

Connellsville Area Career and Technical Center

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

**Connellsville Area Career  
and Technical Center**  
FAYETTE COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

WITH REPORT OF  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
JUNE 30, 2016**

**CONNELLVILLE AREA CAREER AND TECHNICAL CENTER**  
**FAYETTE COUNTY, PENNSYLVANIA**  
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**To the Management and Board of Directors  
Connellsville Area Career and Technical Center**

## **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 Connellsville Area Career and Technical Center as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Center'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. 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 Connellsville Area Career and Technical Center'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 Connellsville Area Career and Technical Center'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.

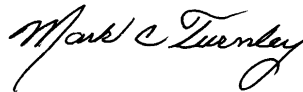
## **Opinion**

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 Connellsville Area Career and Technical Center as of June 30, 2016 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.

## **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 iii-xii and the other required supplementary information on pages 31-32, 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.



Mark C. Turnley, CPA

February 13, 2017  
New Brighton, Pennsylvania

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**(A COMPONENT UNIT OF THE CONNELLSVILLE AREA SCHOOL DISTRICT)**  
**Management's Discussion and Analysis (MD&A)**  
**Required Supplementary Information (RSI)**

**June 30, 2016**

The discussion and analysis of Connellsville Area Career and Technical Center's (the Center) financial performance provides an overall review of the Center's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of Center's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Connellsville Area Career and Technical Center is a component unit of the Connellsville Area School District organized under the Public School Code of Pennsylvania. The Center provides Career and Technical Education programs for high school students who are residents of the school district and out of school youths and adults. Students from other school districts may attend the Connellsville Area Career and Technical Center as well. The school district from which the student resides is responsible for the tuition of the student. Continuing Education for out of school youths and adults receives no school district funding and operates on student paid tuition, and federal and state grants that become available.

Connellsville Area Career and Technical Center, in partnership with the Connellsville Area School District, and business and industry, and utilizing a system of continuous improvement, prepares secondary and adult students with the knowledge, skills and attitudes necessary for gainful employment and further education. Programs offered to students include Agricultural Education, Health Occupations Education, Marketing and Distributive Education, Occupational Home Economics Education (Food Service and Bakery), Protective Services Education, and Trade and Industrial Education (Auto Body, Auto Mechanics, Carpentry, Cosmetology, Electrical, Masonry and Welding, Computer Network Security, Electronic Technology, HVAC).

The objectives of the Connellsville Area Career and Technical Center are as follows:

- To prepare students for gainful employment and further education through the delivery of relevant, quality curricula and effective instructional practices.
- To effectively establish unity of purpose and direction that supports the mission of the Center.
- To manage a process system that provides the framework to effectively and efficiently achieve our objectives, while encouraging continuous improvement.
- To access and utilize accurate, valid, and reliable data and facts to make informed decisions that contribute to the overall quality of the organization.
- To enhance relationships with the sponsoring school district and the community to expand quality-learning opportunities.
- To build relationships which enhance quality through the use of appropriate expertise and effectual resources.
- To effectively and efficiently manage and utilize essential resources which support the achievement of the quality objectives and the fulfillment of the mission.

## **FINANCIAL HIGHLIGHTS**

The Career Center's total governmental activities liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources as of June 30, 2016 by \$6,488,060 (net position – deficit). This was a decrease of \$252,289 over June 30, 2015. This decrease was mainly the result of the Career Center's implementation of GASB Statement No. 68 '*Accounting and Financial Reporting for Pensions*'. The Career Center is now required to recognize their proportionate share of the Pennsylvania School Employees Retirement System (PERS) overall net pension obligation. For the Connellsville Area Career and Technical Center, this liability stands at \$7,753,000 at June 30, 2016.

### **District Contributions**

The Connellsville Area School District provides the largest sum of revenue, which supports the secondary education program and totaled \$2,588,633 in 2015-2016. Total contributions from the Connellsville Area School District were over 69.5% of the secondary program's total revenue of \$3,723,895 in 2015-2016.

## **FINANCIAL STATEMENTS**

The financial statements consist of three parts: Management Discussion and Analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of Connellsville Area Career and Technical Center. The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Center's overall financial status.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statements with the comparison of Connellsville Area Career and Technical Center budget for the year.

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  
Connellsville Area Career and Technical Center's  
Financial Report

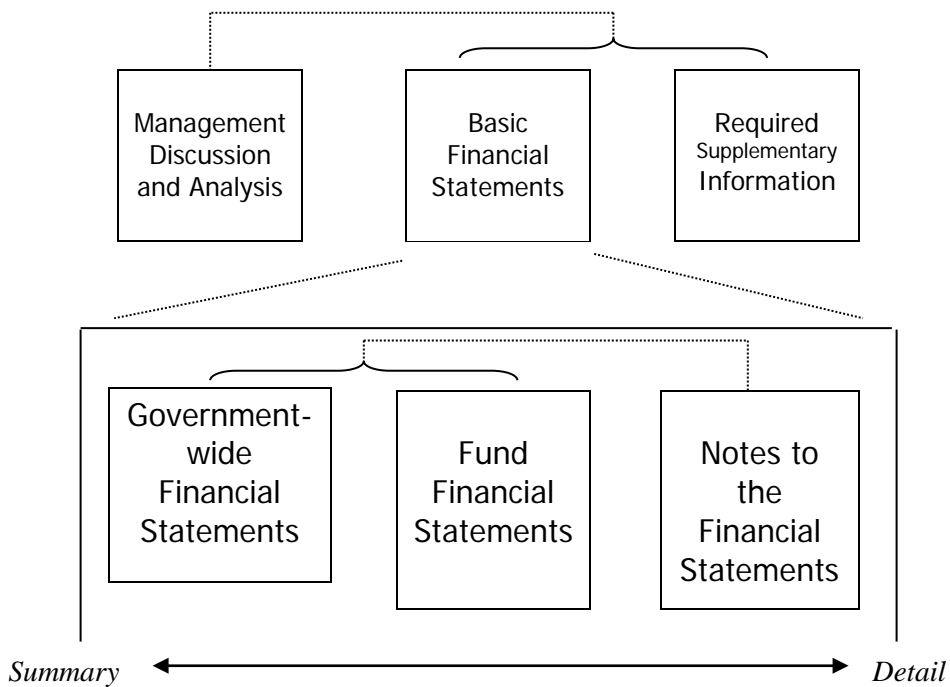




Figure A-2 summarizes the major features of the financial statements, including the portion of the Program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure A-2  
Connellsville Area Career and Technical Center's  
Government-wide and Fund Financial Statements  
Fund Statements

|                                         | <u>Government-<br/>Wide Statements</u>                                                | <u>Governmental Funds</u>                                                                                                                                                                   | <u>Proprietary Funds</u>                                                                                             | <u>Fiduciary Funds</u>                                                                                 |
|-----------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| Scope                                   | Entire Center (except fiduciary funds).                                               | The activities of the Center that are not proprietary or fiduciary, such as education, administration and community services.                                                               | Activities the Center operates similar to private business – Food Services and Production.                           | Instances in which the Center is the trustee or agent to someone else's resources – Scholarship 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.                    |

## OVERVIEW OF FINANCIAL STATEMENTS

### Government-Wide Statements

The government-wide statements report information about the Center 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 Center's net position and how they have changed. Net position, the difference between the Center's assets and liabilities, are one way to measure the Center's financial health or position.

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

To assess the overall health of the Center, you need to consider additional factors, such as changes in the Connellsville Area School District contributions and the projected enrollment of the students.

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

- Governmental activities – All of the Center's basic services are included here, such as instruction, administration and community services. School district contributions, state and federal subsidies and grants finance most of these activities.
- Business type activities –The Center operates a Culinary Arts Program and charges fees to staff, students and visitors to help it cover the costs of the operation.

### Fund Financial Statements

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

- Governmental funds – Most of the Center'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 Center 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 Center'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 Center's 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 Center charges customers for services it provides – whether to outside customers or to other units in the Center – these services are generally reported in proprietary funds. The Culinary Arts Program Accounts are the Center's proprietary fund and are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows.

## OVERVIEW OF FINANCIAL STATEMENTS (Continued)

- Fiduciary funds – The Center is the trustee, or fiduciary, for assets that belong to others, such as student activity funds. The Center is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Center excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE CENTER AS A WHOLE

The Center's total net position was a deficit of \$6,488,060 at June 30, 2016.

Table A-1  
Fiscal Years ended June 30, 2016 and June 30, 2015  
Condensed Statement of Net Position

|                                                                | JUNE 30, 2015              |                             |                       | JUNE 30, 2015         |
|----------------------------------------------------------------|----------------------------|-----------------------------|-----------------------|-----------------------|
|                                                                | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                 | TOTAL                 |
| Current Assets                                                 | \$ 328,875                 | \$ -                        | \$ 328,875            | \$ 491,947            |
| Capital Assets                                                 | 752,268                    | -                           | 752,268               | 811,347               |
| Deferred Outflows of Resources                                 | 796,061                    | -                           | 796,061               | 724,226               |
| <b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOWS OF RESOURCES</b>     | <b>\$ 1,877,204</b>        | <b>\$ -</b>                 | <b>\$ 1,877,204</b>   | <b>\$ 2,027,520</b>   |
| Current Liabilities                                            | \$ 328,875                 | \$ -                        | \$ 328,875            | \$ 488,376            |
| Long-term Liabilities                                          | 7,988,389                  | -                           | 7,988,389             | 7,263,990             |
| Deferred Inflows of Resources                                  | 48,000                     | -                           | 48,000                | 507,354               |
| <b>TOTAL LIABILITIES AND DEFERRED<br/>INFLOWS OF RESOURCES</b> | <b>\$ 8,365,264</b>        | <b>\$ -</b>                 | <b>\$ 8,365,264</b>   | <b>\$ 8,259,720</b>   |
| Net Investment                                                 |                            |                             |                       |                       |
| in Capital Assets                                              | \$ 752,258                 | \$ -                        | \$ 752,258            | \$ 811,347            |
| Unrestricted (Deficit)                                         | (7,240,328)                | -                           | (7,240,328)           | (7,043,547)           |
| <b>TOTAL NET POSITION</b>                                      | <b>\$ (6,488,070)</b>      | <b>\$ -</b>                 | <b>\$ (6,488,070)</b> | <b>\$ (6,232,200)</b> |

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the Center's activities that are supported by other general revenues. The largest general revenue category is the contributions from the Connellsville Area School District.

## FINANCIAL ANALYSIS OF THE CENTER AS A WHOLE (Continued)

Table A-2 takes the information from that Statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-2  
Fiscal Years ended June 30, 2016 and June 30, 2015  
Changes in Net Position from Operating Results

|                                      | ----- JUNE 30, 2016 ----- |                   | JUNE 30, 2015       |
|--------------------------------------|---------------------------|-------------------|---------------------|
|                                      | GOVERNMENTAL              | BUSINESS-TYPE     |                     |
|                                      | ACTIVITIES                | ACTIVITIES        | TOTAL               |
| REVENUES                             |                           |                   |                     |
| <b>Program Revenues:</b>             |                           |                   |                     |
| Charges for Services                 | \$ 23,067                 | \$ -              | \$ 23,067           |
| Operating Grants and Contributions   | 1,099,112                 | -                 | 1,099,112           |
| <b>General Revenues:</b>             |                           |                   |                     |
| Grants, Subsidies and Contributions  | 2,597,930                 | -                 | 2,597,930           |
| Investment Earnings                  | 171                       | -                 | 171                 |
| Miscellaneous                        | 4,319                     | 21                | 4,340               |
| <b>TOTAL REVENUES</b>                | <b>\$ 3,724,599</b>       | <b>\$ 21</b>      | <b>\$ 3,724,620</b> |
| <b>EXPENSES</b>                      |                           |                   |                     |
| Instruction                          | \$ 3,012,533              | \$ -              | \$ 3,012,533        |
| Instructional Student Support        | 184,203                   | -                 | 184,203             |
| Administrative and Financial Support | 365,727                   | -                 | 365,727             |
| Operation and Maintenance of Plant   | 387,935                   | -                 | 387,935             |
| Student Activities/Other             | 26,490                    | -                 | 26,490              |
| Other Enterprise Funds               | -                         | 3,592             | 3,592               |
| <b>TOTAL EXPENSES</b>                | <b>\$ 3,976,888</b>       | <b>\$ 3,592</b>   | <b>\$ 3,980,480</b> |
| <b>CHANGE IN NET POSITION</b>        | <b>\$ (252,289)</b>       | <b>\$ (3,571)</b> | <b>\$ (255,860)</b> |

The tables below present the expenses of both the Governmental Activities and the Business-type Activities of the Center.

Table A-3 shows the Center's largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, and student activities as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local revenue and other miscellaneous revenues.

## FINANCIAL ANALYSIS OF THE CENTER AS A WHOLE (Continued)

Table A-3  
Fiscal Years ended June 30, 2016 and June 30, 2015  
Net Costs of Governmental Activities

|                                      | ----- JUNE 30, 2015 ----- |                     | ----- JUNE 30, 2015 ----- |                     |
|--------------------------------------|---------------------------|---------------------|---------------------------|---------------------|
|                                      | <u>TOTAL COST</u>         | <u>NET COST</u>     | <u>TOTAL COST</u>         | <u>NET COST</u>     |
|                                      | <u>OF SERVICE</u>         | <u>OF SERVICE</u>   | <u>OF SERVICE</u>         | <u>OF SERVICE</u>   |
| <b>EXPENSES</b>                      |                           |                     |                           |                     |
| Instruction                          | \$ 3,012,533              | \$ 2,005,162        | \$ 2,990,981              | \$ 2,179,676        |
| Instructional Student Support        | 184,203                   | 156,777             | 181,657                   | 158,633             |
| Administrative and Financial Support | 365,727                   | 319,521             | 482,806                   | 430,105             |
| Operation and Maintenance of Plant   | 387,935                   | 349,879             | 441,084                   | 406,010             |
| Student Activities/Other             | 26,490                    | 23,370              | 32,558                    | 30,049              |
| <b>TOTAL EXPENSES</b>                | <b>\$ 3,976,888</b>       | <b>\$ 2,854,709</b> | <b>\$ 4,129,086</b>       | <b>\$ 3,204,473</b> |

Table A-4 reflects the activities of the Culinary Arts Program and Bake Shop, the Business-type activities of the Center. The funds for these programs were closed and transferred to the Center's General Fund during the 2015-2016 fiscal year.

Table A-4  
Fiscal Years ended June 30, 2016 and June 30, 2015  
Net Cost of Business-type Activities

|                                  | Total Cost of Services |              | Percentage     | Net Cost of Services |               | Percentage     |
|----------------------------------|------------------------|--------------|----------------|----------------------|---------------|----------------|
|                                  | <u>2016</u>            | <u>2015</u>  | <u>Change</u>  | <u>2016</u>          | <u>2015</u>   | <u>Change</u>  |
|                                  |                        |              | <u>2015-16</u> |                      |               | <u>2015-16</u> |
| <b><u>Functions/Programs</u></b> |                        |              |                |                      |               |                |
| Enterprise Funds                 | \$ 0                   | \$ 36        | 0%             | \$ 0                 | \$ -36        | 0%             |
|                                  | <u>\$ 0</u>            | <u>\$ 36</u> | 0%             | <u>\$ 0</u>          | <u>\$ -36</u> | 0%             |

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

## FINANCIAL ANALYSIS OF THE GENERAL FUND

### Fund Balances

The Center's governmental funds do not carry a fund balance at year-end as any excess expenditures or revenues flow through the primary government – the Connellsville Area School District.

## FINANCIAL ANALYSIS OF THE GENERAL FUND (Continued)

### General Fund Budget

During the fiscal year, the Connellsville Area School District's Board of Education authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the Center. In 2015-2016, there were some minor revisions to the original budget. A schedule showing the Center's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

Budgeted revenues and other financing sources decreased \$275,582 for the 2015-2016 fiscal year as a result of a decrease in cost to cover regular and special instruction programs of the Center. Budgeted expenditures and other financing uses also decreased by this amount to balance the budget. Transfers between specific categories of expenditures/financing uses occur during the year.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2016, the Center had \$752,268 in Governmental Funds invested in a broad range of capital assets, including land, buildings, furniture and equipment. Depreciation expense for 2015-2016 amounted to \$137,502.

Table A-5  
Governmental Activities  
Capital assets - net of depreciation

|                            | 2016              | 2015              | Increase<br><Decrease> |
|----------------------------|-------------------|-------------------|------------------------|
| Land                       | \$ 16,321         | \$ 16,321         | \$ -                   |
| Buildings and Improvements | 514,432           | 555,340           | (40,908)               |
| Furniture and Equipment    | 221,515           | 239,686           | (18,171)               |
| <b>TOTAL</b>               | <b>\$ 752,268</b> | <b>\$ 811,347</b> | <b>\$ (59,079)</b>     |

### Debt Administration

Obligations include the long-term portion of compensated absences amounting to \$170,073 for specific employees of the Center, a net OPEB Obligation of \$65,316, and a net pension liability of \$7,753,000 as noted above.

## **FACTORS BEARING ON CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER'S FUTURE**

The chief factors that affect the operation of the Connellsville Area Career and Technical Center are the decisions that are made by the Connellsville Area School District. The Connellsville Area Career and Technical Center is a component unit of the Connellsville Area School District. Therefore, the Connellsville Area School District has total and direct control over Connellsville Area Career and Technical Center's programming and funding. The increase or decrease in student enrollment is a major element that the Connellsville Area School District will use in deciding what programs, if any, need to be expanded or eliminated. The Connellsville Area School District is committed to the Connellsville Area Career and Technical Center's programs and ensuring the course offerings are compatible with today's business needs and work environment so that students have the opportunity to reach their full potential.

## **CONTACTING THE CENTER FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the Center's finances and to show the Board of Education's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office at Connellsville Area School District, 732 Rockridge Road, Connellsville, PA 15425.

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

|                                                                           | Governmental<br>Activities | Business-Type<br>Activities | Total                 |
|---------------------------------------------------------------------------|----------------------------|-----------------------------|-----------------------|
| <b>ASSETS</b>                                                             |                            |                             |                       |
| <b>Current Assets:</b>                                                    |                            |                             |                       |
| Cash and Cash Equivalents                                                 | \$ 126,095                 | \$ -                        | \$ 126,095            |
| Due From Other Governments                                                | 201,337                    | -                           | 201,337               |
| Due From Primary Government                                               | 1,443                      | -                           | 1,443                 |
| <b>Total Current Assets</b>                                               | <b>\$ 328,875</b>          | <b>\$ -</b>                 | <b>\$ 328,875</b>     |
| <b>Noncurrent Assets:</b>                                                 |                            |                             |                       |
| Land                                                                      | \$ 16,321                  | \$ -                        | \$ 16,321             |
| Site Improvements (net)                                                   | 8,407                      | -                           | 8,407                 |
| Building and Building Improvements (net)                                  | 506,025                    | -                           | 506,025               |
| Furniture and Equipment (net)                                             | 221,515                    | -                           | 221,515               |
| <b>Total Noncurrent Assets</b>                                            | <b>\$ 752,268</b>          | <b>\$ -</b>                 | <b>\$ 752,268</b>     |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 1,081,143</b>        | <b>\$ -</b>                 | <b>\$ 1,081,143</b>   |
| <b>Deferred Outflows of Resources:</b>                                    |                            |                             |                       |
| Deferred Outflows Related to Pension                                      | \$ 796,061                 | \$ -                        | \$ 796,061            |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                               | <b>\$ 796,061</b>          | <b>\$ -</b>                 | <b>\$ 796,061</b>     |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                    | <b>\$ 1,877,204</b>        | <b>\$ -</b>                 | <b>\$ 1,877,204</b>   |
| <b>LIABILITIES</b>                                                        |                            |                             |                       |
| <b>Current Liabilities:</b>                                               |                            |                             |                       |
| Accounts Payable                                                          | \$ 66,840                  | \$ -                        | \$ 66,840             |
| Accrued Salaries and Benefits                                             | 251,642                    | -                           | 251,642               |
| Payroll Withholdings                                                      | 10,393                     | -                           | 10,393                |
| <b>Total Current Liabilities</b>                                          | <b>\$ 328,875</b>          | <b>\$ -</b>                 | <b>\$ 328,875</b>     |
| <b>Noncurrent Liabilities:</b>                                            |                            |                             |                       |
| Accrued Compensated Absences                                              | \$ 170,073                 | \$ -                        | \$ 170,073            |
| Net OPEB Liability                                                        | 65,316                     | -                           | 65,316                |
| Net Pension Liability                                                     | 7,753,000                  | -                           | 7,753,000             |
| <b>Total Noncurrent Liabilities</b>                                       | <b>\$ 7,988,389</b>        | <b>\$ -</b>                 | <b>\$ 7,988,389</b>   |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 8,317,264</b>        | <b>\$ -</b>                 | <b>\$ 8,317,264</b>   |
| <b>Deferred Inflows of Resources:</b>                                     |                            |                             |                       |
| Deferred Inflows Related to Pension                                       | \$ 48,000                  | \$ -                        | \$ 48,000             |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 48,000</b>           | <b>\$ -</b>                 | <b>\$ 48,000</b>      |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>                | <b>\$ 8,365,264</b>        | <b>\$ -</b>                 | <b>\$ 8,365,264</b>   |
| <b>NET POSITION</b>                                                       |                            |                             |                       |
| Net Investment in Capital Assets                                          | \$ 752,268                 | \$ -                        | \$ 752,268            |
| Unrestricted (Deficit)                                                    | (7,240,328)                | -                           | (7,240,328)           |
| <b>TOTAL NET POSITION (Deficit)</b>                                       | <b>\$ (6,488,060)</b>      | <b>\$ -</b>                 | <b>\$ (6,488,060)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b> | <b>\$ 1,877,204</b>        | <b>\$ -</b>                 | <b>\$ 1,877,204</b>   |

The accompanying notes are an integral part of these financial statements



**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**EXHIBIT B**

| Functions/Programs                            | Expenses            | Program Revenues        |                                          |                                        | Net (Expense) Revenue and<br>Changes in Net Position |                             |                       |
|-----------------------------------------------|---------------------|-------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------------------|-----------------------|
|                                               |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-Type<br>Activities | Total                 |
| <b>Governmental Activities:</b>               |                     |                         |                                          |                                        |                                                      |                             |                       |
| Instruction                                   | \$ 3,012,533        | \$ 23,067               | \$ 984,304                               | \$ -                                   | \$ (2,005,162)                                       |                             | \$ (2,005,162)        |
| Instructional Student Support                 | 184,203             | -                       | 27,426                                   | -                                      | (156,777)                                            |                             | (156,777)             |
| Administrative and Financial Support Services | 365,727             | -                       | 46,206                                   | -                                      | (319,521)                                            |                             | (319,521)             |
| Operation and Maintenance of Plant Services   | 387,935             | -                       | 38,056                                   | -                                      | (349,879)                                            |                             | (349,879)             |
| Student Activities                            | 26,490              | -                       | 3,120                                    | -                                      | (23,370)                                             |                             | (23,370)              |
| <b>Total Governmental Activities</b>          | <b>\$ 3,976,888</b> | <b>\$ 23,067</b>        | <b>\$ 1,099,112</b>                      | <b>\$ -</b>                            | <b>\$ (2,854,709)</b>                                |                             | <b>\$ (2,854,709)</b> |
| <b>Business-Type activities:</b>              |                     |                         |                                          |                                        |                                                      |                             |                       |
| Food Service                                  | \$ -                | \$ -                    | \$ -                                     | \$ -                                   | \$ -                                                 | \$ -                        | \$ -                  |
| <b>Total Business-Type Activities</b>         | <b>\$ -</b>         | <b>\$ -</b>             | <b>\$ -</b>                              | <b>\$ -</b>                            | <b>\$ -</b>                                          | <b>\$ -</b>                 | <b>\$ -</b>           |
| <b>Total Primary Government</b>               | <b>\$ 3,976,888</b> | <b>\$ 23,067</b>        | <b>\$ 1,099,112</b>                      | <b>\$ -</b>                            | <b>\$ (2,854,709)</b>                                | <b>\$ -</b>                 | <b>\$ (2,854,709)</b> |
| <b>General Revenues:</b>                      |                     |                         |                                          |                                        |                                                      |                             |                       |
| Transfer From Primary Government              |                     |                         |                                          |                                        | \$ 2,588,633                                         | \$ -                        | \$ 2,588,633          |
| Interest                                      |                     |                         |                                          |                                        | 171                                                  | -                           | 171                   |
| Contributions/Donations                       |                     |                         |                                          |                                        | 5,705                                                | -                           | 5,705                 |
| Miscellaneous                                 |                     |                         |                                          |                                        | 4,319                                                | 21                          | 4,340                 |
| Interfund Transfers                           |                     |                         |                                          |                                        | 3,592                                                | (3,592)                     | -                     |
| <b>Total General Revenues</b>                 |                     |                         |                                          |                                        | <b>\$ 2,602,420</b>                                  | <b>\$ (3,571)</b>           | <b>\$ 2,598,849</b>   |
| <b>Change in Net Position</b>                 |                     |                         |                                          |                                        | <b>\$ (252,289)</b>                                  | <b>\$ (3,571)</b>           | <b>\$ (255,860)</b>   |
| Net Position - July 1, 2015 (Deficit)         |                     |                         |                                          |                                        | (6,235,771)                                          | 3,571                       | (6,232,200)           |
| <b>Net Position — June 30, 2016 (Deficit)</b> |                     |                         |                                          |                                        | <b>\$ (6,488,060)</b>                                | <b>\$ -</b>                 | <b>\$ (6,488,060)</b> |

The accompanying notes are an integral part of these financial statements

**CONNELLVILLE AREA CAREER AND TECHNICAL CENTER**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND-GENERAL FUND**  
**JUNE 30, 2016**

**ASSETS:**

|                             |                          |
|-----------------------------|--------------------------|
| Cash and Cash Equivalents   | \$ 126,095               |
| Due From Other Governments  | 201,337                  |
| Due From Primary Government | <u>1,443</u>             |
| <b>TOTAL ASSETS</b>         | <b><u>\$ 328,875</u></b> |

**LIABILITIES AND FUND BALANCES****LIABILITIES:**

|                               |                          |
|-------------------------------|--------------------------|
| Accounts Payable              | \$ 66,840                |
| Accrued Salaries and Benefits | 251,642                  |
| Payroll Withholdings          | <u>10,393</u>            |
| <b>TOTAL LIABILITIES</b>      | <b><u>\$ 328,875</u></b> |

**FUND BALANCES:**

|                            |                    |
|----------------------------|--------------------|
| Unassigned                 | <u>\$ -</u>        |
| <b>TOTAL FUND BALANCES</b> | <b><u>\$ -</u></b> |

|                                            |                          |
|--------------------------------------------|--------------------------|
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b><u>\$ 328,875</u></b> |
|--------------------------------------------|--------------------------|

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

**Total Fund Balances - Governmental Funds** **\$ -**

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 \$3,597,204, and the accumulated depreciation is \$2,844,936. 752,268

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

Deferred outflows of resources related to pensions 796,061

Deferred inflows of resources related to pensions (48,000)

Long term liabilities 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:

|                              |                 |                    |
|------------------------------|-----------------|--------------------|
| Net Pension Liability        | \$ (7,753,000)  |                    |
| Accrued Compensated Absences | (170,073)       |                    |
| Net OPEB Obligation          | <u>(65,316)</u> | <u>(7,988,389)</u> |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (Deficit)** **\$ (6,488,060)**

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**REVENUES**

|                       |                            |
|-----------------------|----------------------------|
| Local Sources         | \$ 32,558                  |
| State Sources         | 1,002,457                  |
| Federal Sources       | 96,655                     |
| <b>TOTAL REVENUES</b> | <b><u>\$ 1,131,670</u></b> |

**EXPENDITURES**

|                           |                            |
|---------------------------|----------------------------|
| Instruction               | \$ 2,798,918               |
| Support Services          | 899,558                    |
| Noninstructional Services | 25,419                     |
| <b>TOTAL EXPENDITURES</b> | <b><u>\$ 3,723,895</u></b> |

|                                                              |                              |
|--------------------------------------------------------------|------------------------------|
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b><u>\$ (2,592,225)</u></b> |
|--------------------------------------------------------------|------------------------------|

**OTHER FINANCING SOURCES (USES)**

|                                                          |                            |
|----------------------------------------------------------|----------------------------|
| Transfer from Primary Government (Connellsville Area SD) | \$ 2,588,633               |
| Transfer from Enterprise Fund                            | 3,592                      |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>              | <b><u>\$ 2,592,225</u></b> |

|                                     |                           |
|-------------------------------------|---------------------------|
| <b>NET CHANGE IN FUND BALANCES</b>  | <b>\$ -</b>               |
| <b>FUND BALANCE - JULY 1, 2015</b>  | <b><u>-</u></b>           |
| <b>FUND BALANCE - JUNE 30, 2016</b> | <b><u><u>\$ -</u></u></b> |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**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, 2016**

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

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 (\$137,502) exceeded capital outlays (\$78,424) during the fiscal year. (59,078)

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. (175,811)

In the statement of activities, certain operating expenses - compensated absences and retiree health benefits - 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 amount represents these benefits earned in excess of the amount paid. (17,400)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (252,289)**

The accompanying notes are an integral part of these financial statements

**CONNELLVILLE AREA CAREER AND TECHNICAL CENTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|                                                              | Budgeted Amounts      |                       | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--------------------------------------------------------------|-----------------------|-----------------------|-----------------------------|---------------------------------------------------------|
|                                                              | Original              | Final                 |                             |                                                         |
| <b><u>REVENUES</u></b>                                       |                       |                       |                             |                                                         |
| Local Sources                                                | \$ 32,900             | \$ 32,900             | \$ 32,558                   | \$ (342)                                                |
| State Sources                                                | 534,118               | 534,118               | 1,002,457                   | 468,339                                                 |
| Federal Sources                                              | 103,000               | 103,000               | 96,655                      | (6,345)                                                 |
| <b>TOTAL REVENUES</b>                                        | <b>\$ 670,018</b>     | <b>\$ 670,018</b>     | <b>\$ 1,131,670</b>         | <b>\$ 461,652</b>                                       |
| <b><u>EXPENDITURES</u></b>                                   |                       |                       |                             |                                                         |
| Instructional Programs                                       | \$ 536,393            | \$ 419,542            | \$ 553,483                  | \$ (133,941)                                            |
| Special Instruction Programs                                 | 590,194               | 653,500               | 603,046                     | 50,454                                                  |
| Vocational Programs                                          | 1,569,331             | 1,699,931             | 1,636,683                   | 63,248                                                  |
| Other Instructional Programs                                 | 4,445                 | 4,445                 | 5,706                       | (1,261)                                                 |
| Adult Education Programs                                     | -                     | 12,500                | -                           | 12,500                                                  |
| Pupil Personnel Services                                     | 103,789               | 118,200               | 126,984                     | (8,784)                                                 |
| Instructional Staff Services                                 | 900                   | 1,300                 | 1,297                       | 3                                                       |
| Administrative Services                                      | 392,657               | 373,600               | 349,736                     | 23,864                                                  |
| Pupil Health                                                 | 92,798                | 57,700                | 46,516                      | 11,184                                                  |
| Business Services                                            | 70,417                | 30,300                | 143                         | 30,157                                                  |
| Operation & Maintenance of Plant Services                    | 469,646               | 462,250               | 374,882                     | 87,368                                                  |
| Student Activities                                           | 33,298                | 30,600                | 25,419                      | 5,181                                                   |
| <b>TOTAL EXPENDITURES</b>                                    | <b>\$ 3,863,868</b>   | <b>\$ 3,863,868</b>   | <b>\$ 3,723,895</b>         | <b>\$ 139,973</b>                                       |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>\$ (3,193,850)</b> | <b>\$ (3,193,850)</b> | <b>\$ (2,592,225)</b>       | <b>\$ 601,625</b>                                       |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                 |                       |                       |                             |                                                         |
| Transfer from Primary Government (Connellsville SD)          | \$ 3,193,850          | \$ 3,193,850          | \$ 2,588,633                | \$ (605,217)                                            |
| Transfer from Enterprise Fund                                | -                     | -                     | 3,592                       | 3,592                                                   |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                  | <b>\$ 3,193,850</b>   | <b>\$ 3,193,850</b>   | <b>\$ 2,592,225</b>         | <b>\$ (601,625)</b>                                     |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ -</b>                 | <b>\$ -</b>                                             |
| FUND BALANCE - JULY 1, 2015                                  | -                     | -                     | -                           | -                                                       |
| <b>FUND BALANCE - JUNE 30, 2016</b>                          | <b>\$ -</b>           | <b>\$ -</b>           | <b>\$ -</b>                 | <b>\$ -</b>                                             |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2016**

**ASSETS****Current Assets:**

|                             |             |
|-----------------------------|-------------|
| Cash and Cash Equivalents   | \$ -        |
| <b>TOTAL CURRENT ASSETS</b> | <b>\$ -</b> |
| <b>TOTAL ASSETS</b>         | <b>\$ -</b> |

**LIABILITIES****Current Liabilities:**

|                                  |             |
|----------------------------------|-------------|
| Accounts Payable                 | \$ -        |
| <b>TOTAL CURRENT LIABILITIES</b> | <b>\$ -</b> |
| <b>TOTAL LIABILITIES</b>         | <b>\$ -</b> |

**NET POSITION**

|                                           |             |
|-------------------------------------------|-------------|
| Unrestricted                              | \$ -        |
| <b>TOTAL NET POSITION</b>                 | <b>\$ -</b> |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>\$ -</b> |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**OPERATING REVENUES**

|                                 |             |
|---------------------------------|-------------|
| Food Service Revenue            | \$ -        |
| <b>Total Operating Revenues</b> | <b>\$ -</b> |

**OPERATING EXPENSES**

|                                 |             |
|---------------------------------|-------------|
| Fees                            | \$ -        |
| <b>Total Operating Expenses</b> | <b>\$ -</b> |

|                                |             |
|--------------------------------|-------------|
| <b>OPERATING INCOME/(LOSS)</b> | <b>\$ -</b> |
|--------------------------------|-------------|

**NONOPERATING REVENUES (EXPENSES)**

|                                               |              |
|-----------------------------------------------|--------------|
| Refund Prior Year Expenses                    | \$ 21        |
| <b>Total Nonoperating Revenues (Expenses)</b> | <b>\$ 21</b> |

|                                       |              |
|---------------------------------------|--------------|
| <b>INCOME (LOSS) BEFORE TRANSFERS</b> | <b>\$ 21</b> |
|---------------------------------------|--------------|

**TRANSFERS**

|                              |            |
|------------------------------|------------|
| Operating Transfers In (Out) | \$ (3,592) |
|------------------------------|------------|

|                               |                   |
|-------------------------------|-------------------|
| <b>CHANGE IN NET POSITION</b> | <b>\$ (3,571)</b> |
|-------------------------------|-------------------|

|                             |       |
|-----------------------------|-------|
| NET POSITION - JULY 1, 2015 | 3,571 |
|-----------------------------|-------|

|                                     |             |
|-------------------------------------|-------------|
| <b>NET POSITION - JUNE 30, 2016</b> | <b>\$ -</b> |
|-------------------------------------|-------------|

The accompanying notes are an integral part of these financial statements



**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

|                                                         |                    |
|---------------------------------------------------------|--------------------|
| Cash Received from Users                                | \$ -               |
| Cash Payments to Suppliers for Goods and Services       | -                  |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b> | <b><u>\$ -</u></b> |

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

|                                                                     |                          |
|---------------------------------------------------------------------|--------------------------|
| Refund Prior Year Expenses                                          | \$ 21                    |
| Operating Transfers (Out)                                           | (3,592)                  |
| <b>Net Cash Provided (Used) by Non-Capital Financing Activities</b> | <b><u>\$ (3,571)</u></b> |

**NET (DECREASE) IN CASH AND CASH EQUIVALENTS** **\$ (3,571)**

CASH AND CASH EQUIVALENTS - JULY 1, 2015 3,571

**CASH AND CASH EQUIVALENTS - JUNE 30, 2016** **\$ -**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating Income (Loss) \$ -

**ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Other Adjustments -

**Total Adjustments** **\$ -**

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** **\$ -**

The accompanying notes are an integral part of these financial statements

**CONNELLVILLE AREA CAREER AND TECHNICAL CENTER**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUND - AGENCY FUND**  
**JUNE 30, 2016**

|                           | <b><u>STUDENT<br/>ACTIVITY<br/>FUND</u></b> |
|---------------------------|---------------------------------------------|
| <b>ASSETS</b>             |                                             |
| Cash and Cash Equivalents | \$     13,907                               |
| <b>TOTAL ASSETS</b>       | <b><u>\$     13,907</u></b>                 |
| <b>LIABILITIES</b>        |                                             |
| Other Current Liabilities | \$     13,907                               |
| <b>TOTAL LIABILITIES</b>  | <b><u>\$     13,907</u></b>                 |

The accompanying notes are an integral part of these financial statements

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

The Connellsville Area Career and Technical Center (The Center), formerly the North Fayette Area Vocational Technical School provides vocational education to the secondary students from the Connellsville Area School District. In addition to principally serving secondary students, the Center also operates adult programs. The North Fayette Area Vocational Technical School was established in 1974 as a joint venture between the Connellsville Area Career and Technical Center and the Frazier Career and Technical Center. Effective July 1, 2001, the Connellsville Area Career and Technical Center assumed sole responsibility for the operations, therefore, making it a component unit of the Connellsville Area School District. In September 2005, the Board approved changing the name of the North Fayette Area Vocational Technical School to Connellsville Area Career and Technical Center effective January 2, 2006.

The financial statements of the Connellsville Area Career and Technical Center 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). During the 2015-2016 year, the School District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 72, *'Fair Value Measurement and Application'*; Statement No. 76, *'The Hierarchy of Generally Accepted Principles for State and Local Governments'*; and Statement No. 79, *'Certain External Investment Pools and Pool Participates'*. The most significant of the Career and Technical Center'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 ensure the financial statements are not misleading. The primary government of the Connellsville Area Career and Technical Center consists of all funds, departments, boards and agencies that are not legally separate from the Center. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the Center's reporting entity because of the significance of their operating or financial relationships with the Center. Based on the application of these criteria, the Connellsville Area Career and Technical Center has no component units.

As mentioned above, the Connellsville Area Career and Technical Center is considered a component unit of the Connellsville Area School District based on the following criteria:

- The Center is a legally separate organization.
- The Connellsville Area School District's Board of Education also serves as the Board of Directors for the Center and accordingly, has the ability to significantly influence the Center's programs and activities.
- The Connellsville Area School District is financially accountable for the Center.

The Center is associated with one jointly governed organization (Note 8) and one public entity risk pool (Note 9) through the Connellsville Area School District. These organizations are:

- Jointly Governed Organization:  
Intermediate Unit 1
- Public Entity Risk Pool:  
Intermediate Unit 1 Health Consortium Trust

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**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 Center 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 Center that are governmental and those that are considered business-type activities.

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 Center's business-type activities (culinary arts operations) and for each function of the Center'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 Center. The most significant source of general revenue for the Center is the transfer from the primary government (Connellsville Area School District). The comparison of direct expenses with program revenues identifies the extent to which the government function is self-financing or draws from the general revenues of the Center.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the Center. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Major funds represent the Center's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For the Connellsville Area Career and Technical Center, the General Fund is always 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, and 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 Center finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**FUND ACCOUNTING**

The Center 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 Center 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 general fund is the Center's only governmental fund and it is a major fund.

**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.

**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 Center (internal service funds). The Center maintains the Culinary Arts fund as an enterprise fund.

**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 Center under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Center's own programs. The Center does not currently administer any trust funds. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The Center maintains an Agency Fund which accounts for various student organization activity accounts administered by the Center on behalf of the various student organizations.

**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.

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 Center, available means expected to be received within sixty days of fiscal year-end.

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

Revenue resulting from non-exchange transactions, in which the Center receives value without directly giving equal value in return, includes mainly, grants. Revenues from grants 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 Connellsville Area Career and Technical Center has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2016 under the modified accrual basis are federal and state subsidies, and other miscellaneous revenues, earned during fiscal year 2015-2016 but received subsequent to June 30, 2016.

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, 2016, are those for which the Board of Director's intention was to expense these items as budgeted for the 2015-2016 official budget, and for which the Center has incurred an obligation during 2016, but has not paid as of June 30, 2016.

Allocations of cost, such as depreciation, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**BUDGETS**

In June of 2015, the Connellsville Area Career and Technical Center adopted its fiscal year June 30, 2016 annual budget for the general fund totaling \$3,863,868 (as amended) 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 Center, as approved by the Board of Directors, only during the last nine months of the fiscal year. The original and adjusted budgetary amounts are reflected in these financial statements (Exhibit G). All annual appropriations of the general fund lapse at fiscal year end unless otherwise encumbered by the Board of Directors. .

**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.

**DUE FROM PRIMARY GOVERNMENT**

As discussed above, primary funding for the Center comes from the Connellsville Area School District, the primary government. Any excess or shortage of funding received from the primary government is reported as due from or due to the primary government.

**CONNELLVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**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. At June 30, 2016 there were no interfund receivables or payables.

**CAPITAL ASSETS AND DEPRECIATION**

Capital assets are reported on the government-wide 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 Center maintains a capitalization threshold of \$1,000.

The cost of infrastructure is included as part of buildings and 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:

| <b><u>CATEGORY</u></b>     | <b><u>GOVERNMENTAL<br/>ACTIVITIES</u></b> |
|----------------------------|-------------------------------------------|
| Site Improvements          | 15-20 Years                               |
| Buildings and Improvements | 15-50 Years                               |
| Furniture and Equipment    | 5-10 years                                |
| Vehicles                   | 7-10 Years                                |
| Equipment                  | 5-10 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, 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 Center did not incur any bond issuance costs during the 2015-2016 fiscal year.

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**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 6.

**COMPENSATED ABSENCES**

The Connellsville Area Career and Technical Center reports compensated absences in accordance with the provisions of GASB Statement No. 16, 'Accounting for Compensated Absences'. Sick leave and vacation benefits are accrued as a liability at the time individuals become eligible in accordance with the terms of the Center's collective bargaining agreements. With regard to sick leave, teachers and twelve-month employees are credited with ten days of sick leave annually to an unlimited maximum. Upon retirement, administrators with at least ten years of service will be reimbursed for unused sick days at a per diem rate of .002 times annual salary up to 210 days. Teachers receive \$100 per day for each accumulated unused sick day up to 300 days. Custodians and secretaries are paid at one-half rate for each accumulated unused sick day and \$45 per day, respectively, up to a maximum of 200 days. With regard to vacation pay, Center employees who are required to work on a twelve-month schedule are credited with vacation rates which vary with length of service or job classification. Unused vacation days for administrators and secretaries are added to sick days. Vacation days of other twelve-month employees are noncumulative. The entire compensated absences liability of \$170,073 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.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables and accrued liabilities are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of long-term obligations 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. Long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The Center's General Fund is typically used to liquidate long-term liability obligations.

The results of recognizing 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).



**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**UNEARNED REVENUE**

Unearned revenue arises when the Center 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 Center has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and so will not be recognized as an outflow and/or inflow of resources (expense/expenditure or income/revenue) in the current period.

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy Center 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 Center’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 spendable form (such as prepaid expenses) or are required to be maintained intact.
- 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

**CONNELLVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**FUND EQUITY (Continued)**

- Committed fund balance – amount constrained to specific purposes by the Center itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Center takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Center 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
- Unassigned fund balance – amount that are available for any purpose.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the Center'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 (enterprise) fund. For the Connellsville Career and Technical Center, these revenues are sales from culinary arts. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

**NOTE 2 - CASH DEPOSITS**

At June 30, 2016, the Connellsville Area Career and Technical Center had the following bank deposit balances and carrying values on its cash and cash equivalent accounts:

|                   | <b><u>BANK<br/>BALANCE</u></b> | <b><u>CARRYING<br/>VALUE</u></b> |
|-------------------|--------------------------------|----------------------------------|
| Governmental Fund | \$ 125,995                     | \$ 126,095                       |
| Agency Fund       | 13,907                         | 13,907                           |
|                   | <b><u>\$ 139,902</u></b>       | <b><u>\$ 140,002</u></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 deposit accounts, and certificates of deposit.

**CONNELLVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. The Center does not have a separate policy for custodial credit risk in addition to the requirements of State Law. As of June 30, 2016, none of the Center's bank balance is exposed to custodial credit risk as the total amount does not exceed the FDIC coverage threshold. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, would be collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**NOTE 3 – 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, represents \$201,337 due from the Department of Education for social security, retirement and vocational education subsidies.

**NOTE 4 - CAPITAL ASSETS**

A summary of the governmental fixed asset activity for the 2015-2016 fiscal year is as follows:

|                                                    | <b>Balance<br/>7/1/2015</b> | <b>Additions</b>          | <b>Deductions</b>  | <b>Balance<br/>6/30/2016</b> |
|----------------------------------------------------|-----------------------------|---------------------------|--------------------|------------------------------|
| <b>Governmental Activities</b>                     |                             |                           |                    |                              |
| Land                                               | \$ 16,321                   | \$ -                      | \$ -               | \$ 16,321                    |
| Site Improvements                                  | 108,041                     | -                         | -                  | 108,041                      |
| Buildings and Improvements                         | 2,014,246                   | -                         | -                  | 2,014,246                    |
| Furniture and Equipment                            | 1,380,172                   | 78,424                    | -                  | 1,458,596                    |
|                                                    | <u>\$ 3,518,780</u>         | <u>\$ 78,424</u>          | <u>\$ -</u>        | <u>\$ 3,597,204</u>          |
| <b>Less: Accumulated depreciation</b>              |                             |                           |                    |                              |
| Site Improvements                                  | \$ (99,011)                 | \$ (623)                  | -                  | \$ (99,634)                  |
| Buildings and Improvements                         | (1,467,937)                 | (40,284)                  | -                  | (1,508,221)                  |
| Furniture and Equipment                            | (1,140,485)                 | (96,596)                  | -                  | (1,237,081)                  |
|                                                    | <u>\$ (2,707,433)</u>       | <u>\$ (137,503)</u>       | <u>\$ -</u>        | <u>\$ (2,844,936)</u>        |
| <b>Governmental Activities Capital Assets, Net</b> | <u><b>\$ 811,347</b></u>    | <u><b>\$ (59,079)</b></u> | <u><b>\$ -</b></u> | <u><b>\$ 752,268</b></u>     |

Depreciation expense was charged to the instruction governmental function.

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 – LONG-TERM LIABILITIES**

The following represents the changes in the Center's long-term liabilities during the 2015-2016 fiscal year:

|                       | <b>Balance</b>      |                   |                   | <b>Balance</b>      | <b>Due Within</b> |
|-----------------------|---------------------|-------------------|-------------------|---------------------|-------------------|
|                       | <b>7/1/2015</b>     | <b>Additions</b>  | <b>Reductions</b> | <b>6/30/2016</b>    | <b>One Year</b>   |
| Compensated Absences  | \$ 178,727          | \$ -              | \$ 8,654          | \$ 170,073          | \$ -              |
| Net OPEB Obligation   | 39,263              | 26,053            | -                 | 65,316              | -                 |
| Net Pension Liability | 7,046,000           | 707,000           | -                 | 7,753,000           | -                 |
|                       | <u>\$ 7,263,990</u> | <u>\$ 733,053</u> | <u>\$ 8,654</u>   | <u>\$ 7,988,389</u> | <u>\$ -</u>       |

**NOTE 6 - PENSION PLAN**

The Connellsville Area Career and Technical Center 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 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. 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.

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - PENSION PLAN (Continued)**

**Benefits Provided: (Continued)**

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.

**Health Insurance Premium Assistance Program:**

In addition, PSERS provides a Health Insurance Premium Program (Premium Assistance) for all eligible annuitants who qualify and elect to participate. Under this program, 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. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible annuitants 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 annuitants must obtain their health insurance through either their school employer or the PSERS' Health Options Program. Premium Assistance is not included in the calculation of the net pension liability as it does not qualify under the provisions of GASB Statement 68.

**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%.

**CONNELLVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - PENSION PLAN (Continued)**

**Contributions Rates: (Continued)**

**Employer Contributions** – The Center's contractually required contribution rate for the fiscal year ended June 30, 2016 was 25.84% 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. The 25.84% is comprised of a pension contribution rate of 25.00% for pension benefits and .84% for healthcare insurance premium assistance. Contributions to the pension plan were \$580,946 for the year ended June 30, 2016.

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

At June 30, 2016, the Center reported a liability of \$7,753,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014 to June 30, 2015. The Center's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the Center's proportion was .0179, which was an increase of .0001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Center recognized pension expense of \$705.907 in the Statement of Activities (Exhibit B). At June 30, 2016, the Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                          | <b><u>Deferred Outflows<br/>of Resources</u></b> | <b><u>Deferred Inflows<br/>of Resources</u></b> |
|------------------------------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Difference between expected and actual experience                                        | \$ -                                             | \$ 32,000                                       |
| Changes in assumptions                                                                   | -                                                | -                                               |
| Net difference between projected and actual investment earnings                          | -                                                | 16,000                                          |
| Changes in proportions                                                                   | 234,000                                          | -                                               |
| Difference between employer contributions and proportionate share of total contributions | -                                                | -                                               |
| Contributions subsequent to the measurement date                                         | 562,061                                          | -                                               |
|                                                                                          | <b><u>\$ 796,061</u></b>                         | <b><u>\$ 48,000</u></b>                         |

The \$562,061 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 in the year ended June 30, 2017.

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - PENSION PLAN (Continued)**

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

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

| Measurement<br>Date<br>Year ended<br>June 30, | Reporting<br>Date<br>Year ended<br>June 30, | Amortization<br>Amount |
|-----------------------------------------------|---------------------------------------------|------------------------|
| 2016                                          | 2017                                        | \$ 28,000              |
| 2017                                          | 2018                                        | 28,000                 |
| 2018                                          | 2019                                        | 28,000                 |
| 2019                                          | 2020                                        | 101,000                |

**Actuarial Assumptions**

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3%
- Salary increases – Effective average of 5.5%, which reflects an allowance for inflation of 3%, real wage growth of 1%, and merit or seniority increases of 1.5%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three (3) years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven (7) years for males and three (3) years for females

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

**CONNELLVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - PENSION PLAN (Continued)**

**Investment Asset Allocation:**

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>Expected Real Rate of Return</u> |
|------------------------------|--------------------------|-------------------------------------|
| Public markets global equity | 22.5%                    | 4.80%                               |
| Private markets (equity)     | 15.0%                    | 6.60%                               |
| Private real estate          | 12.0%                    | 4.50%                               |
| Global fixed income          | 7.5%                     | 2.40%                               |
| U.S. long treasuries         | 3.0%                     | 1.40%                               |
| TIPS                         | 12.0%                    | 1.10%                               |
| High yield bonds             | 6.0%                     | 3.30%                               |
| Cash                         | 3.0%                     | 0.70%                               |
| Absolute return              | 10.0%                    | 4.90%                               |
| Risk parity                  | 10.0%                    | 3.70%                               |
| MLPs/Infrastructure          | 5.0%                     | 5.20%                               |
| Commodities                  | 8.0%                     | 3.10%                               |
| Financing (LIBOR)            | -14.0%                   | 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, 2015.

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - PENSION PLAN (Continued)**

**Sensitivity of the Center's proportionate share of the net pension liability to changes in the discount rate:**

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

|                                                              | <b>1%<br/>Decrease<br/>6.50%</b> | <b>Current<br/>Discount<br/>Rate<br/>7.50%</b> | <b>1%<br/>Increase<br/>8.50%</b> |
|--------------------------------------------------------------|----------------------------------|------------------------------------------------|----------------------------------|
| Center's proportionate share of<br>the net pension liability | \$ 9,557,000                     | \$ 7,753,000                                   | \$ 6,238,000                     |

**Pension plan fiduciary net position:**

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

**NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PLAN DESCRIPTION**

The Connellsville Area Career and Technical Center provides for post-employment health care benefits to all eligible employees covered by specific collective bargaining agreements entered into between the Center and its personnel. To be eligible, participants must have at least ten (10) years of continuous service in the Connellsville Area Career and Technical Center and be of normal retirement age as defined by the PSERS (Note 6). The above program was established by the authority of The Connellsville Area School District Board of Education.

**FUNDING POLICY**

The program entitles eligible employees to health care benefits (health insurance only) for varying terms which range between 4 and 8 years. Employees are responsible for reimbursing the Center for the PSERS health benefit contribution and any premium share in effect at the date of retirement. The governmental fund financial statements account for these benefits on a pay-as-you-go basis and are budgeted for and paid from the Center's General Fund. During the 2014-2015 fiscal year, the Connellsville Area Career and Technical Center paid approximately \$59,903 in health care costs for nine (9) participants.

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**ANNUAL OPEB COST AND NET OPEB OBLIGATION**

The Center's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following show the components of the Connellsville Area Career and Technical Center's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Connellsville Area Career and Technical Center's net OPEB obligation:

|                                            |                         |
|--------------------------------------------|-------------------------|
| Annual required contribution               | \$ 70,807               |
| Interest on net OPEB obligation            | 1,571                   |
| Adjustment to annual required contribution | <u>(2,312)</u>          |
| Annual OPEB cost (expense)                 | 70,066                  |
| Contributions made (estimate)              | <u>(44,013)</u>         |
| Increase in net OPEB obligation            | 26,053                  |
| Net OPEB obligation at July 1, 2015        | 39,263                  |
| Net OPEB obligation at June 30, 2016       | <u><u>\$ 65,316</u></u> |

**FUNDED STATUS AND FUNDING PROGRESS**

The Center's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

| <b><u>FISCAL YEAR<br/>ENDED</u></b> | <b><u>ANNUAL OPEB<br/>COST</u></b> | <b><u>PERCENTAGE<br/>CONTRIBUTED</u></b> | <b><u>NET OPEB<br/>OBLIGATION</u></b> |
|-------------------------------------|------------------------------------|------------------------------------------|---------------------------------------|
| 2016                                | \$ 70,066                          | 67%                                      | \$ 65,316                             |
| 2015                                | 70,807                             | 45%                                      | 39,263                                |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarial amounts determined regarding the funded status of the plan and the annual required contributions of the School District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress is presented in the required supplementary information section of this report. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**ACTUARIAL METHODS AND ASSUMPTIONS**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The July 1, 2014 actuarial valuation report utilized the Entry Age Normal Cost Method. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The UAAL, if any, is being amortized as a level dollar amount over 30 years. The remaining amortization period at June 30, 2016 was 29 years.

**NOTE 8 – JOINTLY GOVERNED ORGANIZATION**

The Connellsville Area Career and Technical Center participates with other local educational agencies located in Fayette, Washington, and Greene Counties in the Intermediate Unit 1 (IU1). The IU1 was established in 1971 by Act 102 of the Commonwealth of Pennsylvania to function as a regional educational service agency for specific school districts located within the aforementioned tri-county region. The Intermediate Unit 1 is governed by a thirteen (13) member board appointed by the participating school districts on a rotating basis. The IU1 provides services relative to curriculum development, continuing education, educational planning, instructional materials, pupil personnel, state and federal agency liaison and managerial oversight. The Board of Education of each participating school district approves the IU1 annual operating budget. The IU1 issues separate financial statements annually which can be obtained by contacting the IU1 directly.

**NOTE 9 - RISK MANAGEMENT**

**GENERAL INSURANCE CLAIMS**

The Connellsville Area Career and Technical Center 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.

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 - RISK MANAGEMENT (Continued)**

**HEALTH INSURANCE**

The Connellsville Area Career and Technical Center participates with 25 School Districts, 4 other vocational-technical schools, and Intermediate Unit 1 (IU1) in the IU1 Health Insurance Consortium Trust (Consortium) which purchases health benefits on behalf of participating public school districts that comprise the IU1. The Trust's general objectives are to 1) formulate, develop, administer, on behalf of its subscribers, a program of insurance, 2) to obtain lower costs for the coverage, 3) reward subscribers for lower usage of the coverage, 4) establish a continuing voice with insurance providers, and 5) manage the Trust's healthcare dollar most effectively. During the 2015-2016 year, the Connellsville Area Career and Technical Center contributed \$378,091 to the Consortium for healthcare benefits.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. As of June 30, 2016, the net position of the Consortium was \$11,429,290. The Connellsville Area Career and Technical Center's share of this net position balance is \$90,351.

**NOTE 10 - CONTINGENCIES**

The Connellsville Area Career and Technical Center state and federally funded programs are subject to audit by various governmental agencies. The Center 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 12 – PENDING GASB PRONOUNCEMENTS**

In June of 2015, GASB issued Statement No. 74, 'Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans'. The primary objective of this Statement is to address reporting by governments that provide Other Post-Employment Benefits (OPEB) to their employees. The provisions of this Statement are effective for the Center's June 30, 2017 financial statements.

In June of 2015, the GASB issued Statement No. 75, 'Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.' The primary objective of this Statement is to replace GASB 45 with a requirement to report a liability on the financial statements for the OPEB that governments provide to employees. The provisions of this Statement are effective for the Center's June 30, 2018 financial statements.

In August of 2015, the Government Accounting Standards Board (GASB) issued Statement No. 77, *Tax Abatement Disclosures*. The primary objective of this Statement is the requirement of certain disclosures in regards to tax abatement agreements. The provisions of this Statement are effective for the Center's June 30, 2017 financial statements.

In March of 2016, the GASB issued Statement No. 82, 'Pension Issues'. The primary objective of this Statement is to address for certain issues that have been raised with respect to GASB Statements No. 67, 68 and 73. The provisions of this Statement are effective for the Center's June 30, 2017 financial statements

The effects of the implementation of these standards on Connellsville Area Career and Technical Center's financial statements have not yet been determined.

**CONNELLVILLE AREA CAREER AND TECHNICAL CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date the financial statements were available to be issued, which is the date of the Independent Auditor's Report. Management has determined that there are no events subsequent to June 30, 2016 through the date of the financial statements that require additional disclosure.

**OTHER  
REQUIRED SUPPLEMENTARY  
INFORMATION**

**CONNELLVILLE AREA CAREER AND TECHNICAL CENTER**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DEFINED BENEFIT PENSION PLAN**  
**JUNE 30, 2016**

**SCHEDULE OF CACTC CONTRIBUTIONS:**

| June 30,                                                            | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  |
|---------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Contractually required contributions                                | \$ 580,946   | \$ 482,855   | \$ 372,085   | \$ 259,770   |
| Contribution in relation to the contractually required contribution | (580,946)    | (482,855)    | (372,085)    | (259,770)    |
| Contribution deficiency (excess)                                    | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| CACTC's covered-employee payroll                                    | \$ 2,471,162 | \$ 2,307,141 | \$ 2,267,868 | \$ 2,182,454 |
| Contributions as a percentage of covered-employee payroll           | 23.51%       | 20.93%       | 16.41%       | 11.90%       |

**SCHEDULE OF CACTC'S PROPORTIONATE SHARE OF NET PENSION LIABILITY:**

| As of the measurement date                                                                               | <u>2015</u>  | <u>2014</u>  | <u>2013</u>  |
|----------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|
| CACTC's proportion of the net pension liability                                                          | 0.0179%      | 0.0178%      | 0.0170%      |
| CACTC's proportionate share of the net pension liability                                                 | \$ 7,753,000 | \$ 7,046,000 | \$ 6,959,000 |
| CACTC's covered-employee payroll                                                                         | \$ 2,307,141 | \$ 2,267,868 | \$ 2,182,454 |
| CACTC's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 336.04%      | 310.69%      | 318.86%      |
| Plan fiduciary net position as a percentage of the total pension liability                               | 54.36%       | 57.24%       | 54.49%       |

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.

**CONNELLSVILLE AREA CAREER AND TECHNICAL CENTER**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFIT PLANS**  
**JUNE 30, 2016**

The schedule of funding progress, as shown below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

|                                | (A)                             | (B)                               | (B-A)<br>(UAAL)<br>UNFUNDED       | (A/B)           | (C)                | (B-A)/C                                 |
|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------|-----------------|--------------------|-----------------------------------------|
| ACTUARIAL<br>VALUATION<br>DATE | ACTUARIAL<br>VALUE OF<br>ASSETS | ACTUARIAL<br>ACCRUED<br>LIABILITY | ACTUARIAL<br>ACCRUED<br>LIABILITY | FUNDED<br>RATIO | COVERED<br>PAYROLL | UAAL AS A<br>% OF<br>COVERED<br>PAYROLL |
| 7/1/14                         | \$ -                            | \$ 630,174                        | \$ 630,174                        | 0%              | \$ 2,256,332       | 27.90%                                  |