

CORRY AREA SCHOOL DISTRICT

SINGLE AUDIT REPORT

JUNE 30, 2017

CORRY AREA SCHOOL DISTRICT

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FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

Independent Auditors' Report

To the Members of the Board
Corry Area School District
Corry, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corry Area School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Independent Auditors' Report
(Continued)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Corry Area School District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective 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 and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corry Area School District's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of revenue, expenditures, and changes in fund balance – budget and actual – general fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Independent Auditors' Report
(Continued)

The combining and individual nonmajor fund financial statements and schedule of revenue, expenditures, and changes in fund balance – budget and actual – general fund and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2017 on our consideration of the Corry Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corry Area School District's internal control over financial reporting and compliance.

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

November 3, 2017
Erie, Pennsylvania

CORRY AREA SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2017

The discussion and analysis of the Corry Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

In total, net position decreased by \$3,775,891. Net position of governmental activities decreased \$3,546,878, and net position of business-type activities decreased by \$229,013.

Total revenues were \$31,849,291. General revenues accounted for \$6,966,841 in revenue or 22% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$24,882,450 or 78% of total revenues.

The District had \$34,216,551 in expenses related to governmental activities, \$23,702,912 of these expenses were offset by program specific charges and operating grants and contributions. General revenues, primarily made up of taxes, of \$6,966,761 covered the remaining expenditures.

At the end of the fiscal year, the unassigned fund balance of the general fund was \$2,511,247, or 8% of the total general fund expenditures/other financing sources/uses.

The Annual Financial Report

The annual financial report consists of the Independent Auditors' Report, Management's Discussion and Analysis and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the School District as an entire operating entity. These statements then proceed to provide an increasingly detailed look at specific financial activities.

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 District's overall financial status.

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Overview of Financial Statements

Figure A-1 summarizes the major features of the District financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the statements.

Government-Wide Statements

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

The two government-wide statements report the District net position and how they have changed. Net position, the difference between the District's assets/deferred outflows and liabilities/deferred inflows, is one way to measure the District financial health or position. Over time increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District, you need to consider additional non-financial factors, such as the School District's tax base, facility conditions, required activities, changes in student participation, student population and the performance of the students.

Figure A-1

**Major Features of the Corry Area School District's
Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Fiduciary Funds</u>
Scope	Entire district except fiduciary funds.	District activities that are not proprietary or fiduciary, such as education, administration and community services.	District activities that operate similar to private business.	Instances in which the District is the trustee or agent to another organization's resources.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • 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, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, both long-term and short-term.	Only assets expected to be used up and liabilities and deferred inflows of resources expected to come due during the year or soon thereafter. No capital assets included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, both long-term and short-term.	All assets and liabilities, both long-term and short-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 or soon after the end of the year.	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.

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

- Governmental activities – All District basic services are included here, such as instruction, administration and community services. Local revenue sources, state and federal subsidies and grants finance most of these activities.
- Business-type activities – The District operates a food service operation. The District charges fees to students, staff and visitors to help cover the cost of this operation.

Fund Financial Statements

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

- Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- Proprietary funds – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position. A significant portion of funding is provided through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements. However, the fund statements provide more detail and additional information, such as cash flows.
- Fiduciary funds – The District is the trustee, or fiduciary, for some scholarship funds. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position was \$(18,760,788) and \$(14,984,897) at June 30, 2017 and 2016, respectively.

Most of the District's net position is invested in capital assets (buildings, land, and equipment) and retirement of long-term debt.

Table A-1
Fiscal Years ended June 30, 2017 and 2016
Statement of Net Position

	Governmental Activities	Business-Type Activities	Total 2017	Total 2016
Current assets	\$ 15,565,742	\$ 487,448	\$ 16,549,445	\$ 16,549,445
Noncurrent assets	33,572,187	82,484	33,654,671	37,371,100
Total Assets	<u>49,137,929</u>	<u>571,932</u>	<u>49,709,861</u>	<u>53,920,545</u>
Deferred Outflows	<u>8,013,699</u>	<u>121,871</u>	<u>8,135,570</u>	<u>3,733,880</u>
Current liabilities	4,464,028	159,398	4,623,426	5,227,985
Noncurrent liabilities	70,471,277	807,516	71,278,793	65,672,337
Total Liabilities	<u>74,935,305</u>	<u>966,914</u>	<u>75,902,219</u>	<u>70,900,322</u>
Deferred Inflows	<u>683,938</u>	<u>20,062</u>	<u>704,000</u>	<u>1,739,000</u>
Net Position				
Net investment in capital assets	16,135,131	82,484	16,217,615	17,969,505
Restricted	-	-	-	-
Unrestricted	<u>(34,602,746)</u>	<u>(375,657)</u>	<u>(34,978,403)</u>	<u>(32,954,402)</u>
Total Net Position	<u>\$ (18,467,615)</u>	<u>\$ (293,173)</u>	<u>\$ (18,760,788)</u>	<u>\$ (14,984,897)</u>

The results of this year's operations as a whole are reported in the Statement of Activities. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The largest general revenue category is property taxes.

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

Table A-2
Fiscal Years ended June 30, 2017 and 2016
Statement of Activities

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total 2017</u>	<u>Total 2016</u>
Revenues				
Program revenues				
Charges for service	\$ 202,335	\$ 245,969	\$ 448,304	\$ 518,360
Operating grants and contributions	23,500,577	933,569	24,434,146	23,669,023
Capital grants and contributions	-	-	-	-
General revenues				
Taxes	7,736,443	-	7,736,443	7,692,862
Interest earnings	-	-	-	-
Loss on sale of assets	(906,465)	-	(906,465)	-
Miscellaneous	136,783	80	136,863	10,971
Total Revenues	<u>30,669,673</u>	<u>1,179,618</u>	<u>31,849,291</u>	<u>31,891,216</u>
Expenses				
Instruction	21,539,047	-	21,539,047	21,900,755
Pupil personnel services	995,512	-	995,512	894,737
Instructional student support	1,183,221	-	1,183,221	1,241,437
Administrative and financial support	3,883,343	-	3,883,343	3,736,089
Pupil health	304,364	-	304,364	277,071
Operation and maintenance of plant	2,815,040	-	2,815,040	2,836,461
Student transportation	1,994,340	-	1,994,340	1,882,398
Student activities	868,792	-	868,792	807,274
Community services	210,583	-	210,583	233,324
Interest on long-term debt	392,418	-	392,418	696,752
Other support services	29,891	-	29,891	97,727
Food service	-	1,408,631	1,408,631	1,151,462
Total Expenses	<u>34,216,551</u>	<u>1,408,631</u>	<u>35,625,182</u>	<u>35,755,487</u>
Increase (decrease) in Net Position	<u>\$ (3,546,878)</u>	<u>\$ (229,013)</u>	<u>\$ (3,775,891)</u>	<u>\$ (3,864,271)</u>

Table A-3 shows the District's functions – instructional programs, pupil personnel services, instructional staff support, administrative and financial support, pupil health, operation and maintenance of plant, student transportation, student activities, and community services. This table includes each program's net cost (total cost less revenues generated by each activity). The 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.

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

<u>Functions/Programs</u>	<u>Total Cost Of Services</u>	<u>Net Cost Of Services</u>
Instruction	\$ 21,539,047	\$ (703,634)
Pupil personnel services	995,512	(879,115)
Instructional staff support	1,183,221	(1,034,280)
Administrative and financial support	3,883,343	(3,440,912)
Pupil health	304,364	(232,256)
Operation and maintenance of plant services	2,815,040	(1,836,881)
Student transportation	1,994,340	(992,829)
Student activities	868,792	(771,815)
Community services	210,583	(207,120)
Interest on long-term debt	392,418	(392,418)
Other support services	29,891	(22,379)
Total Governmental Activities	<u>34,216,551</u>	<u>(10,513,639)</u>
Less: Unrestricted grants & subsidies	<u>-</u>	<u>-</u>
Total Needs from Local and Other Revenues	<u>\$ 34,216,551</u>	<u>\$ (10,513,639)</u>

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

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

<u>Functions/Programs</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Food Service	\$ 1,408,631	\$ (229,013)
Total Business-type Activities	<u>1,408,631</u>	<u>(229,013)</u>
Less: Unrestricted grants & subsidies	<u>-</u>	<u>-</u>
Total Needs from Local and Other Revenues	<u>\$ 1,408,631</u>	<u>\$ (229,013)</u>

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

Fund Balances

At June 30, 2017, the District governmental funds reported a combined fund balance of \$12,873,133 which is an increase of \$159,055 over June 30, 2016 balances.

The District's General Fund fund balance includes nonspendable \$354,393 in reserves for inventories, and \$2,042,181 in reserves for prepaid expenses, committed \$200,000 for health insurance increases, committed \$1,100,000 for retirement increases, and committed \$1,971,374 for future debt service, and \$600,000 for budgetary reserves. The unassigned balance of \$2,511,247 is available for emergencies and cash flow planning. The unassigned fund balance is 8% of the total General Fund Expenditures and other financing sources/uses.

Managing the District's General Fund fund balance is a very important component of the overall financial planning and decision-making process for the district. An adequate fund balance is like a savings account that can help adjust for the loss of tax revenue, facility improvements and equipment replacement without borrowing, loss of state and federal revenue, maintaining an adequate cash flow, paying for uninsured emergencies and unbudgeted contingencies. Properly maintaining the fund balance is managed by the finance committee and approved by the full board within the constraints of state rules and regulations.

The District maintains a reserve in the capital projects fund for the purpose of capital improvements, replacement of and additions to district property, buildings, and deferred maintenance. This Fund is supported by the surplus monies from the General Fund and is critical in the future planning for maintaining the District's building and grounds. The \$650,726 in surplus funds for 2016-2017 will be transferred to the capital projects fund in 2017-2018. A District Wide capital planning guide is maintained at all times for support of these funds.

General Fund Budget

During the fiscal year, the Board authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budgets compared with amounts actually paid and received is provided in the Fund Financial Statements.

The District applies for federal, state and local grants and these grants do support our educational goals significantly, but are not always known during the budget process. As a result, we may see an increase or decrease in the budgeted revenues and expenditures depending on the grants we actually receive. Federal Sources totaled \$1,399,182 which is \$148,959 less than budgeted. State Sources totaled \$21,559,169 which is \$51,278 more than budgeted. The Local sources totaled \$8,402,310 which is \$379,604 less than budgeted. The difference in the Federal budget is due to Title I funds being carried over to the next budget year. The large difference in the Local budget was in delinquent real estate and earned income taxes not meeting Local budget proposals.

The District realized an excess of revenues over expenditures of \$650,726. Also, other financing uses, which consisted of a change in inventory, totaled \$71,037.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had \$33,444,671 invested in a broad range of capital assets, including land, construction in progress, buildings, furniture and equipment. This represents a net decrease (including additions, deletions and depreciation) of \$3,716,429 from June 30, 2016.

Table A-5
Capital Assets - Net of Depreciation

	Governmental Activities		Business-Type Activities		Total		% Change
	2017	2016	2017	2016	2017	2016	2016-17
Land	\$ 2,733,425	\$ 2,733,425	\$ -	\$ -	\$ 2,733,425	\$ 2,733,425	-
Construction in progress	-	1,405,415	-	-	-	1,405,415	(100)%
Buildings	29,703,788	31,897,025	-	-	29,703,788	31,897,025	(7)%
Furniture and Equipment	851,134	952,920	82,484	94,066	933,618	1,046,986	(11)%
Software	4,316	22,703	-	-	4,316	22,703	(81)%
Vehicles	69,524	55,546	-	-	69,524	55,546	26%
Total	<u>\$ 33,362,187</u>	<u>\$ 37,067,034</u>	<u>\$ 82,484</u>	<u>\$ 94,066</u>	<u>\$ 33,444,671</u>	<u>\$ 37,161,100</u>	(10)%

Debt Administration

Bond Obligations – As of June 30, 2017 and June 30, 2016, the District had \$17,437,056 and \$19,401,595, respectively, in outstanding bond and note obligations.

During the fiscal year end June 30, 2006, the District issued general revenue bonds in the amount of \$21,758,678 for renovations and new construction to Columbus and Corry elementary schools. During fiscal year ended June 30, 2008, the District issued a \$2,800,000 note for the construction of a new administration building. During the fiscal year end June 30, 2011, the District issued general obligation notes dated October 1, 2010, in the amount of \$2,901,000 through a federal program that will reimburse the interest payments for the life of the loan. The proceeds were used for a four-classroom addition to Columbus Elementary, parking lot paving and roof work at Conelway Elementary and Corry Middle High School. The District closed June 12, 2014 on a refunding of \$9,285,000 of the 2006 bonds for about \$270,000 savings.

Other obligations include accrued vacation pay and sick leave for specific employees of the District.

The 2017/2018 General Fund Budget

The District's budgeted revenue is made up of state revenue (68%), real estate taxes (19%), other taxes (6%) and other local sources (2%). Federal revenue estimates total \$1,448,141 and represents 5% of budgeted revenues.

Significant assumptions and facts regarding 2017/2018 budgeted revenue:

- Revenue per mill of real estate tax is approximately \$372,165 at a 90% collection rate representing a slight increase from 2016-2017. The average taxpayer will pay about \$1,000 in school taxes which includes one half mill in taxes for the Corry Public Library.
- The District's assessed valuation increased slightly by \$57,873 or .01% over the previous year. Erie County was reassessed in 2013.
- Real Estate taxes were increased by the 3.8% state index which translates to a real estate tax increase of 2.53% for Crawford County taxpayers, 3.28% increase for Warren County and 3.80% increase for Erie County.
- Earned income tax is budgeted at \$1,089,147 which is \$110,853 less than last year's budget. We received \$1,012,346 for the 2016-2017 school year.
- Earnings on investments will continue to remain level as we continue to experience record low interest rates.
- From the Governor's Budget, State revenue was planned to stay level with the District to receive a total of \$21,544,694. We do have \$600,000 budgeted in budgetary reserve every year if needed.
- Federal revenue will drop about \$100,000 due to the decrease of available Medical Access funds.
- The 2017/2018 budgeted revenues of \$31,951,749 is about \$113,803 more than the previous year's budget. This small increase is planned from the Governor's budget proposal delivered in the Spring 2017.
- This year again property tax payments will continue allowing taxpayers to pay real estate taxes in three installments.
- The State's property tax reduction program using state gambling money for property tax reduction will contribute \$526,251 and will be distributed to approved properties for a reduction of about \$166.00 each. This reduction applies only to those approved homestead/farmstead properties.

Significant assumptions regarding the 2017/2018 budgeted expenditures:

- Overall total budgeted salaries will increase slightly by approximately .01%. Budgeted salaries were based on the projected number of employees and actual pay rates per approved contracts. All contracts were approved in the 2016/2017 school year. Salaries have remained level due to several resignations and retirements not being replaced.
- With the reconfiguration of buildings and being able to close two elementary schools for the 2014/2015 school year, because of a 20-year reduction in enrollment, the district was able to enhance our educational opportunities. We were able to add programming with existing staff and become more efficient with all our personnel and other resources. This has been vital in maintaining a strong educational program Pre-K to 12th Grade.

- Benefit costs increased about 6% over last year due mainly to increased retirement contributions. The district has established a retirement reserve to help with sharp increases scheduled for the next five years. All employees are now contributing towards their health insurance which will help to slow future increases, plus a significant health insurance reserve in our self-funded trust has helped keep rate increases to 6% this year.
- Cyber Charter and Charter School tuition costs continue to increase with \$640,000 budgeted this school year. We are concerned about the continued increase and the impact on local taxes. We are using VLN as our own cyber school vendor to try to keep these costs at a minimum. With limited local tax increases imposed by Act I any significant tuition increases would cause deep budget cuts to our current programs.
- Supplies, books and equipment purchases were budgeted at a 9% decrease from last year.
- Utilities and fuel dollars were cut from previous years because of a reduction of one elementary building and the contracting of a second energy conservation project that will guarantee a savings of over \$80,000 each year in electricity and gas usage. Participating in demand response rebate programs will save even more dollars. We are currently working with an HVAC specialist to ensure all of our equipment is running at its peak performance guaranteeing even more savings.
- With an unassigned general fund, fund balance of \$2,511,247 the Board will continue to manage amounts above 8% of budgeted expenditures to help fund items like current and future capital projects and improvements. With the completion of Corry Elementary, Columbus Elementary, the District Administration buildings and the High School Sports complex all of the District's facilities are in good physical and mechanical condition. We have completed a 20-year facilities plan that the property committee will continue to update, schedule and prioritize our maintenance projects for the next ten to twenty years. It is our goal to keep our buildings updated and efficient with minimal impact to the General Fund Budget.
- Through our finance committee we will continue to look at ways to reduce expenses and investigate other revenue sources to keep taxes at the lowest reasonable level. This process is vital as we look to the future of financial uncertainty knowing we depend on the State for over 60% of our budget.
- Overall the 2017/2018 budget increased \$113,803 over last year, with pension costs accounting for most of this increase. We will continue to monitor our budget and actual expenses. We have recovered our deficit from 2015/2016 in the 2016/2017 school year.

Table A-6
General Fund Budget Summary
2017/2018 Fiscal Year

2016/2017 Beginning fund balance	\$ 8,128,469
2017/2018 Beginning fund balance	8,779,195
Funding sources - revenue	
Local sources	\$ 8,958,914
State sources	21,544,694
Other sources	1,448,141
Total funding sources - revenue	<u>\$ 31,951,749</u>
Expenditures	
Instructional Programs	\$ 18,940,907
Pupil personnel services	882,065
Instructional staff support	1,035,508
Administrative and financial support	3,244,765
Pupil health	264,386
Operation & maintenance of plant	2,579,216
Student transportation	1,996,290
Other support	101,954
Student activities	672,358
Community services	201,700
Debt service	1,981,400
Other	648,200
Total expenditures	<u>\$ 32,551,749</u>
2016/2017 Change in Fund Balance	\$ 650,726
2016/2017 Ending Fund Balance	8,779,195

CONTACTING THE DISTRICT FINANCIAL OFFICE

Our financial reports are designed to give a detailed view of the District's overall financial health in an easy to understand format, showing the Board's accountability for the money it receives. If you have any questions about this report or wish to request additional financial information, please contact Brenda Clabbatz at 540 East Pleasant Street, Corry, PA 16407.

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CORY AREA SCHOOL DISTRICT

Statement of Net Position

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 9,674,454	\$ 379,697	\$ 10,054,151
Investments	150,262	100,581	250,843
Taxes Receivables, Net	1,131,589	-	1,131,589
Internal Balances	101,094	(101,094)	-
Intergovernmental Receivables	2,111,350	5,744	2,117,094
Other Receivables	419	70,914	71,333
Inventories	354,393	33,606	387,999
Prepaid Expenses	2,042,181	-	2,042,181
Total Current Assets	<u>15,565,742</u>	<u>489,448</u>	<u>16,055,190</u>
Non-Current Assets			
Assets Held for Sale or Lease	210,000	-	210,000
Land	2,733,425	-	2,733,425
Capital Assets, Net	<u>30,628,762</u>	<u>82,484</u>	<u>30,711,246</u>
Total Non-Current Assets	<u>33,572,187</u>	<u>82,484</u>	<u>33,654,671</u>
Total Assets	<u>49,137,929</u>	<u>571,932</u>	<u>49,709,861</u>
Deferred Outflows of Resources			
Deferred Outflows-Pensions	<u>8,013,699</u>	<u>121,871</u>	<u>8,135,570</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 57,151,628</u>	<u>\$ 693,803</u>	<u>\$ 57,845,431</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 209,033	\$ 24,543	\$ 233,576
Accounts Payable-PSERS	1,596,747	-	1,596,747
Accrued Salaries and Benefits	129,503	134,855	264,358
Accrued Interest Payable	146,536	-	146,536
Bonds Payable	2,182,209	-	2,182,209
Compensated Absences	200,000	-	200,000
Total Current Liabilities	<u>4,464,028</u>	<u>159,398</u>	<u>4,623,426</u>
Non-Current Liabilities			
Bonds Payable	15,254,847	-	15,254,847
Compensated Absences	1,260,351	-	1,260,351
Other Post - Employment Benefits	1,242,595	-	1,242,595
Net Pension Liability	<u>52,713,484</u>	<u>807,516</u>	<u>53,521,000</u>
Total Non-Current Liabilities	<u>70,471,277</u>	<u>807,516</u>	<u>71,278,793</u>
Total Liabilities	<u>74,935,305</u>	<u>966,914</u>	<u>75,902,219</u>
Deferred Inflows of Resources			
Deferred Inflows-Pensions	<u>683,938</u>	<u>20,062</u>	<u>704,000</u>
NET POSITION			
Net Investment in Capital Assets	16,135,131	82,484	16,217,615
Unrestricted	<u>(34,602,746)</u>	<u>(375,657)</u>	<u>(34,978,403)</u>
Total Net Position	<u>(18,467,615)</u>	<u>(293,173)</u>	<u>(18,760,788)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 57,151,628</u>	<u>\$ 693,803</u>	<u>\$ 57,845,431</u>

The accompanying notes are an integral part of these financial statements.

CORY AREA SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
<u>Governmental Activities</u>				
Instruction	\$ 21,539,047	\$ 172,487	\$ 20,662,926	\$ -
Pupil Personnel	995,512	-	116,397	-
Instructional Support	1,183,221	-	148,941	-
Administrative and Financial Support	3,883,343	-	442,431	-
Pupil Health	304,364	-	72,108	-
Operation and Maintenance of				
Plant Services	2,815,040	-	978,159	-
Student Transportation	1,994,340	-	1,001,511	-
Other Support Services	29,891	-	7,512	-
Student Activities	868,792	29,848	67,129	-
Community Services	210,583	-	3,463	-
Interest on Long-Term Debt	392,418	-	-	-
Total Governmental Activities	<u>34,216,551</u>	<u>202,335</u>	<u>23,500,577</u>	<u>-</u>
<u>Business-Type Activities</u>				
Food Service	<u>1,408,631</u>	<u>245,969</u>	<u>933,569</u>	<u>-</u>
Total Business-Type Activities	<u>1,408,631</u>	<u>245,969</u>	<u>933,569</u>	<u>-</u>
Total Primary Government	<u>\$ 35,625,182</u>	<u>\$ 448,304</u>	<u>\$ 24,434,146</u>	<u>\$ -</u>
General Revenues:				
Taxes				
Property Taxes				
Earned Income and Per Capita				
Transfer Tax				
Public Utility				
Investment Income				
Loss on disposal				
Total General Revenues				
Change in Net Position				
Net Position, July 1, 2016				
Net Position, June 30, 2017				

The accompanying notes are an integral part of these financial statements.

Net (Expense)/Revenue and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total
\$ (703,634)	\$ -	\$ (703,634)
(879,115)	-	(879,115)
(1,034,280)	-	(1,034,280)
(3,440,912)	-	(3,440,912)
(232,256)	-	(232,256)
(1,836,881)	-	(1,836,881)
(992,829)	-	(992,829)
(22,379)	-	(22,379)
(771,815)	-	(771,815)
(207,120)	-	(207,120)
(392,418)	-	(392,418)
(10,513,639)	-	(10,513,639)
-	(229,093)	(229,093)
-	(229,093)	(229,093)
(10,513,639)	(229,093)	(10,742,732)
6,559,036	-	6,559,036
1,081,701	-	1,081,701
86,240	-	86,240
9,466	-	9,466
136,783	80	136,863
(906,465)	-	(906,465)
6,966,761	80	6,966,841
(3,546,878)	(229,013)	(3,775,891)
(14,920,737)	(64,160)	(14,984,897)
\$ (18,467,615)	\$ (293,173)	\$ (18,760,788)

CORRY AREA SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2017

	General Fund	Capital Projects Fund	Non-Major Unemployment Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 5,728,044	\$ 3,847,771	\$ 98,639	\$ 9,674,454
Investments	-	150,262	-	150,262
Due from Other Funds	104,247	-	-	104,247
Taxes Receivable, Net	1,131,589	-	-	1,131,589
Intergovernmental Receivables	2,111,350	-	-	2,111,350
Other Receivables	-	419	-	419
Inventories	354,393	-	-	354,393
Prepaid Expenses	2,042,181	-	-	2,042,181
Total Assets	\$ 11,471,804	\$ 3,998,452	\$ 98,639	\$ 15,568,895
LIABILITIES				
Due to Other Funds	\$ -	\$ -	\$ 3,153	\$ 3,153
Accounts Payable	209,033	-	-	209,033
Accrued Salaries and Benefits	1,726,250	-	-	1,726,250
Total Liabilities	1,935,283	-	3,153	1,938,436
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	757,326	-	-	757,326
Total Deferred Inflows of Resources	757,326	-	-	757,326
FUND BALANCES				
Nonspendable:				
Inventories	354,393	-	-	354,393
Prepaid Expenses	2,042,181	-	-	2,042,181
Committed to:				
Facilities, Acquisition, and Improvement	-	3,998,452	-	3,998,452
Unemployment Expenditures	-	-	95,486	95,486
Future Budget	600,000	-	-	600,000
Health Insurance Increases	200,000	-	-	200,000
Retirement Increases	1,100,000	-	-	1,100,000
Future Debt Service	1,971,374	-	-	1,971,374
Unassigned	2,511,247	-	-	2,511,247
Total Fund Balances	8,779,195	3,998,452	95,486	12,873,133
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,471,804	\$ 3,998,452	\$ 98,639	\$ 15,568,895

The accompanying notes are an integral part of these financial statements.

CORRY AREA SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017

Differences in amounts reported for governmental activities in the statement of net position:

Fund balances - total governmental funds	\$ 12,873,133
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Certain assets used in governmental activities are not financial resources
and are, therefore, not reported as assets in the governmental funds

Assets Held for Sale or Lease	\$ 210,000	
Land	2,733,425	
Capital Assets, Net	<u>30,628,762</u>	33,572,187

Certain long-term assets are not available to pay current period
expenditures and, therefore, are deferred in the funds:

Unearned Taxes	757,326
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Other post-employment benefits are reflected on the statement of net position, but are not considered a current expenditure for the fund statements	(1,242,595)
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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	8,013,699
Deferred inflows of resources related to pensions (from pension schedule)	(683,938)

Certain liabilities are not due and payable in the current period and,
therefore, are not reported in the funds:

Bonds Payable, Net	(17,437,056)	
Compensated Absences	(1,460,351)	
Accrued Interest Payable	(146,536)	
Net Pension Liability	<u>(52,713,484)</u>	<u>(71,757,427)</u>

Net Position of Governmental Activities	<u>\$ (18,467,615)</u>
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The accompanying notes are an integral part of these financial statements.

CORRY AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes
in Fund Balance - Governmental Funds
For the Year Ended June 30, 2017

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Unemployment Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources	\$ 8,402,310	\$ 133,829	\$ 201	\$ 8,536,340
State Sources	21,559,169	-	-	21,559,169
Federal Sources	1,399,182	-	-	1,399,182
Total Revenues	<u>31,360,661</u>	<u>133,829</u>	<u>201</u>	<u>31,494,691</u>
EXPENDITURES				
Instruction	18,056,813	-	-	18,056,813
Support Services	9,963,605	-	-	9,963,605
Noninstructional Services	973,126	-	-	973,126
Facilities Acquisition, Construction and Improvements	40,730	8,264	-	48,994
Debt Service	<u>1,746,698</u>	<u>617,437</u>	<u>-</u>	<u>2,364,135</u>
Total Expenditures	<u>30,780,972</u>	<u>625,701</u>	<u>-</u>	<u>31,406,673</u>
Excess of Revenues Over (Under) Expenditures	<u>579,689</u>	<u>(491,872)</u>	<u>201</u>	<u>88,018</u>
Other Financing Sources (Uses)				
Change in Inventory	<u>71,037</u>	<u>-</u>	<u>-</u>	<u>71,037</u>
Total Other Financing Sources (Uses)	<u>71,037</u>	<u>-</u>	<u>-</u>	<u>71,037</u>
Net Change in Fund Balance	650,726	(491,872)	201	159,055
Fund Balance - July 1, 2016	<u>8,128,469</u>	<u>4,490,324</u>	<u>95,285</u>	<u>12,714,078</u>
Fund Balance - June 30, 2017	<u><u>\$ 8,779,195</u></u>	<u><u>\$ 3,998,452</u></u>	<u><u>\$ 95,486</u></u>	<u><u>\$ 12,873,133</u></u>

The accompanying notes are an integral part of these financial statements.

CORRY AREA SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds	\$	159,055	
Capital outlay, reported as expenditures in the governmental funds, are shown as capital assets in the statement of net position			73,224
Depreciation expense on governmental capital assets included in the governmental activities in the statement of activities			(2,871,606)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets			(906,465)
Revenues and other adjustments in the statement of activities that do not provide current financial resources are not reported as revenues in the funds			
Unearned Real Estate Taxes			81,447
Certain activities reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds			
Change in Accreted Value of Bonds	\$	(266,358)	
Amortization of Bond Discount		(3,717)	
Amortization of Bond Premium		100,381	
Change in Accrued Interest		<u>7,178</u>	(162,516)
Repayment of long-term debt is reported as expenditures in governmental funds, but as a reduction of long-term liabilities in the statement of net position. In current year, these amounts are:			
Bond Payments		2,134,233	
Change in Compensated Absences		<u>(60,594)</u>	2,073,639
Governmental funds report district pension contributions as expenditures; however, in the statement of activities, the cost of pension benefits earned net of employee contribution is reported as pension expense			
District Pension Contributions		4,213,990	
Cost of Benefits Earned Net of Employee Contributions (Pension Expense from the Pension Schedule)		<u>(6,289,081)</u>	(2,075,091)
Amortization of deferred outflows/inflows is not reflected in the fund statements as they are related to future pension obligations			87,807
Other post-employment benefits are reflected on the statement of net position, but are not considered a current expenditure for the fund statements			<u>(6,372)</u>
Change in net position of governmental activities	\$		<u><u>(3,546,878)</u></u>

The accompanying notes are an integral part of these financial statements.

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 8,773,584	\$ 8,781,914	\$ 8,402,310	\$ (379,604)
State Sources	21,508,027	21,507,891	21,559,169	51,278
Federal Sources	1,548,141	1,548,141	1,399,182	(148,959)
Total Revenues	31,829,752	31,837,946	31,360,661	(477,285)
EXPENDITURES				
Instruction	18,497,257	18,493,457	18,056,813	436,644
Support Services	10,448,537	10,448,137	9,963,605	484,532
Noninstructional Services	859,552	871,752	973,126	(101,374)
Facilities Acquisition, Construction and Improvements	43,200	43,200	40,730	2,470
Debt Service	1,981,400	1,981,400	1,746,698	234,702
Total Expenditures	31,829,946	31,837,946	30,780,972	1,056,974
Excess of Revenues Over (Under) Expenditures	(194)	-	579,689	579,689
Other Financing Sources (Uses)				
Budgetary Reserve	-	(600,000)	-	600,000
Changes in Inventory	-	-	71,037	71,037
Total Other Financing Sources (Uses)	-	(600,000)	71,037	671,037
Net Change in Fund Balance	(194)	(600,000)	650,726	1,250,726
Fund Balance - July 1, 2016	8,128,469	8,128,469	8,128,469	-
Fund Balance - June 30, 2017	\$ 8,128,275	\$ 7,528,469	\$ 8,779,195	\$ 1,250,726

The accompanying notes are an integral part of these financial statements.

CORRY AREA SCHOOL DISTRICT
Statement of Net Position - Proprietary Funds
June 30, 2017

	<u>Food Service</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 379,697
Investments	100,581
Intergovernmental Receivables	5,744
Other Receivables	70,914
Inventories	33,606
Due From Other Funds	<u>552</u>
Total Current Assets	<u>591,094</u>
Non-Current Assets	
Machinery and Equipment, Net	<u>82,484</u>
Total Assets	<u>673,578</u>
Deferred Outflows of Resources	
Deferred Outflows-Pensions	<u>121,871</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 795,449</u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 24,543
Accrued Payroll	134,855
Due To Other Funds	<u>101,646</u>
Total Current Liabilities	<u>261,044</u>
Non-Current Liabilities	
Net Pension Liability	<u>807,516</u>
Total Liabilities	<u>1,068,560</u>
Deferred Inflows of Resources	
Deferred Inflows-Pensions	<u>20,062</u>
Net Position	
Net Investment in Capital Assets	82,484
Unrestricted	<u>(375,657)</u>
Total Net Position	<u>(293,173)</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 795,449</u>

The accompanying notes are an integral part of these financial statements.

CORRY AREA SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes
in Net Position - Proprietary Funds
For the Year Ended June 30, 2017

	Food Service
Operating Revenues	
Food Service Revenue	\$ 245,969
Total Operating Revenues	<u>245,969</u>
Operating Expenses	
Salaries	329,395
Employee Benefits	418,740
Purchased Property Services	1,894
Other Purchased Services	568,075
Supplies and Food	78,945
Depreciation	<u>11,582</u>
Total Operating Expenses	<u>1,408,631</u>
Operating Income (Loss)	<u>(1,162,662)</u>
Nonoperating Revenues (Expenses)	
Interest	80
Donated Commodities	83,689
State Sources	44,937
Federal Sources	<u>804,943</u>
Total Nonoperating Revenues (Expenses)	<u>933,649</u>
Change in Net Position	(229,013)
Net Position, July 1, 2016	<u>(64,160)</u>
Net Position, June 30, 2017	<u><u>\$ (293,173)</u></u>

The accompanying notes are an integral part of these financial statements.

CORRY AREA SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2017

	<u>Food Service</u>
Cash Flows From (Used for) Operating Activities:	
Cash Received from Users	\$ 245,969
Cash Payments to Employees for Services	(525,397)
Cash Payments to Suppliers for Goods and Services	<u>(621,619)</u>
Net Cash From (Used for) Operating Activities	<u>(901,047)</u>
Cash Flows From Noncapital Financing Activities:	
State Sources	49,711
Federal Sources	<u>886,650</u>
Net Cash Provided by Noncapital Financing Activities	<u>936,361</u>
Net Increase (Decrease) in Cash and Cash Equivalents	35,314
Cash and Cash Equivalents at Beginning of Year	<u>344,383</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 379,697</u></u>
Reconciliation of Operating Income to Net Cash (Used for)	
Operating Activities:	
Operating Income (Loss)	\$ (1,162,662)
Adjustment to Reconcile Operating Income (Loss) to Net Cash From	
(Used for) Operating Activities	
Depreciation	11,582
Donated Commodities	83,689
(Increase) Decrease in Other Receivables	(70,914)
(Increase) Decrease in Inventories	(8,091)
(Increase) Decrease in Deferred Outflows-Pensions	(81,721)
Increase (Decrease) in Interfund Payables	(92,331)
Increase (Decrease) in Accounts Payable	22,612
Increase (Decrease) in Accrued Payroll	132,042
Increase (Decrease) in Net Pension Liability	289,980
Increase (Decrease) in Deferred Inflows-Pensions	<u>(25,233)</u>
	<u><u>\$ (901,047)</u></u>

The accompanying notes are an integral part of these financial statements.

CORY AREA SCHOOL DISTRICT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2017

	Private Purpose Trust	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 123,095	\$ 60,622
Investments Held in Escrow	<u>1,490,750</u>	<u>-</u>
Total Assets	<u>\$ 1,613,845</u>	<u>\$ 60,622</u>
LIABILITIES		
Due to Student Groups	\$ -	\$ 60,622
Total Liabilities	<u>-</u>	<u>60,622</u>
NET POSITION		
Held in Trust for Future Recipients	<u>1,613,845</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 1,613,845</u>	<u>\$ 60,622</u>

The accompanying notes are an integral part of these financial statements.

CORRY AREA SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	Private Purpose Trust
Additions:	
Earnings (Loss) on Investments	\$ 183,135
Contributions	<u>8,792</u>
Total Additions	<u>191,927</u>
Deductions:	
Scholarships	53,269
Investment Fees and Other Expenses	<u>18,548</u>
Total Deductions	<u>71,817</u>
Change in Net Position	120,110
Net Position, July 1, 2016, as restated	<u>1,493,735</u>
Net Position, June 30, 2017	<u><u>\$ 1,613,845</u></u>

The accompanying notes are an integral part of these financial statements.

CORRY AREA SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

For financial reporting purposes, Corry Area School District includes all funds that are controlled by or dependent on the School District. Control by or dependence on the School District was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligation of the School District, obligation of the School District to finance any deficits that may occur, or receipt of significant subsidies from the School District. As required by generally accepted accounting principles, the financial statement of the reporting entity includes those of the primary government (Corry Area School District) and its component unit, the Corry Area School District Foundation. The Foundation is reported as a private purpose trust in the financial statements. The Foundation does not issue its own financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for transfers from other funds and related investment earnings for capital outlays not accounted for in another fund.

Additionally, the School District reports the following other fund types:

Proprietary Funds account for a government's activities that are operated like private businesses, charging customers a fee in return for goods or services. Proprietary funds employ the *economic resources measurement focus* and *accrual basis of accounting*.

Trust Funds account for the activities of the government that are fiduciary in nature, except those reported as agency funds. The government acts as a trustee for resources that belong to others. Trust funds employ the *economic resources measurement focus* and *accrual basis of accounting*.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are merely clearing accounts for assets held by a government as an agent for individuals, private organizations, or other governments.

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

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

F. Budgetary Information

An annual budget is adopted for the General Fund. The budget is adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. Project length financial plans are adopted for the capital projects funds.

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

1. Prior to June 30, a proposed operating budget is submitted to the Operating Committee for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to June 30, the budget is legally adopted through passage of an ordinance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Management is authorized to transfer budgeted amounts within a specific budget object; any other transfers or revisions that alter the total expenditures of any fund must be approved by the School Board.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgetary integration is not employed by other funds because effective budgetary control is alternatively achieved through direct authorization by the School Board or the expenditures are all fixed in nature.

G. Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents are cash on hand, as well as demand deposits, investments, and certificates of deposit included in pooled cash and non-pooled investments, with original maturities of three months or less.

Investments

Under Section 440.1 of the Public School Code of 1949, as amended, and Pennsylvania ACT No. 10 of 2016, the School is permitted to invest its monies as follows:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Repurchase agreements such as US Treasury Bills or obligations or other instruments guaranteed by the United States.

Negotiable certificates of deposits with a maturity of three years or less issued by a nationally or state chartered bank, a federal or state savings and loan association, or a state licensed branch of a foreign bank.

Bills of exchange or time drafts accepted by a commercial bank if the acceptances don't exceed 180 days maturity and the accepting bank is rated in the top short-term category.

Commercial paper issued by corporations or other business entities organized in accordance with federal or state law or shares of an investment company registered under the Investment Company Act of 1940.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

All investments are reported at fair value. Fair value is determined using selected basis as follows: securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by a fund balance reserve which indicates they do not constitute "available spendable resources" even though they are a component of current assets. The General Fund is the only governmental fund that has an inventory balance as of June 30, 2017.

A physical inventory of the Food Service Fund food and supplies was taken as of June 30, 2017. The inventory consisted of government donated commodities, which were valued at estimated fair market value, using the first-in, first-out (FIFO) method.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The School District maintains a \$4,000 threshold for additions to equipment. Buildings and improvements are capitalized when the value is \$25,000 or greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land and construction in progress are not depreciated. The other capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Life - Years</u>
Buildings and Improvements	20-50
Equipment	10-20
Autos, Trucks, and Vans	8-15
Software	3

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is related to pension contributions subsequent to the measurement date (see Note 9 for further information).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of these items. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other type is related to pensions (see Note 9 for further information).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the government fund financial statements a flow consumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification included amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The School Board has by resolution authorized the business administrator to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, an additional action is essential to either remove or revise a commitment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues and Expenditures/Expense

Program Revenues

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General Fund. All encumbrances lapse at year end.

Compensated Absences

Employees (administrative, professional, and service) accrue personal, vacation, and sick days according to their respective contracts. Professional personnel that have been employed for at least 10 years within the School District upon retirement will be paid \$100 per day, up to a maximum of 250 days for unused sick days and \$75 for each year of service to a maximum of 35 years. Service personnel age 55 or over who retire with 5 or more years of continuous service will be paid \$40 per day for each unused sick day to a maximum of \$8,000, and will receive full payment for any accrued vacation. Administrative personnel that have been employed at least 1 year will be paid \$100 per unused sick day up to 250 days and \$50 per day over 250 days.

Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charged to customers for goods and services. Operating expenses for the food service fund include cost of sales, admin fees, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Property Tax Calendar

Property taxes are levied and billed July 1 on property values assessed as of the same date. Taxpayers received a two percent rebate for payments received by August 31. Payments from September 1 through October 31 are collected at face. A ten percent penalty is added for payments received November 1 through December 31. Delinquent taxes are turned over to the County Tax Claim Bureaus for collection as of December 31, at which time the applicable property is subject to lien and penalties and interest are assessed.

Taxpayers can make installment payments at face beginning August 31 to October 31.

I. Pronouncements Issued

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

GASB Statement No. 76 "*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" This Statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces the hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 77 "*Tax Abatement Disclosures.*" This Statement requires state and local governments for the first time to disclose information about tax abatement agreements, and is designed to provide financial statement users with essential information about these agreements and the impact that they have on a government's finances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 79 “*Certain External Investment Pools and Pool Participants*.” This Statement addresses accounting and reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for election to measure all of its investments at amortized cost for financial reporting purposes.

J. Future Pronouncements

GASB has issued the following statements that will become effective in future years as shown below. Management has not yet determined the impact of these statements on the District’s financial statements:

GASB Statement No. 75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*,” effective for fiscal years beginning after June 15, 2017. This Statement addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of Statement No. 45.

GASB Statement No. 84 “*Fiduciary Activities*,” effective for fiscal years beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 85 “*Omnibus 2017*,” effective for fiscal years beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation of certain GASB Statements.

NOTE 2 – CASH AND INVESTMENTS

Deposits

At June 30, 2017, the District’s deposits, excluding the Corry Area School District foundation and agency funds are as follows:

Governmental Activities	<u>Bank</u>	<u>Book</u>
Unrestricted Cash:		
Cash and Cash Equivalents	\$ 11,032,827	\$ 9,674,454
Business-Type Activities		
Unrestricted Cash:		
Cash and Cash Equivalents	<u>447,104</u>	<u>379,697</u>
	<u>\$ 11,479,931</u>	<u>\$ 10,054,151</u>

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2017, \$500,000 of the District's \$11,479,931 bank balance was insured by the Federal Deposit Insurance Corporation (FDIC). Of the remaining bank balance, \$10,979,931 is collateralized in accordance with Act 72 of the Pennsylvania State Legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name, and the remaining balance is uncollateralized and uninsured. These deposits have carrying amounts of \$10,054,151 as of June 30, 2017.

Investments

As of June 30, 2017 the District had the following investments:

		Investment Maturities (In Years)		
Investment Type	Book Value	Less than 1	1-5	6-10
Debt Securities:				
Certificates Deposit	\$ 100,581	\$ 100,581	\$ -	\$ -
Fixed Income Mutual Funds	150,262	-	150,262	-
Total	\$ 250,843	\$ 100,581	\$ 150,262	\$ -

The District's investments in money market and certificates of deposits are reported at amortized cost, which approximated market.

As of June 30, 2017, the District had the following investment ratings:

<u>Capital Projects Fund</u>	<u>Rating</u>
Fixed Income Mutual Funds	AAAm

Interest Rate Risk

The School District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District uses the Pennsylvania School Code and Pennsylvania ACT 10 of 2016 as a guide for its investment policy.

Concentration of Credit Risk

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

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Fair Value

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following fair value measurements as of June 30, 2017:

	Fair Value Measurements using:			
	June 30, 2017	Level 1	Level 2	Level 3
<u>Governmental Activities</u>				
Assets Held for Sale or Lease	<u>\$ 210,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,000</u>
<u>Capital Projects Fund</u>				
Mutual Funds - Fixed Income	<u>\$ 150,262</u>	<u>\$ 150,262</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets Measured at Fair Value	<u>\$ 360,262</u>	<u>\$ 150,262</u>	<u>\$ -</u>	<u>\$ -</u>

Assets Held for Sale or Lease: The School District has a nonrecurring fair value measurement as of June 30, 2017 for their asset held for sale or lease. During the year ended June 30, 2014, the School District closed Spartansburg Elementary School with the intent to sell the building. The value of the building was written down to the approved value of \$210,000. There was no change in fair value between years.

Mutual Funds: Valued at daily closing price as reported by the fund. Mutual funds held by the School District are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the School District are deemed to be actively traded.

NOTE 3 – TAXES RECEIVABLES

The School District is made up of properties located in three different counties (Crawford, Erie, and Warren). Based on property values assessed by each county assessment office, the School District bills and collects its own property taxes.

Section 672.1 of the PA School Code determines the method used to distribute the tax liability levied by the Board of Directors. The School District Board of Directors have approved the use of "method B", which uses a common millage rate for each of the three counties. The common millage is applied after equalizing the assessed values through a formula provided by the State Tax Equalization Board. The millage rate approved for June 30, 2017 was 44.59 mills in Crawford County, 13.52 mills in Erie County, and 44.42 mills in Warren County. Directors also levy per capita taxes based on the census of residents in the School District. The tax rate under Section 679 is \$5 per person and under Act 511, \$5 per person. The schedule for real estate and per capita taxes levied for each fiscal year is as follows:

NOTE 3 – TAXES RECEIVABLES (CONTINUED)

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

The School District also collects earned income tax and local services tax from its residents. The tax rate for the current fiscal year is one-half percent earned income tax and \$5 local services tax.

The School District, in accordance with GAAP, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by the administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance deferred in the fund financial statements. All taxes, net of uncollectible amounts, are recognized in the period for which levied in the government-wide financial statements, regardless of when collected.

The balances at June 30, 2017 are as follows:

	<u>Gross Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net</u>	<u>Tax Revenue Recognized</u>	<u>Unavailable Revenue</u>
Real Estate	\$ 1,059,639	\$ 167,000	\$ 892,639	\$ 135,313	\$ 757,326
Income	<u>238,950</u>	<u>-</u>	<u>238,950</u>	<u>238,950</u>	<u>-</u>
	<u>\$ 1,298,589</u>	<u>\$ 167,000</u>	<u>\$ 1,131,589</u>	<u>\$ 374,263</u>	<u>\$ 757,326</u>

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2017, the following amounts are due from other governmental units:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Federal	\$ 30,944	\$ 5,441	\$ 36,385
State	<u>2,080,406</u>	<u>303</u>	<u>2,080,709</u>
	<u>\$ 2,111,350</u>	<u>\$ 5,744</u>	<u>\$ 2,117,094</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year is as follows:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<u>Governmental Activities</u>				
Capital Assets Not Depreciated:				
Land	\$ 2,733,425	\$ -	\$ -	\$ 2,733,425
Construction in progress	<u>1,405,415</u>	<u>-</u>	<u>(1,405,415)</u>	<u>-</u>
Total Assets Not Depreciated	<u>\$ 4,138,840</u>	<u>\$ -</u>	<u>\$ (1,405,415)</u>	<u>\$ 2,733,425</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 54,989,576	\$ 1,405,415	\$ (2,337,464)	\$ 54,057,527
Furniture and Equipment	3,224,101	45,460	(4,400)	3,265,161
Software	115,045	-	(59,793)	55,252
Vehicles	<u>199,267</u>	<u>27,764</u>	<u>(21,000)</u>	<u>206,031</u>
Total Assets Depreciated	<u>58,527,989</u>	<u>1,478,639</u>	<u>(2,422,657)</u>	<u>57,583,971</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(23,092,551)	(2,696,367)	1,435,179	(24,353,739)
Furniture and Equipment	(2,271,181)	(143,066)	220	(2,414,027)
Software	(92,342)	(18,387)	59,793	(50,936)
Vehicles	<u>(143,721)</u>	<u>(13,786)</u>	<u>21,000</u>	<u>(136,507)</u>
Total Accumulated Depreciation	<u>(25,599,795)</u>	<u>(2,871,606)</u>	<u>1,516,192</u>	<u>(26,955,209)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 32,928,194</u>	<u>\$ (1,392,967)</u>	<u>\$ (906,465)</u>	<u>\$ 30,628,762</u>
<u>Business-Type Activities</u>				
Capital Assets Being Depreciated:				
Equipment	\$ 253,249	\$ -	\$ -	\$ 253,249
Less Accumulated Depreciation				
Equipment	<u>(159,183)</u>	<u>(11,582)</u>	<u>-</u>	<u>(170,765)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 94,066</u>	<u>\$ (11,582)</u>	<u>\$ -</u>	<u>\$ 82,484</u>

NOTE 5 – CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
Instruction	\$ 2,191,036
Support Services:	
Instruction Support	123,479
Student Activities	106,249
Administration	126,351
Operation and Maintenance	<u>324,491</u>
Total Depreciation Expense- Governmental Activities	<u>2,871,606</u>
Business-Type Activities:	
Food Service	<u>\$ 11,582</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service	\$ 101,646
	Non-Major	<u>2,601</u>
		<u>104,247</u>
Food Service	Non-Major	<u>\$ 552</u>

The outstanding balances between funds results mainly from the time lag between the date that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

NOTE 7 – LONG-TERM DEBT

The School District issued revenue bonds dated April 20, 2006 in the amount of \$21,758,678 through the State Public School Building Authority. The purpose of the bonds is to provide funds for additions and renovations to Columbus and Corry Elementary Schools and pay the costs of issuing the 2006 bonds. The bonds bear interest rates ranging from 4.00% to 4.92%, with principal maturities from December, 2006 through December, 2025. A portion of these bonds were advance refunded as of June 12, 2014 in the amount of \$9,285,000.

The School District issued a general obligation note dated May 14, 2008 in the amount of \$2,800,000. The purpose of the note is to provide funds for the construction of a new administration building. The note bears an interest rate of 3.20%, with principal maturities from June, 2008 through May, 2018.

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The School District issued general obligation notes dated October 1, 2010 in the amount of \$2,901,000. The purpose of the bonds was to provide funds for renovations to Columbus Elementary, roofing work to Conelway Elementary and Corry High School, concrete work at Corry High School, and to pay the costs related to the issuance of the 2010 bonds. The bonds bear an interest rate of approximately 7.0%, with principal maturities from September, 2011 through September, 2027. The School District will be reimbursed a majority of the interest through a federal program.

On June 12, 2014, the School District issued \$9,285,000 aggregate principal amount General Obligation Bonds, Refunding Series of 2014. The purpose of the bonds was the advance refunding of a portion of General Obligation Note, Series 2006. The 2014 bonds mature on December 15 of each year beginning in 2015. The bonds require semi-annual interest payments on June 15 and December 15 of each year beginning December 15, 2014, with interest on the bonds ranging from .45% to 4.0%.

The following summarizes the maturities and interest requirements for general obligation bonds/notes and notes payable as of June 30, 2017.

Governmental Activities

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,182,209	\$ 418,485	\$ 2,600,694
2019	1,935,647	360,025	2,295,672
2020	1,985,647	306,325	2,291,972
2021	2,055,647	241,400	2,297,047
2022	2,125,647	174,375	2,300,022
2023-2027	6,510,726	2,987,759	9,498,485
2028-2033	<u>170,652</u>	<u>145,050</u>	<u>315,702</u>
	<u>\$ 16,966,175</u>	<u>\$ 4,633,419</u>	<u>\$ 21,599,594</u>

Long-term liability activity for the year ended June 30, 2017 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds and Notes Payable	\$ 18,834,050	\$ 266,358	\$ (2,134,233)	\$ 16,966,175	\$ 2,182,209
Deferred Amounts:					
Bond Premium	602,283	-	(100,381)	501,902	-
Bond Discount	<u>(34,738)</u>	<u>-</u>	<u>3,717</u>	<u>(31,021)</u>	<u>-</u>
	19,401,595	266,358	(2,230,897)	17,437,056	2,182,209
Compensated Absences	<u>1,399,757</u>	<u>261,224</u>	<u>(200,630)</u>	<u>1,460,351</u>	<u>200,000</u>
	<u>\$ 20,801,352</u>	<u>\$ 527,582</u>	<u>\$ (2,431,527)</u>	<u>\$ 18,897,407</u>	<u>\$ 2,382,209</u>

The liability for compensated absences is normally liquidated by the general fund.

NOTE 8 – POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

In addition to the pension benefits described in Note 9, the School District provides post-employment health insurance to retirees through a single-employer defined benefit plan. The Plan is not accounted for as a trust fund, an irrevocable trust has not been established, the Plan does not issue a separate report, and activity of the Plan is reported in the general fund. The District has implemented GASB Statement No. 45 on a prospective basis.

Hospitalization coverage as a retiree will be equivalent (single or dependent coverage) to that held by the individual at the time of retirement. As of June 30, 2017, 42 retired employees are covered by health insurance. The School District's expenses for health insurance benefits were \$197,346 (\$403,268 net of retiree contributions of \$205,922) in 2017.

Funding Policy

The benefits are expensed when incurred and are financed on a pay-as-you-go basis. Retirees currently pay a portion of the monthly premium. The School District covers the balance of the premium not paid by the retiree. Retiree and dependent coverage, group plans, and costs to the retiree are subject to change. A spouse may be covered as a dependent until the death of the retiree; thereafter, they are eligible to continue coverage by paying 100% of the monthly insurance premium.

The School District's annual OPEB cost is calculated based on the annual required contribution of the employees (ARC), an amount actually determined in accordance with the parameters of GASB Statement No 45. The ARC is the normal cost plus the portion of the unfunded actuarial accrued liability to be amortized in the current period. The ARC is an amount that is actually determined in accordance with the requirements so that if paid on an ongoing basis, it would be expected to provide sufficient resources to fund both normal cost for each year and the amortized unfunded liability.

The following table shows the component of the School District's annual OPEB cost for the year, the amount actually contributed, and changes in the School District's net OPEB obligation:

Annual Required Contribution	\$ 223,982
Interest on Net OPEB Obligation	55,630
Adjustment to Annual Required Contribution (ARC)	<u>(75,894)</u>
Annual OPEB Cost	203,718
Contribution Made	<u>(197,346)</u>
Increase in Net OPEB Obligation	6,372
Net OPEB Obligation - Beginning of Year	<u>1,236,223</u>
Net OPEB Obligation - End of Year	<u><u>\$ 1,242,595</u></u>

NOTE 9 – RETIREMENT PLAN (CONTINUED)

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

Contributions

Member Contributions

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

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

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E are effected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%

On June 12, 2017, the pension bill was signed into law that moves away from the current guaranteed pension system to one that includes in part or in whole a 401(k) – style plan for all employees hired after July 1, 2019.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.2% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$4,277,570 for the year ended June 30, 2017.

NOTE 9 – RETIREMENT PLAN (CONTINUED)

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

At June 30, 2017, the School District reported a liability of \$53,521,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the School District's proportion was .1080%, which was an increase of .002% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$5,721,164. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ (335,000)	\$ 95,000
Changes in assumptions	1,551,000	-
Net difference between projected and actual investment earnings	2,390,000	1,273,000
Changes in proportions and the effect of certain employer contributions on the employer's net pension liability	252,000	(664,000)
Contributions subsequent to the measurement date	4,277,570	-
	<u>\$ 8,135,570</u>	<u>\$ 704,000</u>

\$4,277,570 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (99,000)
2018	1,956,000
2019	1,297,000
	<u>\$ 3,154,000</u>

NOTE 9 – RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions

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

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

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

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

NOTE 9 – RETIREMENT PLAN (CONTINUED)

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

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

Discount rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$65,471,000	\$53,521,000	\$43,480,00

NOTE 9 – RETIREMENT PLAN (CONTINUED)

Pension plan fiduciary net position

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

Payable to PSERS

The School District has an outstanding payable to PSERS for employer contributions as of June 30, 2017 in the amount of \$1,596,747. The payable is due to legally required pension contributions.

NOTE 10 – SELF-INSURANCE – HEALTH INSURANCE

The School District's self-insurance program pays accident and health insurance coverage for School District employees on a cost-reimbursement basis. Retired employees are also covered by the program, provided they pay a monthly premium to the School District. Under the program, the School District is obligated for claim payments.

A stop-loss insurance contract executed with an insurance carrier covers individual claims in excess of \$125,000, up to \$2,500,000 per year and \$6,000,000 per lifetime maximum.

During the year ended June 30, 2017, total claims expense and stop-loss insurance expense were approximately \$3,790,000. Claims expense, recorded as a general fund expenditure, represents claims processed as of June 30, 2017 and includes estimated unprocessed claims payable.

The claims prepaid of \$2,042,181 is based on the requirements of Governmental Accounting Standards Board (GASB) Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability had been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims liability is as follows:

Claims (Liability) Prepaid, 6/30/15	\$ 2,363,850
2015/2016 Premiums	3,327,100
2015/2016 Claim Payments and Administration	<u>(4,084,510)</u>
Claims (Liability) Prepaid, 6/30/16	1,606,440
Current Year Premiums	4,225,927
Claim Payments and Administration	<u>(3,790,186)</u>
Claims (Liability) Prepaid, 6/30/17	<u>\$ 2,042,181</u>

Future liability that may arise as a result of self-insurance is not readily determinable and cannot be reasonably estimated. Thus, the financial statements do not reflect a contingent liability for any unasserted claims.

NOTE 11 – CONTRACTS AND COMMITMENTS

The School District has entered into labor agreements with bargaining units and contracts expire as follows:

<u>Bargaining Unit</u>	<u>Contract Expires</u>
Corry Area Education Association	August 31, 2019
Corry Area Educational Support Personnel	June 30, 2019

NOTE 12 – RISK MANAGEMENT

The School District is also exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance.

The District has purchased various insurance policies to safeguard its assets from risk of loss. During the year ended June 30, 2017 and the two previous fiscal years, no settlement exceeded insurance coverage.

NOTE 13 – RESTATEMENT OF NET POSITION

The fiduciary funds – private purpose trust funds were restated to include an additional scholarship with the Community foundation.

Beginning balance at July 1, 2016	\$ 1,245,285
Restatement	<u>248,450</u>
Restated balance at July 1, 2016	<u>\$ 1,493,735</u>

Required Supplementary Information

CORRY AREA SCHOOL DISTRICT
POST - EMPLOYMENT BENEFITS
OTHER THAN PENSION BENEFITS
Schedule of Funding Progress

The schedule of funding progress for the post-employment health insurance benefits is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-PUC (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
July 1, 2016	\$ -	\$ 2,096,913	\$ 2,096,913	0%	\$ 12,310,140	17.03%
November 1, 2013	-	2,819,052	2,819,052	0%	12,456,392	22.63%
November 1, 2011	-	1,957,095	1,975,095	0%	12,903,357	15.17%

Schedules of Required Supplementary Information
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PSERS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's proportion of the net pension liability (asset)	0.1080%	0.1060%	0.1082%	0.1071%
School District's proportionate share of the net pension liability (asset)	\$ 53,521,000	\$ 45,914,000	\$ 42,827,000	\$ 43,842,000
School District's covered employee payroll	\$ 13,987,592	\$ 13,995,305	\$ 14,012,841	\$ 13,941,264
School District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	383%	328%	306%	314%
Plan fiduciary net position as a percentage of the total pension liability	50%	54%	57%	54%

Schedules of Required Supplementary Information
SCHEDULE OF SCHOOL DISTRICT'S CONTRIBUTIONS
PSERS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,277,570	\$ 3,733,880	\$ 2,930,133	\$ 2,351,000
Contributions in relation to the contractually required contribution	<u>4,277,570</u>	<u>3,733,880</u>	<u>2,930,133</u>	<u>2,351,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered employee payroll	\$ 13,987,592	\$ 13,995,305	\$ 14,012,841	\$ 13,941,264
Contributions as a percentage of covered employee payroll	30.58%	26.68%	20.91%	16.86%

CORRY AREA SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2017

Changes in actuarial assumptions from the prior report are as follows:

- Investment return is 7.25% including inflation at 2.75%. Last year the rate was 7.50% with inflation at 3.0%.
- Salary growth – Effective average of 5.00% comprised of inflation of 2.75% and 2.25% for real wage growth. Last year the rate was 5.5% comprised of inflation of 3.0% and real wage growth of 2.50%.
- Mortality rates were based on the RP-2014 Mortality tables for males and females, adjusted to reflect PSERS experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Last year Mortality was based on tables provided by the actuary.

Other Information

CORRY AREA SCHOOL DISTRICT
Combining Schedule of Fiduciary Net Position
Private Purpose Trust Funds
June 30, 2017

	Fisher-Allen Scholarship Fund	Smiley Scholarship Fund	Corry Area School Foundation	Total
ASSETS				
Cash and Cash Equivalents	\$ 14,480	\$ -	\$ 108,615	\$ 123,095
Investments Held in Escrow	-	1,046,847	443,903	1,490,750
	<u>\$ 14,480</u>	<u>\$ 1,046,847</u>	<u>\$ 552,518</u>	<u>\$ 1,613,845</u>
Total Assets				
	<u>\$ 14,480</u>	<u>\$ 1,046,847</u>	<u>\$ 552,518</u>	<u>\$ 1,613,845</u>
NET POSITION				
Held in Trust for Future Recipients	<u>\$ 14,480</u>	<u>\$ 1,046,847</u>	<u>\$ 552,518</u>	<u>\$ 1,613,845</u>

CORRY AREA SCHOOL DISTRICT
Combining Schedule of Changes in Fiduciary Net Position
Private Purpose Trust Funds
For the Year Ended June 30, 2017

	Fisher-Allen Scholarship Fund	Smiley Scholarship Fund	Corry Area School Foundation	Total
Additions:				
Earnings (Loss) on Investments	\$ 9,094	\$ 122,019	\$ 52,022	\$ 183,135
Contributions	-	-	8,792	8,792
Total Additions	9,094	122,019	60,814	191,927
Deductions:				
Scholarships	8,000	38,500	6,769	53,269
Investment Fees and Other Expenses	-	15,276	3,272	18,548
Total Deductions	8,000	53,776	10,041	71,817
Change in Net Position	1,094	68,243	50,773	120,110
Net Position, July 1, 2016, restated	13,386	978,604	501,745	1,493,735
Net Position, June 30, 2017	\$ 14,480	\$ 1,046,847	\$ 552,518	\$ 1,613,845

CORRY AREA SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Local Sources	\$ 8,773,584	\$ 8,781,914	\$ 8,402,310	\$ (379,604)
State Sources	21,508,027	21,507,891	21,559,169	51,278
Federal Sources	1,548,141	1,548,141	1,399,182	(148,959)
Total Revenues	31,829,752	31,837,946	31,360,661	(477,285)
Expenditures				
Instruction				
Regular Programs	12,500,738	12,484,238	12,042,462	441,776
Special Education Program	3,501,059	3,513,759	3,545,770	(32,011)
Vocational Education Programs	1,658,771	1,658,771	1,619,879	38,892
Other Instructional Programs	350,450	350,450	414,945	(64,495)
Higher Education Programs	55,000	55,000	45,640	9,360
Pre-Kindergarten	431,239	431,239	388,117	43,122
Total Instruction	18,497,257	18,493,457	18,056,813	436,644
Support Services				
Pupil Personnel	865,381	865,381	896,148	(30,767)
Instructional Staff	966,865	954,165	980,251	(26,086)
Administrative	2,386,824	2,387,324	2,587,097	(199,773)
Pupil Health	254,621	254,621	244,745	9,876
Business	1,306,725	1,306,725	911,548	395,177
Operation and Maintenance of Plant Services	2,571,447	2,583,247	2,339,457	243,790
Student Transportation Services	1,994,720	1,994,720	1,974,468	20,252
Central	66,954	66,954	230	66,724
Other Support Services	35,000	35,000	29,661	5,339
Total Support Services	10,448,537	10,448,137	9,963,605	484,532
Noninstructional Services				
Student Activities	656,352	668,552	762,543	(93,991)
Community Services	203,200	203,200	210,583	(7,383)
Total Noninstructional Services	859,552	871,752	973,126	(101,374)
Facilities Acquisition, Construction and Improvements	43,200	43,200	40,730	2,470
Debt Service	1,981,400	1,981,400	1,746,698	234,702
Total Expenditures	31,829,946	31,837,946	30,780,972	1,056,974
Excess of Revenues Over/(Under) Expenditures	(194)	-	579,689	579,689
Other Financing Sources (Uses)				
Budgetary Reserve	-	(600,000)	-	600,000
Changes in Inventory	-	-	71,037	71,037
Total Other Financing Sources (Uses)	-	(600,000)	71,037	671,037
Net Change in Fund Balance	(194)	(600,000)	650,726	1,250,726
Fund Balance - July 1, 2016	8,128,469	8,128,469	8,128,469	-
Fund Balance - June 30, 2017	\$ 8,128,275	\$ 7,528,469	\$ 8,779,195	\$ 1,250,726



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

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

To the Members of the Board
Corry Area School District
Corry, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corry Area School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Corry Area School District's basic financial statements and have issued our report, thereon, dated November 3, 2017.

Internal Control Over Financial Reporting

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

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

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

Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*
(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

November 3, 2017
Erie, Pennsylvania



FELIX & GLOEKLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

2306 Peninsula Drive • Erie, Pennsylvania 16506

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

To the Members of the Board
Corry Area School District
Corry, Pennsylvania

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by
the Uniform Guidance
(Continued)

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

Opinion on Each Major Federal Program

In our opinion, Corry Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by
The Uniform Guidance
(Continued)

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

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

Felix and Gloekler, P.C.

Felix and Gloekler, P.C.

November 3, 2017
Erie, Pennsylvania

CORRY AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	Grant Period Beginning	Ending
<u>U.S. Department of Agriculture</u>					
Passed through PA Dept. of Agriculture					
National School Lunch Program U.S. Donated Commodities	I	10.555	N/A	7/1/2016	6/30/2017
Passed through PA Dept. of Education					
National School Lunch Program	I	10.555	362	7/1/2015	6/30/2016
National School Lunch Program	I	10.555	362	7/1/2016	6/30/2017
Subtotal					
National School Breakfast Program	I	10.553	365	7/1/2015	6/30/2016
National School Breakfast Program	I	10.553	365	7/1/2016	6/30/2017
Subtotal					
Total Child Nutrition Cluster					
Total U.S. Dept. of Agriculture					
<u>U.S. Department of Education</u>					
Passed through PA Dept. of Education					
Vocational Education	I	84.048	380-16-0024	7/1/2015	9/30/2016
Vocational Education	I	84.048	380-17-0027	7/1/2016	6/30/2017
Subtotal					

The accompanying notes are an integral part of this schedule.
Schedule continued on next page.

<u>Accrued/ (Unearned) Revenue at July 1, 2016</u>	<u>Total Received for the Year</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>		<u>Accrued/ (Unearned) Revenue at June 30, 2017</u>	<u>Passed Through to Subrecipients</u>
\$ (25,515)	\$ 83,689	\$ 75,598	\$ 75,598	c	\$ (33,606)	d \$ -
66,957	66,957	-	-		-	-
-	600,929	603,881	603,881		2,952	-
41,442	751,575	679,479	679,479		(30,654)	-
20,192	20,192	-	-		-	-
-	198,573	201,062	201,062		2,489	-
20,192	218,765	201,062	201,062		2,489	-
61,634	970,340	880,541	880,541		(28,165)	-
61,634	970,340	880,541	880,541		(28,165)	-
4,154	4,154	-	-		-	-
-	48,785	48,785	48,785		-	-
4,154	52,939	48,785	48,785		-	-

CORRY AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017
(Continued)

Federal Grantor/Pass Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	<u>Grant Period</u>	
				Beginning	Ending
Title II Improving Teacher Quality	I	84.367	020-16-0103	7/1/2015	9/30/2016
Title II Improving Teacher Quality	I	84.367	020-17-0103	7/1/2016	9/30/2017
Title I	I	84.010	013-16-0103	7/1/2015	9/30/2016
Title I	I	84.010	013-17-0103	7/1/2016	9/30/2017
Subtotal					
Passed through Northwest Tri-County Intermediate Unit					
IDEA	I	84.027	N/A	7/1/2016	9/30/2017
IDEA-Early Intervention	I	84.173	N/A	7/1/2016	9/30/2017
Special Education Cluster					
Total U.S. Department of Education					
<u>US Department of Health and Human Services</u>					
Passed through Pennsylvania Dept. of Education					
Medical Access-Admin	I	93.778	044-00-7103	7/1/2016	6/30/2017
Total Federal Assistance					

The accompanying notes are an integral part of this schedule.

<u>Accrued/ (Unearned) Revenue at July 1, 2016</u>	<u>Total Received for the Year</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued/ (Unearned) Revenue at June 30, 2017</u>	<u>Passed Through to Subrecipients</u>
11,757	11,757	-	-	-	-
-	141,801	163,140	163,140	21,339	-
(64,267)	145,457	209,724	209,724	-	-
-	822,139	831,744	831,744	9,605	-
(64,267)	967,596	1,041,468	1,041,468	9,605	-
-	533,807	533,807	533,807	-	-
-	4,420	4,420	4,420	-	-
-	538,227	538,227	538,227	-	-
(48,356)	1,712,320	1,791,620	1,791,620	30,944	-
-	10,056	10,056	10,056	-	-
<u>\$ 13,278</u>	<u>\$ 2,692,716</u>	<u>\$ 2,682,217</u>	<u>\$ 2,682,217</u>	<u>\$ 2,779</u>	<u>-</u>

CORRY AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Footnotes and Other Information
For the Year Ended June 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Corry Area School District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net assets or cash flows of Corry Area School District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 – LEGEND

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

- I = Indirect funding

NOTE 4 – INDIRECT COST RATE

Corry Area School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CORRY AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

1. Summary of auditors' results

- (i) Type of auditors' report issued on the financial statements:
Unmodified opinion.
- (ii) Internal control over financial reporting:
 - Material weakness(es) identified – None.
 - Significant deficiency(ies) identified – None reported.
- (iii) The audit disclosed no noncompliance which is material to the financial statements.
- (iv) Internal control over major federal program:
 - Material weakness(es) identified – None.
 - Significant deficiency(ies) identified – None reported.
- (v) Type of auditors' report issued on compliance for major federal programs: Unmodified opinion.
- (vi) The audit disclosed no audit findings which are required to be reported in accordance with Section 2 CFR 200.516(a).
- (vii) Major federal program:

IDEA, Part B	84.027
IDEA Preschool	84.173
- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
- (ix) Corry Area School District did qualify as a low-risk auditee.

2. Federal Statement Findings

None.

3. Findings and questioned costs for federal awards

None.

CORRY AREA SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

1. Prior significant deficiencies or material weaknesses: None.
2. Prior material noncompliance for major federal programs: None.
3. Audit findings required to be reported: None.

CORRY AREA SCHOOL DISTRICT
Corrective Action Plan
For the Year Ended June 30, 2017

Not applicable: There were no current findings required to be reported.

CORRY AREA SCHOOL DISTRICT

List of Report Distribution

June 30, 2016

The following is a listing of all agencies that the audit reports are distributed to:

1. United States Bureau of the Census
2. Commonwealth of Pennsylvania, Bureau of Audits
3. Northwest Tri-County Intermediate Unit