liability                                                        | 6,199,300                          | 43,710                              | 6,243,010              |
| <b>Total Noncurrent Liabilities</b>                                       | <b>\$ 53,088,745</b>               | <b>\$ 1,103,100</b>                 | <b>\$ 54,191,845</b>   |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 56,754,437</b>               | <b>\$ 1,153,267</b>                 | <b>\$ 57,907,704</b>   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                                    |                                     |                        |
| Deferred Inflows Related to Pensions                                      | \$ 259,960                         | \$ 8,040                            | \$ 268,000             |
| Deferred Inflows Related to OPEB                                          | 135,071                            | 2,040                               | 137,111                |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 395,031</b>                  | <b>\$ 10,080</b>                    | <b>\$ 405,111</b>      |
| <b>NET POSITION</b>                                                       |                                    |                                     |                        |
| Net Investment in Capital Assets                                          | \$ 5,545,100                       | \$ 59,839                           | \$ 5,604,939           |
| Unrestricted (Deficit)                                                    | (15,902,575)                       | (570,238)                           | (16,472,813)           |
| <b>Total Net Position (Deficit)</b>                                       | <b>\$ (10,357,475)</b>             | <b>\$ (510,399)</b>                 | <b>\$ (10,867,874)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 46,791,993</b>               | <b>\$ 652,948</b>                   | <b>\$ 47,444,941</b>   |

The accompanying notes are an integral part of these financial statements

**CENTRAL CAMBRIA SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

| Functions/Programs                                  | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                        |
|-----------------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|------------------------|
|                                                     |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total                  |
| <b>Governmental Activities:</b>                     |                      |                      |                                    |                                  |                                                   |                          |                        |
| Instruction                                         | \$ 14,129,551        | \$ 282,155           | \$ 3,961,102                       | \$ -                             | \$ (9,886,294)                                    |                          | \$ (9,886,294)         |
| Instructional Student Support                       | 2,304,380            | -                    | 260,431                            | -                                | (2,043,949)                                       |                          | (2,043,949)            |
| Administrative and Financial Support Services       | 2,057,677            | -                    | 233,624                            | -                                | (1,824,053)                                       |                          | (1,824,053)            |
| Operation and Maintenance of Plant Services         | 2,150,708            | 4,720                | 125,418                            | -                                | (2,020,570)                                       |                          | (2,020,570)            |
| Pupil Transportation                                | 1,301,593            | -                    | 935,153                            | -                                | (366,440)                                         |                          | (366,440)              |
| Student Activities                                  | 531,607              | 35,790               | 54,892                             | -                                | (440,925)                                         |                          | (440,925)              |
| Community Services and Awards                       | 279                  | -                    | -                                  | -                                | (279)                                             |                          | (279)                  |
| Capital Outlay                                      | 51,630               | -                    | -                                  | -                                | (51,630)                                          |                          | (51,630)               |
| Interest on Long-Term Debt                          | 351,175              | -                    | -                                  | 334,189                          | (16,986)                                          |                          | (16,986)               |
| <b>Total Governmental Activities</b>                | <b>\$ 22,878,600</b> | <b>\$ 322,665</b>    | <b>\$ 5,570,620</b>                | <b>\$ 334,189</b>                | <b>\$ (16,651,126)</b>                            |                          | <b>\$ (16,651,126)</b> |
| <b>Business-Type activities:</b>                    |                      |                      |                                    |                                  |                                                   |                          |                        |
| Food Service                                        | \$ 1,233,564         | \$ 505,219           | \$ 644,273                         | \$ -                             | \$ -                                              | \$ (84,072)              | \$ (84,072)            |
| <b>Total Business-Type Activities</b>               | <b>\$ 1,233,564</b>  | <b>\$ 505,219</b>    | <b>\$ 644,273</b>                  | <b>\$ -</b>                      | <b>\$ -</b>                                       | <b>\$ (84,072)</b>       | <b>\$ (84,072)</b>     |
| <b>Total Primary Government</b>                     | <b>\$ 24,112,164</b> | <b>\$ 827,884</b>    | <b>\$ 6,214,893</b>                | <b>\$ 334,189</b>                | <b>\$ (16,651,126)</b>                            | <b>\$ (84,072)</b>       | <b>\$ (16,735,198)</b> |
| <b>General Revenues:</b>                            |                      |                      |                                    |                                  |                                                   |                          |                        |
| Taxes:                                              |                      |                      |                                    |                                  |                                                   |                          |                        |
| Property Taxes Levied for General Purposes (net)    |                      |                      |                                    |                                  | \$ 7,938,441                                      | \$ -                     | \$ 7,938,441           |
| Other Taxes Levied for General Purposes             |                      |                      |                                    |                                  | 1,644,467                                         | -                        | 1,644,467              |
| Grants, Subsidies, and Contributions Not Restricted |                      |                      |                                    |                                  | 7,352,590                                         | -                        | 7,352,590              |
| Investment Earnings                                 |                      |                      |                                    |                                  | 204,237                                           | 6,113                    | 210,350                |
| Miscellaneous                                       |                      |                      |                                    |                                  | 12,250                                            | -                        | 12,250                 |
| Transfers                                           |                      |                      |                                    |                                  | (31,235)                                          | 31,235                   | -                      |
| <b>Total General Revenues</b>                       |                      |                      |                                    |                                  | <b>\$ 17,120,750</b>                              | <b>\$ 37,348</b>         | <b>\$ 17,158,098</b>   |
| <b>Change in Net Position</b>                       |                      |                      |                                    |                                  | <b>\$ 469,624</b>                                 | <b>\$ (46,724)</b>       | <b>\$ 422,900</b>      |
| Net Position (Restated) - July 1, 2017 (Deficit)    |                      |                      |                                    |                                  | (10,827,099)                                      | (463,675)                | (11,290,774)           |
| <b>Net Position — June 30, 2018 (Deficit)</b>       |                      |                      |                                    |                                  | <b>\$ (10,357,475)</b>                            | <b>\$ (510,399)</b>      | <b>\$ (10,867,874)</b> |

The accompanying notes are an integral part of these financial statements

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

**EXHIBIT C**

|                                                                            | GENERAL<br>FUND      | CAPITAL<br>PROJECT<br>FUND | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|----------------------------------------------------------------------------|----------------------|----------------------------|--------------------------------|
| <b>ASSETS:</b>                                                             |                      |                            |                                |
| Cash and Cash Equivalents                                                  | \$ 9,003,371         | \$ -                       | \$ 9,003,371                   |
| Investments                                                                | 5,657,333            | 3,838,268                  | 9,495,601                      |
| Taxes Receivable, net                                                      | 568,835              | -                          | 568,835                        |
| Due From Other Funds                                                       | 1,231,367            | -                          | 1,231,367                      |
| Due From Other Governments                                                 | 1,409,852            | -                          | 1,409,852                      |
| Prepaid Expense                                                            | 249,196              | -                          | 249,196                        |
| <b>TOTAL ASSETS</b>                                                        | <b>\$ 18,119,954</b> | <b>\$ 3,838,268</b>        | <b>\$ 21,958,222</b>           |
| <br><b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>    |                      |                            |                                |
| <b>LIABILITIES:</b>                                                        |                      |                            |                                |
| Due to Other Funds                                                         | \$ 357               | \$ 470,806                 | \$ 471,163                     |
| Accounts Payable                                                           | 226,881              | 30,716                     | 257,597                        |
| Payroll Withholdings                                                       | 11,678               | -                          | 11,678                         |
| Accrued Salaries and Benefits                                              | 2,331,997            | -                          | 2,331,997                      |
| <b>TOTAL LIABILITIES</b>                                                   | <b>\$ 2,570,913</b>  | <b>\$ 501,522</b>          | <b>\$ 3,072,435</b>            |
| <br><b>DEFERRED INFLOWS OF RESOURCES:</b>                                  |                      |                            |                                |
| Delinquent Real Estate Taxes                                               | \$ 409,019           | \$ -                       | \$ 409,019                     |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                 | <b>\$ 409,019</b>    | <b>\$ -</b>                | <b>\$ 409,019</b>              |
| <br><b>FUND BALANCES:</b>                                                  |                      |                            |                                |
| NonSpendable                                                               | \$ 249,196           | \$ -                       | \$ 249,196                     |
| Assigned                                                                   | 8,288,369            | 3,336,746                  | 11,625,115                     |
| Unassigned                                                                 | 6,602,457            | -                          | 6,602,457                      |
| <b>TOTAL FUND BALANCES</b>                                                 | <b>\$ 15,140,022</b> | <b>\$ 3,336,746</b>        | <b>\$ 18,476,768</b>           |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> | <b>\$ 18,119,954</b> | <b>\$ 3,838,268</b>        | <b>\$ 21,958,222</b>           |

The accompanying notes are an integral part of these financial statements

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

**Total Fund Balances - Governmental Funds** **\$ 18,476,768**

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$37,734,449 and the accumulated depreciation is \$19,245,617. 18,488,832

Property taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures, are deferred and not recognized as revenue in governmental funds. 409,019

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

|                                                    |           |
|----------------------------------------------------|-----------|
| Deferred outflows of resources related to pensions | 6,191,021 |
| Deferred outflows of resources related to OPEB     | 625,080   |
| Deferred inflows of resources related to pensions  | (259,960) |
| Deferred inflows of resources related to OPEB      | (135,071) |

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

|                           |               |              |
|---------------------------|---------------|--------------|
| Bonds Payable - (Net)     | \$ 12,943,732 |              |
| Net Pension Liability     | 34,253,610    |              |
| Accrued Interest on Bonds | 114,420       |              |
| Net OPEB Liability        | 6,199,300     |              |
| Compensated Absences      | 642,103       | (54,153,165) |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (Deficit)** **\$(10,357,475)**

The accompanying notes are an integral part of these financial statements

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                              | <u>GENERAL FUND</u>   | <u>CAPITAL<br/>PROJECT<br/>FUND</u> | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
|--------------------------------------------------------------|-----------------------|-------------------------------------|-----------------------------------------|
| <b><u>REVENUES</u></b>                                       |                       |                                     |                                         |
| Local Sources                                                | \$ 10,477,505         | \$ 30,494                           | \$ 10,507,999                           |
| State Sources                                                | 12,588,763            | -                                   | 12,588,763                              |
| Federal Sources                                              | 354,565               | -                                   | 354,565                                 |
| <b>Total Revenue</b>                                         | <b>\$ 23,420,833</b>  | <b>\$ 30,494</b>                    | <b>\$ 23,451,327</b>                    |
| <b><u>EXPENDITURES</u></b>                                   |                       |                                     |                                         |
| Instruction                                                  | \$ 13,397,052         | \$ -                                | \$ 13,397,052                           |
| Support Services                                             | 7,477,043             | -                                   | 7,477,043                               |
| Noninstructional Services                                    | 514,848               | -                                   | 514,848                                 |
| Capital Outlay                                               | -                     | 709,254                             | 709,254                                 |
| Debt Service (Principal)                                     | 935,000               | -                                   | 935,000                                 |
| Debt Service (Interest)                                      | 369,410               | -                                   | 369,410                                 |
| Refund of Prior Year Revenues                                | 369                   | -                                   | 369                                     |
| <b>Total Expenditures</b>                                    | <b>\$ 22,693,722</b>  | <b>\$ 709,254</b>                   | <b>\$ 23,402,976</b>                    |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 727,111</b>     | <b>\$ (678,760)</b>                 | <b>\$ 48,351</b>                        |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                 |                       |                                     |                                         |
| Operating Transfers In                                       | \$ -                  | \$ 2,000,000                        | \$ 2,000,000                            |
| Operating Transfers (Out)                                    | (2,000,000)           | (31,235)                            | (2,031,235)                             |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (2,000,000)</b> | <b>\$ 1,968,765</b>                 | <b>\$ (31,235)</b>                      |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ (1,272,889)</b> | <b>\$ 1,290,005</b>                 | <b>\$ 17,116</b>                        |
| FUND BALANCE - JULY 1, 2017                                  | 16,412,911            | 2,046,741                           | 18,459,652                              |
| <b>FUND BALANCE - JUNE 30, 2018</b>                          | <b>\$ 15,140,022</b>  | <b>\$ 3,336,746</b>                 | <b>\$ 18,476,768</b>                    |

The accompanying notes are an integral part of these financial statements

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 17,116**

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 expense (\$808,959) exceeds capital outlays (\$710,706) in the period. (98,253)

Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. (1,072,649)

Because certain property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflow of resources decreased by this amount this year. (79,480)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 935,000

Discounts and premiums on the sale of bonds are recognized as revenue and expenditures in the governmental funds, however these amounts are amortized over the life of the bond issue in the government-wide financial statements. 11,088

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, however, interest expense is recognized as the interest accrues, regardless of when it is due. 7,517

In the statement of activities, certain operating expenses - compensated absences and net OPEB obligations - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This year, compensated absences and net OPEB obligations paid exceeded the amount earned. 749,285

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 469,624**

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                               | Budgeted Amounts     |                      | Actual                | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------------|----------------------|----------------------|-----------------------|---------------------------------------------------------|
|                                                               | Original             | Final                | (Budgetary Basis)     | (Negative)                                              |
| <b>REVENUES</b>                                               |                      |                      |                       |                                                         |
| Local Sources                                                 | \$ 10,181,443        | \$ 10,181,443        | \$ 10,477,505         | \$ 296,062                                              |
| State Sources                                                 | 12,369,900           | 12,369,900           | 12,588,763            | 218,863                                                 |
| Federal Sources                                               | 400,000              | 400,000              | 354,565               | (45,435)                                                |
| <b>Total Revenues</b>                                         | <b>\$ 22,951,343</b> | <b>\$ 22,951,343</b> | <b>\$ 23,420,833</b>  | <b>\$ 469,490</b>                                       |
| <b>EXPENDITURES</b>                                           |                      |                      |                       |                                                         |
| Regular Programs                                              | \$ 9,860,832         | \$ 9,860,832         | \$ 9,784,321          | \$ 76,511                                               |
| Special Programs                                              | 3,321,378            | 3,321,378            | 2,860,689             | 460,689                                                 |
| Vocational Programs                                           | 697,645              | 697,645              | 536,385               | 161,260                                                 |
| Other Instructional Programs                                  | 315,775              | 315,775              | 215,657               | 100,118                                                 |
| Non Public-School Programs                                    | 12,901               | 12,901               | -                     | 12,901                                                  |
| Pupil Personnel Services                                      | 865,402              | 865,402              | 895,965               | (30,563)                                                |
| Instructional Staff Services                                  | 740,001              | 740,001              | 826,452               | (86,451)                                                |
| Administrative Services                                       | 1,534,081            | 1,534,081            | 1,490,910             | 43,171                                                  |
| Pupil Health                                                  | 426,142              | 426,142              | 435,062               | (8,920)                                                 |
| Business Services                                             | 351,395              | 351,395              | 328,773               | 22,622                                                  |
| Operation & Maintenance of Plant Services                     | 1,807,441            | 1,807,441            | 2,084,414             | (276,973)                                               |
| Student Transportation Services                               | 1,103,462            | 1,103,462            | 1,296,459             | (192,997)                                               |
| Central Services                                              | 109,740              | 109,740              | 112,506               | (2,766)                                                 |
| Other Support Services                                        | -                    | -                    | 6,502                 | (6,502)                                                 |
| Student Activities                                            | 469,385              | 469,385              | 514,569               | (45,184)                                                |
| Community Services                                            | -                    | -                    | 279                   | (279)                                                   |
| Debt Service                                                  | 1,300,810            | 1,300,810            | 1,304,779             | (3,969)                                                 |
| <b>Total Expenditures</b>                                     | <b>\$ 22,916,390</b> | <b>\$ 22,916,390</b> | <b>\$ 22,693,722</b>  | <b>\$ 222,668</b>                                       |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ 34,953</b>     | <b>\$ 34,953</b>     | <b>\$ 727,111</b>     | <b>\$ 692,158</b>                                       |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                      |                      |                       |                                                         |
| Operating Transfers (Out)                                     | \$ -                 | \$ -                 | \$ (2,000,000)        | \$ (2,000,000)                                          |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ -</b>          | <b>\$ -</b>          | <b>\$ (2,000,000)</b> | <b>\$ (2,000,000)</b>                                   |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ 34,953</b>     | <b>\$ 34,953</b>     | <b>\$ (1,272,889)</b> | <b>\$ (1,307,842)</b>                                   |
| FUND BALANCE - JULY 1, 2017                                   | 14,999,192           | 14,999,192           | 16,412,911            | 1,413,719                                               |
| <b>FUND BALANCE - JUNE 30, 2018</b>                           | <b>\$ 15,034,145</b> | <b>\$ 15,034,145</b> | <b>\$ 15,140,022</b>  | <b>\$ 105,877</b>                                       |

The accompanying notes are an integral part of these financial statements

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

|                                                                           | <b>FOOD<br/>SERVICES</b> |
|---------------------------------------------------------------------------|--------------------------|
| <b>ASSETS</b>                                                             |                          |
| <b>Current Assets:</b>                                                    |                          |
| Cash and Cash Equivalents                                                 | \$ 1,084,731             |
| Due from Other Funds                                                      | 357                      |
| Due from Other Governmental Units                                         | 54,893                   |
| Inventories                                                               | 16,017                   |
| Prepaid Expenses                                                          | 3,332                    |
| <b>TOTAL CURRENT ASSETS</b>                                               | <b>\$ 1,159,330</b>      |
| <b>Noncurrent Assets:</b>                                                 |                          |
| Machinery and Equipment (net)                                             | \$ 59,839                |
| <b>TOTAL NONCURRENT ASSETS</b>                                            | <b>\$ 59,839</b>         |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 1,219,169</b>      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                     |                          |
| Deferred Outflows Related to Pensions                                     | \$ 191,475               |
| Deferred Outflows Related to OPEB                                         | 2,866                    |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>\$ 194,341</b>        |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$ 1,413,510</b>      |
| <b>LIABILITIES</b>                                                        |                          |
| <b>Current Liabilities:</b>                                               |                          |
| Due to Other Funds                                                        | \$ 760,562               |
| Accounts Payable                                                          | 9,479                    |
| Accrued Salaries and Benefits                                             | 22,372                   |
| Unearned Revenue                                                          | 18,316                   |
| <b>TOTAL CURRENT LIABILITIES</b>                                          | <b>\$ 810,729</b>        |
| <b>Noncurrent Liabilities:</b>                                            |                          |
| Net OPEB Liability                                                        | \$ 43,710                |
| Net Pension Liability                                                     | 1,059,390                |
| <b>TOTAL NONCURRENT LIABILITIES</b>                                       | <b>\$ 1,103,100</b>      |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 1,913,829</b>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                          |
| Deferred Inflows Related to Pensions                                      | \$ 8,040                 |
| Deferred Inflows Related to OPEB                                          | 2,040                    |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 10,080</b>         |
| <b>NET POSITION</b>                                                       |                          |
| Investment in Capital Assets                                              | \$ 59,839                |
| Unrestricted (Deficit)                                                    | (570,238)                |
| <b>TOTAL NET POSITION (Deficit)</b>                                       | <b>\$ (510,399)</b>      |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 1,413,510</b>      |

The accompanying notes are an integral part of these financial statements

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                  | <b>FOOD SERVICES</b> |
|--------------------------------------------------|----------------------|
| <b><u>OPERATING REVENUES</u></b>                 |                      |
| Food Service Revenue                             | \$ 644,273           |
| <b>Total Operating Revenues</b>                  | <b>\$ 644,273</b>    |
| <b><u>OPERATING EXPENSES</u></b>                 |                      |
| Personnel Services - Salaries                    | \$ 239,832           |
| Personnel Services - Employee Benefits           | 175,405              |
| Purchased Property Services                      | 17,365               |
| Other Purchased Services                         | 674,138              |
| Supplies                                         | 72,970               |
| Depreciation                                     | 5,320                |
| Other Operating Expenses                         | 34,921               |
| <b>Total Operating Expenses</b>                  | <b>\$ 1,219,951</b>  |
| <b>OPERATING INCOME/(LOSS)</b>                   | <b>\$ (575,678)</b>  |
| <b><u>NONOPERATING REVENUES (EXPENSES)</u></b>   |                      |
| Earnings on Investments                          | \$ 6,113             |
| State Sources                                    | 77,854               |
| Federal Sources                                  | 427,365              |
| Refund Prior Year Revenues                       | (13,613)             |
| Transfer from Capital Projects Fund              | 31,235               |
| <b>Total Nonoperating Revenues (Expenses)</b>    | <b>\$ 528,954</b>    |
| <b>CHANGE IN NET POSITION</b>                    | <b>\$ (46,724)</b>   |
| NET POSITION (Restated) - JULY 1, 2017 (Deficit) | (463,675)            |
| <b>NET POSITION - JUNE 30, 2018 (Deficit)</b>    | <b>\$ (510,399)</b>  |

The accompanying notes are an integral part of these financial statements

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                                                                                     | <b><u>FOOD<br/>SERVICES</u></b> |
|---------------------------------------------------------------------------------------------------------------------|---------------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                                                  |                                 |
| Cash Received from Users                                                                                            | \$ 640,166                      |
| Cash Payments to Employees for Services                                                                             | (385,408)                       |
| Cash Payments to Suppliers for Goods and Services                                                                   | (501,775)                       |
| <b>Net Cash (Used for) Operating Activities</b>                                                                     | <b><u>\$ (247,017)</u></b>      |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>                                                      |                                 |
| State Sources                                                                                                       | \$ 77,701                       |
| Federal Sources                                                                                                     | 365,872                         |
| Transfer from Capital Projects Fund                                                                                 | 31,235                          |
| <b>Net Cash Provided by Non-Capital Financing Activities</b>                                                        | <b><u>\$ 474,808</u></b>        |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>                                              |                                 |
| Capital Outlay                                                                                                      | \$ (31,235)                     |
| Refund Prior Year Receipts                                                                                          | (13,613)                        |
| <b>Net Cash (Used for) Capital and Related Financing Activities</b>                                                 | <b><u>\$ (44,848)</u></b>       |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                                                  |                                 |
| Earnings on Investments                                                                                             | \$ 6,113                        |
| <b>Net Cash Provided (Used) by Investing Activities</b>                                                             | <b><u>\$ 6,113</u></b>          |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                                                    | <b>\$ 189,056</b>               |
| CASH AND CASH EQUIVALENTS - JULY 1, 2017                                                                            | <u>895,675</u>                  |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30, 2018</b>                                                                    | <b><u>\$ 1,084,731</u></b>      |
| <b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH<br/>PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u></b> |                                 |
| <b>Operating Income (Loss)</b>                                                                                      | <b>\$ (575,678)</b>             |
| <b><u>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)<br/>TO NET CASH (USED FOR) OPERATING ACTIVITIES:</u></b>     |                                 |
| Depreciation                                                                                                        | 5,320                           |
| Other Adjustments - Donated Commodities                                                                             | 60,410                          |
| Other Adjustments - GASB 68 Expense                                                                                 | 33,175                          |
| Other Adjustments - GASB 75 Expense                                                                                 | (419)                           |
| (Increase) Decrease in Inventories                                                                                  | 1,954                           |
| (Increase) Decrease in Prepaid Insurance                                                                            | (1,116)                         |
| Increase (Decrease) in Accounts Payable                                                                             | 9,479                           |
| Increase (Decrease) in Accrued Salaries and Benefits                                                                | (2,927)                         |
| Increase (Decrease) in Advances to Other Funds                                                                      | 226,892                         |
| Increase (Decrease) in Unearned Revenue                                                                             | (4,107)                         |
| <b>Total Adjustments</b>                                                                                            | <b><u>\$ 328,661</u></b>        |
| <b>Net Cash (Used for) Operating Activities</b>                                                                     | <b><u>\$ (247,017)</u></b>      |
| <b><u>NONCASH NONCAPITAL FINANCING ACTIVITIES:</u></b>                                                              |                                 |
| During the year, the District received \$60,410 of food commodities from the U.S. Department of Agriculture.        |                                 |

The accompanying notes are an integral part of these financial statements

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**

|                           | <b><u>PRIVATE<br/>PURPOSE<br/>TRUST FUND</u></b> | <b><u>ACTIVITY<br/>FUNDS</u></b> |
|---------------------------|--------------------------------------------------|----------------------------------|
| <b>ASSETS</b>             |                                                  |                                  |
| Cash and Cash Equivalents | \$ -                                             | \$ 35,418                        |
| Investments               | 21,097                                           | 15,788                           |
| <b>TOTAL ASSETS</b>       | <b><u>\$ 21,097</u></b>                          | <b><u>\$ 51,206</u></b>          |
| <b>LIABILITIES</b>        |                                                  |                                  |
| Due to Student Groups     | \$ -                                             | \$ 51,206                        |
| <b>TOTAL LIABILITIES</b>  | <b><u>\$ -</u></b>                               | <b><u>\$ 51,206</u></b>          |
| <b>NET POSITION</b>       |                                                  |                                  |
| Restricted                | \$ 21,097                                        |                                  |
| <b>TOTAL NET POSITION</b> | <b><u>\$ 21,097</u></b>                          |                                  |

The accompanying notes are an integral part of these financial statements

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**

|                                     | <u>PRIVATE<br/>PURPOSE<br/>TRUST FUND</u>       |
|-------------------------------------|-------------------------------------------------|
| <b>ADDITIONS</b>                    |                                                 |
| Other Additions                     | \$           116                                |
| <b>DEDUCTIONS</b>                   |                                                 |
| Scholarships Awarded                | <u>                  4,000</u>                  |
| <b>CHANGE IN NET POSITION</b>       | <b>\$           (3,884)</b>                     |
| <b>NET POSITION - JULY 1, 2017</b>  | <u>                  24,981</u>                 |
| <b>NET POSITION - JUNE 30, 2018</b> | <b><u>                  \$       21,097</u></b> |

The accompanying notes are an integral part of these financial statements

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Central Cambria School District was established under the authority of an act of the state legislature that designated a school board as the governing body. This District serves the residents of Cambria Township, Jackson Township, and Ebensburg Borough located in Cambria County. The School District operates under a locally-elected nine-member Board form of government and provides educational services as mandated by the Commonwealth of Pennsylvania and selected federal agencies. The Board of Education has complete authority over the operations and administration of the School District's activities.

The financial statements of the Central Cambria School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The most significant of the School District's accounting policies are as follows:

**REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure the financial statements are not misleading. The primary government of the Central Cambria School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. As defined by GASB Statement No. 14, "Financial Reporting Entity", component units are legally separate entities that are included in the School District's reporting entity because of the significance of their operating or financial relationships with the School District. Based on the application of these criteria, the Central Cambria School District has no component units.

The School District is associated with two jointly governed organizations (Note 11) and one public entity risk pool (Note 12) as follows:

- Jointly Governed Organizations:
  - Admiral Peary Vocational Technical School
  - Appalachian Intermediate Unit #8
  
- Public Entity Risk Pool:
  - Admiral Peary Insurance Trust

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

The government-wide statements are prepared using the economic resources measurement focus. That is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations (Exhibit D and F) with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Major funds represent the School District's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For the Central Cambria School District, the General Fund is always considered a major fund. Each major fund is presented in a separate column. Non-major funds are segregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING**

The School District uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

**Governmental Funds** – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

**GENERAL FUND** - The General Fund is used to account for all financial resources not required to be accounted for in some other fund. The General Fund balance is available for any purpose provided it is expended according to the Commonwealth of Pennsylvania Public School Code.

**CAPITAL PROJECT FUND** - The Capital Project Fund accounts for financial resources used for the acquisition of capital assets, as deemed necessary by the Board of Education.

**Proprietary Funds** - used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the School District (internal service funds). The School District's major and sole enterprise fund is its Food Service Fund, which accounts for the financial transactions related to the food service operations of the District.

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The School District maintains an Agency Fund which accounts for various student organization activity accounts administered by the District on behalf of the various student organizations. In addition, the District maintains a private purpose trust fund to account for the transactions of the 1) Aaron Rusin Memorial Scholarship Fund and the 2) Patricia Anne Martin Scholarship Fund.

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

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

Revenue resulting from non-exchange transactions, in which the School District receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the Central Cambria School District has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2018 under the modified accrual basis are **1)** delinquent real estate taxes collected by the district within 60 days following the close of the fiscal year, **2)** federal and state subsidies and grants earned in the fiscal year 2017-2018, and **3)** other miscellaneous revenues earned in fiscal year 2017-2018 but received subsequent to June 30, 2018. On the governmental fund financial statements, real estate tax receivables that will not be collected within the 'available' period have been reported as 'deferred inflows of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at June 30, 2018, are those for which the Board of Education's intention was to expense these items as budgeted for the 2017-2018 official budget, and for which the District has incurred an obligation during 2018, but has not paid as of June 30, 2018.

Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities. Unused donated commodities are reported as unearned revenue.

**BUDGETS**

On June 12, 2017, the Central Cambria School District adopted its fiscal year June 30, 2018 annual budget for the general fund totaling \$22,916,390 in accordance with the provisions of the Pennsylvania School Code. The budget is prepared utilizing the modified accrual method of accounting. Budgetary transfers among various expenditure line items can be performed by the District, as approved by the Board of Education, only during the last nine months of the fiscal year. The original and adjusted budgetary amounts are reflected in these financial statements (Exhibit G). Actual expenditures exceeded budgeted expenditures during fiscal year 2017-2018. All annual appropriations of the general fund lapse at fiscal year-end.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CASH AND CASH EQUIVALENTS**

For the purposes of these basic financial statements, cash and cash equivalents include amounts in demand deposit accounts, and any other highly liquid, short-term investments, with original maturity terms of less than three months.

**INVESTMENTS**

Under Section 440.1 of the Pennsylvania Public School Code of 1949, as amended, and PA Act 10 of 2016, Central Cambria School District is permitted to invest funds consistent with sound business practices in the following types of investments:

- I. Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
- II. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral, as provided by law, is pledged by the depository.
- III. U.S. government obligations, short-term commercial paper issued by a public corporation, and banker's acceptances.

Investments of the Central Cambria School District include certificates of deposit with maturity terms in excess of three months and deposits pooled for investment purposes with the Pennsylvania Local Government Investment Trust (PLGIT). Investments are stated at fair value.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the governmental funds balance sheet. For the purposes of the government-wide statement of net position, governmental interfund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as off-setting internal balances on the statement of net position.

**INVENTORIES**

Inventories on the government-wide statement of net position (Exhibit A) and the proprietary fund statement of net position (Exhibit H) are recorded at a combination of actual cost fair value on a first-in first-out basis. This inventory consists of purchased food and supplies and donated commodities from the U.S. Department of Agriculture as part of the food service program. The School District does not inventory the cost of such items as books and supplies, but rather records these items as expenditures in the governmental funds and an expense in the government-wide statement of activities at the time of purchase.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in both the business-type activity column of the government-wide statement of net position and on the proprietary fund statement of net position.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The School District maintains a capitalization threshold of \$5,000. The cost of infrastructure is included as part of building and building improvements in the government-wide statement of net position. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities.

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over the following useful lives:

- |                                       |             |
|---------------------------------------|-------------|
| • Site Improvements                   | 20 Years    |
| • Buildings and Building Improvements | 20-40 Years |
| • Machinery and Equipment             | 5-20 Years  |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**LONG-TERM DEBT FINANCING COSTS**

Bond issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. The School District did not incur any closing costs during the 2017-2018 fiscal year.

**COMPENSATED ABSENCES**

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, 'Accounting for Compensated Absences'. Members of the Central Cambria Education Association are entitled to the daily substitute rate for each unused sick day not to exceed \$100 per day. Classified personnel who have 15 years of service with the School District and meet PSERS eligibility requirements are entitled to \$25 per day for unused sick leave up to a maximum of 250 days. The Administrator Compensation Plan for Act 93 members provides for the payment of \$100 per day for all unused sick days to all members who have reached the age of 55, have 10 years of service with the School District, and meet the PSERS eligibility requirements for retirement. The Superintendent contract provides for the payment of either \$100 per day, or the School District's highest substitute daily rate, whichever is greater, for all unused sick days. The Business Manager contract provides for the payment of \$100 per day for all unused sick days. The entire compensated absences liability of \$642,103 is shown as a non-current liability in the government-wide statement of net position. For governmental fund financial statements, compensated absences are recorded as expenditures when paid, rather than accrued when earned, as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PENSIONS**

For the 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. Investment assets are reported at fair value. More information on pension activity is included in Note 9.

**OTHER POSTEMPLOYMENT BENEFITS**

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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. Investment assets are reported at fair value. More information on other postemployment benefits activity is included in Note 10.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. For the business-type activities, these obligations and all similar obligations are reported again on the proprietary fund statement of net position (Exhibit H).

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of compensated absences and retiree health benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources.

In general, liabilities that mature or come due for payment during the fiscal year are considered to have been paid with current available financial resources. Notes and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The District's General Fund is typically used to liquidate long-term liability obligations. The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**UNEARNED REVENUE**

Unearned Revenue arises when the District receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy District obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets.
- Unrestricted – Consists of net position that does not meet the definition of ‘restricted’ or ‘net investment in capital assets’.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**FUND EQUITY**

In the Balance Sheet – Governmental Funds (Exhibit C), fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity’s fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact. The District’s nonspendable fund balance totals \$249,196 at June 30, 2018.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation
- Committed fund balance – amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest-level action to remove or change the constraint.
- Assigned fund balance – amounts the School District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. At June 30, 2017 the management of the Central Cambria School District assigned \$8,288,369 (Exhibit C) of the total General Fund balance for the following:

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND EQUITY (Continued)**

|                                                    |                            |
|----------------------------------------------------|----------------------------|
| Athletic Expenditures                              | \$ 9,869                   |
| Future PSERS Rate Increases                        | 778,500                    |
| Future Debt Service and Unanticipated Expenditures | <u>7,500,000</u>           |
|                                                    | <u><u>\$ 8,288,369</u></u> |

- Unassigned fund balance – amounts that are available for any purpose

Act 48 of 2003 prohibits school districts from increasing real property taxes unless the school district has adopted a budget for such school year the includes an estimated ending unassigned fund balance which is not more than a specified percentage of the district's total budgeted expenditures. For the Central Cambria School District, estimated ending unassigned fund balance must not exceed 8% of total budgeted expenditures. The District's unassigned General Fund balance at June 30, 2018 was approximately 28.1% of its 2018-2019 budgeted expenditures.

The School District establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The Board of Education has given authority to assign fund balance to the Business Manager.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend the committed resources first, followed by assigned amounts and then unassigned amounts.

**ESTIMATES**

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

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Central Cambria School District, these revenues are food service charges for lunch and breakfast service. Operating expenses are the necessary costs incurred to provide the aforementioned food service. Non-operating revenues of the District's food service proprietary fund are **1)** investment earnings, **2)** state and federal subsidies, including donated commodities, received from the U.S. Department of Agriculture, and **3)** a transfer from the Capital Project Fund. Non-operating expenses of the District's food service proprietary fund include refunds of prior year revenues.

**ADOPTION OF GASB PRONOUNCEMENTS**

The requirements of the following GASB Statements were adopted for the School District's 2017-2018 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact on the School District's financial statements.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ADOPTION OF GASB PRONOUNCEMENTS (Continued)**

GASB issued Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”. The primary objective of this Statement is to address reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of Statement No. 45. The effect of this statement resulted in a restatement of net position as more detailed in Note 15.

GASB issued Statement No. 81, “*Irrevocable Split-Interest Agreement*”. The primary objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

GASB issued Statement No. 85, ‘*Omnibus 2017*’. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB issued Statement No. 86, ‘*Certain Debt Extinguishment Issues*’. The primary objective of this Statement is to improve consistency in accounting and financial reporting for certain debt extinguishments and to enhance the decision-usefulness of that information.

**PENDING GASB PRONOUNCEMENTS**

In November of 2016, the GASB issued Statement No. 83, ‘*Certain Asset Retirement Obligations*’. The primary objective of this Statement is to provide financial statement users with information about ‘asset retirement obligations (ARO) that were not addressed in GASB Standards by establishing uniform accounting and financial reporting requirements for these obligations. The provisions of this Statement are effective for the School District’s June 30, 2019 financial statements.

In January of 2017, the GASB issued Statement No. 84, ‘*Fiduciary Activities*’. The primary objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. The provisions of this Statement are effective for the School District’s June 30, 2020 financial statements.

In June of 2017, the GASB issued Statement No. 87, ‘*Leases*’. The primary objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. The provisions of this Statement are effective for the School District’s June 30, 2021 financial statements.

In March 9 of 2018, the GASB issued Statement No. 88, ‘*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*’. The primary objective of this Statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. The provisions of this Statement are effective for the School District’s June 30, 2019 financial statements.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**PENDING GASB PRONOUNCEMENTS (Continued)**

In June of 2018, the GASB issued Statement No. 89, 'Accounting for Interest Cost Incurred before the end of a Construction Period'. The primary objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and, (b) to simplify accounting for certain interest costs. The provisions of this Statement are effective for the School District's June 30, 2021 financial statements.

In August of 2018, the GASB issued Statement No. 90, 'Majority Equity Interests (an amendment of GASB Statements No. 14 and No. 61)'. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for the School District's June 30, 2020 financial statements.

The effects of implementing the aforementioned GASB Statements on the School District's financial statements have not yet been determined.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

At June 30, 2018, Central Cambria School District had the following carrying values on its cash and cash equivalents accounts:

|                                                          | <b>Bank<br/>Balance</b> | <b>(Memo Only)<br/>Book Balance</b> |
|----------------------------------------------------------|-------------------------|-------------------------------------|
| General Fund                                             | \$ 9,537,006            | \$ 9,003,371                        |
| Proprietary Fund                                         | 1,084,406               | 1,084,731                           |
| Agency Funds                                             | 39,327                  | 35,418                              |
|                                                          | \$10,660,739            | \$ 10,123,520                       |
| <b>Certificates of Deposit<br/>Shown as Investments:</b> |                         |                                     |
| Agency Funds                                             | 21,097                  | 21,097                              |
|                                                          | <b>\$10,681,836</b>     | <b>\$ 10,144,617</b>                |

The difference between the bank balance and the carrying value represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposits accounts, and certificates of deposit.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**CASH DEPOSITS (Continued)**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a separate policy for custodial credit risk in addition to the requirements of State Law. As of June 30, 2018, \$10,431,836 of the District's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the District's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**INVESTMENTS:**

The fair value and maturity term of the District's investments as of June 30, 2018 are as follows:

|                            | <b>Fair Value</b> | <b>No Stated<br/>Maturity</b> |
|----------------------------|-------------------|-------------------------------|
| <b>Governmental Funds:</b> |                   |                               |
| PLGIT                      | \$ 9,495,601      | \$ 9,495,601                  |
| <b>Fiduciary Funds:</b>    |                   |                               |
| PLGIT                      | \$ 15,788         | \$ 15,788                     |

The purpose of the Pennsylvania Local Government Investment Trust (PLGIT) is to enable their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. The funds operate in a manner consistent with the SEC's Rule 2(a) 7 of the Investment Company Act of 1940. The funds use amortized cost to report net position to compute share prices. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District's investments in PLGIT are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The District does not have a specific policy that would limit its investment choices to those with certain credit ratings.

**Interest Rate Risk**

The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's certificates of deposit maturities with First National Bank are 12-17 months.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS:**

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no formal policy, in addition to the requirements of the Pennsylvania School Code that limits its investment choices based on credit ratings by nationally recognized rating organizations. As of June 30, 2018, PLGIT was rated AAAM by the Standard & Poors nationally recognized statistical rating organization.

**Fair Value Measurements:**

The Central Cambria School District's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

- **Level 1** – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.
- **Level 2** – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data.
- **Level 3** – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments held in external investment pools such as PLGIT are not subject to the provisions of fair value measurements as they are recorded at amortized cost.

**NOTE 3 - PROPERTY TAXES**

The Central Cambria School District levies property taxes July 1 of each fiscal year. The tax millage assessment for the 2017-2018 fiscal year was 54.25, which represents \$54.25 of revenue for every \$1,000 of assessed property value. Taxpayers are entitled to a 2% discount if taxes are paid prior to September 1st. Collections beginning November 1st are assessed a 10% penalty. Unpaid taxes are submitted to the District's delinquent tax collector. Tax collectors are required under Act 169 of the Commonwealth of Pennsylvania to submit a reconciliation of their tax duplicate to the District by January 15<sup>th</sup> of the year following levy. A summary of the collection percentage by municipality is as follows:

| <u>MUNICIPALITY</u> | <u>FACE AMOUNT<br/>LEVIED</u> | <u>FACE AMOUNT<br/>COLLECTED</u> | <u>% OF LEVY<br/>COLLECTED</u> |
|---------------------|-------------------------------|----------------------------------|--------------------------------|
| Cambria Township    | \$ 4,278,946                  | \$ 4,105,594                     | 95.9%                          |
| Ebensburg Borough   | 1,809,869                     | 1,752,850                        | 96.8%                          |
| Jackson Township    | 1,896,633                     | 1,769,331                        | 93.3%                          |

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 - PROPERTY TAXES (Continued)**

Taxes receivable as shown in the government-wide statement of net position represents delinquent property taxes of \$568,835. For purposes of the governmental fund financial statements, \$409,019 of the delinquent property taxes receivable, although measurable, does not meet the available criteria to finance current fiscal year operations. Accordingly, this amount is equally off-set as a credit to deferred inflow of resources in the fund financial statements.

The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

The amount of 'due from other governments', as reflected on the government-wide statement of net position, and the governmental funds balance sheet, is comprised of the following:

|                                         |              |
|-----------------------------------------|--------------|
| Commonwealth of Pennsylvania:           |              |
| State Subsidies                         | \$ 914,655   |
| Federal Grants                          | 4,887        |
| Intermediate Unit - Pass Through Grants | 296,073      |
| Local Educational Agencies - Tuition    | 194,237      |
|                                         | \$ 1,409,852 |

**NOTE 5 – UNEARNED REVENUES**

Unearned revenue of \$18,316, as reflected on the government-wide and proprietary fund statements of net position, represents amounts due students for prepayments toward the District's student lunch program.

**NOTE 6 – INTER-FUND OBLIGATIONS AND TRANSFERS**

During the fiscal year 2017-2018, the General Fund transferred \$2,000,000 to the Capital Project Fund for capital expenditures and the Capital Project Fund transferred \$31,235 to the Cafeteria Fund for the purchase of a capital expenditure. Inter-fund receivables and payables as reflected on the governmental funds balance sheet (Exhibit C), proprietary fund statement of net position (Exhibit H), and fiduciary fund statement of net position (Exhibit K) are comprised of the following:

|                      | <b>Receivable</b> | <b>Payable</b> |
|----------------------|-------------------|----------------|
| General Fund         | \$ 1,231,367      | \$ 357         |
| Capital Project Fund | -                 | 470,806        |
| Proprietary Fund     | 357               | 760,562        |
|                      | \$ 1,231,724      | \$ 1,231,724   |

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 - CAPITAL ASSETS**

A summary of the governmental fixed asset activity for the 2017-2018 fiscal year was as follows:

|                                                         | <u>Balance<br/>7/1/2017</u> | <u>Additions</u>        | <u>Deductions</u>        | <u>Balance<br/>6/30/2018</u> |
|---------------------------------------------------------|-----------------------------|-------------------------|--------------------------|------------------------------|
| <b>Governmental Activities</b>                          |                             |                         |                          |                              |
| Land                                                    | \$ 584,678                  | \$ -                    | \$ -                     | \$ 584,678                   |
| Site Improvements                                       | 1,950,080                   | 92,797                  | -                        | 2,042,877                    |
| Building and Improvements                               | 31,015,474                  | 273,452                 | -                        | 31,288,926                   |
| Machinery and Equipment                                 | 3,369,960                   | 392,134                 | -                        | 3,762,094                    |
| Construction in Progress                                | 103,551                     | 55,874                  | 103,551                  | 55,874                       |
|                                                         | <u>\$ 37,023,743</u>        | <u>\$ 814,257</u>       | <u>\$ 103,551</u>        | <u>\$ 37,734,449</u>         |
| <b>Less: Accumulated depreciation</b>                   |                             |                         |                          |                              |
| Site Improvements                                       | \$ (978,161)                | \$ (83,246)             | -                        | \$ (1,061,407)               |
| Building and Improvements                               | (14,605,217)                | (605,544)               | -                        | (15,210,761)                 |
| Machinery and Equipment                                 | (2,853,280)                 | (120,169)               | -                        | (2,973,449)                  |
|                                                         | <u>\$ (18,436,658)</u>      | <u>\$ (808,959)</u>     | <u>\$ -</u>              | <u>\$ (19,245,617)</u>       |
| <b>Governmental Activities<br/>Capital Assets, Net</b>  | <b><u>\$ 18,587,085</u></b> | <b><u>\$ 5,298</u></b>  | <b><u>\$ 103,551</u></b> | <b><u>\$ 18,488,832</u></b>  |
| <b>Business-Type Activities</b>                         |                             |                         |                          |                              |
| Machinery and Equipment                                 | \$ 437,887                  | \$ 31,235               | \$ -                     | \$ 469,122                   |
| Less: Accumulated Depreciation                          | (403,963)                   | (5,320)                 | -                        | (409,283)                    |
| <b>Business-Type Activities<br/>Capital Assets, Net</b> | <b><u>\$ 33,924</u></b>     | <b><u>\$ 25,915</u></b> | <b><u>\$ -</u></b>       | <b><u>\$ 59,839</u></b>      |

Depreciation expense was charged to governmental functions as follows:

|                                               |                   |
|-----------------------------------------------|-------------------|
| Instruction                                   | \$ 568,696        |
| Instructional Student Support                 | 80,421            |
| Administrative and Financial Support Services | 88,499            |
| Operation and Maintenance of Plant Services   | 47,510            |
| Transportation                                | 3,039             |
| Student Activities                            | 20,794            |
|                                               | <u>\$ 808,959</u> |

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 - LONG-TERM LIABILITIES**

**GENERAL OBLIGATION BONDS - SERIES A AND B OF 2014**

In May of 2014, the Central Cambria School District issued General Obligation Bonds, Series A and B of 2014 in the amount of \$5,635,000 and \$750,000 respectively. The Series A bonds were issued to **1)** currently refund the School District's General Obligation Bonds Series A of 2009 and **2)** to pay all costs and expenses incident to the issuance and sale of the bonds. The Series B bonds were issued to **1)** currently refund the School District's General Obligation Bonds Series B of 2009 and **2)** to pay all costs and expenses incident to the issuance and sale of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on March 1 and September 1 each year through maturity. Interest rates on the Series A bonds range between 1.0 and 3.0% with the bonds scheduled to mature on September 1, 2021. Interest rates on the Series B bonds range between 1.0 and 2.0% with the bonds scheduled to mature on September 1, 2021. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

**GENERAL OBLIGATION BONDS - SERIES A AND B OF 2015**

In July of 2015, the Central Cambria School District issued General Obligation Bonds, Series A and B of 2015 in the amount of \$8,170,000 and \$1,590,000 respectively. The Series A bonds were issued to **1)** currently refund the School District's General Obligation Bonds Series A of 2010, **2)** fund certain improvements to the District, which include, but may not be limited to its athletic fields, and **3)** to pay all costs and expenses incident to the issuance and sale of the bonds. The Series B bonds were issued to **1)** currently refund the School District's General Obligation Bonds Series B of 2010, **2)** fund certain improvements to the District, which include, but may not be limited to its athletic fields, and **3)** to pay all costs and expenses incident to the issuance and sale of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on March 1 and September 1 each year through maturity. Interest rates on the Series A bonds range between 2.0 and 3.5% with the bonds scheduled to mature on September 1, 2031. Interest rates on the Series B bonds range between 2.0 and 2.3750% with the bonds scheduled to mature on September 1, 2031. The bonds provide for early redemption options for the School District as more fully described in the detailed Official Statement.

A summary of the remaining debt service obligations on the School District's bond issues is as follows:

| <b>Year End<br/>June 30,</b> | <b>2014A<br/>Principal</b> | <b>2014B<br/>Principal</b> | <b>2015A<br/>Principal</b> | <b>2015B<br/>Principal</b> | <b>Interest</b>     | <b>Total</b>         |
|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|---------------------|----------------------|
| 2019                         | \$ 740,000                 | \$ 105,000                 | \$ 70,000                  | \$ 35,000                  | \$ 343,260          | \$ 1,293,260         |
| 2020                         | 765,000                    | 110,000                    | 75,000                     | 40,000                     | 316,335             | 1,306,335            |
| 2021                         | 780,000                    | 110,000                    | 75,000                     | 40,000                     | 292,560             | 1,297,560            |
| 2022                         | 785,000                    | 45,000                     | 80,000                     | 110,000                    | 272,310             | 1,292,310            |
| 2023                         | -                          | -                          | 685,000                    | 110,000                    | 253,365             | 1,048,365            |
| 2023-2028                    | -                          | -                          | 3,675,000                  | 610,000                    | 1,101,413           | 5,386,413            |
| 2029-2032                    | -                          | -                          | 3,370,000                  | 560,000                    | 264,544             | 4,194,544            |
|                              | <b>\$ 3,070,000</b>        | <b>\$ 370,000</b>          | <b>\$ 8,030,000</b>        | <b>\$ 1,505,000</b>        | <b>\$ 2,843,787</b> | <b>\$ 15,818,787</b> |

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 - LONG-TERM LIABILITIES (Continued)**

The District paid bond discounts and premiums in connection with its various General Obligation bond issues. These discounts and premiums are being amortized on a straight-line basis over the life of the related bond issues. The unamortized amount of bond discount and un-accreted bond premium totaling \$96,274 and \$65,006 respectively is reflected as a component of 'Bonds Payable – Long-Term Portion (Net)' in the governmental activities column on the government-wide statement of net position. Amortization expense for the year ended June 30, 2018 was \$18,924. Premium accretion for the year ended June 30, 2018 was \$30,012. These amounts were netted against the 'Interest on Long-Term Debt' expense category in the statement of activities.

The following represents the changes in the District's long-term liabilities during the 2017-2018 fiscal year:

|                          | <b>Balance<br/>7/1/2017</b> | <b>Additions</b>         | <b>Reductions</b>          | <b>Balance<br/>6/30/2018</b> | <b>Due Within<br/>One Year</b> |
|--------------------------|-----------------------------|--------------------------|----------------------------|------------------------------|--------------------------------|
| General Obligation Bonds | \$ 13,910,000               | \$ -                     | \$ 935,000                 | \$ 12,975,000                | \$ 950,000                     |
| Compensated Absences     | 597,080                     | 61,123                   | 16,100                     | 642,103                      | -                              |
| Net Pension Liability    | 34,987,000                  | 326,000                  | -                          | 35,313,000                   | -                              |
| Net OPEB Obligation      | 6,546,902                   | 13,552                   | 317,444                    | 6,243,010                    | -                              |
|                          | <b><u>\$ 56,040,982</u></b> | <b><u>\$ 400,675</u></b> | <b><u>\$ 1,268,544</u></b> | <b><u>\$ 55,173,113</u></b>  | <b><u>\$ 950,000</u></b>       |

**NOTE 9 – PENSION PLAN**

The Central Cambria School District participates in the Public School Employees' Retirement System (PSERS). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

**Plan Description**

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

**Benefits Provided**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with a least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than ninety-two with a minimum of thirty-five years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 – PENSION PLAN (Continued)**

**Benefits Provided (Continued)**

For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

**Contribution Rates**

**Member Contributions** - Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (Membership Class TD) 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 6.25% (Membership Class TC) or at 7.5% (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (automatic Membership Class TD). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (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 years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.30%.

**Employer Contributions** - Contributions required of employers are based upon an actuarial valuation. For fiscal year ended June 30, 2018, the rate of employer's contribution was 31.74% 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. Per the PSERS Retirement Code, the Commonwealth is required to contribute 50% of the above stated contribution rate directly to PSERS on behalf of the employer. Contributions to the pension plan from the employer were \$2,965,496 for the year ended June 30, 2018.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 – PENSION PLAN (Continued)**

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

At June 30, 2018, the School District reported a liability of \$35,313,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the School District's proportion was .0715% which was an increase of .0009% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School District recognized pension expense of \$4,107,825. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                          | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience                                        | \$ 368,000                                | \$ 213,000                               |
| Changes in assumptions                                                                   | 959,000                                   | -                                        |
| Net difference between projected and actual investment earnings                          | 818,000                                   | -                                        |
| Changes in proportions                                                                   | 1,272,000                                 | 55,000                                   |
| Difference between employer contributions and proportionate share of total contributions | -                                         | -                                        |
| Contributions subsequent to the measurement date                                         | 2,965,496                                 | -                                        |
|                                                                                          | <b>\$ 6,382,496</b>                       | <b>\$ 268,000</b>                        |

The \$2,965,496 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ended June 30, 2018.

Other amounts reported as deferred inflows/outflows of resources related to pensions will be recognized in pension expense as follows:

| <b>Measurement<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Reporting<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Amount</b> |
|---------------------------------------------------------|-------------------------------------------------------|---------------|
| 2018                                                    | 2019                                                  | \$ 892,000    |
| 2019                                                    | 2020                                                  | 1,438,000     |
| 2020                                                    | 2021                                                  | 851,000       |
| 2021                                                    | 2022                                                  | (32,000)      |

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 - PENSION PLAN (Continued)**

**Changes in Actuarial Assumptions**

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of the June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.25%, includes inflation at 2.75%
- Salary growth – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Mortality rates were based on 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

**Investment Asset Allocation**

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    | 20.0%                    | 5.10%                                         |
| Fixed Income            | 36.0%                    | 2.60%                                         |
| Commodities             | 8.0%                     | 3.00%                                         |
| Absolute return         | 10.0%                    | 3.40%                                         |
| Risk parity             | 10.0%                    | 3.80%                                         |
| Infrastructure/MLP's    | 8.0%                     | 4.80%                                         |
| Real estate             | 10.0%                    | 3.60%                                         |
| Alternative investments | 15.0%                    | 6.20%                                         |
| Cash                    | 3.0%                     | 0.60%                                         |
| Financing (LIBOR)       | -20.0%                   | 1.10%                                         |
|                         | <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, 2017.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 - PENSION PLAN (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. 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 School'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%<br>Decrease<br>6.25% | Current<br>Discount<br>Rate<br>7.25% | 1%<br>Increase<br>8.25% |
|-----------------------------------------------------------------------|-------------------------|--------------------------------------|-------------------------|
| School District's proportionate share of<br>the net pension liability | \$ 43,467,000           | \$ 35,313,000                        | \$ 28,428,000           |

**Pension plan fiduciary net position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM**

**General Information about the Health Insurance Premium Assistance Program**

PSERS provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. This Premium Assistance program became effective January 1, 2002 under the provisions of Act 9 of 2001.

**Premium Assistance Eligibility Criteria**

Retirees of the System (PSERS) can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Premium Assistance Eligibility Criteria (Continued)**

- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program

**Plan Description**

Central Cambria School District employees participate in the PSERS – Health Insurance Premium Assistance program, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. The members eligible to participate in the System include all full-time public-school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**Benefits Provided**

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance eligible retirees must obtain their health insurance coverage through either their school employer or PSER's Health Option Program. As of June 30, 2017, there were no assumed future benefit increases to participating eligible retirees.

**Contributions**

The District's contractually required contribution for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance any unfunded accrued liability. During the 2017-2018 fiscal year, the Central Cambria School District contributed \$77,548 to the premium assistance program.

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the District reported a liability of \$1,457,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB 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, 2017, the district's proportion was 0.0715%, which is an increase of .0009% from its proportion measured as of June 30, 2016.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

For the year ended June 30, 2018, Central Cambria School District recognized OPEB expense of \$64,506. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                             | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |  |
|-------------------------------------------------------------|-------------------------------------------|------------------------------------------|--|
| Difference between projected and actual investment earnings | \$ 2,000                                  | \$ -                                     |  |
| Changes in proportions                                      | 16,000                                    | -                                        |  |
| Contributions subsequent to the measurement date            | 77,548                                    | -                                        |  |
| Changes in assumptions                                      | -                                         | 68,000                                   |  |
|                                                             | \$ 95,548                                 | \$ 68,000                                |  |

The \$77,548 reported as deferred outflows of resources related to OPEB resulted from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the measurement year ended June 30, 2018.

Other amounts reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Measurement<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Reporting<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Amortization<br/>Amount</b> |
|---------------------------------------------------------|-------------------------------------------------------|--------------------------------|
| 2018                                                    | 2019                                                  | \$ (8)                         |
| 2019                                                    | 2020                                                  | (8)                            |
| 2020                                                    | 2021                                                  | (8)                            |
| 2021                                                    | 2022                                                  | (8)                            |
| 2022                                                    | 2023                                                  | (9)                            |
| Thereafter                                              | Thereafter                                            | (9)                            |

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Actuarial assumptions**

The Total OPEB liability as of June 30, 2017, was determined by rolling forward the System's Total OPEB Liability as of June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial Cost Method – Entry Age Normal – level % of pay
- Investment Return – 3.13% based on the S&P 20 Year Municipal Bond Rate.
- Salary Increases – Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Participation rate – Eligible retirees will elect to participate Pre-age 65 at 50% and Post Age 65 at 70%
- Mortality rates were based on 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 following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset Valuation method: Market Value
- Participate Rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

**Investment Asset Allocation**

Investments consist primarily of short-term assets designed to protect the principal of plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code, employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Investment Asset Allocation (Continued)**

| <u>Asset Class</u> | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|--------------------|------------------------------|-------------------------------------------------------|
| Cash               | 76.4%                        | 0.60%                                                 |
| Fixed Income       | 23.6%                        | 1.50%                                                 |
|                    | 100%                         |                                                       |

For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 0.90%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2017.

**Discount Rate**

The discount rate used to measure the Total OPEB Liability was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected benefit payments to measure the total OPEB liability.

**Sensitivity of the Net OPEB liability to changes in the Discount Rate**

The following presents the net OPEB liability, calculated using the discount rate of 3.13%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13%) or 1-percentage-point higher (4.13%) than the current rate:

|                    | <b>1%<br/>Decrease<br/>2.13%</b> | <b>Current Discount<br/>Rate<br/>3.13%</b> | <b>1%<br/>Increase<br/>4.13%</b> |
|--------------------|----------------------------------|--------------------------------------------|----------------------------------|
| Net OPEB Liability | \$ 1,656,000                     | \$ 1,457,000                               | \$ 1,291,000                     |

**Sensitivity of the Net OPEB liability to changes in the Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rate:

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PSERS – HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (Continued)**

**Sensitivity of the Net OPEB liability to changes in the Healthcare Cost Trend Rates (Continued)**

|                    | <b>1%</b>       | <b>Current</b> | <b>1%</b>       |
|--------------------|-----------------|----------------|-----------------|
|                    | <b>Decrease</b> | <b>Trend</b>   | <b>Increase</b> |
|                    | <b>Decrease</b> | <b>Rates</b>   | <b>Increase</b> |
| Net OPEB Liability | \$ 1,456,000    | \$ 1,457,000   | \$ 1,457,000    |

**OPEB plan fiduciary net position**

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at [www.psers.pa.gov](http://www.psers.pa.gov).

**DISTRICT POST-RETIREMENT HEALTHCARE BENEFIT PLAN**

**Plan Description**

The Central Cambria School District administers a single-employer defined benefit healthcare plan (the Plan). The Plan provides for post-employment health care benefits to all eligible employees per the terms of the agreement between the School District and the Central Cambria Education Association, administrative contracts, and the District's classified personnel handbook. The program provides post-employment healthcare benefits to 1) teachers (and administrators who retire prior to 7/1/2014) who retire at age 52 with 15 years of service with the District and with 20 years of PSERS service, 2) administrators who retire after 7/1/2014 at age 55 with 10 years of service with the District and with 20 years of PSERS service, and 3) classified personnel who retire at age 52 with 15 years of service with the District. For professional employees who retire between July 1, 2015 and June 30, 2016, the District will provide at no cost to the retiree up to 6 years of health insurance coverage (7 years for employees who retired between July 1, 2014 and June 30, 2015) up to age 65 or Medicare eligible. Retiree spouses may continue coverage by paying the full premium as determined for the purpose of COBRA. The Plan is unfunded and no financial report is prepared. These benefits are accounted for in accordance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

**Funding Policy**

The contribution requirements of plan members and the School District are negotiated between the District and the Central Cambria Education Association union representatives, and as provided by the District in administrative contracts and the classified personnel handbook. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid to fund the health care benefits provided to current retirees. There are no assets that have been segregated and restricted to provide for retiree medical benefits. During the 2017-2018 fiscal year, the District paid approximately \$309,236 for retiree healthcare coverage on behalf of approximately 44 eligible participants.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Participant Data**

The District's total OPEB liability of \$4,786,010 was measured as of July 1, 2017, and was determined by an actuarial valuation performed as of July 1, 2016. As the District's OPEB Plan is unfunded, the total OPEB liability is equal to the net OPEB liability. The July 1, 2016 valuation reflected the following participant data and corresponding total OPEB liability:

|                  | <b>PARTICIPANT<br/>DATA</b> |
|------------------|-----------------------------|
| Active employees | 174                         |
| Retirees         | 53                          |
| Total            | 227                         |

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The District's total OPEB liability of \$4,786,010 was measured as of July 1, 2017, and was determined by an actuarial valuation performed as of July 1, 2016. The July 1, 2016 valuation reflected the following change in total OPEB liability:

|                                                    |              |
|----------------------------------------------------|--------------|
| Balance at July 1, 2016                            | \$ 5,103,454 |
| Changes for the year:                              |              |
| Service cost                                       | 220,887      |
| Interest                                           | 124,650      |
| Changes of benefit terms                           | -            |
| Differences between expected and actual experience | -            |
| Changes in assumptions or other inputs *           | (75,394)     |
| Benefit payments                                   | (587,587)    |
| Net Changes                                        | (317,444)    |
| Balance at June 30, 2017                           | \$ 4,786,010 |

For the year ended June 30, 2018, Central Cambria School District recognized an OPEB credit of \$471,495. At June 30, 2018, the District report deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                                | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|----------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Benefit Payments subsequent to the Measurement Date - (7/1/17) | \$ 532,398                                | \$ -                                     |
| Changes in assumptions                                         | -                                         | 69,111                                   |
|                                                                | \$ 532,398                                | \$ 69,111                                |

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

The \$532,398 amount reported as deferred outflows of resources related to OPEB resulted from the District's contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability for the measurement year ended June 30, 2018

The amount reported as deferred inflows/outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Measurement<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Reporting<br/>Date<br/>Year ended<br/>June 30,</b> | <b>Amortization<br/>Amount</b> |
|---------------------------------------------------------|-------------------------------------------------------|--------------------------------|
| 2018                                                    | 2019                                                  | \$ (6,283)                     |
| 2019                                                    | 2020                                                  | (6,283)                        |
| 2020                                                    | 2021                                                  | (6,283)                        |
| 2021                                                    | 2022                                                  | (6,283)                        |
| 2022                                                    | 2023                                                  | (6,283)                        |
| Thereafter                                              | Thereafter                                            | (37,696)                       |

**Actuarial Assumptions and Other Inputs to Calculate the Total OPEB Liability**

- Discount rate – 3.13% based on S & P Municipal Bond 20 Year High Grade Rate Index at 7/1/17.
- Salary increases – An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, salary increases are composed of a 2.5% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75 to 0%.
- Withdrawal – Rates of withdrawal vary by age, gender and years of service. Rates for new employees start at 22.9% for both men and women and decrease with age and service.
- Mortality – Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.
- Disability – No disability assumed.
- Retirement – Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.
- Percent of eligible retirees electing coverage in plan – 90% of teachers and administrators and 50% of the support staff are assumed to elect coverage.
- Percent married at retirement – 65% of employees are assumed to be married and have a spouse covered by the plan at retirement. Non-spouse dependents are deemed to be immaterial.
- Spouse age – Wives are assumed to be two years younger than their husbands.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**DISTRICT- POST-RETIREMENT HEALTHCARE BENEFIT PLAN (Continued)**

**Actuarial Assumptions and Other Assumptions to Calculate the Total OPEB Liability (Continued)**

- Per capita claims cost – making use of weighted averages for various plan design, the per capita claims cost for medical and prescription drug is based on the expected portion of the group’s overall cost attributed to individuals in the specified age and gender brackets. Dental and vision costs are assumed to not vary with age or gender.
- Retiree contributions – retiree contributions are assumed to increase at the same rate as the Health Care Cost Trend Rates.
- Health Care Cost Trend Rate – 6.0% in 2017, and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Actuarial Value of Assets – Equal to the market value of assets.
- Actuarial cost method – Entry age normal
- Participant data – based on census information as of July 2016.

**Sensitivity of the Total OPEB liability to Changes in the Discount Rate**

The following presents the Total OPEB liability to the district, as well as the Total OPEB Liability using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

|                      | <b>1%</b>       | <b>Current</b>  | <b>1%</b>       |
|----------------------|-----------------|-----------------|-----------------|
|                      | <b>Decrease</b> | <b>Discount</b> | <b>Increase</b> |
|                      | <b>2.13%</b>    | <b>Rate</b>     | <b>4.13%</b>    |
|                      | <b>3.13%</b>    | <b>3.13%</b>    | <b>4.13%</b>    |
| Total OPEB Liability | \$ 5,058,890    | \$ 4,786,010    | \$ 4,528,237    |

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the Total OPEB Liability of the District, as well as the Total OPEB Liability using healthcare cost trends that 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                      | <b>1%</b>       | <b>Current</b> | <b>1%</b>       |
|----------------------|-----------------|----------------|-----------------|
|                      | <b>Decrease</b> | <b>Trend</b>   | <b>Increase</b> |
|                      | <b>1%</b>       | <b>Rates</b>   | <b>1%</b>       |
|                      | <b>Decrease</b> | <b>Rates</b>   | <b>Increase</b> |
| Total OPEB Liability | \$ 4,473,841    | \$ 4,786,010   | \$ 5,157,702    |

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS**

**ADMIRAL PEARY AREA VOCATIONAL-TECHNICAL SCHOOL**

Central Cambria School District, in conjunction with six other School Districts (Blacklick Valley, Cambria Heights, Penn Cambria, Conemaugh Valley, Northern Cambria and Portage Area) funds the operating budget of the Admiral Peary Area Vocational-Technical School (Vo-Tech). The Vo-Tech is designed to teach students from Member Districts trade related professions. Each district's share of tuition is based on the percentage of the District's enrollment to the total enrollment at the Vo-Tech. The Vo-Tech's Joint Operating Committee is comprised of one appointed board member each from Blacklick Valley, Conemaugh Valley, Northern Cambria, and Portage Area, and two appointed board members each from Cambria Heights, Central Cambria and Penn Cambria. Central Cambria School District contributed \$536,385 to the Vo-Tech for the year ended June 30, 2018. The Vo-Tech issues separate financial statements annually, a copy of which can be obtained by contacting the Admiral Peary Area Vocational-Technical School's Business Office at 948 Ben Franklin Highway, Ebensburg, PA 15931-7628.

**APPALACHIA INTERMEDIATE UNIT 8**

Central Cambria School District, in conjunction with 34 other School Districts, 5 area vocational-technical schools, 2 charter schools and approximately 81 non-public schools located in Bedford, Blair, Cambria and Somerset counties, participates in the Appalachia Intermediate Unit 8. IU8 provides programs for curriculum development and the improvement of instructional materials; it also offers educational management and pupil personnel services and serves as a liaison between school districts and state and federal education agencies. The general operations of the Intermediate Unit are governed by a Board of Directors, comprised of 13 elected members, who are responsible for developing operating policies, defining unit functioning and overseeing financial management. These board members constitute a representative sample of the communities and their populations within the four-county area. Central Cambria School District contributed \$7,713 for operations and transportation recovery to the Appalachia Intermediate Unit 8 for the 2017-2018 fiscal year as part of deductions from its 2017-2018 basic education subsidy. The Intermediate Unit issues separate financial statements annually, a copy of which can be obtained by contacting the Appalachia Intermediate Unit 8 Business Office at 4500 Sixth Avenue, Altoona, PA 16602.

**NOTE 12 - RISK MANAGEMENT**

**GENERAL INSURANCE**

The Central Cambria School district is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

**HEALTH INSURANCE**

The Central Cambria School District is one of six local educational agency members of the Admiral Peary Insurance Trust. The six originating members are comprised of five school districts - Blacklick Valley, Cambria Heights, Central Cambria, Northern Cambria, and Penn Cambria, and one vocational-technical school - Admiral Peary Area Vocational-Technical School.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 - RISK MANAGEMENT (Continued)**

**HEALTH INSURANCE (Continued)**

The Trust was established in 1990 for the purpose of purchasing health insurance coverage on a cost-plus basis in an effort to contain and limit, insofar as possible, the cost of health and medical insurance coverage and to establish a Premium Stabilization Fund which would be used to pay settlement charges, if any, and ultimately be used to contain the cost of such insurance coverage. The bylaws and trust document have not been revised since its inception, and is currently undergoing review to bring it up to date to accurately reflect the current operation of the Trust and to incorporate current regulations. Each entity appoints a trustee to sit on the Board of Trustees. Currently, those Trustees are the business managers from each of the entities. The HDH Group, Inc. has been the broker of record and consultant for the Trust since it was established. The Trust meets periodically to discuss current issues and to plan for the next year. Each year in advance of the next fiscal year, the Trust analyzes the fund balance in relation to the recommended Terminal Liability and Stabilization Reserve. Once these and other factors are considered, remit rates are set for the following year.

The Trust accounts are currently held with the Pennsylvania School District Liquid Asset Fund (PSDLAF) and are based at the Admiral Peary AVTS, whose business manager is responsible for monitoring deposits into the Trust, making required payments out of the trust, including insurance cost payments and consultant fees, and maintaining all files and correspondence of the Trust. Account activity is reviewed by all trustees periodically throughout the year.

A second business manager acts as the main liaison between HDH, Highmark and the Trust, and maintains remit rate schedules with the input and approval of the other trustees.

During the fiscal year 2017-2018, the Central Cambria School District paid the Trust \$2,725,786 in medical insurance premiums. The Admiral Peary Insurance Trust is reported on the Annual Financial Report (AFR) of the Admiral Peary AVTS.

**NOTE 13 - CONTINGENCIES**

The Central Cambria School District state and federally funded programs are subject to audit by various governmental agencies. The Pennsylvania Department of Education (PDE) conducted a Procurement Review of the District's 2017-2018 food service operations. PDE provided the District with four technical assistance recommendations which require implementation going forward dealing with general procurement procedures, micro-purchases, and food service management companies. The District is potentially liable for any expenditure disallowed by the results of these audits. Management is not aware of any items of noncompliance which would result in the disallowance of program expenditures.

**NOTE 14 – OPERATING LEASES**

In August of 2015, the Central Cambria School District entered into an operating lease agreement with Ron Davidson Chevrolet-Buick-GMC for a 2015 Chevrolet Sonic. The terms of the lease agreement call for the payment of monthly lease rentals of \$275 for a period of 48 months. Lease expense totaled approximately \$3,300 during the 2017-2018 fiscal year.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 15 – RESTATEMENT OF NET POSITION**

For the fiscal year ended June 30, 2018 the District implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions*. The implementation of Statement No. 75 resulted in the reporting of a deferred post-employment outflow of resources, post-employment liability and deferred post-employment inflow of resources related to the District's other post-employment benefit plans.

Accordingly, the School District's net position as of July 1, 2017 was restated as follows:

|                                                                                   | GOVERNMENTAL ACTIVITIES |             | TOTAL                  | BUSINESS-TYPE       |
|-----------------------------------------------------------------------------------|-------------------------|-------------|------------------------|---------------------|
|                                                                                   | DISTRICT OPEB           | PSERS OPEB  |                        | ACTIVITIES          |
| <b>NET POSITION AS PREVIOUSLY REPORT - 06/30/2017</b>                             |                         |             | \$ (6,871,824)         | \$ (420,372)        |
| Net OPEB Liability Adjustment                                                     | (2,555,130)             | (1,475,370) | (4,030,500)            | (45,630)            |
| DEFERRED OUTFLOWS - DISTRICT'S CONTRIBUTIONS<br>MADE DURING FISCAL YEAR 2016-2017 | -                       | 75,225      | 75,225                 | 2,327               |
| Total Adjustment                                                                  |                         |             | \$ (3,955,275)         | \$ (43,303)         |
| <b>NET POSITION AS RESTATED - 07/1/2017</b>                                       |                         |             | <b>\$ (10,827,099)</b> | <b>\$ (463,675)</b> |

**NOTE 16 – SUBSEQUENT EVENTS**

Management has determined that there are no events subsequent to June 30, 2018 through the March 8, 2019 date of the 'Independent Auditor's Report' date, which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.

***REQUIRED  
SUPPLEMENTARY  
INFORMATION***

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED CONTRIBUTIONS**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30,**

|                                                                     | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        | <u>2014</u>        | <u>2013</u>        |
|---------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contributions                                | \$ 2,965,496       | \$ 2,805,872       | \$ 2,303,272       | \$ 1,900,799       | \$ 1,423,811       | \$ 1,054,599       |
| Contribution in relation to the contractually required contribution | <u>(2,965,496)</u> | <u>(2,805,872)</u> | <u>(2,303,272)</u> | <u>(1,900,799)</u> | <u>(1,423,811)</u> | <u>(1,054,599)</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>        |
| District's covered payroll                                          | \$ 9,424,735       | \$ 9,516,828       | \$ 9,143,022       | \$ 8,882,238       | \$ 8,409,991       | \$ 8,532,357       |
| Contributions as a percentage of covered-employee payroll           | 31.47%             | 29.48%             | 25.19%             | 21.40%             | 16.93%             | 12.36%             |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

Note: Beginning in 2018 with the implementation of GASB 75, contributions as reported above reflect the pension portion of the contribution only. The premium assistance (OPEB) portion of the contribution is reflected on a separate RSI schedule. Prior year contributions reflect both the pension and premium assistance amounts combined.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30,**

| <b>As of the measurement date of June 30,</b>                                                                  | <b><u>2017</u></b> | <b><u>2016</u></b> | <b><u>2015</u></b> | <b><u>2014</u></b> | <b><u>2013</u></b> |
|----------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| District's proportion of the net pension liability                                                             | 0.0715%            | 0.0706%            | 0.0690%            | 0.0659%            | 0.0665%            |
| District's proportionate share of the net pension liability                                                    | \$ 35,313,000      | \$ 34,987,000      | \$ 29,888,000      | \$ 26,084,000      | \$ 27,223,000      |
| District's covered-employee payroll                                                                            | \$ 9,516,828       | \$ 9,143,022       | \$ 8,882,238       | \$ 8,409,991       | \$ 8,532,357       |
| District's proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 371.06%            | 382.66%            | 336.49%            | 310.15%            | 319.06%            |
| Plan fiduciary net position as a percentage of<br>the total pension liability                                  | 51.84%             | 50.14%             | 54.36%             | 57.24%             | 54.39%             |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year. This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S CONTRACTUALLY REQUIRED OPEB CONTRIBUTIONS**

**PSERS PLAN**  
**JUNE 30, 2018**

|                                                                        | <u>2018</u>      | <u>2017</u>      |
|------------------------------------------------------------------------|------------------|------------------|
| Contractually Required Contributions                                   | \$ 77,548        | \$ 77,552        |
| Contribution in relation to the contractually<br>required contribution | <u>(77,548)</u>  | <u>(77,552)</u>  |
| Contribution deficiency (excess)                                       | <u>\$ -</u>      | <u>\$ -</u>      |
| <br>District's covered payroll                                         | <br>\$ 9,424,735 | <br>\$ 9,516,828 |
| Contributions as a percentage of<br>covered-employee payroll           | 0.82%            | 0.81%            |

This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**PSERS PLAN**  
**JUNE 30, 2018**

| <b>As of the measurement date of June 30,</b>                                                               | <b>2017</b>  | <b>2016</b>  |
|-------------------------------------------------------------------------------------------------------------|--------------|--------------|
| District's proportion of the net OPEB liability                                                             | 0.0715%      | 0.0706%      |
| District's proportionate share of the net OPEB liability                                                    | \$ 1,457,000 | \$ 1,521,000 |
| District's covered-employee payroll                                                                         | \$ 9,516,828 | \$ 9,143,022 |
| District's proportionate share of the net OPEB liability<br>as a percentage of its covered-employee payroll | 15.31%       | 16.64%       |
| Plan fiduciary net position as a percentage of<br>the total OPEB liability                                  | 5.73%        | N/A          |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year. This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**DISTRICT POST-RETIREMENT HEALTHCARE PLAN**  
**JUNE 30, 2018**

|                                                                | <b>2018</b>         |
|----------------------------------------------------------------|---------------------|
| Service cost                                                   | \$ 220,887          |
| Interest                                                       | 124,650             |
| Changes of benefit terms                                       | -                   |
| Differences between expected and actual                        | -                   |
| Changes of assumptions or other inputs                         | (75,394)            |
| Benefit payments                                               | (587,587)           |
| <b>Net change in Total OPEB liability</b>                      | <b>(317,444)</b>    |
| <b>Total OPEB liability - beginning of year</b>                | <b>5,103,454</b>    |
| <b>Total OPEB liability - end of year</b>                      | <b>\$ 4,786,010</b> |
| <br>                                                           |                     |
| Covered-employee payroll                                       | \$ 8,331,461        |
| <br>                                                           |                     |
| Net OPEB liability as a percentage of covered employee payroll | 57.45%              |

**Notes to Schedule:**

- GASB 75 was implemented beginning with the fiscal year ended June 30, 2018.
- Assumption Changes:
  - Discount rate used for fiscal year ending:
 

|      |        |
|------|--------|
| 2017 | 2.49 % |
| 2018 | 3.13%  |
  - The July 1, 2016 valuation was restated for compliance with GASB 75.

**CENTRAL CAMBRIA  
SCHOOL DISTRICT**

***OTHER INFORMATION***

***AS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE***

**Mark C. Turnley**

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Certified Public Accountant

**INDEPENDENT AUDITOR'S 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**

**To the Management and Board of Education  
Central Cambria School District**

I 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 Standard* 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 Central Cambria School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Central Cambria School District's basic financial statements, and have issued my report thereon dated March 8, 2019.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Central Cambria 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Central Cambria School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Central Cambria School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Central Cambria School District'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**To the Board of Education  
Central Cambria School District**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Central Cambria School District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Central Cambria School District'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 Central Cambria School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

March 8, 2019  
New Brighton, Pennsylvania

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

**To the Board of Education  
Central Cambria School District**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

I have audited the Central Cambria 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 Central Cambria School District's major federal programs for the year ended June 30, 2018. The Central Cambria School District's major federal programs are identified in the summary of 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**

My responsibility is to express an opinion on compliance for each of the Central Cambria School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 Central Cambria School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the Central Cambria School District's compliance.

**Opinion on Each Major Federal Program**

In my opinion, Central Cambria School District complied, in all material respects, with the 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, 2018.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of Central Cambria 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 my audit of compliance, I considered the Central Cambria 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 my 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, I do not express an opinion on the effectiveness of the Central Cambria 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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Mark C. Turnley  
Certified Public Accountant

March 8, 2019  
New Brighton, Pennsylvania

**CENTRAL CAMBRIA SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

| FEDERAL GRANTOR / PROJECT TITLE                      | FUNDING SOURCE | FEDERAL CFDA NUMBER | PASS-THROUGH GRANTOR NUMBER | GRANT PERIOD BEGINNING / ENDING DATE | PROGRAM AWARD AMOUNT | 2017-2018 PASSED THROUGH TO SUBRECIPIENTS | TOTAL RECEIVED THIS PERIOD | ACCRUED (DEFERRED) REVENUE JULY 1 | REVENUE RECOGNIZED | EXPENDITURES | ACCRUED (DEFERRED) REVENUE JUNE 30 |
|------------------------------------------------------|----------------|---------------------|-----------------------------|--------------------------------------|----------------------|-------------------------------------------|----------------------------|-----------------------------------|--------------------|--------------|------------------------------------|
| <b>U.S. Department of Education:</b>                 |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| <b>Passed through Pa. Dept. of Education:</b>        |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| Title I                                              | Indirect       | 84.010              | 013-180070                  | 7/1/17-9/30/18                       | \$ 284,669           | \$ -                                      | \$ 284,669                 | \$ -                              | \$ 284,669         | \$ 284,669   | \$ -                               |
| Title I                                              | Indirect       | 84.010              | 013-170070                  | 7/1/16-9/30/17                       | 331,638              | -                                         | 107,130                    | 107,130                           | -                  | -            | -                                  |
| Title II                                             | Indirect       | 84.367              | 020-180070                  | 7/1/17-9/30/18                       | 54,076               | -                                         | 54,076                     | -                                 | 54,076             | 54,076       | -                                  |
| Title II                                             | Indirect       | 84.367              | 020-170070                  | 7/1/16-9/30/17                       | 71,038               | -                                         | 9,251                      | 9,251                             | -                  | -            | -                                  |
| Title IV                                             | Indirect       | 84.424              | 144-180070                  | 7/1/17-9/30/18                       | 10,000               | -                                         | 10,000                     | -                                 | 10,000             | 10,000       | -                                  |
|                                                      |                |                     |                             |                                      |                      | \$ -                                      | \$ 465,126                 | \$ 116,381                        | \$ 348,745         | \$ 348,745   | \$ -                               |
| <b>Passed through Appalachia Intermediate Unit 8</b> |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| IDEA                                                 | Indirect       | 84.027              | 062-18-0-008                | 7/1/17-9/30/18                       | 293,112              | \$ -                                      | \$ -                       | \$ -                              | \$ 293,112         | \$ 293,112   | \$ 293,112                         |
| IDEA                                                 | Indirect       | 84.027              | 062-17-0-008                | 7/1/16-9/30/17                       | 295,132              | -                                         | 295,132                    | 295,132                           | -                  | -            | -                                  |
| IDEA Section 619                                     | Indirect       | 84.173              | 131-18-0-008                | 7/1/17-6/30/18                       | 2,961                | -                                         | -                          | -                                 | 2,961              | 2,961        | 2,961                              |
| IDEA Section 619                                     | Indirect       | 84.173              | 131-17-0-008                | 7/1/16-6/30/17                       | 3,019                | -                                         | 3,019                      | 3,019                             | -                  | -            | -                                  |
| Total Special Education Cluster (IDEA)               |                |                     |                             |                                      |                      | \$ -                                      | \$ 298,151                 | \$ 298,151                        | \$ 296,073         | \$ 296,073   | \$ 296,073                         |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                 |                |                     |                             |                                      |                      | \$ -                                      | \$ 763,277                 | \$ 414,532                        | \$ 644,818         | \$ 644,818   | \$ 296,073                         |
| <b>U.S. Department of Agriculture:</b>               |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| <b>Passed through Pa. Dept. of Education:</b>        |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| National School Lunch Program                        | Indirect       | 10.555              | N/A                         | 7/1/17-6/30/18                       | N/A                  | \$ -                                      | \$ 255,628                 | \$ -                              | \$ 296,375         | \$ 296,375   | (1) \$ 40,747                      |
| National School Lunch Program                        | Indirect       | 10.555              | N/A                         | 7/1/16-6/30/17                       | N/A                  | -                                         | 39,715                     | 39,715                            | -                  | -            | -                                  |
| National School Breakfast Program                    | Indirect       | 10.553              | N/A                         | 7/1/17-6/30/18                       | N/A                  | -                                         | 60,793                     | -                                 | 70,580             | 70,580       | (1) 9,787                          |
| National School Breakfast Program                    | Indirect       | 10.553              | N/A                         | 7/1/16-6/30/17                       | N/A                  | -                                         | 9,735                      | 9,735                             | -                  | -            | -                                  |
|                                                      |                |                     |                             |                                      |                      | \$ -                                      | \$ 365,871                 | \$ 49,450                         | \$ 366,955         | \$ 366,955   | \$ 50,534                          |
| <b>Passed through Pa. Dept. of Agriculture:</b>      |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| National School Lunch Program                        | Indirect       | 10.555              | N/A                         | 7/1/17-6/30/18                       | N/A                  | \$ -                                      | \$ 60,410 *                | \$ (3,699) **                     | \$ 53,658          | \$ 53,658    | (1) \$ (10,451) ***                |
| Total Child Nutrition Cluster                        |                |                     |                             |                                      |                      | \$ -                                      | \$ 426,281                 | \$ 45,751                         | \$ 420,613         | \$ 420,613   | \$ 40,083                          |
| <b>TOTAL DEPARTMENT OF AGRICULTURE</b>               |                |                     |                             |                                      |                      | \$ -                                      | \$ 426,281                 | \$ 45,751                         | \$ 420,613         | \$ 420,613   | \$ 40,083                          |
| <b>U.S. Department of Health and Human Services:</b> |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| <b>Passed through Pa. Dept. of Public Welfare:</b>   |                |                     |                             |                                      |                      |                                           |                            |                                   |                    |              |                                    |
| Title 19                                             | Indirect       | 93.778              | N/A                         | 7/1/17-6/30/18                       | N/A                  | \$ -                                      | \$ 702                     | \$ -                              | \$ 5,589           | \$ 5,589     | \$ 4,887                           |
| Title 19                                             | Indirect       | 93.778              | N/A                         | 7/1/16-6/30/17                       | N/A                  | -                                         | 3,089                      | 3,089                             | -                  | -            | -                                  |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b> |                |                     |                             |                                      |                      | \$ -                                      | \$ 3,791                   | \$ 3,089                          | \$ 5,589           | \$ 5,589     | \$ - 4,887                         |
| <b>TOTAL FEDERAL ASSISTANCE</b>                      |                |                     |                             |                                      |                      | \$ -                                      | \$ 1,193,349               | \$ 463,372                        | \$ 1,071,020       | \$ 1,071,020 | \$ 341,043                         |

# **Reconciliation with federal subsidy confirmation:**

|                                         |                   |
|-----------------------------------------|-------------------|
| Per above                               | \$ 1,193,349      |
| School Lunch/Breakfast matching subsidy | 31,704            |
| IDEA                                    | (298,151)         |
| Title 19                                | (3,791)           |
| Donated commodities                     | (60,410)          |
| Per confirmation                        | <u>\$ 862,701</u> |

\* Total USDA Commodity Received  
 \*\* Represents beginning inventory - 7/1/17  
 \*\*\* Represents ending inventory - 6/30/18  
 (1) Denotes Major Program

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2018**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the 'Schedule') includes the federal grant activity administered by the Central Cambria School District for the year ended June 30, 2018. 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 Grant Guidance – UGG)*. Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the Central Cambria School District.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are presented using the accrual method of accounting. Under this method, grant revenue is recognized to the extent expenditures are incurred. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made.

The federal expenditures are recognized, as applicable, under the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal financial award revenues are included in the financial statements as 'local source' and 'federal source' revenues.

**NOTE 4 – RECEIVABLES AND UNEARNED REVENUE**

Federal grants receivable are included as part of 'due from other governments' in Exhibit A and Exhibit C as referenced in Note 4 to the Financial Statements. Unearned federal grant revenue, if any, is included as part of 'unearned revenue' in Exhibit A and Exhibit C, and is referenced in Note 5 to the Financial Statements.

**NOTE 5 - NON-CASH ASSISTANCE**

The Central Cambria School District received donated commodities from the Department of Agriculture in connection with its food service program. The amount of non-cash assistance expended in the accompanying schedule of expenditures of federal awards reflects the fair market value of the commodities used during the 2017-2018 fiscal year.

**NOTE 6 – INDIRECT COST RATE**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes Xno
- Significant deficiency(ies) identified? \_\_\_yes Xno

Noncompliance material to financial statements noted? \_\_\_yes Xno

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes Xno
- Significant deficiency(ies) identified? \_\_\_yes Xno

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_yes Xno

Identification of major programs:

| <u>CFDA number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-------------------------------------------|
| 10.555                | National School Lunch Program             |
| 10.553                | National School Breakfast Program         |

The dollar threshold for distinguishing type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Xyes \_\_\_no

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

None

**Section III – Federal Award Findings and Questioned Costs**

Findings and questioned costs related to Federal Awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

None

**CENTRAL CAMBRIA SCHOOL DISTRICT**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDING JUNE 30, 2018**

The audit report of the Central Cambria School District for the year ended June 30, 2017, dated March 5, 2018, contained no audit findings.