

**Shanksville-Stonycreek School District  
Shanksville, Pennsylvania**

**Audit Report**

**For the Year Ended  
June 30, 2017**

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**List of Report Distribution**

December 4, 2017

To the Members of the Board  
Shanksville-Stonycreek School District  
P.O. Box 128  
1325 Cornerstone Road  
Shanksville, PA 15560-0128

Board Members:

Not later than six months after the fiscal year end, Shanksville-Stonycreek School District must distribute the audit report as follows:

One (1) copy to: Department of Education  
Bureau of Budget and Fiscal Management  
333 Market Street  
Harrisburg, PA 17126-0333

Sincerely,

Kotzan CPA & Associates, P.C.



## **Independent Auditors' Report**

To the Members of the Board  
Shanksville-Stonycreek School District  
P.O. Box 128  
1325 Cornerstone Road  
Shanksville, PA 15560-0128

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

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

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

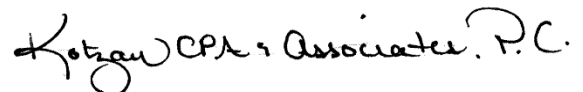
## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, historical pension information, and budgetary comparison information on pages 5 through 18, page 61 and page 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017 on our consideration of Shanksville-Stonycreek 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 Shanksville-Stonycreek School District's internal control over financial reporting and compliance.



Kotzan CPA & Associates, P.C.  
Johnstown, Pennsylvania  
December 4, 2017

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# Management's Discussion and Analysis

## *Shanksville-Stonycreek School District*

2016-2017

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The Management's Discussion and Analysis (MD&A) of the Shanksville-Stonycreek School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The MD&A is to provide reader friendly insight into management's analysis of the audit. This MD&A looks at the District's financial performance as a whole, although readers should review the independent auditor's transmittal letter and notes to the financial statements to enhance their understanding of the district's financial performance. Certain comparative information between the current year and prior year is required to be presented.

This discussion and analysis is part of the required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. GASB Statement No. 34 requires certain comparative information to be presented between the current and the prior year and is detailed herein accordingly.

### **Description of the School District**

The Shanksville-Stonycreek School District is nestled along the slopes of the Allegheny Mountains in the central part of Somerset County about eight miles northeast of Somerset, Pennsylvania and 30 miles northwest of Cumberland, Maryland. It is comprised of the township of Stonycreek and the boroughs of Indian Lake and Shanksville. The School District has a population of approximately 2,500 residents.

Much of the land is productively engaged in farming. Lumbering and strip mining are important components of the local economy. The area has vast opportunities for the expansion of tourism and recreation in a multi-seasonal climate. The Flight 93 National Memorial is also part of the district and is expected to have an impact on the local economy as well.

Because of the size of its student population, which is approximately 330 students PreK-12, the District consistently ranks as one of the smallest, single-building districts in the state. The District is the 5<sup>th</sup> smallest district in the Commonwealth based on student enrollment.

The District employed 65 regular employees through June 30, 2016, with roughly 25 part-time substitutes at any time. The District reduced their regular employees to 64 starting July 1, 2017. The teaching staff consisted of 1 part-time and 36 full-time professionals through June 30, 2017. Teachers in the District are members of the Pennsylvania State Education Association (PSEA) and the Shanksville-Stonycreek Education Association (SSEA), which is the representative bargaining unit. The SSEA contract is due to expire June 30, 2018.

### **Financial Highlights**

Key financial highlights for the year ending June 30, 2017 are as follows:

- ❖ District-wide net position increased \$296,152
- ❖ Total fund balances of all governmental funds equaled \$3,417,495
- ❖ Unassigned general fund balance equaled \$1,000,560
- ❖ Committed general fund balance equaled \$2,080,000. This amount was committed as follows:
  - ❖ PSERS Retirement \$400,000
  - ❖ Technology Replacement \$230,000
  - ❖ Curriculum Enhancement \$200,000
  - ❖ Post-Employment Benefits \$400,000
  - ❖ Debt Service \$850,000

**Shanksville-Stonycreek School District**  
**Management's Discussion and Analysis (MD&A)**

- ❖ Capital Projects fund balance equaled \$305,882
- ❖ Debt Service fund balance equaled \$103
- ❖ Total general fund revenues exceeded budget by \$192,992
- ❖ Total general fund expenses were \$493,571 under budget
- ❖ The District's proprietary fund/business-type activity (cafeteria) had a decrease in net position of \$8,661

**Long Term Issues and Commitments**

- ❖ Long Term Debt: Outstanding bond issues as of June 30, 2017 include the Series of 2014, Series of 2012, and the Series of 2011 with a combined total outstanding principal balance of \$2,140,000.
  - ❖ Long Term Debt also consists of the District's estimated share of the refinanced Series of 2004 area vocational-technical school's general obligation bond. The District's share of the balance outstanding at June 30, 2017 is \$291,958.
  - ❖ The District also has a new loan with a local financial institution for the purchase of a truck, with payments that extend through September 2019. The balance outstanding at June 30, 2017 is \$16,820.

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and the required supplementary information. Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements.

The District's basic financial statements include two types of statements, which present different views of the District. The first type of statements are the **District-wide Financial Statements** that provide both short-term and long-term information about the District's overall financial status on a full accrual basis of accounting. The remaining statements are **Fund Financial Statements** that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide financial statements.

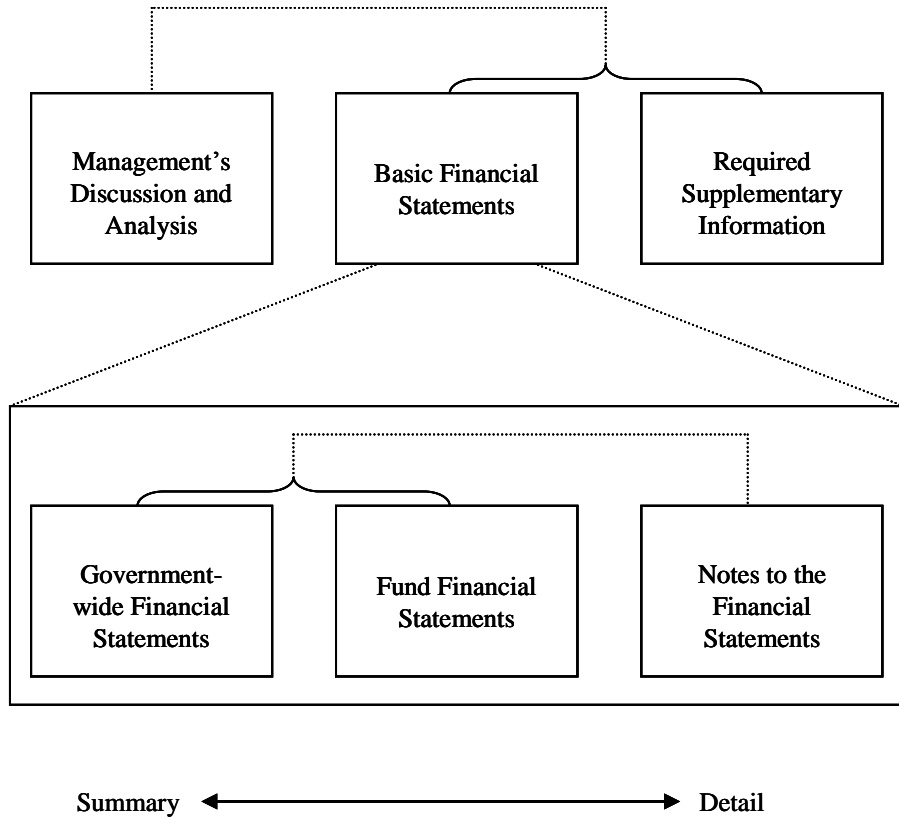
The Governmental fund statements indicate how the District financed its basic services such as regular and special education. Proprietary fund statements offer financial information about activities the District operates like a business, such as its Food Service Program. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others to whom the resources in question belong. For this School District, these are student activity funds.

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

**Shanksville-Stonycreek School District**  
*Management's Discussion and Analysis (MD&A)*

**Figure A-1** shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1**  
**Required components of**  
**Shanksville-Stonycreek School District's**  
**Financial Report**





**Shanksville-Stonycreek School District**  
**Management's Discussion and Analysis (MD&A)**

**Figure A-2** summarizes the major features of the financial statements, including the portion of the District they cover and the types of information they contain.

**Figure A-2**  
**Major Features of Shanksville-Stonycreek School District's**  
**District-wide and Fund Financial Statements**

	<b>District-Wide Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operate similar to private business – Food Services	Instances in which the District administers resources on behalf of someone else – student activity funds and private purpose trust funds
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of 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 and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**Shanksville-Stonycreek School District**  
**Management's Discussion and Analysis (MD&A)**

**District-Wide Financial Statements**

The District-wide financial statements are designed to provide the reader of the District's Annual Financial Report with a broad overview of the financial activities in a manner similar to a private sector business. The District-wide financial statements include the Statement of Net Position and the Statement of Activities.

The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 *Statement of Activities* reports the change in net position. Net position – the difference between the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources – is one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health one must also consider additional factors such as changes in enrollment, increases (decreases) to the District's long-term debt, changes in the District's property tax base, changes in the State's funding of educational costs, changes in the economy, and the condition of or need for improvements or expansion to existing school facilities.

In the District-wide financial statements, the District's activities are divided into two categories as follows:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services and administrative services. Property taxes, along with state formula aid, finance most of these activities. Fixed assets and related debt are also supported by taxes and intergovernmental activities.
- **Business-type Activities:** The District charges fees to cover the cost of certain services such as its food service program.

**Fund Financial Statements**

The fund financial statements provide detailed information about the School District's operations. The School District is required to provide detailed information for its "major" funds. Funds are accounting components the District uses to keep track of specific sources of funding and spending on particular programs.

The District has three types of funds as follows:

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the District-wide financial statements. Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Therefore, the governmental funds statements provide a short-term view of the School's operations. They are reported using an accounting method called modified accrual which measures amounts using only cash and other short-term assets and liabilities (receivables and payables) that will soon be converted to cash or will soon be paid with cash. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds are the General Fund, the Capital Projects Fund, and the Debt Service Fund.

Because the focus of fund financial statements is narrower than that of the District-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide Statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Reconciliations for both the Governmental Fund Balance Sheet to Statement of Net Position District-wide and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities are provided to facilitate this comparison between governmental funds and governmental activities.

**Shanksville-Stonycreek School District**  
*Management's Discussion and Analysis (MD&A)*

**Proprietary Funds** are comprised of the services for which the District charges a fee. Proprietary funds are reported on a full accrual basis of accounting in both the fund financial statements and the District-wide financial statements. A district's *Enterprise Funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, its Food Service Fund.

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

**Financial Analysis of the District as a Whole**

The District's financial position is a result of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

**Shanksville-Stonycreek School District**  
**Management's Discussion and Analysis (MD&A)**

Figure A-3 summarizes the assets, liabilities, and net position of the District at June 30, 2017.

**Figure A-3**  
**Net Position as of June 30, 2017 - (District-Wide)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>		<u>Total % Change 2016-17</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
<b>Assets</b>							
Current Assets	\$ 4,569,401	\$ 4,266,132 *	\$ 12,990	\$ 37,567	\$ 4,582,391	\$ 4,303,699 *	
Capital Assets	4,100,468	4,423,336	8,838	3,638	4,109,306	4,426,974	
<b>Total Assets</b>	<b>\$ 8,669,869</b>	<b>\$ 8,689,468</b>	<b>\$ 21,828</b>	<b>\$ 41,205</b>	<b>\$ 8,691,697</b>	<b>\$ 8,730,673</b>	<b>-0.45%</b>
<b>Deferred Outflows of Resources</b>	<b>\$ 1,807,183</b>	<b>\$ 695,406</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,807,183</b>	<b>\$ 695,406</b>	<b>159.87%</b>
<b>Liabilities</b>							
Current Liabilities	\$ 1,343,634	\$ 1,325,948	\$ 9,966	\$ 21,163	\$ 1,353,600	\$ 1,347,111	
Long-Term Liabilities	11,999,713	11,243,034	3,355	2,874	12,003,068	11,245,908	
<b>Total Liabilities</b>	<b>\$ 13,343,347</b>	<b>\$ 12,568,982</b>	<b>\$ 13,321</b>	<b>\$ 24,037</b>	<b>\$ 13,356,668</b>	<b>\$ 12,593,019</b>	<b>6.06%</b>
<b>Deferred Inflows of Resources</b>	<b>\$ 133,000</b>	<b>\$ 120,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 133,000</b>	<b>\$ 120,000</b>	<b>10.83%</b>
<b>Net Position</b>							
Invested in Capital Assets, net of Related Debt	\$ 1,944,781	\$ 1,574,639	\$ 8,838	\$ 3,638	\$ 1,953,619	\$ 1,578,277	
Restricted	305,985	30,720	0	0	305,985	30,720	
Unrestricted	(5,250,061)	(4,909,467) *	(331)	13,530	(5,250,392)	(4,895,937) *	
<b>Total Net Position</b>	<b>\$ (2,999,295)</b>	<b>\$ (3,304,108)</b>	<b>\$ 8,507</b>	<b>\$ 17,168</b>	<b>\$ (2,990,788)</b>	<b>\$ (3,286,940)</b>	<b>9.01%</b>

\*Restated – See Note 22 to the financial statements.

Current assets are largely comprised of cash and cash equivalents and investments which represent approximately \$3.7 million at June 30, 2017. Capital assets represent land, buildings and equipment less accumulated depreciation. Current liabilities are comprised primarily of accrued salaries and benefits, payroll deductions and withholdings, and the current portion of long-term liabilities, representing an approximate total of \$1,250,000 at June 30, 2017. The financial statements reflect deferred inflows and outflows of resources relating to the pension plan as a result of GASB 68.

The increase in deferred outflows of resources, offset by the increase in total liabilities and deferred inflows of resources and the slight decrease in total assets resulted in an increase in net position of approximately \$300,000 in fiscal year 2017.

**Shanksville-Stonycreek School District**  
**Management's Discussion and Analysis (MD&A)**

Figure A-4 summarizes the revenues, expenses, and changes in net position of the District for the year ended June 30, 2017.

**Figure A-4**  
**Changes in Government-wide Net Position**  
**For the Year Ended June 30, 2017**

	Governmental Activities		Business-type Activities		Total School District		Total % Change 2016-17
	2017	2016	2017	2016	2017	2016	
<b>Revenues:</b>							
Program Revenues:							
Charges for Services	\$ 43,986	\$ 118,105	\$ 97,719	\$ 96,928	\$ 141,705	\$ 215,033	
Operating Grants and Contributions	1,052,243	1,038,267 *	83,813	83,902	1,136,056	1,122,169 *	
Capital Grants and Contributions	151,265	238,779 *	0	0	151,265	238,779 *	
<b>Total Program Revenues</b>	<u>1,247,494</u>	<u>1,395,151</u>	<u>181,532</u>	<u>180,830</u>	<u>1,429,026</u>	<u>1,575,981</u>	-9.32%
General Revenue:							
Property and Other Taxes Levied	3,834,172	3,783,554	0	0	3,834,172	3,783,554	
Grants, subsidies, contributions	1,732,628	1,684,238	0	0	1,732,628	1,684,238	
Investment Earnings	18,488	8,272	35	23	18,523	8,295	
Miscellaneous Income	2,762	1,623	0	0	2,762	1,623	
Transfers	(80,000)	(87,097)	80,000	87,097	0	0	
Gain on disposition of assets	0	8,750	0	0	0	8,750	
<b>Total General Revenues</b>	<u>5,508,050</u>	<u>5,399,340</u>	<u>80,035</u>	<u>87,120</u>	<u>5,588,085</u>	<u>5,486,460</u>	1.85%
<b>Expenses:</b>							
Instruction	3,903,141	3,788,178	0	0	3,903,141	3,788,178	
Instructional Student Support	547,188	683,649	0	0	547,188	683,649	
Admin and Financial Support Services	882,268	787,523	0	0	882,268	787,523	
Operating and Maintenance of Plant Services	617,714	499,697	0	0	617,714	499,697	
Pupil Transportation	295,774	256,397	0	0	295,774	256,397	
Student Activities	138,772	127,307	0	0	138,772	127,307	
Interest on Long-term Debt	65,874	78,296	0	0	65,874	78,296	
Food Service	0	0	270,228	258,835	270,228	258,835	
<b>Total Expenses</b>	<u>6,450,731</u>	<u>6,221,047</u>	<u>270,228</u>	<u>258,835</u>	<u>6,720,959</u>	<u>6,479,882</u>	3.72%
Increase (Decrease) in Net Position	\$ 304,813	\$ 573,444	\$ (8,661)	\$ 9,115	\$ 296,152	\$ 582,559	

\*Restated – See Note 22 to the financial statements.

**Shanksville-Stonycreek School District**  
**Management's Discussion and Analysis (MD&A)**

The School District experienced an overall increase in net position of \$296,152 for fiscal year 2017, with a slight decrease in total revenues and an increase in expenditures compared to the prior year.

The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues and unrestricted state entitlements.

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2017	2017	2016	2016
<b>Program Expenses</b>				
Governmental Activities:				
Instruction	\$ 3,903,141	\$ 2,910,406	\$ 3,788,178	\$ 2,752,002 *
Instructional student support	547,188	525,809	683,649	683,649
Administration	882,268	882,268	787,523	775,505
Maintenance	617,714	466,449	499,697	236,031 *
Pupil transportation	295,774	220,025	256,397	179,697
Student activities	138,772	132,406	127,307	120,716
Interest and fiscal charges	65,874	65,874	78,296	78,296
Net program expenses	<u>\$ 6,450,731</u>	5,203,237	<u>\$ 6,221,047</u>	4,825,896
Less: Unrestricted state entitlements		(1,732,628)		(1,684,238)
Total governmental activities		<u>\$ 3,470,609</u>		<u>\$ 3,141,658</u>
Business-type activities:				
Food service	<u>\$ 270,228</u>	<u>\$ 88,696</u>	<u>\$ 258,835</u>	<u>\$ 78,005</u>

\*Restated

**Governmental Activities**

Total net cost of service increased approximately \$330,000 (10.5%) from 2015-2016 to 2016-2017.

**Business-Type Activities**

Food service management—the cafeteria continues to rely on subsidy from the general fund for operations. The dependency has increased greatly over the past couple of years with the increased menu restrictions placed on the school district by the federal government.

**Shanksville-Stonycreek School District**  
**Management's Discussion and Analysis (MD&A)**

**Figure A-5** breaks out expenditures by function per the fund financial statements (general fund) with a comparison to the prior year as well as current year budget variances.

**Figure A-5**  
**Expenditures by Function - Budget vs. Actual**

<u>Function</u>	<u>Description</u>	<u>Actual 2016-17 Expenses</u>	<u>Actual 2015-16 Expenses</u>	<u>Increase/ (Decrease) From P/Y</u>	<u>2016-17 Budget</u>	<u>(Over)/ Under Budget</u>
1100	Regular Educational Programs	\$2,480,107	\$ 2,601,969	\$ (121,862)	\$ 2,842,500	\$ 362,393
1200	Special Programs	508,918	464,640	44,278	546,100	37,182
1300	Vocational Education	321,922	325,603	(3,681)	330,000	8,078
1400	Other Instructional Programs	5,028	5,885	(857)	11,450	6,422
1700	Community/junior college programs	6,300	5,975	325	6,000	(300)
1800	Pre-kindergarten	91,282	88,933	2,349	103,600	12,318
2100	Support Services - Pupil	149,804	169,491	(19,687)	177,100	27,296
2200	Support Services - Instructional Staff	340,622	438,710	(98,088)	467,000	126,378
2300	Support Services - Administration	518,375	469,887	48,488	597,100	78,725
2400	Support Services - Pupil Health	98,503	98,619	(116)	109,600	11,097
2500	Support Services - Business	180,057	161,458	18,599	201,700	21,643
2600	Operation and Maintenance	553,511	491,210	62,301	552,000	(1,511)
2700	Student Transportation Services	279,457	241,403	38,054	283,200	3,743
2900	Other Support Services	2,901	3,009	(108)	5,000	2,099
3200	Student Activities	122,406	118,347	4,059	166,600	44,194
3300	Community Services	1,882	1,766	116	2,400	518
3400	Scholarships and Awards	3,000	3,000	0	4,000	1,000
4000	Capital Outlay	0	0	0	20,000	20,000
5100	Debt Service	52,315	49,701	2,614	54,000	1,685
5130	Refund of Prior Year Receipts	9,676	0	9,676	0	(9,676)
5200	Fund Transfers	1,094,713	833,717	260,996	785,000	(309,713)
5900	Budgetary Reserve	0	0	0	50,000	50,000
	Total Expenditures	6,820,779	6,573,323	247,456	7,314,350	493,571
	Revenues/Other financing sources	6,761,175	6,970,521 *	(209,346)	6,568,183	192,992
	Net Change	\$ (59,604)	\$ 397,198		\$ (746,167)	

\*Restated

**Shanksville-Stonycreek School District**  
**Management's Discussion and Analysis (MD&A)**

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that total expenditures do not exceed total appropriations. A schedule showing the School District's detail budget amounts compared with amounts actually paid and received is provided in Figure A-5. Significant variances in line items are discussed below.

- A. Total General Fund Revenues exceeded budget by \$192,992.
  - 1. Budgetary estimate differed significantly in the following areas:
    - a. Local revenues:
      - i. Local revenues in total yielded a surplus of over \$82,000.
      - ii. Real Estate Taxes – Collections yielded almost \$63,201 over the budgeted amount.
      - iii. PILT (Payment In Lieu of Taxes) - \$5,708 reimbursement from the federal government via the county government was not in the budget. This amount is not expected to continue in future years.
      - iv. Earned Income Taxes - \$19,957 is because the earned income of the School District residents exceeded initial estimates. The budget figure for this particular revenue is conservatively budgeted for with the steady decrease of employment opportunities in the immediate area.
      - v. IDIEA Reimbursements – Almost \$17,664 was from an increase in special education reimbursement through the IDIEA program.
      - vi. Revenues from Local Governments – A \$20,566 surplus here was due to more time being spent at the contracted school district by the employee whose services are also contracted out with a neighboring school district.
    - b. State Revenues:
      - i. State Revenues are \$97,170 over the conservative estimates used in the budget, which included a \$25,000 Safe Schools Equipment Grant that was not in the budget.
    - c. Federal Revenues:
      - i. Federal Revenues were \$13,749 over budget since the District chose to use School-Based ACCESS funds to help in funding a part-time Autistic Support teaching position.
- B. Total General Fund Expenditures, excluding transfers and budgetary reserve, were under budget by \$753,284.
  - 1. The reduction of General Fund Expenditures, along with the increase in revenues, still yielded a small loss of about \$(59,604) in fund balance.
  - 2. The budget variances in figure A-5 were due to the District not doing any year-end budgetary transfers to balance the overages with the savings.
  - 3. Benefits were under budget by \$470,259.
    - a. For retirement, the District budgets at a higher rate to help build a balance for future years when the rates are expected to spike.
    - b. The medical insurance premiums were reduced lower than what was originally budgeted. The initial increase used in budgeting ended up being higher than the actual increase incurred for the new year.
    - c. All eligible employees have health insurance budgeted for them. However, some employees elect to not be on the District's plan and savings are realized.



**Shanksville-Stonycreek School District**  
**Management's Discussion and Analysis (MD&A)**

4. All services were under budget by \$104,332.
  - a. The District utilized less professional, maintenance, and other contract services creating a savings. This was a result of doing some of the work internally along with cost reductions.
  - b. The District saw a steep reduction in the number of cyber charter students with graduations and transition to the District's own online program. This reduction is almost half of the savings.
5. Supplies and equipment were under budget by \$38,376.
  - a. The District did reduce its equipment purchases this year, however, the District purchased a new Reading and Mathematics series for the Elementary school that would be implemented in 2017-18 for professional development purposes instead of waiting until the new year.
6. Dues and Fees were under budget by \$57,348.
  - a. The District did not need to utilize the Budgetary Reserve that was in the budget creating almost all of these savings.

**Revenue – Fund Financials – General Fund**

The revenue for the school district comes from local, state, and federal sources. During the 2016-17 fiscal year, \$3,910,801 local funds (58%), \$2,695,626 state funds (40%) and \$154,748 federal funds (2%) were recognized by the general fund.

Local funding is primarily from real estate taxes (\$3,314,579) and earned income taxes (\$269,957). Delinquent taxes in the amount of \$150,356 were collected during the fiscal year.

Basic Education Subsidy of \$1,560,172 makes up 58% of the total grants, subsidies and contributions received from the state.

Other significant receipts for the state include Special Education, \$232,449; Transportation Subsidy, \$75,749; State Property Tax Reduction Allocation, \$172,456; Rental and Sinking Fund Payments, \$126,265; and Revenue for Social Security and Retirement Payments, \$467,130.

**Technology**

The importance of technology is always a part of the District's philosophy and planning. The District continues to replace our more expensive smart board/projector combinations with smart TVs creating a mobile learning experience for the teachers allowing them to move throughout the classroom rather than staying stationary at the front of the class. The District continues to upgrade the classroom technology in general and the overall network infrastructure to allow for more utilization of technology in the classroom.

The new reading and mathematics series purchased for the elementary grades will extensively utilize the classroom technology that continue to be upgraded in the elementary classrooms. Preliminary planning for STEAM-related curriculum is also in the works in all grade levels.

**Shanksville-Stonycreek School District**  
**Management's Discussion and Analysis (MD&A)**

**Capital Assets**

Figure A-6 illustrates changes in capital assets, net of depreciation, by asset type.

**Figure A-6**  
**Capital Assets Net of Depreciation**

	Governmental Activities		Business-Type Activities		Total School District		% Change 2016-17
	2017	2016	2017	2016	2017	2016	
Land	\$ 24,792	\$ 24,792	\$ 0	\$ 0	\$ 24,792	\$ 24,792	
Site improvements	112,569	155,055	0	0	112,569	155,055	
Buildings	3,795,182	4,026,657	0	0	3,795,182	4,026,657	
Equipment and furniture	167,925	216,832	8,838	3,638	176,763	220,470	
Total	<u>\$ 4,100,468</u>	<u>\$ 4,423,336</u>	<u>\$ 8,838</u>	<u>\$ 3,638</u>	<u>\$ 4,109,306</u>	<u>\$ 4,426,974</u>	-7.18%

While capital additions for the District in 2016-17 totaled \$38,563, depreciation expense totaled \$356,231 resulting in a decrease in net capital assets over prior year.

**Long-Term Debt**

Figure A-7 summarizes the change in long-term debt for the year ended June 30, 2017 compared to the year ended June 30, 2016.

**Figure A-7**  
**Outstanding Long-Term Debt**

	Total School District		Total Percentage Change
	2017	2016	
General Obligation Bonds, Series 2014	\$ 815,000	\$ 1,215,000	-32.92%
General Obligation Bonds, Series 2012	275,000	540,000	-49.07%
General Obligation Bonds, Series 2011	1,050,000	1,065,000	-1.41%
Technology Debt	291,958	324,991	-10.16%
Truck Loan	16,820	24,891	-32.43%
Total	<u>\$ 2,448,778</u>	<u>\$ 3,169,882</u>	-22.75%

**Currently Known Facts, Decisions or Conditions**

The School District does not expect significant growth in the near future given the residential nature of the local economy. The School District held the line on property taxes for 2015-2016, 2016-17, and for a third year in 2017-2018.

The shared services position of Curriculum Director was discontinued at the end of 2016-17 with the contracted school district requesting to end services. The District chose to not bring this position back at any FTE level with the compensation plan ending June 30, 2017. The District continues to monitor the staff size in comparison to the student population in order to provide the best education possible while remaining fiscally responsible.

As state funding continues to decrease or be completely eliminated, the School District is evaluating the programs to determine whether or not to continue the program with local dollars. Programs like Dual Enrollment and Intervention services are being maintained at some level by local dollars since they have proven to be a benefit to the academic process in the District.

**Shanksville-Stonycreek School District**  
***Management's Discussion and Analysis (MD&A)***

The District continues to get closer each year to being debt free. The bonds that were put in place for the 2000-2001 renovation will start being paid off 2017-2018. The 2012 Bond Issue originally for \$1,535,000 was paid off in full in September 2017. The District will make their final bond payment on these bond issues in September 2019.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the School District's finances. If you have any questions about this report or need additional information, contact the Business Office, Shanksville-Stonycreek School District.

## **BASIC FINANCIAL STATEMENTS**

**Shanksville-Stonycreek School District**  
**Statement of Net Position**  
**June 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and equivalents	\$ 1,919,315	\$ 7,758	\$ 1,927,073
Investments	1,745,000	0	1,745,000
Taxes receivable	604,582	0	604,582
Intergovernmental receivables	269,554	0	269,554
Inventories	15,253	5,232	20,485
Prepaid expenses	15,697	0	15,697
Total current assets	4,569,401	12,990	4,582,391
Noncurrent assets:			
Land	24,792	0	24,792
Depreciable capital assets, net	4,075,676	8,838	4,084,514
Total noncurrent assets	4,100,468	8,838	4,109,306
Total assets	8,669,869	21,828	8,691,697
<b>Deferred Outflows of Resources</b>			
Defined benefit pension plan:			
Change in proportionate share	157,000	0	157,000
Change of assumptions	354,000	0	354,000
Difference between projected and actual investment earnings	547,000	0	547,000
Difference between proportionate share and actual employer contributions	38,569	0	38,569
Contributions subsequent to measurement date	710,614	0	710,614
Total deferred outflows of resources	1,807,183	0	1,807,183
Total assets and deferred outflows of resources	\$ 10,477,052	\$ 21,828	\$ 10,498,880

See accompanying notes to the basic financial statements.

**Shanksville-Stonycreek School District**  
**Statement of Net Position**  
**June 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>Liabilities</b>			
Current liabilities:			
Internal balances	\$ (4,267)	\$ 4,014	\$ (253)
Due to other governments	22,077	0	22,077
Accounts payable	44,412	0	44,412
Current portion of compensated absences	13,377	315	13,692
Accrued salaries and benefits	279,932	0	279,932
Accrued interest payable	15,966	0	15,966
Payroll deductions and withholdings	236,396	0	236,396
Unearned revenue	0	5,637	5,637
Other current liabilities	245	0	245
Current portion of long-term liabilities	735,496	0	735,496
Total current liabilities	1,343,634	9,966	1,353,600
Noncurrent liabilities:			
Bonds payable, net	1,443,867	0	1,443,867
Long-term portion of compensated absences	136,963	3,355	140,318
Other long-term financing	268,282	0	268,282
Other post-employment benefits (OPEB)	338,601	0	338,601
Net pension liability	9,812,000	0	9,812,000
Total noncurrent liabilities	11,999,713	3,355	12,003,068
Total liabilities	13,343,347	13,321	13,356,668
<b>Deferred Inflows of Resources</b>			
Defined benefit pension plan:			
Difference between expected and actual experience	82,000	0	82,000
Change in proportionate share	51,000	0	51,000
Total deferred inflows of resources	133,000	0	133,000
<b>Net Position</b>			
Invested in capital assets, net of debt	1,944,781	8,838	1,953,619
Restricted for:			
Debt service	103	0	103
Capital projects	305,882	0	305,882
Unrestricted	(5,250,061)	(331)	(5,250,392)
Total net position	(2,999,295)	8,507	(2,990,788)
Total liabilities, deferred inflows of resources, and net position	\$ 10,477,052	\$ 21,828	\$ 10,498,880

See accompanying notes to the basic financial statements.

**Shanksville-Stonycreek School District**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction	\$ 3,903,141	\$ 37,620	\$ 955,115	\$ 0	\$ (2,910,406)	\$ 0	\$ (2,910,406)
Instructional student support	547,188	0	21,379	0	(525,809)	0	(525,809)
Administration and financial support	882,268	0	0	0	(882,268)	0	(882,268)
Operations and maintenance of plant	617,714	0	0	151,265	(466,449)	0	(466,449)
Pupil transportation	295,774	0	75,749	0	(220,025)	0	(220,025)
Student activities	138,772	6,366	0	0	(132,406)	0	(132,406)
Interest on long-term debt	65,874	0	0	0	(65,874)	0	(65,874)
Total governmental activities	6,450,731	43,986	1,052,243	151,265	(5,203,237)	0	(5,203,237)
<b>Business-Type Activities:</b>							
Food service	270,228	97,719	83,813	0	0	(88,696)	(88,696)
Total primary government	<u>\$ 6,720,959</u>	<u>\$ 141,705</u>	<u>\$ 1,136,056</u>	<u>\$ 151,265</u>	<u>(5,203,237)</u>	<u>(88,696)</u>	<u>(5,291,933)</u>
<b>General Revenues:</b>							
Taxes levied					3,834,172	0	3,834,172
Grants, subsidies and contributions, not restricted					1,732,628	0	1,732,628
Investment earnings					18,488	35	18,523
Miscellaneous					2,762	0	2,762
Transfers between governmental, business-type activities					(80,000)	80,000	0
Total general revenues					5,508,050	80,035	5,588,085
Change in net position					304,813	(8,661)	296,152
Net position, beginning of year, restated					(3,304,108)	17,168	(3,286,940)
Net position, end of year					<u>\$ (2,999,295)</u>	<u>\$ 8,507</u>	<u>\$ (2,990,788)</u>

See accompanying notes to the basic financial statements.

**Shanksville-Stonycreek School District  
Balance Sheet  
Governmental Funds  
June 30, 2017**

	General Fund	Major Fund Debt Service Fund	Non-Major Fund Capital Projects Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,858,330	\$ 103	\$ 60,882	\$ 1,919,315
Investments	1,500,000	0	245,000	1,745,000
Taxes receivable	604,582	0	0	604,582
Due from other funds	4,267	0	0	4,267
Due from other governments	269,554	0	0	269,554
Inventories	15,253	0	0	15,253
Prepaid expenses	15,697	0	0	15,697
 Total assets	 4,267,683	 103	 305,882	 4,573,668
 <b>Deferred Outflows of Resources</b>	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>
 Total assets and deferred outflows of resources	 <u>\$ 4,267,683</u>	 <u>\$ 103</u>	 <u>\$ 305,882</u>	 <u>\$ 4,573,668</u>
<b>Liabilities</b>				
Due to other governments	\$ 22,077	\$ 0	\$ 0	\$ 22,077
Accounts payable	44,412	0	0	44,412
Accrued salaries and benefits	279,932	0	0	279,932
Payroll deductions and withholding	236,396	0	0	236,396
Other current liabilities	245	0	0	245
 Total liabilities	 <u>583,062</u>	 <u>0</u>	 <u>0</u>	 <u>583,062</u>
<b>Deferred Inflows of Resources</b>				
Delinquent taxes receivable	573,111	0	0	573,111
 Total deferred inflows of resources	 <u>573,111</u>	 <u>0</u>	 <u>0</u>	 <u>573,111</u>
<b>Fund Balance</b>				
Nonspendable	30,950	0	0	30,950
Restricted	0	103	305,882	305,985
Committed	2,080,000	0	0	2,080,000
Unassigned	1,000,560	0	0	1,000,560
 Total fund balance	 <u>3,111,510</u>	 <u>103</u>	 <u>305,882</u>	 <u>3,417,495</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 4,267,683</u>	 <u>\$ 103</u>	 <u>\$ 305,882</u>	 <u>\$ 4,573,668</u>

See accompanying notes to the basic financial statements.



**Shanksville-Stonycreek School District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**To the Statement of Net Position**  
**June 30, 2017**

**Total fund balance – governmental funds** \$ 3,417,495

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$11,102,087 and the accumulated depreciation is \$7,001,619. 4,100,468

Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures and therefore are recorded as deferred inflows of resources in the funds. 573,111

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

Bonds payable	\$(2,140,000)	
Unamortized bond discounts	11,608	
Unamortized bond premiums	(10,475)	
Accrued interest payable	(15,966)	
Compensated absences	(150,340)	
Technology Center debt	(291,958)	
Truck loan	(16,820)	
OPEB obligation	(338,601)	
Net pension liability	<u>(9,812,000)</u>	(12,764,552)

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

Deferred outflows related to pensions	\$1,807,183	
Deferred inflows related to pensions	<u>(133,000)</u>	<u>1,674,183</u>

**Net position of governmental activities** \$ (2,999,295)

See accompanying notes to the basic financial statements.

**Shanksville-Stonycreek School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	General Fund	Major Fund Debt Service Fund	Non-Major Fund Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 3,910,801	\$ 39	\$ 340	\$ 3,911,180
State sources	2,695,626	0	0	2,695,626
Federal sources	<u>154,748</u>	<u>0</u>	<u>0</u>	<u>154,748</u>
Total revenues	<u>6,761,175</u>	<u>39</u>	<u>340</u>	<u>6,761,554</u>
<b>Expenditures</b>				
Instruction	3,413,557	0	0	3,413,557
Support services	2,123,230	1,214	0	2,124,444
Non-instructional services	127,288	0	0	127,288
Debt service (principal and interest)	52,315	738,613	0	790,928
Refund of prior year receipts	<u>9,676</u>	<u>0</u>	<u>0</u>	<u>9,676</u>
Total expenditures	<u>5,726,066</u>	<u>739,827</u>	<u>0</u>	<u>6,465,893</u>
Excess of revenues over (under) expenditures	<u>1,035,109</u>	<u>(739,788)</u>	<u>340</u>	<u>295,661</u>
<b>Other financing sources (uses)</b>				
Interfund transfers	<u>(1,094,713)</u>	<u>739,826</u>	<u>274,887</u>	<u>(80,000)</u>
Total other financing sources (uses)	<u>(1,094,713)</u>	<u>739,826</u>	<u>274,887</u>	<u>(80,000)</u>
Net change in fund balance	(59,604)	38	275,227	215,661
Fund balance, beginning of year, restated	<u>3,171,114</u>	<u>65</u>	<u>30,655</u>	<u>3,201,834</u>
Fund balance, end of year	<u>\$ 3,111,510</u>	<u>\$ 103</u>	<u>\$ 305,882</u>	<u>\$ 3,417,495</u>

See accompanying notes to the basic financial statements.

**Shanksville-Stonycreek School District  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2017**

**Total net change in fund balance – governmental funds** \$ 215,661

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

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

Capital outlays	\$ 31,856	
Depreciation expense	<u>(354,724)</u>	(322,868)

Because some property taxes will not be collected for several months after the District’s year end, they are not considered as “available” revenues in the governmental funds. Deferred inflows of resources from tax revenues increased by this amount this year. 73,990

Interest on long-term debt is recognized in the governmental funds when it is due. In the statement of activities, expense is recognized as interest accrues. Accrued interest expense decreased by this amount this year. 3,950

In the governmental funds, compensated absences are measured by the amounts used. The statement of activities measures by the amount earned. The liability for compensated absences increased by this amount this year. (2,947)

Post-employment benefits are recognized as expenditures in the governmental funds when they are paid. In the statement of activities, post-employment benefits are recognized as expenses when incurred. The liability for OPEB increased by this amount this year. (78,793)

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

District pension contributions	\$ 710,614	
Pension expense	<u>(1,020,837)</u>	(310,223)

**Shanksville-Stonycreek School District  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances to the Statement of Activities  
 For the Year Ended June 30, 2017**

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

Bond principal payments	\$680,000	
Technology Center principal payments	33,033	
Amortization of discounts	(8,984)	
Accretion of bond premium	13,923	
Vehicle loan payments	<u>8,071</u>	<u>726,043</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ 304,813</u></b>

See accompanying notes to the basic financial statements.

**Shanksville-Stonycreek School District**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2017**

	Food Service
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 7,758
Inventory	5,232
Total current assets	12,990
Noncurrent assets:	
Machinery and equipment, net	8,838
Total noncurrent assets	8,838
Total assets	21,828
<b>Deferred Outflows of Resources</b>	0
Total assets and deferred outflows of resources	\$ 21,828
<b>Liabilities</b>	
Current liabilities:	
Due to other funds	\$ 4,014
Unearned revenue	5,637
Current portion of compensated absences	315
Total current liabilities	9,966
Noncurrent liabilities:	
Long-term portion of compensated absences	3,355
Total noncurrent liabilities	3,355
Total liabilities	13,321
<b>Deferred Inflows of Resources</b>	0
<b>Net Position</b>	
Invested in capital assets	8,838
Unrestricted	(331)
Total net position	8,507
Total liabilities, deferred inflows of resources, and net position	\$ 21,828

See accompanying notes to the basic financial statements.

**Shanksville-Stonycreek School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

	<u>Food Service</u>
<b>Operating revenues</b>	
Food service revenue	\$ <u>97,719</u>
 Total operating revenues	 <u>97,719</u>
<b>Operating expenses</b>	
Salaries	68,702
Employee benefits	92,299
Purchased property services	13,211
Other purchased services	535
Supplies	93,554
Depreciation	1,507
Dues and fees	<u>420</u>
 Total operating expenses	 <u>270,228</u>
 Operating income (loss)	 <u>(172,509)</u>
<b>Nonoperating revenues (expenses)</b>	
Earnings on investments	35
State sources	5,662
Federal sources	<u>78,151</u>
 Total nonoperating revenues (expenses)	 <u>83,848</u>
 Income (loss) before transfers	 <u>(88,661)</u>
<b>Contributions and transfers</b>	
Transfers in (out)	<u>80,000</u>
 Change in net position	 (8,661)
 Total net position, beginning of year	 <u>17,168</u>
 Total net position, end of year	 <u>\$ <u>8,507</u></u>

See accompanying notes to the basic financial statements.

**Shanksville-Stonycreek School District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2017**

	Food Service
<b>Cash flows from operating activities</b>	
Cash received from users	\$ 98,095
Cash payments to employees for services	(68,236)
Cash payments to suppliers for goods and services	<u>(201,274)</u>
Net cash provided by (used for) operating activities	<u>(171,415)</u>
<b>Cash flows from non-capital financing activities</b>	
State sources	5,662
Federal sources	77,565
Transfers in	<u>80,000</u>
Net cash provided by (used for) non-capital financing activities	<u>163,227</u>
<b>Cash flows from capital and related financing activities</b>	
Capital outlay	<u>(6,707)</u>
Net cash provided by (used for) capital and related financing activities	<u>(6,707)</u>
<b>Cash flows from investing activities</b>	
Earnings on investments	<u>35</u>
Net cash provided by (used for) investing activities	<u>35</u>
Net increase (decrease) in cash and cash equivalents	(14,860)
Cash and cash equivalents, beginning of year	<u>22,618</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,758</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ (172,509)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	1,507
(Increase) decrease in inventories	(185)
Increase (decrease) in accounts payable	(1,070)
Increase (decrease) in accrued salaries/benefits	466
Increase (decrease) in unearned revenue	<u>376</u>
Total adjustments	<u>1,094</u>
Net cash provided by (used for) operating activities	<u><u>\$ (171,415)</u></u>

See accompanying notes to the basic financial statements.

**Shanksville-Stonycreek School District**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

	Agency Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 48,080
Total assets	48,080
<b>Deferred Outflows of Resources</b>	
	0
Total assets and deferred outflows of resources	\$ 48,080
<b>Liabilities</b>	
Due to students	\$ 47,293
Due to other funds	253
Accounts payable	534
Total liabilities	48,080
<b>Deferred Inflows of Resources</b>	
	0
<b>Net Position</b>	
	0
Total liabilities, deferred inflows of resources, and net position	\$ 48,080

See accompanying notes to the basic financial statements.



**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**1. Description of School District and Reporting Entity**

The Shanksville-Stonycreek School District is a Local Education Agency of the third class, governed by a nine-member publicly elected board, located in Somerset County, Pennsylvania. The District provides educational services to approximately 500 students from Shanksville Borough, Indian Lake Borough and Stonycreek Township. The District's facility is contained within one building. The District also participates in a local area vocational/technical school with various other districts.

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

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

**2. Summary of Significant Accounting Policies**

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

**A. Basis of Presentation**

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

Government-wide Financial Statements

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

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

Fund Financial Statements

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

**B. Fund Accounting**

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

Governmental Funds

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

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

Debt Service Fund – Accounts for resources accumulated to provide for payment of general long-term debt principal and interest.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

Proprietary Funds

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

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

Fiduciary Fund

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

**C. Measurement Focus**

Government-wide Financial Statements

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

Fund Financial Statements

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

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

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

Fiduciary funds are reported using the economic resources measurement focus.

**D. Basis of Accounting**

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

Revenues - Exchange and Non-Exchange Transactions

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

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

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

Expenses/Expenditures

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

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

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**E. Budgetary Data**

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

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

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

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

The Board of Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action. An affirmative vote of two-thirds of all members of the board is required. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2017.

Fund balances in budgetary funds may be appropriated based on resolutions passed by the Board of Education, which authorized the School District to make expenditures. Appropriations lapse at the end of the fiscal period. In order to preserve a portion of an appropriation for which an expenditure has been committed by a purchase order contract or other form of commitment, an encumbrance is recorded.

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

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

**F. Investment Valuation**

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

The District's investments include long-term, non-negotiable certificates of deposit with a local financial institution. Similar to checking and savings accounts, non-negotiable certificates of deposit are not subject to fair value or the aforementioned fair value level disclosures.

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. Prepaid expense at June 30, 2017 consists of an advance payment on a 6-year subscription for consumable textbooks (\$15,697).

**H. Inventory**

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 and consist of supplies held for consumption. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as an expenditure when purchased; however, an estimated value of inventories (\$15,253) is reported as an asset in the General Fund. The inventories in the General Fund are equally offset by nonspendable fund balance which indicates they do not constitute "available spending resources" even though they are a component of net current assets.

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 are valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2017 are reported as unearned revenue.

**I. Capital Assets**

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

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

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

<u>Description</u>	<u>Estimated Lives</u>
Site Improvements	15 - 20 years
Buildings and Improvements	20 - 50 years
Furniture and Equipment	3 - 20 years

**J. Original Issue Discounts and Premiums**

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

**K. Receivables and Payables**

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

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

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

**L. Accrued Liabilities and Long-term Obligations**

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

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

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**M. Unearned Revenues**

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

**N. Deferred Outflows/Inflows of Resources**

Deferred Outflows of Resources

The District reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position. The deferred outflows of resources reported in this year’s financial statements include a deferred outflow of resources for contributions made to the District’s cost-sharing multi-employer defined benefit pension plan between the measurement date of the net pension liability from the plan and the end of the District’s fiscal year. They further include deferred amounts arising from the change in the District’s proportionate share of the net pension liability; changes in assumptions; and the difference between projected and actual investment earnings, which are amortized to pension expense over a total of five years, including the current year.

Deferred outflows also include the difference between employer contributions and the proportionate share of total contributions. This amount is amortized to pension expense over the average remaining service lives of employees, which has been estimated at 22 years for the District. No deferred outflows of resources affect the fund financial statements in the current year. See further detail on deferred outflows of resources related to the pension plan at Note 10.

Deferred Inflows of Resources

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

In the District’s governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The District will not recognize the related revenues until they are available (collected not later than 60 days after the end of the District’s fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet as a deferred inflow of resources (\$573,111).



**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**O. Fund Balance Classification**

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

- **Nonspendable Fund Balance** – amounts that are in nonspendable form (such as inventory or prepaid items) or are required to be maintained intact.
- **Restricted Fund Balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed Fund Balance** – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** – amounts the District intends to use for a specific purpose. Intent can be expressed by the School board or by an official or body to which the School Board delegates the authority.
- **Unassigned Fund Balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

As of June 30, 2017, fund balance components, other than unassigned, consist of the following:

	Nonspendable	Restricted	Committed
General Fund:			
Inventory	\$ 15,253	\$ 0	\$ 0
Prepaid expenses	15,697	0	0
Future retirement costs	0	0	400,000
Technology replacement	0	0	230,000
Curriculum enhancement	0	0	200,000
Post-employment benefits	0	0	400,000
Debt service	0	0	850,000
Debt Service Fund	0	103	0
Capital Projects Fund	0	305,882	0
Total	\$ 30,950	\$ 305,985	\$ 2,080,000

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

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

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**P. Net Position**

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

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

The government-wide statement of net position reports \$305,985 of restricted net position, of which \$305,882 is restricted by enabling legislation for Capital Projects and \$103 by bond indenture for Debt Service.

**Q. Estimates**

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

**R. Pension Plan**

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

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

**3. Cash and Cash Equivalents and Investments**

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

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

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

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

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

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

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

The deposit and investment policy of the school district adheres to state statutes and prudent business practice. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less. Cash and cash equivalents include demand deposits at local financial institutions, in addition to cash on hand of \$300. The market values of deposits are equal to the cost of the deposits. Cash and cash equivalents further include pooled funds with the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF), further discussed below.

PLSDLAF was established to enable school districts to pool funds for investment in instruments authorized by Section 440.1 of the Pennsylvania School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification.

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

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

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

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

**Cash**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk, however the District's deposits in excess of the FDIC limit are collateralized in accordance with the Pennsylvania Security for Public Deposit Act. As of June 30, 2017, \$725,535 of the District's bank balance of \$1,225,638 was exposed to custodial risk as:

Uninsured and uncollateralized	\$ 0
Collateralized with securities held by the pledging financial institution	0
Uninsured and collateral held by the pledging bank's trust department not in the District's name	<u>725,535</u>
Total	<u>\$ 725,535</u>

Reconciliation to Financial Statements

Uninsured amount above	\$ 725,535
Plus: Insured amount	500,103
Less: Outstanding checks	<u>(49,253)</u>
Carrying amount – bank balances	1,176,385
Plus: Petty cash	300
Pooled cash equivalents	<u>798,468</u>
Total cash per financial statements	<u>\$1,975,153</u>

**Investments**

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

<u>Investment</u>	<u>Maturity</u>	<u>Value</u>
PA School District Liquid Asset Fund	N/A	\$ 115,557
PA Local Government Investment Trust	N/A	682,911
Certificates of Deposit	6-12 months	<u>1,745,000</u>
Total		<u>\$2,543,468</u>

Interest Rate Risk

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

**Shanksville-Stonycreek School District**  
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Credit Risk

State law limits investments to those authorized by State statutes. However, the District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2017, the District's investments were rated as:

<u>Investment</u>	<u>Standard &amp; Poor's</u>
PA Local Government Trust	AAAm
PA School District Liquid Asset Fund	AAAm

Concentration of Credit Risk

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

Custodial Credit Risk

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

Reconciliation to Financial Statements

Total investments above	\$2,543,468
Less: Deposits in investment pool considered cash equivalents	<u>(798,468)</u>
Total investments per financial statements	<u>\$1,745,000</u>

**4. Real Estate Taxes**

Real estate taxes for the School District are collected from the Township of Stonycreek and the Boroughs of Indian Lake and Shanksville. The tax on real estate for public school purposes for fiscal 2017 was 37.04 mills (\$37.04 per \$1,000 of assessed valuation) as levied by the Board. Assessed valuations (\$93,177,452) of property are determined by Somerset County, and the elected tax collectors are responsible for collection. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	- Levy Date
July 1 - August 31	- 2% Discount Period
September 1 - October 31	- Face Payment Period
November 1 - December 31	- 5% Penalty Period
January 15	- Lien Date

**Shanksville-Stonycreek School District**  
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**5. Taxes Receivable**

The elected tax collectors are required to return any uncollected real estate taxes to the county's tax claim bureau by January 15. It has been determined the amount of outstanding taxes as of June 30, 2017 is \$604,582. The School District, in accordance with accounting principles generally accepted in the United States of America, recognized the delinquent and unpaid taxes receivable. An allowance for uncollectible taxes was not established by the administration. A portion of the amount estimated to be collectible which was measurable and available within 60 days was recognized as revenue and the balance recorded as a deferred inflow of resources in the fund financial statements.

Uncollected taxes for the year ended June 30, 2017:

Delinquent Real Estate	\$ 10,370
Interim Real Estate	247
Realty Transfer Tax	6,207
Earned Income Taxes	14,595
Occupation Taxes	<u>52</u>
Uncollected Taxes Recognized as Revenue (received within 60 days)	31,471
Real Estate Tax-Deferred Inflow of Resources	<u>573,111</u>
Total Taxes Receivable	<u>\$604,582</u>

**6. Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenue in the food service fund (\$5,637) represents credits on student cafeteria accounts (\$3,203) and donated commodities inventory on hand (\$2,434) at June 30, 2017.

**7. Due From Other Governments**

Amounts due from other governments represent receivables for revenues earned by the School District or collections made by another governmental unit on behalf of the School District. At June 30, 2017, the following amounts are due from other governmental units:

<u>Due From</u>	<u>General Fund</u>	<u>Proprietary Fund</u>
Federal	\$ 72,816	\$0
State	196,738	0
Local	<u>0</u>	<u>0</u>
	<u>\$269,554</u>	<u>\$0</u>

**Shanksville-Stonycreek School District**  
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**8. Capital Assets**

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

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 24,792	\$ 0	\$ 0	\$ 24,792
Total capital assets, not being depreciated	24,792	0	0	24,792
Capital assets, being depreciated:				
Site improvements	847,969	0	0	847,969
Buildings and improvements	8,954,418	22,642	0	8,977,060
Furniture and equipment	1,243,052	9,214	0	1,252,266
Total capital assets, being depreciated	11,045,439	31,856	0	11,077,295
Less accumulated depreciation:				
Site improvements	692,914	42,486	0	735,400
Buildings and improvements	4,927,761	254,117	0	5,181,878
Furniture and equipment	1,026,220	58,121	0	1,084,341
Total accumulated depreciation	6,646,895	354,724	0	7,001,619
Total capital assets, being depreciated, net	4,398,544	(322,868)	0	4,075,676
Governmental activities capital assets, net	\$ 4,423,336	\$ (322,868)	\$ 0	\$ 4,100,468
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Equipment	\$ 234,542	\$ 6,707	\$ 0	\$ 241,249
Total capital assets, being depreciated	234,542	6,707	0	241,249
Less accumulated depreciation:				
Equipment	230,904	1,507	0	232,411
Total accumulated depreciation	230,904	1,507	0	232,411
Business-type activities capital assets, net	\$ 3,638	\$ 5,200	\$ 0	\$ 8,838

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

<b>Governmental Activities:</b>	
Instruction	\$216,737
Instruction support	30,506
Administration and finance	48,952
Operation and maintenance of plant	34,408
Pupil transportation	16,317
Student activities	7,804
Total depreciation expense - governmental activities	\$354,724

**Shanksville-Stonycreek School District**  
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**9. Defined Benefit Pension Plan**

Plan Description

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

Funding Policy

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

Benefits provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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



**Shanksville-Stonycreek School District**  
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Contributions

Member Contributions:

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

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

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for new members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

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

Employer Contributions:

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

The District's contractually required contribution rate, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. For the fiscal year ended June 30, 2017, the rate of the employer's contribution was 30.03 percent of covered payroll. The 30.03 percent rate is composed of a pension contribution rate of 29.20 percent for pension benefits and 0.83 percent for healthcare insurance premium assistance. Shanksville-Stonycreek School District's contributions to PSERS for the year ending June 30, 2017 were \$730,813.

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

At June 30, 2017, the District reported a liability of \$9,812,000 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 District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was 0.0198%, which was an increase of 0.0004% from its proportion measured as of June 30, 2015.

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For the year ended June 30, 2017, the District recognized pension expense of \$1,020,837. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 0	\$ 82,000
Changes in assumptions	354,000	0
Net difference between projected and actual investment earnings	547,000	0
Changes in proportions	157,000	51,000
Difference between employer contributions and proportionate share of total contributions	38,569	0
Contributions subsequent to the measurement date	710,614	0
	\$ 1,807,183	\$ 133,000

\$710,614, reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, will be recognized in the pension expense as follows:

Year Ended June 30:	
2018	\$ 185,837
2019	185,837
2020	318,837
2021	241,837
2022	1,837
Thereafter	29,384
	\$ 963,569

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 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 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.

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- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females, to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	22.5%	5.3%
Fixed income	28.5%	2.1%
Commodities	8.0%	2.5%
Absolute return	10.0%	3.3%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	5.0%	4.8%
Real estate	12.0%	4.0%
Alternative investments	15.0%	6.6%
Cash	3.0%	0.2%
Financing (LIBOR)	<u>-14.0%</u>	0.5%
	<u>100.0%</u>	

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

**Shanksville-Stonycreek School District  
Notes to Financial Statements  
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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 one percentage point lower (6.25%) or one 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	\$ 12,003,000	\$ 9,812,000	\$ 7,971,000

Pension plan fiduciary net position

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

**11. Post-employment Healthcare Benefits**

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

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

**Shanksville-Stonycreek School District**  
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**12. Postemployment Benefits**

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. Under GASB Statement No. 45, the District recognizes the cost of postemployment healthcare in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Because the District adopted the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 15 years, commencing with the 2010 liability.

Plan Description

The District provides continuation of medical (PPO) and pharmacy benefits to employees who retire from the District.

Eligibility

Age and service requirements for retirement vary by group as shown below. No benefits are provided upon termination of employment if retirement conditions are not met at termination. No benefits are provided to surviving dependents upon death if employee has not retired.

Teachers:	If hired on or before July 1, 2014, eligible for the District incentive upon retirement after attaining eligibility for PSERS retirement (superannuation or early retirement provisions), including at least 15 years with the Shanksville-Stonycreek School District. Otherwise, eligible to purchase coverage upon retirement after meeting the requirements of Act 110/43.
Administrators:	Eligible for the District incentive upon retirement after attaining eligibility for PSERS retirement (superannuation or early retirement provisions), including at least 15 years with the Shanksville-Stonycreek School District. Otherwise, eligible to purchase coverage upon retirement after meeting the requirements of Act 110/43.
Support Staff:	Eligible to purchase coverage upon retirement after completing 15 years of District service or meeting the requirements of Act 110/43.

Duration of Healthcare Benefits

Teachers:	Retiree coverage continues until age 65, death or qualification for Medicare if earlier. Spouse coverage continues until age 65, death, qualification for Medicare, or cessation of retiree coverage if earlier. Surviving spouses receive the remaining District incentive, if any.
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**Shanksville-Stonycreek School District  
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Administrators: Retiree coverage continues until age 65, or death or qualification for Medicare if earlier. Spouse coverage continues until age 65, death, qualification for Medicare, or cessation of retiree coverage if earlier. Surviving spouses receive the remaining District incentive, if any.

Support Staff: Retiree coverage continues until age 65, or death or qualification for Medicare if earlier. Spouse coverage continues until age 65, death, qualification for Medicare, or cessation of retiree coverage if earlier.

Participant Contributions

Teachers: Under the District incentive the retiree remits the PSERS premium assistance amount. The District provides an incentive amount of up to \$6,000 annually for up to 6 years. The retiree and spouse are responsible for any additional premium amounts. Under Act 110/43 the retiree and/or spouse pay the full premium amount.

Administrators: Under the District incentive the retiree remits the PSERS premium assistance amount. The District provides an incentive amount of up to \$6,500 annually for up to 6 years. The retiree and spouse are responsible for any additional premium amounts. Under Act 110/43 the retiree and/or spouse pay the full premium amount.

Support Staff: Retiree and/or spouse pay the full premium amount.

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

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

The number of participants as of July 1, 2015, the effective date of the triennial OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

	District
Active employees	49
Retired employees	5
Spouses of retired employees	<u>0</u>
Total	<u>54</u>

Funding Policy

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

**Shanksville-Stonycreek School District**  
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Annual Other Postemployment Benefit Cost

For the fiscal year ended June 30, 2017, the District's annual OPEB cost (i.e., expense) of \$114,393 is equal to the adjusted Annual Required Contribution. Considering the District's annual OPEB cost as well as the payment of current health insurance premiums, which totaled \$35,600, the result was an increase in the District's Net OPEB Obligation of \$78,793 for the year ended June 30, 2017.

District	
Actuarial Accrued Liability (AAL)	
Retired employees	\$ 204,600
Active employees	542,300
Unfunded actuarial accrued liability (UAAL)	<u>\$ 746,900</u>
Normal cost at beginning of year	\$ 32,700
Amortization factor based on 15 years	7.8202
Annual covered payroll	To be determined
UAAL as % of covered payroll	To be determined

District	
ARC Normal Cost	\$ 34,622
Amortization of UAAL	108,730
Annual required contribution (ARC)	143,352
Interest on Net OPEB Obligation	0
Adjustment to ARC	<u>(28,959)</u>
Annual OPEB cost (expense)	114,393
Contribution for the fiscal year	<u>(35,600)</u>
Increase in Net OPEB Obligation	78,793
Net OPEB Obligation June 30, 2016	259,808
Net OPEB Obligation June 30, 2017	<u>\$ 338,601</u>
Percent of annual OPEB cost contributed	31.1%

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation of the fiscal years ending June 30, 2017, 2016 and 2015 for the benefits were as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 114,393	31.1%	\$ 338,601
6/30/2016	\$ 110,603	33.4%	\$ 259,808
6/30/2015	\$ 82,354	39.7%	\$ 186,105

**Shanksville-Stonycreek School District**  
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Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Most included coverages are “community-rated” and annual premiums for community-rated coverages were used as a proxy for claims costs without age adjustment. The unfunded actuarial accrued liability is being amortized over 15 years on a closed level dollar basis.

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

In the July 1, 2015 actuarial valuation, the liabilities were computed using the projected unit credit method and closed level dollar amortization. The actuarial assumptions utilized a 3.25% discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in the selection of the 3.25% rate. The valuation assumes a 7.4% healthcare cost trend increase for fiscal year 2017-18, reduced to a rate of 5.0% by 2026.

**13. Long-Term Obligations**

During the fiscal year ended June 30, 2017, general long-term obligations changed as follows:

	Bonds Payable	Other Long-term Financing	Compensated Absences	Total General Long-term Obligations
Beginning of year	\$ 2,820,000	\$ 349,882	\$ 150,638	\$ 3,320,520
Principal retirement	(680,000)	(41,104)	0	(721,104)
Changes in compensated absences	<u>0</u>	<u>0</u>	<u>3,372</u>	<u>3,372</u>
End of year	2,140,000	308,778	154,010	2,602,788
Less: Current portion	(695,000)	(40,496)	(13,692)	(749,188)
Less: Original issue discount, net	(11,608)	0	0	(11,608)
Add: Original issue premium, net	<u>10,475</u>	<u>0</u>	<u>0</u>	<u>10,475</u>
Long-term liabilities	<u>\$ 1,443,867</u>	<u>\$ 268,282</u>	<u>\$ 140,318</u>	<u>\$ 1,852,467</u>



**Shanksville-Stonycreek School District**  
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The future annual payments required to amortize all outstanding debt and obligations, except for the compensated absences and the Technology Center debt, as of June 30, 2017, including total interest payments are as follows:

Year Ended June 30,	General Obligation Bonds/Notes		
	Interest	Principal	Total
2018	\$ 46,374	\$ 702,606	\$ 748,980
2019	31,668	712,759	744,427
2020	11,662	741,455	753,117
	<u>\$ 89,704</u>	2,156,820	<u>\$ 2,246,524</u>
Add: Technology Center Debt		291,958	
		<u>\$ 2,448,778</u>	

General Obligation Bonds, Series of 2014

The District issued General Obligation Bonds, Series of 2014, dated June 10, 2014, in the principal amount of \$2,000,000. The proceeds of the bonds were used to advance refund the District's General Obligation Bonds, Series of 2009 (\$1,945,000) and to pay all costs incidental to the issuance of these bonds. The present value of the net economic gain the School District realized as a result of the advance refunding of the Series of 2009 bonds is \$21,677. The bonds bear interest rates ranging from 0.25% to 2.0% with annual principal maturities from September 2014 through September 2018. The balance outstanding at June 30, 2017 was \$815,000.

General Obligation Bonds, Series of 2012

The District issued General Obligation Bonds, Series of 2012, dated March 15, 2012, in the principal amount of \$1,535,000. The proceeds of the bonds were used to advance refund the District's General Obligation Bonds, Series of 2006 (\$1,485,000) and to pay all costs incidental to the issuance of these bonds. The present value of the net economic gain the School District realized as a result of the advance refunding of the Series of 2006 bonds is \$53,714. The bonds bear interest rates ranging from 0.35% to 1.5% with annual principal maturities from September 2012 through September 2017. The balance outstanding at June 30, 2017 was \$275,000.

General Obligation Bonds, Series of 2011

The District issued General Obligation Bonds, Series of 2011, dated June 15, 2011, in the principal amount of \$1,110,000. The proceeds of the bonds were used to advance refund the District's General Obligation Bonds, Series of 2001 (\$1,015,000) and to pay all costs incidental to the issuance of these bonds. The present value of the net economic gain the School District realized as a result of the advance refunding of the Series of 2001 bonds is \$55,480. The bonds bear interest rates ranging from 2.80% to 3.15% with annual principal maturities from September 2012 through September 2019. The balance outstanding at June 30, 2017 was \$1,050,000.

Other Long-Term Financing: Dodge Truck Loan

In August 2015, the District entered into an agreement with First Peoples Community Federal Credit Union in the amount of \$30,279 for the purchase of a truck. The terms for repayment are as follows: interest at 2.00% per annum for a 48-month term (October 2015 – September 2019) and monthly payments of \$657.39 including interest. The balance outstanding at June 30, 2017 was \$16,820.

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

Other Long-Term Financing: Somerset County Technology Center

Other long-term liabilities at June 30, 2017 include Shanksville-Stonycreek School District's estimated share of the Series of 2011 General Obligation Note, related to the area vocational-technical school, issued in the principal amount of \$4,825,000. The proceeds of the note were used to refinance the Series 2004 State Public School Building Authority Bonds. This debt service is shared by eight surrounding school districts including Shanksville-Stonycreek School District.

The Series of 2011 Note has a scheduled maturity of May 15, 2025. Interest is payable semi-annually on May 15<sup>th</sup> and November 15<sup>th</sup>, commencing on November 15, 2011.

Shanksville-Stonycreek School District's prorated share of the scheduled debt service payments fluctuates based on the estimated market value of the real estate within the District. The Commonwealth of Pennsylvania establishes the annual debt allocation rate. Because of the fluctuating nature of the allocation rate, no schedule of future debt payments is presented. However, the District did recognize an estimated current (\$32,890) and long-term (\$259,068) liability for their estimated share of the future debt service principal payments. These estimates are based on the District's 2016-2017 debt allocation rate of 10.01%. Accordingly, the Shanksville-Stonycreek School District's share of the balance outstanding at June 30, 2017 is \$291,958.

Accumulated Compensated Absences

In accordance with accounting principles generally accepted in the United States of America, the District accrues liabilities for compensated absences. Compensated absences reflect the potential cost of sick leave earned by employees as of June 30, 2017. The School District allows all employees to accumulate their unused sick leave. Upon retirement, employees shall receive separation benefits based upon the total days of unused sick leave accumulated while in the employ of Shanksville-Stonycreek School District at the rate of \$50 per day for professional staff up to a maximum of 120 days and \$15 per day for administrators and support staff up to a maximum of 100 days.

The School District has computed a total liability of \$154,010 at June 30, 2017 with \$150,340 reflected in the General Fund and \$3,670 reflected in the proprietary fund. Due to the nature of the obligation for accrued separation benefits, annual requirements to amortize such obligations are not determinable and have not been presented.

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

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**14. Operating Leases**

The School District entered into noncancellable operating leases for copiers and a postage meter. Rental expenditures under all operating lease agreements were \$12,200. Future minimum rental payments required under operating leases that have remaining lease terms as of June 30 are as follows:

Year Ended <u>June 30,</u>	<u>Payment</u>
2018	\$ 6,129
2019	1,488
2020	1,488
2021	<u>1,166</u>
Total minimum payments required	<u>\$10,271</u>

**15. Interfund Transactions**

The following is a summary of interfund receivables and payables at June 30, 2017:

	<u>Receivables</u>	<u>Payables</u>
General Fund (Major Fund)	\$4,267	\$ 0
Food Service Fund (Major Fund)	0	4,014
Student Activities Fund (Fiduciary Fund)	<u>0</u>	<u>253</u>
	<u>\$4,267</u>	<u>\$4,267</u>

The School District typically pays food service employees and subsequently charges the Food Service Fund for reimbursement in order to assist the fund in providing meals. The amount owed to the General Fund by Food Service at June 30, 2017 represents summer wages. The amount owed to the General Fund by Student Activities at June 30, 2017 represents expenditures paid by the General Fund on behalf of student activities.

Interfund transactions during the year ended June 30, 2017 consisted of the following:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund (Major Fund)	\$ 0	\$ 739,826
Debt Service Fund (Major Fund)	739,826	0
General Fund (Major Fund)	0	274,887
Capital Projects Fund (Non-Major Fund)	274,887	0
General Fund (Major Fund)	0	80,000
Enterprise Fund - Food Service (Major Fund)	<u>80,000</u>	<u>0</u>
Total	<u>\$1,094,713</u>	<u>\$1,094,713</u>

The School District pays its debt service out of the Debt Service Fund, therefore, the General Fund transfers amounts each year to pay the annual debt service. The School District typically transfers funds each year from the General Fund to the Capital Projects Fund to fund future capital improvements. Further, the General Fund transfers funds to Food Service to assist in subsidizing operating expenditures, as needed.

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**16. Contingent Liabilities**

Grant Programs

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

**17. Self-Insurance - Medical Insurance**

The School District is participating in the insurance consortium with the Bedford-Somerset Consortium to provide for the medical care for eligible employees and their dependents. The consortium, which administers the plan, monitors the School's deposit into the school district trust account to be held for the benefits described above and Highmark Services, the plan administrator, processes and pays the claims. The consortium limits its liability by stop-loss insurance coverage. Shanksville-Stonycreek School District's liability at June 30, 2017, for unpaid claims incurred prior to fiscal year end is not readily determinable. No liability has been recorded for these claims at June 30, 2017, as the District recognizes medical claim expenses as claims are paid.

**18. Risk Management**

The District is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased various insurance policies to safeguard its assets from risk of loss. Insurance coverage appears to be consistent with previous years. During the year ended June 30, 2017 and the two previous fiscal years, no settlements exceeded insurance coverage.

**19. Related Party Transactions**

Intermediate Unit Participation

The District is a member of Appalachia Intermediate Unit 8. The District avails itself of various services provided by this membership including special education, curriculum development, and certain internal service functions. The total of services provided to Shanksville-Stonycreek School District for the year ended June 30, 2017 for Appalachia Intermediate Unit 8 programs amounted to \$100,430. At June 30, 2017, the District had a balance due to Appalachia IU8 of \$22,077.

Jointly Governed Organization

The School District governs, with seven other school districts, the Somerset County Technology Center. Each district is represented on the Technology Center's school board. Students of the Shanksville-Stonycreek School District have available at the Technology Center courses and curriculums related to the technical training fields. The District's portion of tuition payments for its students attending the Technology Center for fiscal year 2017 amounted to \$321,922.

**Shanksville-Stonycreek School District**  
**Notes to Financial Statements**  
**June 30, 2017**

**20. Economic Dependency**

Shanksville-Stonycreek School District receives approximately 40% of its revenue from the State of Pennsylvania in the form of state subsidies. Changes in funding levels by the State could have a material effect on future operations of the District.

**21. Nonmonetary Transactions**

The District receives one of its federal program subsidies by means of noncash transfer. The U.S. Department of Agriculture, through the Pennsylvania Department of Agriculture, provides food commodities under the National School Lunch Program. These nonmonetary commodity items are valued at market values and recorded as revenue as utilized. The total food commodities donated by the federal government for the fiscal year 2017 totaled \$14,158.

**22. Restatement of Fund Balance and Net Position**

Fund balance of the General Fund was restated effective July 1, 2016 to correct for understated state subsidy receivable (\$131,145). This restatement is reflected on both the fund financial statements and the government-wide financial statements, resulting in an increase in fund balance and net position of \$131,145.

**Shanksville-Stonycreek School District**  
**Required Supplementary Information – Pension Schedules**  
**June 30, 2017**

**Schedule of Proportionate Share of the Net Pension Liability**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability	0.0198%	0.0194%	0.0196%	0.0195%
District's proportionate share of net pension liability	\$ 9,812,000	\$ 8,403,000	\$ 7,758,000	\$ 7,983,000
District's covered-employee payroll*	\$ 2,568,132	\$ 2,497,935	\$ 2,504,981	\$ 2,506,790
District's proportionate share of net pension liability as percentage of its covered-employee payroll	382.07%	336.40%	309.70%	318.46%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%	54.49%

\*The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2016, 2015, 2014 and 2013).

**Schedule of District Contributions**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contributions	\$ 710,614	\$ 670,406	\$ 495,155	\$ 388,702
Contributions in relation to the contractually required contributions	<u>(710,614)</u>	<u>(670,406)</u>	<u>(495,155)</u>	<u>(388,702)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered-employee payroll	\$ 2,408,304	\$ 2,568,132	\$ 2,497,935	\$ 2,504,981
Contributions as a percentage of covered-employee payroll	29.51%	26.10%	19.82%	15.52%

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

See accompanying notes to basic financial statements.

**Shanksville-Stonycreek School District**  
**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balance – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final
	Original	Final	(Budgetary Basis)	Budget Favorable (Unfavorable)
<b>Revenues</b>				
Local sources	\$ 3,828,727	\$ 3,828,727	\$ 3,910,801	\$ 82,074
State sources	2,598,456	2,598,456	2,695,626	97,170
Federal sources	141,000	141,000	154,748	13,748
Total revenues	<u>6,568,183</u>	<u>6,568,183</u>	<u>6,761,175</u>	<u>192,992</u>
<b>Expenditures</b>				
Instruction:				
Regular programs	2,842,500	2,842,500	2,480,107	362,393
Special programs	546,100	546,100	508,918	37,182
Vocational education programs	330,000	330,000	321,922	8,078
Other instructional programs	11,450	11,450	5,028	6,422
Community/junior college programs	6,000	6,000	6,300	(300)
Pre-kindergarten	103,600	103,600	91,282	12,318
Support services:				
Pupil personnel	177,100	177,100	149,804	27,296
Instructional staff	467,000	467,000	340,622	126,378
Administration	597,100	597,100	518,375	78,725
Pupil health	109,600	109,600	98,503	11,097
Business	201,700	201,700	180,057	21,643
Operation and maintenance of plant	552,000	552,000	553,511	(1,511)
Student transportation	283,200	283,200	279,457	3,743
Other support services	5,000	5,000	2,901	2,099
Operation of noninstructional services:				
Student activities	166,600	166,600	122,406	44,194
Community services	2,400	2,400	1,882	518
Scholarships and awards	4,000	4,000	3,000	1,000
Capital outlay	20,000	20,000	0	20,000
Debt service:				
Principal and interest	54,000	54,000	52,315	1,685
Refund of prior year receipts	0	0	9,676	(9,676)
Total expenditures	<u>6,479,350</u>	<u>6,479,350</u>	<u>5,726,066</u>	<u>753,284</u>
Excess (deficiency) of revenues over expenditures	<u>88,833</u>	<u>88,833</u>	<u>1,035,109</u>	<u>946,276</u>
<b>Other financing sources (uses)</b>				
Transfers out	(785,000)	(785,000)	(1,094,713)	(309,713)
Budgetary reserve	(50,000)	(50,000)	0	50,000
Total other financing sources (uses)	<u>(835,000)</u>	<u>(835,000)</u>	<u>(1,094,713)</u>	<u>(259,713)</u>
Net change in fund balance	(746,167)	(746,167)	(59,604)	686,563
Fund balance, beginning of year, restated	<u>2,053,650</u>	<u>2,053,650</u>	<u>3,171,114</u>	<u>1,117,464</u>
Fund balance, end of year	<u>\$ 1,307,483</u>	<u>\$ 1,307,483</u>	<u>\$ 3,111,510</u>	<u>\$ 1,804,027</u>

See accompanying notes to basic financial statements.

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

**Independent Auditors' Report**

To the Members of the Board  
Shanksville-Stonycreek School District  
P.O. Box 128  
1325 Cornerstone Road  
Shanksville, Pennsylvania 15560-0128

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 Shanksville-Stonycreek School District as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Shanksville-Stonycreek School District's basic financial statements, and have issued our report thereon dated December 4, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Shanksville-Stonycreek School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Shanksville-Stonycreek 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

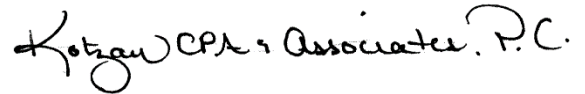


## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Shanksville-Stonycreek 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.



Kotzan CPA & Associates, P.C.  
Johnstown, Pennsylvania  
December 4, 2017