

# **GREENSBURG SALEM SCHOOL DISTRICT**

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

**GREENSBURG SALEM  
SCHOOL DISTRICT**  
WESTMORELAND COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

OTHER INFORMATION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE

WITH REPORTS OF  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
JUNE 30, 2017**

**GREENSBURG SALEM SCHOOL DISTRICT**  
**WESTMORELAND COUNTY, PENNSYLVANIA**  
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**WESTMORELAND COUNTY, PENNSYLVANIA**  
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**To the Management and Board of Education  
Greensburg Salem School District**

## **Independent Auditor's Report**

### **Report on Financial Statements**

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

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

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

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iv-viii and other required supplementary information on pages 42-44, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

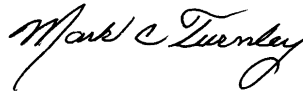
### ***Other Information***

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated December 29, 2017 on my consideration of the Greensburg Salem School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Greensburg Salem School District's internal control over financial reporting and compliance.



Mark C. Turnley, CPA

December 29, 2017  
New Brighton, Pennsylvania

**GREENSBURG SALEM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
AS OF JUNE 30, 2017**

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34 Basic Financial Statements and Management's Discussion and Analysis for State & Local Governments.

The discussion and analysis of the Greensburg Salem School District's financial reporting provides an overall perspective of the District's financial activities for the fiscal year ended June 30, 2017. As this analysis is intended to be an overall District review, the readers should also examine the financial statements as well as the notes to the financial statements to enhance their understanding of the District's financial performance. Also, the District has provided comparative data for the prior year ended June 30, 2016 and the current year for this Management's Discussion and Analysis.

## **FINANCIAL STATEMENTS**

The Annual Financial Report contains two different series of financial statements.

The first sequence of reports is the government-wide presentation of financial operations combining the governmental fund activities as well as separately reporting on the business-type activities of the District (proprietary fund). For the Greensburg Salem School District, the governmental funds are the General Fund and the Capital Projects Fund. These funds include all the District's primary services and programs such as instruction, administration and athletics. The Greensburg Salem School District operates one proprietary fund, which is the Food Services Fund. The various statements report the District's net position that include all assets and liabilities as well as the current year's revenues and expenses recorded on an accrual basis. The accrual basis of accounting recognizes resources and obligations as they are earned and incurred regardless of when cash is received or paid.

The second series of reports are fund specific and detail the individual operations within each governmental fund as well as the proprietary and fiduciary funds. Most of the District's financial activities are reported in the governmental funds as noted above. These funds are reported on a modified accrual accounting basis that focuses on 1) how cash and other financial assets that can be readily converted to cash, flow in and out and 2) the balances left at year-end that are available for spending. Accordingly, this basis of accounting details primarily short-term operations.



**GREENSBURG SALEM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
AS OF JUNE 30, 2017**

**FINANCIAL STATEMENTS (Continued)**

The proprietary fund statements account for District activities, which are similar to a business or the private sector operations. The focus of this fund is on net income and financial position. A significant portion of this income is derived from user charges. The District also operates a Fiduciary Fund that is excluded from government-wide reporting. The District serves as a trustee or fiduciary for scholarship funds and agency funds. These funds cannot be used to finance any other District operations.

**FINANCIAL ANALYSIS – GOVERNMENT-WIDE STATEMENTS**

The government-wide statements report financial and economic resource information on the full-accrual method regardless of when cash is received or paid.

The District's total assets and deferred outflows of resources are valued at \$40,678,672. Capital and other long-term assets, representing 74% of the government-wide assets, are valued at \$29,929,767 net of depreciation. The remaining 26% or \$10,748,905 of the District's government-wide assets is current assets such as cash/cash equivalents, investments and short-term receivables.

The District's governmental and business-type activity liabilities and deferred inflows of resources of \$97,444,036 are comprised of 9% (\$8,545,117) in current obligations and 91% (\$88,898,919) in long-term obligations. Current obligations consist primarily of accrued salaries and benefits as well as the current portion of long-term debt immediately due. The long-term obligations are bonds payable, net OPEB obligation, employee compensated absences, and the District's net pension obligation which requires the District to report its proportionate share of the Public School Employees Retirement System (PSERS) net pension obligation, which for the Greensburg Salem School District totaled \$64,870,000 at June 30, 2017.

The School District's Long-Term Bonds Payable at June 30, 2017 totaled \$22,615,000. A portion of the District's debt service obligations are refunded by the state during the course of the year when payments are made, 2016-2017 the district received reimbursements totaling \$945,066.

The District's Net OPEB liability is \$1,345,206 as of June 30, 2017. Compensated absences decreased in 2016-2017 from \$976,018 to \$967,404.

**GREENSBURG SALEM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
AS OF JUNE 30, 2017**

**FINANCIAL ANALYSIS – GOVERNMENT-WIDE STATEMENTS (Continued)**

On June 30, 2016, the District reported a net position deficit of (\$57,956,079). For the current year ended June 30, 2017, the District's net position deficit has decreased to (\$56,765,364). As previously mentioned, the most significant portion of the District's deficit net position is its net pension liability of \$64,870,000 as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 68.

General revenues for governmental activities as displayed in the Statement of Activities for 2016/2017 compared to 2015/2016 are as follows:

| <b>Description</b>          | <b>2015-2016</b> | <b>2016-2017</b> | <b>Increase/(Decrease)</b> |
|-----------------------------|------------------|------------------|----------------------------|
| Property and Other Taxes    | \$23,173,606     | \$23,480,539     | \$ 306,933                 |
| Property Tax Relief         | \$ 829,789       | \$ 829,795       | \$ 6                       |
| Basic Subsidy               | \$ 9,914,180     | \$10,215,673     | \$ 301,493                 |
| Investment Earnings         | \$ 27,100        | \$ 46,074        | \$ 18,974                  |
| Disposition of Fixed Assets | \$ 500           | \$ 1,850         | \$ 1,350                   |

The District increased the real estate tax millage from 84.52 to 87.22 for the 2016-2017 year.

The Statement of Activities for the District details the current year's operations. The expenses are detailed by specific activity and include assigned depreciation, compensated absence and retiree health care liabilities. These items are non-cash outlays.

Expenses for governmental activities as displayed in the Statement of Activities are as follows:

| <b>Description</b>               | <b>2015-2016</b> | <b>2016-2017</b> | <b>Increase/(Decrease)</b> |
|----------------------------------|------------------|------------------|----------------------------|
| Instructional Services           | \$27,327,070     | \$28,373,413     | \$ 1,046,343               |
| Institutional Student Support    | \$ 3,045,701     | \$ 3,263,793     | \$ 218,092                 |
| Administrative/Financial Support | \$ 3,666,928     | \$ 3,524,098     | \$ (142,830)               |
| Operation/Plant Services         | \$ 3,929,188     | \$ 4,017,399     | \$ 88,211                  |
| Pupil Transportation             | \$ 2,601,347     | \$ 2,771,970     | \$ 170,623                 |

The above expenses reflect annual depreciation expense of \$1,674,023. Of note, increase in all categories above are a result of increased health insurance premiums and the state mandated employer PSERS contributions. Pupil Transportation increased due to the need of specialized transportation based on specific student needs. Administrative/Financial Support decreased due to a change in staff structure and reduction in equipment and supplies from previous year.

**GREENSBURG SALEM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
AS OF JUNE 30, 2017**

**FINANCIAL ANALYSIS – FUND STATEMENTS**

Fund Balance is the amount of reserve or “equity” the District has accumulated over time and can be committed and/or assigned for a specific use or unassigned and considered available for appropriations as approved by the School Board.

The comparative change in Unassigned General Fund balance is as follows:

| <b>Fund Balance</b> | <b>2016-2017</b> | <b>2015-2016</b> | <b>Change</b> |
|---------------------|------------------|------------------|---------------|
| Unassigned          | \$3,336,528      | \$2,101,013      | \$1,235,515   |

District revenue comes from three sources – local, state and federal. Local revenue is primarily tax revenue from real estate and earned income and provided \$24,678,765 or 55% of the total revenue for the District. State revenue consists of subsidies that amounted to 43% or \$19,096,999 for the current year. Federal grant awards provided only 2% of the District’s revenue. General fund revenue for the current year was \$44,688,580 which was more than the previous year’s amount of \$42,822,650. Current year revenue was spent for operating expenditures of \$43,416,046.

A comparison between the preceding and current year expenditures is as follows:

| <b>Program</b>             | <b>2016-2017</b> | <b>2015-2016</b> | <b>Increase/ (Decrease)</b> |
|----------------------------|------------------|------------------|-----------------------------|
| Instruction                | \$26,505,461     | \$25,860,248     | \$ 645,213                  |
| Support Services           | \$12,749,965     | \$12,330,403     | \$ 419,562                  |
| Non-Instructional Services | \$1,044,638      | \$1,037,699      | \$ 6,939                    |
| Debt Service & Others      | \$3,015,982      | \$3,283,042      | \$ (267,060)                |

The district’s employer pension contribution increased \$886,555 or 20.2%, for 2016-17 to \$5,270,369 compared to \$4,383,814 in 2015-16. Outside placements of students to charter schools, approved special education private schools, vocational schools and other public schools decreased over the past year by 4.22% to \$2,833,003. Tuition to the vocational technology schools increased over the past year by 38% to \$584,139 due to an increased number of students attending these facilities. The District continues to commit funds to improving the technology infrastructure for students and staff.

Overall, General Fund revenues exceeded expenditures by \$1,272,534 increasing the overall fund balance to \$4,180,216.

**GREENSBURG SALEM SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
AS OF JUNE 30, 2017**

**FINANCIAL ANALYSIS – FUND STATEMENTS (Continued)**

**FUTURE ISSUES AND CONCERNS**

Lack of additional state and federal revenues, causing continued strain on the local taxpayers continues to be the immediate concern. State support in the form of general fund revenues continue to fall well below costly state mandates, passing the burden onto the local economy. Real property assessed values have remained stable within the school district.

Personnel related expenses, such as salaries, health care and mandatory retirement contributions continue to rise, causing the District to budget additional funds for such increases. The District, through the work of the Westmoreland County Public School Healthcare Consortium, have contained health care costs, increasing premiums by a modest 1.00% last year. Mandatory retirement contributions increased by 8.5% from 30.03% to 32.57% for the new fiscal year, with another 2.64% (33.43%) increase for the following year.

Student enrollment has declined slightly of the past year throughout the District. Administration continues to evaluate curriculum, staffing levels and labor costs when preparing its annual budget. The District will continue collaborating with higher education and community and workplace leaders to have students prepared for college and/or career. The District has worked to give all students, including those with complex instructional needs, access to the district curriculum and PA standards. Providing the needed services and supports continue to significantly impact the district budgets.

The District currently has a three year labor agreement with the Greensburg Salem Education Association that will expire June 30, 2019. The labor agreement with the Maintenance and Custodial Workers – Local 506 that will expire on June 30, 2018. The District has current board policies for secretaries, support staff and administrative staff that are set to expire June 30, 2020.

Finally, the district continues to assess its aging facilities. The District's Community Facility Committee met with the Board of School Directors to present a summary of the state of its facilities and short term and long term recommendations.

*James J. Meyer*  
James J. Meyer  
Business Manager

**GREENSBURG SALEM SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

**EXHIBIT A**

|                                                                               | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>           |
|-------------------------------------------------------------------------------|------------------------------------|-------------------------------------|------------------------|
| <b>ASSETS</b>                                                                 |                                    |                                     |                        |
| <b>Current Assets:</b>                                                        |                                    |                                     |                        |
| Cash and Cash Equivalents                                                     | \$ 6,906,927                       | \$ -                                | \$ 6,906,927           |
| Investments                                                                   | 694,695                            | -                                   | 694,695                |
| Taxes Receivable, net                                                         | 926,593                            | -                                   | 926,593                |
| Due From Other Funds                                                          | 384                                | -                                   | 384                    |
| Due From Other Governments                                                    | 1,545,379                          | -                                   | 1,545,379              |
| Other Receivables                                                             | 23,149                             | 38,759                              | 61,908                 |
| Prepaid Expenses                                                              | 606,249                            | -                                   | 606,249                |
| Inventories                                                                   | -                                  | 6,770                               | 6,770                  |
| <b>Total Current Assets</b>                                                   | <b>\$ 10,703,376</b>               | <b>\$ 45,529</b>                    | <b>\$ 10,748,905</b>   |
| <b>Noncurrent Assets:</b>                                                     |                                    |                                     |                        |
| Land                                                                          | \$ 5,001,622                       | \$ -                                | \$ 5,001,622           |
| Site Improvements (net)                                                       | 103,181                            | -                                   | 103,181                |
| Building & Building Improvements (net)                                        | 11,245,531                         | -                                   | 11,245,531             |
| Furniture & Equipment (net)                                                   | 1,689,275                          | -                                   | 1,689,275              |
| Infrastructure (net)                                                          | 922,407                            | -                                   | 922,407                |
| <b>Total Noncurrent Assets</b>                                                | <b>\$ 18,962,016</b>               | <b>\$ -</b>                         | <b>\$ 18,962,016</b>   |
| <b>TOTAL ASSETS</b>                                                           | <b>\$ 29,665,392</b>               | <b>\$ 45,529</b>                    | <b>\$ 29,710,921</b>   |
| <b>Deferred Outflows of Resources:</b>                                        |                                    |                                     |                        |
| Deferred Outflows Related to Pension                                          | \$ 10,967,751                      | \$ -                                | \$ 10,967,751          |
| <b>Total Deferred Outflows of Resources</b>                                   | <b>\$ 10,967,751</b>               | <b>\$ -</b>                         | <b>\$ 10,967,751</b>   |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS<br/>OF RESOURCES</b>                  | <b>\$ 40,633,143</b>               | <b>\$ 45,529</b>                    | <b>\$ 40,678,672</b>   |
| <b>LIABILITIES</b>                                                            |                                    |                                     |                        |
| <b>Current Liabilities:</b>                                                   |                                    |                                     |                        |
| Accounts Payable                                                              | \$ 338,664                         | \$ 2,225                            | \$ 340,889             |
| Current Portion - Long Term Debt                                              | 2,770,000                          | -                                   | 2,770,000              |
| Accrued Interest                                                              | 265,342                            | -                                   | 265,342                |
| Accrued Salaries and Benefits                                                 | 4,828,495                          | -                                   | 4,828,495              |
| Payroll Deductions and Withholdings                                           | 174,239                            | -                                   | 174,239                |
| Unearned Revenues                                                             | 134,589                            | 21,008                              | 155,597                |
| Other Current Liabilities                                                     | 10,555                             | -                                   | 10,555                 |
| <b>Total Current Liabilities</b>                                              | <b>\$ 8,521,884</b>                | <b>\$ 23,233</b>                    | <b>\$ 8,545,117</b>    |
| <b>Noncurrent Liabilities:</b>                                                |                                    |                                     |                        |
| Bonds Payable - Long Term Portion                                             | \$ 20,218,309                      | \$ -                                | \$ 20,218,309          |
| Net Pension Liability                                                         | 64,870,000                         | -                                   | 64,870,000             |
| Net OPEB Obligation                                                           | 1,345,206                          | -                                   | 1,345,206              |
| Compensated Absences - Long Term Portion                                      | 917,404                            | -                                   | 917,404                |
| <b>Total Noncurrent Liabilities</b>                                           | <b>\$ 87,350,919</b>               | <b>\$ -</b>                         | <b>\$ 87,350,919</b>   |
| <b>TOTAL LIABILITIES</b>                                                      | <b>\$ 95,872,803</b>               | <b>\$ 23,233</b>                    | <b>\$ 95,896,036</b>   |
| <b>Deferred Inflows of Resources:</b>                                         |                                    |                                     |                        |
| Deferred Inflows Related to Pension                                           | \$ 1,548,000                       | \$ -                                | \$ 1,548,000           |
| <b>Total Deferred Inflows of Resources</b>                                    | <b>\$ 1,548,000</b>                | <b>\$ -</b>                         | <b>\$ 1,548,000</b>    |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>                  | <b>\$ 97,420,803</b>               | <b>\$ 23,233</b>                    | <b>\$ 97,444,036</b>   |
| <b>NET POSITION</b>                                                           |                                    |                                     |                        |
| Net Investment in Capital Assets <Deficit>                                    | \$ (3,976,293)                     | \$ -                                | \$ (3,976,293)         |
| Restricted                                                                    | 237,439                            | -                                   | 237,439                |
| Unrestricted <Deficit>                                                        | (53,048,806)                       | 22,296                              | (53,026,510)           |
| <b>Total Net Position &lt;Deficit&gt;</b>                                     | <b>\$ (56,787,660)</b>             | <b>\$ 22,296</b>                    | <b>\$ (56,765,364)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND NET POSITION</b> | <b>\$ 40,633,143</b>               | <b>\$ 45,529</b>                    | <b>\$ 40,678,672</b>   |

The accompanying notes are an integral part of these financial statements

**GREENSBURG SALEM SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

| Functions/Programs                                | Expenses             | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                        |
|---------------------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|------------------------|
|                                                   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total                  |
| <b>Governmental Activities:</b>                   |                      |                      |                                    |                                  |                                                   |                          |                        |
| Instruction                                       | \$ 28,373,413        | \$ 169,992           | \$ 6,762,701                       | \$ -                             | \$ (21,440,720)                                   |                          | \$ (21,440,720)        |
| Instructional Student Support                     | 3,263,793            | -                    | 373,926                            | -                                | (2,889,867)                                       |                          | (2,889,867)            |
| Administrative and Financial Support Services     | 3,524,098            | -                    | 365,024                            | -                                | (3,159,074)                                       |                          | (3,159,074)            |
| Operation and Maintenance of Plant Services       | 4,017,399            | 43,819               | 262,530                            | -                                | (3,711,050)                                       |                          | (3,711,050)            |
| Pupil Transportation                              | 2,771,970            | 54,229               | 997,198                            | -                                | (1,720,543)                                       |                          | (1,720,543)            |
| Student Activities                                | 1,066,200            | 40,934               | 98,162                             | -                                | (927,104)                                         |                          | (927,104)              |
| Community Services                                | 24,825               | -                    | 8,921                              | -                                | (15,904)                                          |                          | (15,904)               |
| Scholarship                                       | 3,718                | -                    | -                                  | -                                | (3,718)                                           |                          | (3,718)                |
| Interest on Long-Term Debt                        | 457,797              | -                    | -                                  | 945,066                          | 487,269                                           |                          | 487,269                |
| <b>Total Governmental Activities</b>              | <b>\$ 43,503,213</b> | <b>\$ 308,974</b>    | <b>\$ 8,868,462</b>                | <b>\$ 945,066</b>                | <b>\$ (33,380,711)</b>                            |                          | <b>\$ (33,380,711)</b> |
| <b>Business-Type activities:</b>                  |                      |                      |                                    |                                  |                                                   |                          |                        |
| Food Service                                      | \$ 1,482,039         | \$ 556,141           | \$ 923,393                         | \$ -                             | \$ -                                              | \$ (2,505)               | \$ (2,505)             |
| <b>Total Business-Type Activities</b>             | <b>\$ 1,482,039</b>  | <b>\$ 556,141</b>    | <b>\$ 923,393</b>                  | <b>\$ -</b>                      | <b>\$ -</b>                                       | <b>\$ (2,505)</b>        | <b>\$ (2,505)</b>      |
| <b>Total Primary Government</b>                   | <b>\$ 44,985,252</b> | <b>\$ 865,115</b>    | <b>\$ 9,791,855</b>                | <b>\$ 945,066</b>                | <b>\$ (33,380,711)</b>                            | <b>\$ (2,505)</b>        | <b>\$ (33,383,216)</b> |
| <b>General Revenues:</b>                          |                      |                      |                                    |                                  |                                                   |                          |                        |
| Taxes:                                            |                      |                      |                                    |                                  |                                                   |                          |                        |
| Property Taxes, Levied for General Purposes (net) |                      |                      |                                    |                                  | \$ 20,418,854                                     | \$ -                     | \$ 20,418,854          |
| Taxes Levied for Specific Purposes                |                      |                      |                                    |                                  | 3,061,685                                         | -                        | 3,061,685              |
| State Property Tax Relief                         |                      |                      |                                    |                                  | 829,795                                           | -                        | 829,795                |
| Basic Subsidy                                     |                      |                      |                                    |                                  | 10,215,673                                        | -                        | 10,215,673             |
| Investment Earnings                               |                      |                      |                                    |                                  | 46,074                                            | -                        | 46,074                 |
| Disposition of Fixed Assets                       |                      |                      |                                    |                                  | 1,850                                             | -                        | 1,850                  |
| <b>Total General Revenues</b>                     |                      |                      |                                    |                                  | <b>\$ 34,573,931</b>                              | <b>\$ -</b>              | <b>\$ 34,573,931</b>   |
| <b>Change in Net Assets</b>                       |                      |                      |                                    |                                  | <b>\$ 1,193,220</b>                               | <b>\$ (2,505)</b>        | <b>\$ 1,190,715</b>    |
| Net Position — July 1, 2016 (Deficit)             |                      |                      |                                    |                                  | (57,980,880)                                      | 24,801                   | (57,956,079)           |
| <b>Net Position — June 30, 2017 (Deficit)</b>     |                      |                      |                                    |                                  | <b>\$ (56,787,660)</b>                            | <b>\$ 22,296</b>         | <b>\$ (56,765,364)</b> |

The accompanying notes are an integral part of these financial statements

**GREENSBURG SALEM SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

**EXHIBIT C**

|                                                                           | GENERAL<br>FUND      | CAPITAL<br>PROJECTS<br>FUND | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---------------------------------------------------------------------------|----------------------|-----------------------------|--------------------------------|
| <b>ASSETS:</b>                                                            |                      |                             |                                |
| Cash and Cash Equivalents                                                 | \$ 6,620,309         | \$ 286,618                  | \$ 6,906,927                   |
| Investments                                                               | 694,695              | -                           | 694,695                        |
| Taxes Receivable, net                                                     | 926,593              | -                           | 926,593                        |
| Due From Other Funds                                                      | 384                  | -                           | 384                            |
| Due From Other Governments                                                | 1,545,379            | -                           | 1,545,379                      |
| Other Receivables                                                         | 23,149               | -                           | 23,149                         |
| Prepaid Expenses                                                          | 606,249              | -                           | 606,249                        |
| <b>TOTAL ASSETS</b>                                                       | <b>\$ 10,416,758</b> | <b>\$ 286,618</b>           | <b>\$ 10,703,376</b>           |
| <br><b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b>   |                      |                             |                                |
| <b>LIABILITIES:</b>                                                       |                      |                             |                                |
| Accounts Payable                                                          | \$ 338,664           | \$ -                        | \$ 338,664                     |
| Accrued Salaries and Benefits                                             | 4,828,495            | -                           | 4,828,495                      |
| Payroll Deductions and Withholdings                                       | 174,239              | -                           | 174,239                        |
| Unearned Revenues                                                         | 134,589              | -                           | 134,589                        |
| Other Current Liabilities                                                 | 10,555               | -                           | 10,555                         |
| <b>TOTAL LIABILITIES</b>                                                  | <b>\$ 5,486,542</b>  | <b>\$ -</b>                 | <b>\$ 5,486,542</b>            |
| <br><b>DEFERRED INFLOWS OF RESOURCES:</b>                                 |                      |                             |                                |
| Delinquent Real Estate Taxes                                              | \$ 750,000           | \$ -                        | \$ 750,000                     |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                | <b>\$ 750,000</b>    | <b>\$ -</b>                 | <b>\$ 750,000</b>              |
| <br><b>FUND BALANCES:</b>                                                 |                      |                             |                                |
| Nonspendable                                                              | \$ 606,249           | \$ -                        | \$ 606,249                     |
| Restricted                                                                | 237,439              | -                           | 237,439                        |
| Assigned                                                                  | -                    | 286,618                     | 286,618                        |
| Unassigned                                                                | 3,336,528            | -                           | 3,336,528                      |
| <b>TOTAL FUND BALANCES</b>                                                | <b>\$ 4,180,216</b>  | <b>\$ 286,618</b>           | <b>\$ 4,466,834</b>            |
| <b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES</b> | <b>\$ 10,416,758</b> | <b>\$ 286,618</b>           | <b>\$ 10,703,376</b>           |

The accompanying notes are an integral part of these financial statements

**GREENSBURG SALEM SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

**Total Fund Balances - Governmental Funds** **\$ 4,466,834**

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$72,811,469 and the accumulated depreciation is \$53,849,453. 18,962,016

Property and wage taxes receivable in the statement of net position, which will not be available soon enough to pay for the current period's expenditures, are deferred and not recognized as revenue in governmental funds. 750,000

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

Deferred outflows of resources related to pensions 10,967,751

Deferred inflows of resources related to pensions (1,548,000)

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

|                                 |              |                     |
|---------------------------------|--------------|---------------------|
| Bonds payable                   | \$22,615,000 |                     |
| Accrued interest on the bonds   | 265,342      |                     |
| Unamortized bond discount costs | (104,976)    |                     |
| Bond premiums                   | 428,285      |                     |
| Net Pension Liability           | 64,870,000   |                     |
| Net OPEB liability              | 1,345,206    |                     |
| Compensated absences            | 967,404      | <u>(90,386,261)</u> |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES <Deficit>** **\$ (56,787,660)**



**GREENSBURG SALEM SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

|                                                              | <u>GENERAL FUND</u>  | <u>CAPITAL<br/>PROJECTS<br/>FUND</u> | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
|--------------------------------------------------------------|----------------------|--------------------------------------|-----------------------------------------|
| <b><u>REVENUES</u></b>                                       |                      |                                      |                                         |
| Local Sources                                                | \$ 24,678,765        | \$ 597                               | \$ 24,679,362                           |
| State Sources                                                | 19,096,999           | -                                    | 19,096,999                              |
| Federal Sources                                              | 912,816              | -                                    | 912,816                                 |
| <b>Total Revenue</b>                                         | <b>\$ 44,688,580</b> | <b>\$ 597</b>                        | <b>\$ 44,689,177</b>                    |
| <b><u>EXPENDITURES</u></b>                                   |                      |                                      |                                         |
| Instruction                                                  | \$ 26,505,461        | \$ -                                 | \$ 26,505,461                           |
| Support Services                                             | 12,749,965           | -                                    | 12,749,965                              |
| Noninstructional Services                                    | 1,044,638            | -                                    | 1,044,638                               |
| Capital Outlay                                               | -                    | 102,605                              | 102,605                                 |
| Debt Service                                                 | 3,015,982            | -                                    | 3,015,982                               |
| <b>Total Expenditures</b>                                    | <b>\$ 43,316,046</b> | <b>\$ 102,605</b>                    | <b>\$ 43,418,651</b>                    |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 1,372,534</b>  | <b>\$ (102,008)</b>                  | <b>\$ 1,270,526</b>                     |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                 |                      |                                      |                                         |
| Operating Transfers In                                       | \$ -                 | \$ 100,000                           | \$ 100,000                              |
| Operating Transfers Out                                      | (100,000)            | -                                    | (100,000)                               |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ (100,000)</b>  | <b>\$ 100,000</b>                    | <b>\$ (100,000)</b>                     |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 1,272,534</b>  | <b>\$ (2,008)</b>                    | <b>\$ 1,270,526</b>                     |
| FUND BALANCE - JULY 1, 2016                                  | 2,907,682            | 288,626                              | 3,196,308                               |
| <b>FUND BALANCE - JUNE 30, 2017</b>                          | <b>\$ 4,180,216</b>  | <b>\$ 286,618</b>                    | <b>\$ 4,466,834</b>                     |

The accompanying notes are an integral part of these financial statements

**GREENSBURG SALEM SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 1,270,526**

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

|                                                                                                                                                                                                                                                                                                                                                                                                  |                                   |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$1,674,023) exceeds net capital outlays (\$523,490) in the period.                                                              | (1,150,533)                       |
| Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.                                                                                                                                                                             | (1,144,597)                       |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.                                                                                                                                                                                                                                       | 2,335,000                         |
| Bond premiums are reported in governmental funds as revenues. However, in the statement of activities, this amount is capitalized and is accreted over the life of the bond issue as interest expense.                                                                                                                                                                                           | 210,444                           |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.      | 28,389                            |
| Bond discount costs are reported in governmental funds as expenditures. However, in the statement of activities, these costs are capitalized and amortized over the life of the bond issue and charged to interest expense.                                                                                                                                                                      | (15,648)                          |
| In the statement of activities, certain operating expenses - compensated absences and retiree health benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This year, compensated absences and retiree health benefits earned exceeded the amount paid. | <u>(340,361)</u>                  |
| <b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>                                                                                                                                                                                                                                                                                                                                         | <b><u><u>\$ 1,193,220</u></u></b> |

**GREENSBURG SALEM SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, BUDGET AND ACTUAL**  
**GOVERNMENTAL FUNDS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

|                                                               | Budgeted Amounts     |                      | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------------|----------------------|----------------------|-----------------------------|---------------------------------------------------------|
|                                                               | Original             | Final                |                             |                                                         |
| <b>REVENUES</b>                                               |                      |                      |                             |                                                         |
| Local Sources                                                 | \$ 23,968,186        | \$ 24,060,247        | \$ 24,678,765               | \$ 618,518                                              |
| State Sources                                                 | 18,333,327           | 18,333,327           | 19,096,999                  | 763,672                                                 |
| Federal Sources                                               | 938,322              | 938,322              | 912,816                     | (25,506)                                                |
| <b>Total Revenues</b>                                         | <b>\$ 43,239,835</b> | <b>\$ 43,331,896</b> | <b>\$ 44,688,580</b>        | <b>\$ 1,356,684</b>                                     |
| <b>EXPENDITURES</b>                                           |                      |                      |                             |                                                         |
| Regular Programs                                              | \$ 18,826,610        | \$ 18,736,832        | \$ 18,786,725               | \$ (49,893)                                             |
| Special Programs                                              | 7,067,994            | 6,974,435            | 6,732,731                   | 241,704                                                 |
| Vocational Programs                                           | 593,931              | 593,931              | 604,928                     | (10,997)                                                |
| Other Instructional Programs                                  | 195,401              | 363,502              | 374,566                     | (11,064)                                                |
| Nonpublic School Programs                                     | -                    | 6,511                | 6,511                       | -                                                       |
| Pupil Personnel Services                                      | 952,500              | 959,561              | 950,556                     | 9,005                                                   |
| Instructional Staff Services                                  | 1,795,224            | 1,795,224            | 1,743,663                   | 51,561                                                  |
| Administrative Services                                       | 2,690,323            | 2,874,143            | 2,813,351                   | 60,792                                                  |
| Pupil Health                                                  | 377,843              | 386,026              | 426,796                     | (40,770)                                                |
| Business Services                                             | 404,956              | 404,956              | 376,613                     | 28,343                                                  |
| Operation & Maintenance of Plant Services                     | 3,467,256            | 3,467,256            | 3,461,637                   | 5,619                                                   |
| Student Transportation Services                               | 2,751,094            | 2,751,094            | 2,765,563                   | (14,469)                                                |
| Central Services                                              | 188,810              | 188,810              | 188,153                     | 657                                                     |
| Other Support Services                                        | 24,217               | 24,217               | 23,633                      | 584                                                     |
| Student Activities                                            | 1,048,799            | 1,048,799            | 1,016,095                   | 32,704                                                  |
| Community Services                                            | 7,200                | 8,922                | 24,825                      | (15,903)                                                |
| Scholarship                                                   | -                    | -                    | 3,718                       | (3,718)                                                 |
| Debt Service                                                  | 3,020,478            | 3,020,478            | 3,015,982                   | 4,496                                                   |
| <b>Total Expenditures</b>                                     | <b>\$ 43,412,636</b> | <b>\$ 43,604,697</b> | <b>\$ 43,316,046</b>        | <b>\$ 288,651</b>                                       |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ (172,801)</b>  | <b>\$ (272,801)</b>  | <b>\$ 1,372,534</b>         | <b>\$ 1,645,335</b>                                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                      |                      |                             |                                                         |
| Budgetary Reserve                                             | \$ (100,000)         | \$ -                 | \$ -                        | \$ -                                                    |
| Interfund Transfers Out                                       | -                    | -                    | (100,000)                   | (100,000)                                               |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (100,000)</b>  | <b>\$ -</b>          | <b>\$ (100,000)</b>         | <b>\$ (100,000)</b>                                     |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ (272,801)</b>  | <b>\$ (272,801)</b>  | <b>\$ 1,272,534</b>         | <b>\$ 1,545,335</b>                                     |
| FUND BALANCE - JULY 1, 2016                                   | 2,196,424            | 2,196,424            | 2,907,682                   | 711,258                                                 |
| <b>FUND BALANCE - JUNE 30, 2017</b>                           | <b>\$ 1,923,623</b>  | <b>\$ 1,923,623</b>  | <b>\$ 4,180,216</b>         | <b>\$ 2,256,593</b>                                     |

The accompanying notes are an integral part of these financial statements

**GREENSBURG SALEM SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

|                                           | <b>FOOD<br/>SERVICES</b> |
|-------------------------------------------|--------------------------|
| <b>ASSETS</b>                             |                          |
| <b>Current Assets:</b>                    |                          |
| Other Receivables                         | \$ 38,759                |
| Inventories                               | 6,770                    |
| <b>TOTAL CURRENT ASSETS</b>               | <b>\$ 45,529</b>         |
| <b>TOTAL ASSETS</b>                       | <b>\$ 45,529</b>         |
| <br><b>LIABILITIES</b>                    |                          |
| <b>Current Liabilities:</b>               |                          |
| Accounts Payable                          | \$ 2,225                 |
| Unearned Revenues                         | 21,008                   |
| <b>TOTAL CURRENT LIABILITIES</b>          | <b>\$ 23,233</b>         |
| <b>TOTAL LIABILITIES</b>                  | <b>\$ 23,233</b>         |
| <br><b>NET POSITION</b>                   |                          |
| Unrestricted                              | \$ 22,296                |
| <b>TOTAL NET POSITION</b>                 | <b>\$ 22,296</b>         |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>\$ 45,529</b>         |

The accompanying notes are an integral part of these financial statements

**GREENSBURG SALEM SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

|                                                | <b><u>FOOD SERVICES</u></b> |
|------------------------------------------------|-----------------------------|
| <b><u>OPERATING REVENUES</u></b>               |                             |
| Food Services Revenue                          | \$ 556,141                  |
| <b>Total Operating Revenues</b>                | <b>\$ 556,141</b>           |
| <b><u>OPERATING EXPENSES</u></b>               |                             |
| Purchased Professional and Technical Services  | \$ 7,650                    |
| Other Purchased Services                       | 1,392,075                   |
| Supplies                                       | 74,878                      |
| Property                                       | 7,256                       |
| Other Objects                                  | 180                         |
| <b>Total Operating Expenses</b>                | <b>\$ 1,482,039</b>         |
| <b>OPERATING INCOME/(LOSS)</b>                 | <b>\$ (925,898)</b>         |
| <b><u>NONOPERATING REVENUES (EXPENSES)</u></b> |                             |
| State sources                                  | \$ 43,672                   |
| Federal sources                                | 879,721                     |
| <b>Total Nonoperating Revenues (Expenses)</b>  | <b>\$ 923,393</b>           |
| <b>CHANGE IN NET POSITION</b>                  | <b>\$ (2,505)</b>           |
| NET POSITION - JULY 1, 2016                    | 24,801                      |
| NET POSITION - JUNE 30, 2017                   | <b>\$ 22,296</b>            |

The accompanying notes are an integral part of these financial statements

**GREENSBURG SALEM SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

|                                                                                                                 | <b><u>FOOD<br/>SERVICES</u></b> |
|-----------------------------------------------------------------------------------------------------------------|---------------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                                              |                                 |
| Cash Received from Users                                                                                        | \$ 534,131                      |
| Cash Payments to Suppliers for Goods and Services                                                               | (1,412,788)                     |
| <b>Net Cash (Used for) Operating Activities</b>                                                                 | <b><u>\$ (878,657)</u></b>      |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>                                                  |                                 |
| State Sources                                                                                                   | \$ 43,672                       |
| Federal Sources                                                                                                 | 806,264                         |
| <b>Net Cash Provided by Non-Capital Financing Activities</b>                                                    | <b><u>\$ 849,936</u></b>        |
| <b>NET INCREASE &lt;DECREASE&gt; IN CASH AND CASH EQUIVALENTS</b>                                               | <b>\$ (28,721)</b>              |
| CASH AND CASH EQUIVALENTS - JULY 1, 2016                                                                        | <u>28,721</u>                   |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30, 2017</b>                                                                | <b><u>\$ -</u></b>              |
| <b><u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH<br/>PROVIDED (USED) BY OPERATING ACTIVITIES</u></b> |                                 |
| Operating Income (Loss)                                                                                         | \$ (925,898)                    |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)<br/>TO NET CASH (USED FOR) OPERATING ACTIVITIES:</b>        |                                 |
| Other Adjustments - Donated Commodities                                                                         | 73,457                          |
| (Increase) Decrease in Accounts Receivable                                                                      | (33,305)                        |
| (Increase) Decrease in Inventories                                                                              | (6,431)                         |
| (Increase) Decrease in Advances to Other Funds                                                                  | 6,744                           |
| Increase (Decrease) in Accounts Payable                                                                         | 2,225                           |
| Increase (Decrease) in Unearned Revenue                                                                         | 4,551                           |
| <b>Total Adjustments</b>                                                                                        | <b><u>\$ 47,241</u></b>         |
| <b>Net Cash (Used for) Operating Activities</b>                                                                 | <b><u>\$ (878,657)</u></b>      |
| <b>NONCASH NONCAPITAL FINANCING ACTIVITIES:</b>                                                                 |                                 |
| During the year, the District received \$73,457 of food commodities from the U.S. Department of Agriculture.    |                                 |

The accompanying notes are an integral part of these financial statements

**GREENSBURG SALEM SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2017**

|                           | <b><u>PRIVATE<br/>PURPOSE<br/>TRUST FUNDS</u></b> | <b><u>AGENCY FUNDS</u></b> |
|---------------------------|---------------------------------------------------|----------------------------|
| <b>ASSETS</b>             |                                                   |                            |
| Cash and Cash Equivalents | \$ 101,154                                        | \$ 116,462                 |
| <b>TOTAL ASSETS</b>       | <b><u>\$ 101,154</u></b>                          | <b><u>\$ 116,462</u></b>   |
| <b>LIABILITIES</b>        |                                                   |                            |
| Other Current Liabilities | \$ -                                              | \$ 116,078                 |
| Due to Other Funds        | -                                                 | 384                        |
| <b>TOTAL LIABILITIES</b>  | <b><u>\$ -</u></b>                                | <b><u>\$ 116,462</u></b>   |
| <b>NET POSITION</b>       |                                                   |                            |
| Restricted                | \$ 101,154                                        |                            |
| <b>TOTAL NET POSITION</b> | <b><u>\$ 101,154</u></b>                          |                            |

The accompanying notes are an integral part of these financial statements

**GREENSBURG SALEM SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

|                                     | <b><u>PRIVATE<br/>PURPOSE<br/>TRUST FUNDS</u></b> |
|-------------------------------------|---------------------------------------------------|
| <b>ADDITIONS</b>                    |                                                   |
| Interest                            | \$          352                                   |
| <b>DEDUCTIONS</b>                   |                                                   |
| Scholarships Awarded                | <u>                  -</u>                        |
| <b>CHANGE IN NET POSITION</b>       | \$          352                                   |
| <b>NET POSITION - JULY 1, 2016</b>  | <u>          100,802</u>                          |
| <b>NET POSITION - JUNE 30, 2017</b> | <b><u>          \$      101,154</u></b>           |

The accompanying notes are an integral part of these financial statements



**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

The Greensburg Salem School District was established under the authority of an act of the state legislature that designated a school board as the governing body. This district serves the surrounding municipalities that include the City of Greensburg, the Township of Salem and the Boroughs of Delmont (Annex), South Greensburg and South West Greensburg. The School District operates under a locally-elected nine member Board form of government and provides educational services as mandated by the Commonwealth of Pennsylvania and selected federal agencies. The Board of Education has complete authority over the operations and administration of the school district's activities.

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

**REPORTING ENTITY**

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

The School District is associated with two jointly governed organizations (Note 12) and one public entity risk pool (Note 14). These organizations are:

- Jointly Governed Organizations:
  - Central Westmoreland Career and Technology Center
  - Westmoreland Intermediate Unit #7
- Public Entity Risk Pool:
  - Westmoreland County Public School Healthcare Consortium

**BASIS OF PRESENTATION**

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

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**BASIS OF PRESENTATION (Continued)**

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

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

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

**FUND ACCOUNTING**

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

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**FUND ACCOUNTING (Continued)**

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

**MAJOR GOVERNMENTAL FUNDS:**

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

**CAPITAL PROJECT FUND** - The capital project fund accounts for financial resources used for the acquisition, construction, or improvement of capital facilities and other assets financed through the issuance of general obligation bonds.

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

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

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

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

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

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

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

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

The management of the Greensburg Salem School District has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2017 under the modified accrual basis are **1)** wage taxes collected by the district within 30 days following the close of the fiscal year, **2)** real estate transfer taxes for the month of June, **3)** federal and state subsidies earned in the fiscal year 2016-2017, and **4)** other miscellaneous revenues earned in fiscal year 2016-2017 but received subsequent to June 30, 2017. On the governmental fund financial statements, delinquent real estate taxes receivables that will not be collected within the 'available' period have been reported as 'deferred inflow of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at June 30, 2017, are those for which the Board of Education's intention was to expense these items as budgeted for the 2016-2017 official budget, and for which the District has incurred an obligation during the 2016-2017 year, but has not paid as of June 30, 2017.

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

**BUDGETS**

On June 29, 2016, the Greensburg Salem School District adopted its fiscal year June 30, 2017 annual budget for the General Fund totaling \$43,512,636 in accordance with the provisions of the Pennsylvania School Code. The budget is prepared utilizing the modified accrual method of accounting. Budgetary transfers among various expenditure line items can be performed by the district, as approved by the board of education, only during the last nine months of the fiscal year. The original and adjusted budgetary amounts are reflected in these financial statements (Exhibit G). All annual appropriations of the general fund lapse at fiscal year end.

**CASH AND CASH EQUIVALENTS**

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

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**INVESTMENTS**

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

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

Investments of the Greensburg Salem School District include deposits pooled for investment purposes with the Pennsylvania Local Government Investment Trust (PLGIT), as well as, monies held in the Wells Fargo Bank Institutionalized Bank Deposit Account for payment of debt service obligations on July 1, 2017. Investments are reported at fair value.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

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

**INVENTORIES**

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

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**CAPITAL ASSETS AND DEPRECIATION**

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

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

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method using the ½ year convention over the following useful lives:

| <u>CATEGORY</u>            | <u>GOVERNMENTAL<br/>ACTIVITIES</u> |
|----------------------------|------------------------------------|
| Site Improvements          | 20 years                           |
| Buildings and Improvements | 20-50 Years                        |
| Furniture and Equipment    | 5-20 years                         |
| Vehicles                   | 8 Years                            |
| Library Books and Software | 6 Years                            |

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

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

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

**LONG TERM DEBT FINANCING COSTS**

Bond and note issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. The School District did not incur any closing costs during the 2016-2017 fiscal year.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**PENSIONS**

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employee's Retirement System (PSERS), and additions to/deductions from PSER's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 11.

**COMPENSATED ABSENCES**

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, 'Accounting for Compensated Absences'. Vacation benefits are accrued based on the District employee's current rate of pay multiplied by the number of unused vacation days earned, within certain parameters, as described in the District's various collective bargaining agreements. Sick leave benefits are accrued as a liability at the time individuals become eligible for retirement in accordance with the terms of the District's collective bargaining agreements. District employees are entitled to the following rate of reimbursement for each day of accumulated leave:

|                                      | <b><u>Days Per<br/>Year</u></b> | <b><u>Rate<br/>Per Day</u></b> |
|--------------------------------------|---------------------------------|--------------------------------|
| Administrators                       | 13                              | \$100/day                      |
| Support Service Personnel            | 13                              | \$35/day                       |
| Teachers                             | 10                              | \$45/day                       |
| Secretaries and Aides                | 13                              | \$25/day                       |
| Custodians and Maintenance Personnel | 12                              | \$25/day                       |

Un-used sick days accumulate indefinitely. Employees are also entitled to two (2) personal days per year, which if unused, are added to the employee's un-used sick day amount in the following year. Administrators with five (5) or more years of administrative service within the District are entitled to a third personal day. The entire compensated absences liability of \$967,404 is shown in the government-wide statement of net position (Exhibit A) as follows:

|               | <b><u>Long<br/>Term</u></b> | <b><u>Short<br/>Term</u></b> | <b><u>Total</u></b>      |
|---------------|-----------------------------|------------------------------|--------------------------|
| Vacation Days | \$ 171,294                  | \$ 6,000                     | \$ 177,294               |
| Sick Days     | 746,110                     | 44,000                       | 790,110                  |
|               | <b><u>\$ 917,404</u></b>    | <b><u>\$ 50,000</u></b>      | <b><u>\$ 967,404</u></b> |

For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

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

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of compensated absences and retiree health benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been paid with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The District's General Fund is typically used to liquidate long-term liability obligations.

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**UNEARNED REVENUE**

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

**NET POSITION**

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

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

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



**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**FUND EQUITY**

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

- Non-spendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. The District's restricted net position and fund balance of \$237,439 represents monies on hand with Wells Fargo Bank dedicated for debt service obligations.
- Committed fund balance – amount constrained to specific purposes by the School District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the School District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned fund balance – amount that are available for any purpose

Act 48 of 2003 prohibits school districts from increasing real property taxes unless the school district has adopted a budget for such school year that includes an estimated ending unassigned fund balance which is not more than a specified percentage of the district's total budgeted expenditures. For the Greensburg Salem School District, estimated ending unassigned fund balance must not exceed 8% of total budgeted expenditures.

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

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

**ESTIMATES**

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

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Greensburg Salem School District, these revenues are food service charges for lunch and breakfast service. Operating expenses are the necessary costs incurred to provide the aforementioned food service. Non-operating revenues of the District's food service proprietary fund are **1)** investment earnings and **2)** state and federal subsidies, including donated commodities, received from the U.S. Department of Agriculture. The District did not have non-operating expenses during the fiscal year.

**ADOPTION OF GASB PRONOUNCEMENTS**

The requirements of the following GASB Statements were adopted for the School District's 2016-2017 financial statements. Except where noted, the adoption of these pronouncements did not have a significant impact on the School District's financial statements.

GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The primary objective of this Statement is to address reporting by OPEB plans that administer benefits on behalf of governments. This Statement replaces Statement No. 43. Currently, the School District does not offer any postemployment benefits that require reporting under GASB 74.

GASB Statement No. 76, "*Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*." This statement identifies the hierarchy of generally accepted accounting principles (GAAP), reduces this hierarchy to two categories of authoritative GAAP, and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55.

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

GASB issued Statement No. 78, "*Pensions Provided through Certain Multiple- Employer Defined Benefit Pension Plans*". The primary objective is to address a practice issue regarding the scope and applicability of Statement No. 68, "Accounting and Financial Reporting for Pensions." The issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local government employers whose employees are provided with such pensions.

GASB issued Statement No. 79, "*Certain External Investment Pools and Pool Participants*". The primary objective of this Statement is to address accounting and reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for the election to measure all of its investments at amortized costs for financial reporting purposes. This pronouncement required additional disclosures related to investments, which have been incorporated into Note 2. At the current time, the School District has no investments in External Investment Pools.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**ADOPTION OF GASB PRONOUNCEMENTS (Continued)**

GASB issued Statement No. 80, *“Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14”*. The primary objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB issued Statement No. 82, *‘Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73’*. The primary objective of this Statement is to address certain issues that have been raised with respect to GASB Statements No. 67, “Financial Reporting for Pension Plans,” No. 68, “Accounting and Financial Reporting for Pensions,” and No. 73, “Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.”

**PENDING GASB PRONOUNCEMENTS**

In June of 2015, the GASB issued Statement No. 75, *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*. The primary objective of this Statement is to address reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This Statement replaces the requirements of Statement No. 45. The provisions of this Statement are effective for the School District’s June 30, 2018 financial statements.

In March of 2016, the GASB issued Statement No. 81, *“Irrevocable Split-Interest Agreement”*. The primary objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The provisions of this Statement are effective for the School District’s June 30, 2018 financial statements.

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

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

In March of 2017, the GASB issued Statement No. 85, *‘Omnibus 2017’*. The primary objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The provisions of this Statement are effective for the School District’s June 30, 2018 financial statements.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**PENDING GASB PRONOUNCEMENTS (Continued)**

In May of 2017, the GASB issued Statement No. 86, '*Certain Debt Extinguishment Issues*'. The primary objective of this Statement is to improve consistency in accounting and financial reporting for certain debt extinguishments and to enhance the decision-usefulness of that information. The provisions of this Statement are effective for the School District's June 30, 2018 financial statements.

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

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

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

At June 30, 2017, Greensburg Salem School District had the following carrying values on its cash and cash equivalents accounts:

|                       | <b>Bank<br/>Balance</b> | <b>Carrying<br/>Value</b> |
|-----------------------|-------------------------|---------------------------|
| General Fund          | \$ 7,691,876            | \$ 6,620,309              |
| Capital Projects Fund | 286,618                 | 286,618                   |
| Enterprise Fund       | 19,209                  | -                         |
| Fiduciary Funds       | 219,268                 | 217,616                   |
|                       | <b>\$ 8,216,971</b>     | <b>\$ 7,124,543</b>       |

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

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy complies with Section 440.1 of the Public School Code of 1949 with the primary objectives being safety, liquidity and yield. As of June 30, 2017, \$7,966,971 of the School District's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the School District's name. The District's investment policy requires a written safe keeping agreement and/or Act 72 agreement with each financial institution acting as depository. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**INVESTMENTS:**

The fair value and maturity term of the District's investments as of June 30, 2017 are as follows:

|                      | <u>Fair Value</u> | <u>No Stated<br/>Maturity</u> |  |
|----------------------|-------------------|-------------------------------|--|
| <b>Governmental:</b> |                   |                               |  |
| PLGIT                | \$ 457,257        | \$ 457,257                    |  |
| WELLS FARGO          | 237,438           | 237,438                       |  |
|                      | <u>\$ 694,695</u> | <u>\$ 694,695</u>             |  |

The purpose of the Pennsylvania Local Government Investment Trust (PLGIT) is to enable their available funds for investments authorized under the Intergovernmental Cooperation Act of 1972. The funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net position to compute share prices. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares.

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District's investments in PLGIT, which have the characteristics of open-end mutual funds, and are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Investments with Wells Fargo Bank are held in a collateralized bank deposit account. The School District does not have a policy that would limit its investment choices to those with certain credit ratings.

**Interest Rate Risk:**

The School District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District has no formal policy, in addition to the requirements of the Pennsylvania School Code that limits its investment choices based on credit ratings by nationally recognized rating organizations. As of June 30, 2017, PLGIT were rated AAAM by the Standard & Poors nationally recognized statistical rating organization.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

**INVESTMENTS: (Continued)**

**Fair Value Measurements:**

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

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

Investments held in external investment pools such as PLGIT are not subject to the provisions of fair value measurements as they are recorded at amortized cost. Investments with Wells Fargo Bank are held in a collateralized bank deposit account not subject to fair value measurement.

**NOTE 3 - PROPERTY TAXES**

The Greensburg Salem School District levies property taxes July 1 of each fiscal year. The tax millage assessment for the 2016-2017 fiscal year was 87.22 mills, which represents \$87.22 of revenue for every \$1,000 of assessed property value. Taxpayers are entitled to a 2% discount if taxes are paid prior to October 1st. Collections beginning December 1st are assessed a 10% penalty. Unpaid taxes are submitted to the Westmoreland County Tax Claim Bureau for collection. Tax collectors are required under Act 169 of the Commonwealth of Pennsylvania to submit a reconciliation of their tax duplicate to the District by January 15<sup>th</sup> of the year following levy.

Taxes receivable as shown in the government-wide statement of net position includes delinquent property taxes of \$1,633,086 net of an allowance for doubtful accounts of \$883,086. The allowance amount represents management's estimate of prior year property taxes considered un-collectible based on past collection experience. For purposes of the governmental fund financial statements, \$750,000 of the above property taxes receivable (net), although measurable, does not meet the available criteria to finance current fiscal year operations. Accordingly, this amount is equally off-set as a credit to deferred inflow of resources in the fund financial statements.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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

The effect of recognizing property tax revenue when taxes are levied, as opposed to when they are received using the 'measurable and available' criteria under the modified accrual basis of accounting, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F). Taxes receivable are comprised of the following at June 30, 2017:

|                                |    |         |
|--------------------------------|----|---------|
| Delinquent Property Taxes (Net | \$ | 750,000 |
| Wage Taxes and LST Taxes       |    | 127,479 |
| Deed Transfer Taxes            |    | 37,075  |
| Real Estate - Supplemental     |    | 502     |
| Per Capita                     |    | 11,537  |
|                                |    | 11,537  |
|                                | \$ | 926,593 |

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

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

|                                     |    |           |
|-------------------------------------|----|-----------|
| Commonwealth of Pennsylvania:       |    |           |
| State Subsidies                     | \$ | 1,334,303 |
| Federal Pass-Through Grants         |    | 167,906   |
| Tuition/Transportation - Other LEAs |    | 43,170    |
|                                     |    | 43,170    |
|                                     | \$ | 1,545,379 |

**NOTE 5 – OTHER ACCOUNTS RECEIVABLE**

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

|                      | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> |
|----------------------|------------------------------------|-------------------------------------|
| Due from Students    | \$ -                               | \$ 9,448                            |
| Reimbursements/Other | 23,149                             | 29,311                              |
|                      | \$ 23,149                          | \$ 38,759                           |

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 6 – INTER-FUND RECEIVABLES/PAYABLES**

Inter-fund receivables and payables as reflected on the governmental funds balance sheet (Exhibit C) and proprietary fund statement of net position (Exhibit H), are as follows:

|                | <b>Receivable</b> | <b>Payable</b> |
|----------------|-------------------|----------------|
| General Fund   | \$ 384            | \$ -           |
| Fiduciary Fund | -                 | 384            |
|                | \$ 384            | \$ 384         |

These inter-fund obligations have been eliminated in the government-wide statement of net position.

**NOTE 7 - UNEARNED REVENUE**

Unearned revenue is comprised of the following:

|                     | <b>Governmental<br/>Activities</b> | <b>Business<br/>Type<br/>Activities</b> | <b>Governmental<br/>Funds</b> |
|---------------------|------------------------------------|-----------------------------------------|-------------------------------|
| Local Grant Funds   | \$ 134,589                         | \$ -                                    | \$ 134,589                    |
| Due to Students     | -                                  | 14,238                                  | -                             |
| Donated Commodities | -                                  | 6,770                                   | -                             |
|                     | \$ 134,589                         | \$ 21,008                               | \$ 134,589                    |

**NOTE 8 - OTHER CURRENT LIABILITIES**

The 'other current liabilities' balance of \$10,555 represents various scholarship funds maintained by the District as an agent for the private donors



**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9 - CAPITAL ASSETS**

A summary of the governmental fixed asset activity for the 2016-2017 fiscal year was as follows:

|                                                        | <b>Balance<br/>6/30/2016</b> | <b>Additions</b>             | <b>Deductions</b>  | <b>Balance<br/>6/30/2017</b> |
|--------------------------------------------------------|------------------------------|------------------------------|--------------------|------------------------------|
| <b>Governmental Activities</b>                         |                              |                              |                    |                              |
| Land                                                   | \$ 5,001,622                 | \$ -                         | \$ -               | \$ 5,001,622                 |
| Site Improvements                                      | 1,866,923                    | -                            | -                  | 1,866,923                    |
| Building and Improvements                              | 51,692,712                   | -                            | -                  | 51,692,712                   |
| Furniture and Equipment                                | 12,746,945                   | 420,884                      | 55,996             | 13,111,833                   |
| Infrastructure                                         | 1,035,773                    | 102,606                      | -                  | 1,138,379                    |
|                                                        | <u>\$ 72,343,975</u>         | <u>\$ 523,490</u>            | <u>\$ 55,996</u>   | <u>\$ 72,811,469</u>         |
| <b>Less: Accumulated depreciation</b>                  |                              |                              |                    |                              |
| Site Improvements                                      | \$ (1,756,191)               | \$ (7,551)                   | -                  | \$ (1,763,742)               |
| Building and Improvements                              | (39,371,199)                 | (1,075,982)                  | -                  | (40,447,181)                 |
| Furniture and Equipment                                | (10,917,851)                 | (560,703)                    | (55,996)           | (11,422,558)                 |
| Infrastructure                                         | (186,185)                    | (29,787)                     | -                  | (215,972)                    |
|                                                        | <u>\$ (52,231,426)</u>       | <u>\$ (1,674,023)</u>        | <u>\$ (55,996)</u> | <u>\$ (53,849,453)</u>       |
| <b>Governmental Activities<br/>Capital Assets, Net</b> | <b><u>\$ 20,112,549</u></b>  | <b><u>\$ (1,150,533)</u></b> | <b><u>\$ -</u></b> | <b><u>\$ 18,962,016</u></b>  |

Depreciation expense was charged to governmental functions as follows:

|                                               |                     |
|-----------------------------------------------|---------------------|
| Instruction                                   | \$ 857,505          |
| Instructional Student Support                 | 252,091             |
| Administrative and Financial Support Services | 27,389              |
| Operation and Maintenance of Plant Services   | 514,786             |
| Student Activities                            | 22,252              |
|                                               | <u>\$ 1,674,023</u> |

**NOTE 10 - LONG-TERM LIABILITIES**

**GENERAL OBLIGATION BONDS – SERIES OF 2012**

In June of 2012, the Greensburg Salem School District issued General Obligation Bonds, Series of 2012 in the amount of \$11,090,000, the proceeds to be derived by the School District from the issuance and sale of the Bonds will be used by the School District for 1) refunding, on a current refunding basis, a \$10,695,000 portion of the School District's General Obligation Bonds, Series of 2002, currently outstanding in the aggregate principal amount of \$12,205,000, 2) various capital projects within the School District, and 3) paying all costs and expenses incurred by the School District in connection with the issuance and sale of the bonds.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

**GENERAL OBLIGATION BONDS – SERIES OF 2012 (Continued)**

The bonds were issued in denominations of \$5,000 with interest payable on March 15 and September 15 each year through maturity. Interest rates range between 0 and 4.0% with the bonds maturing on September 15, 2018. The bonds provide for early redemption options for the school district as more fully described in the detailed Official Statement.

**GENERAL OBLIGATION BONDS – SERIES OF 2013**

In April of 2013, the Greensburg Salem School District issued General Obligation Bonds, Series of 2013 in the amount of \$7,075,000, the proceeds to be derived by the School District from the issuance and sale of the Bonds will be used by the School District for 1) refunding, on an advanced refunding basis, a \$6,095,000 portion of the School District's General Obligation Bonds, Series of 2010, currently outstanding in the aggregate principal amount of \$6,880,000, 2) various capital projects throughout the District, and 3) paying all costs and expenses incurred by the School District in connection with the issuance and sale of the bonds. The bonds were issued in denominations of \$5,000 with interest payable on January 1 and July 1 each year through maturity. Interest rates range between 0.420% and 2.125% with the bonds maturing on January 1, 2024. The bonds provide for early redemption options for the school district as more fully described in the detailed Official Statement.

**GENERAL OBLIGATION BONDS – SERIES A OF 2015**

In September of 2015, the Greensburg Salem School District issued General Obligation Bonds, Series A of 2015 in the amount of \$6,370,000, the proceeds to be derived by the School District from the issuance and sale of the Bonds will be used by the School District for 1) refunding, on a current refunding basis, the School District's General Obligation Bonds, Series B of 2011, currently outstanding in the aggregate principal amount of \$2,950,000, 2) refunding, on a current refunding basis, the School District's General Obligation Bonds, Series C of 2011, currently outstanding in the aggregate principal amount of \$3,140,000, and 3) paying all costs and expenses incurred by the School District in connection with the issuance and sale of the Bonds. The bonds were issued in denominations of \$5,000 with interest payable on January 1 and July 1 each year through maturity. Interest rates range between 1.110% and 2.625% with the bonds maturing on January 1, 2026. The bonds provide for early redemption options for the school district as more fully described in the detailed Official Statement.

**GENERAL OBLIGATION BONDS – SERIES B OF 2015**

In October of 2015, the Greensburg Salem School District issued General Obligation Bonds, Series B of 2015 in the amount of \$6,125,000, the proceeds to be derived by the School District from the issuance and sale of the Bonds will be used by the School District for 1) refunding, on a current refunding basis, the School District's General Obligation Bonds, Series A of 2011, currently outstanding in the aggregate principal amount of \$6,200,000, and 2) paying all costs and expenses incurred by the School District in connection with the issuance and sale of the Bonds. The bonds were issued in denominations of \$5,000 with interest payable on January 1 and July 1 each year through maturity. Interest rates range between 2% and 2.0% with the bonds maturing on January 1, 2022. The bonds provide for early redemption options for the school district as more fully described in the detailed Official Statement

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

A summary of the Greensburg Salem School District's general obligation bonds outstanding at June 30, 2017 is as follows:

| <b>Year End<br/>June 30,</b> | <b>2012<br/>Principal</b>  | <b>2013<br/>Principal</b>  | <b>2015A<br/>Principal</b> |
|------------------------------|----------------------------|----------------------------|----------------------------|
| 2018                         | 1,935,000                  | 145,000                    | 270,000                    |
| 2019                         | 2,020,000                  | 140,000                    | 275,000                    |
| 2020                         | -                          | 380,000                    | 200,000                    |
| 2021                         | -                          | 500,000                    | 85,000                     |
| 2022                         | -                          | 1,865,000                  | 95,000                     |
| 2023-2026                    | -                          | 3,585,000                  | 5,175,000                  |
|                              | <b><u>\$ 3,955,000</u></b> | <b><u>\$ 6,615,000</u></b> | <b><u>\$ 6,100,000</u></b> |

| <b>Year End<br/>June 30,</b> | <b>2015B<br/>Principal</b> | <b>Total<br/>Interest</b>  | <b>Total</b>                |
|------------------------------|----------------------------|----------------------------|-----------------------------|
| 2018                         | 370,000                    | 589,903                    | 3,309,903                   |
| 2019                         | 385,000                    | 483,607                    | 3,303,607                   |
| 2020                         | 2,225,000                  | 418,482                    | 3,223,482                   |
| 2021                         | 2,300,000                  | 335,882                    | 3,220,882                   |
| 2022                         | 665,000                    | 254,182                    | 2,879,182                   |
| 2023-2026                    | -                          | 470,174                    | 9,230,174                   |
|                              | <b><u>\$ 5,945,000</u></b> | <b><u>\$ 2,552,230</u></b> | <b><u>\$ 25,167,230</u></b> |

In connection with the School District's various general obligation bond issues, the District paid approximately \$227,822 in bond discounts. These costs are being amortized on a straight-line basis over the life of the bond issue. The unamortized amount of bond discount totaling \$104,976 is reflected as a component of 'Bonds Payable – Long-Term Portion (Net)' in the governmental activities column on the government-wide statement of net position. Amortization expense for the year ended June 30, 2017 was \$15,648. This amount was charged to the 'Interest on Long-Term Debt' expense category in the statement of activities.

The School District's various general obligation bond issues were issued at premiums totaling \$1,306,787. The premium is being accreted as a component of interest expense on the straight-line basis over the life of the bond issue. The un-accreted amount of bond premium totaling \$428,285 is reflected as a component of 'Bonds Payable – Long-Term Portion (Net)', in the governmental activities column on the government-wide statement of net position. Premium accretion for the year ended June 30, 2017 was \$210,444. This amount was credited to the 'Interest on Long-Term Debt' expense category in the statement of activities.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 10 - LONG-TERM LIABILITIES (Continued)**

The following represents the changes in the District's long-term liabilities during the 2016-2017 fiscal year:

|                          | <b>Balance<br/>7/1/2016</b> | <b>Additions</b>    | <b>Reductions</b>   | <b>Balance<br/>6/30/2017</b> | <b>Due Within<br/>One Year</b> |
|--------------------------|-----------------------------|---------------------|---------------------|------------------------------|--------------------------------|
| General Obligation Bonds | \$ 24,950,000               | \$ -                | \$ 2,335,000        | \$ 22,615,000                | \$ 2,720,000                   |
| Net Pension Liability    | 56,873,000                  | 7,997,000           | -                   | 64,870,000                   | -                              |
| Net OPEB Obligation      | 996,231                     | 348,975             | -                   | 1,345,206                    | -                              |
| Compensated Absences     | 976,018                     | 29,361              | 37,975              | 967,404                      | 50,000                         |
|                          | <u>\$ 83,795,249</u>        | <u>\$ 8,375,336</u> | <u>\$ 2,372,975</u> | <u>\$ 89,797,610</u>         | <u>\$ 2,770,000</u>            |

**NOTE 11 – PENSION PLAN**

**PSERS**

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

**Plan Description**

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

**Benefits Provided**

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

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 11 - PENSION PLAN (Continued)**

**Benefits Provided (Continued)**

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

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

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

**Contribution Rates**

**Member Contributions** - Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute 6.25% (Membership Class TC) or at 7.5% (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (automatic Membership Class TD). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a 'shared risk' provision in Act 120 of 2010 that in future years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.30%.

**Employer Contributions** – The School District's contractually required contribution rate for fiscal year ended June 30, 2017 was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the employer were \$5,152,151 for the year ended June 30, 2017.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 11 - PENSION PLAN (Continued)**

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

At June 30, 2017, the School District reported a liability of \$64,870,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the School District's proportion was .1309%, which was a decrease of .0004% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized pension expense of \$6,414,966. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                 | <b><u>Deferred Outflows<br/>of Resources</u></b> | <b><u>Deferred Inflows<br/>of Resources</u></b> |
|-----------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Difference between expected and actual experience               | \$ -                                             | \$ 540,000                                      |
| Changes in assumptions                                          | 2,342,000                                        | -                                               |
| Net difference between projected and actual investment earnings | 3,616,000                                        | -                                               |
| Changes in proportions                                          | -                                                | 1,008,000                                       |
| Contributions subsequent to the measurement date                | 5,009,751                                        | -                                               |
|                                                                 | <b><u>\$ 10,967,751</u></b>                      | <b><u>\$ 1,548,000</u></b>                      |

The \$5,009,751 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 11 - PENSION PLAN (Continued)**

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

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

| Measurement<br>Date<br>Year ended<br>June 30, | Reporting<br>Date<br>Year ended<br>June 30, | Amount     |
|-----------------------------------------------|---------------------------------------------|------------|
| 2017                                          | 2018                                        | \$ 665,000 |
| 2018                                          | 2019                                        | 665,000    |
| 2019                                          | 2020                                        | 1,753,000  |
| 2020                                          | 2021                                        | 1,327,000  |

**Changes in Actuarial Assumptions**

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

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

- The Investment Rate of Return was adjusted from 7.50% to 7.25%
- The inflation assumption was decreased from 3.0% to 2.75%
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three (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 MD-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.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 11 - PENSION PLAN (Continued)**

**Investment Asset Allocation**

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

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

| <u>Asset Class</u>      | <u>Target<br/>Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|-------------------------|------------------------------|-------------------------------------------------------|
| Global public equity    | 22.5%                        | 5.30%                                                 |
| Fixed Income            | 28.5%                        | 2.10%                                                 |
| Commodities             | 8.0%                         | 2.50%                                                 |
| Absolute return         | 10.0%                        | 3.30%                                                 |
| Risk parity             | 10.0%                        | 3.90%                                                 |
| Infrastructure/MLP's    | 5.0%                         | 4.80%                                                 |
| Real estate             | 12.0%                        | 4.00%                                                 |
| Alternative investments | 15.0%                        | 6.60%                                                 |
| Cash                    | 3.0%                         | 0.20%                                                 |
| Financing (LIBOR)       | -14.0%                       | 0.50%                                                 |
|                         | <u>100%</u>                  |                                                       |

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. 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.



**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 11 - PENSION PLAN (Continued)**

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

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

|                                                                       | 1%<br>Decrease<br>6.25% | Current<br>Discount<br>Rate<br>7.25% | 1%<br>Increase<br>8.25% |
|-----------------------------------------------------------------------|-------------------------|--------------------------------------|-------------------------|
| School District's proportionate share of<br>the net pension liability | \$ 79,353,000           | \$ 64,870,000                        | \$ 52,700,000           |

**Pension plan fiduciary net position**

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

**NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS**

**CENTRAL WESTMORELAND CAREER AND TECHNOLOGY CENTER**

The Greensburg Salem School District, in conjunction with nine other School Districts, funds the operating and capital budget of the Central Westmoreland Career and Technology Center. The Technology Center is designed to teach students trade related professions. Each district's share of tuition is based on the percentage of the district's enrollment to the total enrollment at the Forbes Road Career & Technology Center. The School District paid \$586,347 to the Career and Technology Center during the 2016-2017 fiscal year. A representative from each district's school board sits on the board of the Technology Center. Financial information can be obtained by contacting the Technology Center's business office at 240 Arona Road, New Stanton, Pa. 15672.

**WESTMORELAND INTERMEDIATE UNIT #7**

The Greensburg Salem School District participates with 16 other School Districts and 3 Vocational-Technical schools located in Westmoreland County in the Westmoreland County Intermediate Unit #7. The Intermediate Unit was established in 1971 by Act 102 of the Commonwealth of Pennsylvania to function as a regional educational service agency for 17 school districts, as well as nonpublic schools and other institutions, located within Westmoreland County. The Intermediate Unit provides services relative to curriculum development, continuing education, educational planning, instructional materials, pupil personnel, state and federal agency liaison and managerial oversight. The School District paid the Intermediate Unit \$23,633 for operating purposes, \$1,250 for instructional children's programs, and \$232,299 for transportation recovery costs during the 2016-2017 fiscal year. Financial information can be obtained by contacting the Intermediate Unit's business office at 102 Equity Drive, Greensburg, Pa. 15601.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PLAN DESCRIPTION**

The Greensburg Salem School District provides for post-employment health care benefits to all eligible employees per the terms of the District's collective bargaining agreements. Eligibility requirements for District personnel are as follows:

- Education Association – participants must have completed 25 years of service in the profession and who are at least 60 years of age at retirement.
- Administrative – participants must be 52 years of age and have worked in the District for at least 10 years or have completed 30 years of service.

During the 2010-2011 fiscal year, the Board of Education adopted 'early retirement incentive policies' for its various collective bargaining units as follows:

- Support Services Personnel, Maintenance and Custodial, Confidential Secretaries, Classroom Aides and Non-Confidential Secretaries – participants must have completed 25 years of service, 10 years with the District, and who are at least 60 years of age or have completed 35 years of service, 15 years with the District.
- Professional Employees – participants who have completed 30 years of service, at least 15 of which have been with the District are entitled to the following for a maximum of 8 years or until the retiree reaches medicare age, whichever comes first: 1) \$5,000 of life insurance coverage paid by the retiree at the District's retiree rate, 2) health insurance to be paid by the District; employee will be required to reimburse the District the amount received from PSERS, 3) health insurance coverage for retiree's spouse and eligible dependents, the cost of which will be borne by the retiree at the amount by which the coverage rate exceeds the District's rate plus 2%, and 4) a \$5,000 cash stipend per year for five fiscal years following retirement.
- Administrative Employees – participants who have completed 25 years of service, at least 10 of which have been with the District are entitled to the following for a maximum of 8 years or until the retiree reaches medicare age, whichever comes first: 1) all retirement provisions outlined in the administrative employment contract and 2) a \$5,000 cash stipend per year for five fiscal years following retirement.
- Secretarial Employees – participants who have completed 20 years of service, at least 10 of which have been with the District are entitled to the following for a maximum of 8 years or until the retiree reaches medicare age, whichever comes first: 1) all retirement provisions outlined in the secretarial employment contract and 2) a \$5,000 cash stipend per year for five fiscal years following retirement.
- Custodial and Maintenance Employees – participants who have completed 25 years of service, at least 10 of which have been with the District are entitled to the following for a maximum of 8 years or until the retiree reaches medicare age, whichever comes first: 1) all retirement provisions outlined in the custodial/maintenance employment contract and 2) a \$5,000 cash stipend per year for five fiscal years following retirement.

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**PLAN DESCRIPTION (Continued)**

The single-employer retiree benefit plan ('the Plan') was established by the authority of the collective bargaining agreements between the Greensburg Salem School District Board of Education and the various labor unions representing District employees. The program entitles eligible employees to specific health care benefits (as stated in the agreement) during the period between retirement and attaining Medicare age. The employee will pay the District the amount reimbursable from PSERS. Retirees are responsible for co-pay amounts which exceed the PSERS reimbursement. The plan is unfunded and does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

**FUNDING POLICY**

The contribution requirements of plan members and the School District are negotiated between the District and the union representatives and may be amended by the Greensburg Salem Board of Education. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid to fund the health care benefits provided to current retirees. There are no assets that have been segregated and restricted to provide for retiree medical benefits. During the 2016-2017 fiscal year, the Greensburg Salem School District paid \$338,196 for retiree health and life insurance benefits.

**ANNUAL OPEB COST AND NET OPEB OBLIGATION**

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

The following shows the components of the Greensburg Salem School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Greensburg Salem School District's net OPEB obligation as of the latest actuarial valuation report:

|                                            |                            |
|--------------------------------------------|----------------------------|
| Annual required contribution               | \$ 875,076                 |
| Interest on net OPEB obligation            | 39,849                     |
| Adjustment to annual required contribution | <u>(81,889)</u>            |
| Annual OPEB cost (expense)                 | \$ 833,036                 |
| Contributions made (estimate)              | <u>(484,061)</u>           |
| (Decrease) in net OPEB obligation          | \$ 348,975                 |
| Net OPEB obligation at July 1, 2016        | <u>996,231</u>             |
| Net OPEB obligation at June 30, 2017       | <u><u>\$ 1,345,206</u></u> |

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**ANNUAL OPEB COST AND NET OPEB OBLIGATION (Continued)**

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

| <b>FISCAL YEAR<br/>ENDED</b> | <b>ANNUAL OPEB<br/>COST</b> | <b>PERCENTAGE<br/>CONTRIBUTED</b> | <b>NET OPEB<br/>OBLIGATION</b> |
|------------------------------|-----------------------------|-----------------------------------|--------------------------------|
| 6/30/2017                    | \$ 833,036                  | 58.1%                             | \$ 1,345,206                   |
| 6/30/2016                    | 846,558                     | 62.2%                             | 996,231                        |
| 6/30/2015                    | 1,174,905                   | 70.7%                             | 675,819                        |
| 6/30/2014                    | 1,192,945                   | 81.8%                             | 331,337                        |

**FUNDED STATUS AND FUNDING PROGRESS**

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

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

**ACTUARIAL METHODS AND ASSUMPTIONS**

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

The July 1, 2015 actuarial valuation report utilized the Projected Unit Credit Actuarial Cost Method. The UAAL is being amortized based on a level dollar, 17 year open period. The Net OPEB Obligation for the year ended June 30, 2016 was valued using a discount rate of 4%. The valuation uses the RP-2014 Total Dataset Mortality Table Projected using MP-2015. Health care trend rates are assumed to have an annual increase of 7% starting with the 2016-2017 fiscal year, decreasing by .5% each year through the 2023-2024 fiscal year leveling off at 4.5%.

The Net OPEB Obligation of \$1,345,206 is reflected as part of Noncurrent Liabilities in the government-wide financial statement of net position (Exhibit A).

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 14 - RISK MANAGEMENT**

**GENERAL INSURANCE**

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

**HEALTH INSURANCE**

The Greensburg Salem School District is one of twenty members of the Westmoreland County Public School Healthcare Consortium, a public entity risk pool designed to administer health and medical insurance risks on a pooled basis. The school district pays an annual premium (\$3,761,230 for 2016-2017) in monthly installments to the Consortium for its health and medical insurance coverage, which is subject to an annual settlement based on claims experience. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to, or responsible for, a proportionate share of the Consortium's net position, as determined on the fiscal year-end date after withdrawal. As of June 30, 2016 (latest available), the District's share of the Consortium's undesignated fund balance was \$1,089,602.

**NOTE 15 – CONTINGENCIES**

The Greensburg Salem School District state and federally funded programs are subject to audit by various governmental agencies. The district is potentially liable for any expenditure disallowed by the results of these audits. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

**NOTE 16 – OPERATING LEASE**

In May of 2012, the District entered into a lease agreement with Pitney Bowes for a digital mailing system. The terms of the lease call for the monthly payment of \$264 for a period of sixty (60) months for the period July 1, 2012 through June 30, 2017. In April of 2017, the District entered into a lease agreement with Mail Finance for a digital mailing system. The terms of the lease call for the monthly payment of \$216.50 for a period of sixty (60) months for the period July 1, 2017 through June 30, 2022. The District's lease expense for this equipment was approximately \$3,168 for the 2016-2017 fiscal year.

**NOTE 17 – SUBSEQUENT EVENTS**

Management has determined that there are no events, subsequent to June 30, 2017 through the December 29, 2017 date of the 'Independent Auditor's Report' date, which is the date the financial statements were available to be issued, that require additional disclosure in the financial statements.

***REQUIRED  
SUPPLEMENTARY  
INFORMATION***

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

|                                                                        | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        | <u>2014</u>        | <u>2013</u>        |
|------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contributions                                   | \$ 5,152,151       | \$ 4,383,814       | \$ 3,644,872       | \$ 2,798,574       | \$ 2,145,856       |
| Contribution in relation to the contractually<br>required contribution | <u>(5,152,151)</u> | <u>(4,383,814)</u> | <u>(3,644,872)</u> | <u>(2,798,574)</u> | <u>(2,145,856)</u> |
| Contribution deficiency (excess)                                       | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| District's covered payroll                                             | \$ 17,156,680      | \$ 16,946,956      | 16,977,482         | 17,126,534         | 17,825,688         |
| Contributions as a percentage of<br>covered-employee payroll           | 30.03%             | 25.87%             | 21.47%             | 16.34%             | 12.04%             |

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

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

| <b>As of the measurement date of June 30,</b>                                                                  | <b><u>2016</u></b> | <b><u>2015</u></b> | <b><u>2014</u></b> | <b><u>2013</u></b> |
|----------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| District's proportion of the net pension liability                                                             | 0.1309%            | 0.1313%            | 0.1331%            | 0.1355%            |
| District's proportionate share of the net pension liability                                                    | \$ 64,870,000      | \$ 56,873,000      | \$ 52,681,000      | \$ 55,469,000      |
| District's covered-employee payroll                                                                            | \$ 16,946,956      | \$ 16,977,482      | \$ 17,126,534      | \$ 17,825,688      |
| District's proportionate share of the net pension liability<br>as a percentage of its covered-employee payroll | 382.78%            | 334.99%            | 307.60%            | 311.17%            |
| Plan fiduciary net position as a percentage of<br>the total pension liability                                  | 50.14%             | 54.36%             | 57.24%             | 54.39%             |

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



**GREENSBURG SALEM SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFIT PLANS  
 JUNE 30, 2017**

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

| (A)                            | (B)                             | (B-A)<br>(UAAL)<br>UNFUNDED       | (A/B)                             | (C)             | (B-A)/C            |                                         |
|--------------------------------|---------------------------------|-----------------------------------|-----------------------------------|-----------------|--------------------|-----------------------------------------|
| ACTUARIAL<br>VALUATION<br>DATE | ACTUARIAL<br>VALUE OF<br>ASSETS | ACTUARIAL<br>ACCRUED<br>LIABILITY | ACTUARIAL<br>ACCRUED<br>LIABILITY | FUNDED<br>RATIO | COVERED<br>PAYROLL | UAAL AS A<br>% OF<br>COVERED<br>PAYROLL |
| 7/1/15                         | \$ -                            | \$ 6,579,708                      | \$ 6,579,708                      | 0%              | \$ 17,486,645      | 37.6%                                   |
| 7/1/13                         | -                               | 7,524,252                         | 7,524,252                         | 0%              | 17,370,561         | 43.3%                                   |
| 7/1/11                         | -                               | 7,626,302                         | 7,626,302                         | 0%              | 17,865,066         | 42.7%                                   |

**GREENSBURG SALEM  
SCHOOL DISTRICT**

***SUPPLEMENTARY INFORMATION***

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

**Mark C. Turnley**

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Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Management and Board of Education  
Greensburg Salem School District**

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Greensburg Salem School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Greensburg Salem School District's basic financial statements, and have issued my report thereon dated December 29, 2017.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Greensburg Salem School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Greensburg Salem School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Greensburg Salem 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 Greensburg Salem School District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

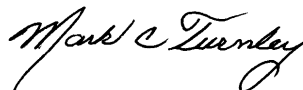
**To the Board of Education  
Greensburg Salem School District**

**Compliance and Other Matters**

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

**Purpose of this Report**

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



Mark C. Turnley  
Certified Public Accountant

December 29, 2017  
New Brighton, Pennsylvania

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

**To the Board of Education  
Greensburg Salem School District**

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

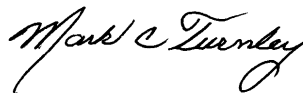
## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

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



Mark C. Turnley  
Certified Public Accountant

December 29, 2017  
New Brighton, Pennsylvania

**GREENSBURG SALEM SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

| FEDERAL GRANTOR / PROJECT TITLE                                           | FUNDING SOURCE | FEDERAL CFDA NUMBER | PASS-THROUGH GRANTOR NUMBER | GRANT PERIOD BEGINNING / ENDING DATE | PROGRAM AWARD AMOUNT | TOTAL RECEIVED THIS PERIOD | ACCRUED (DEFERRED) REVENUE JULY 1 | REVENUE RECOGNIZED  | EXPENDITURES        | ACCRUED (DEFERRED) REVENUE JUNE 30 |
|---------------------------------------------------------------------------|----------------|---------------------|-----------------------------|--------------------------------------|----------------------|----------------------------|-----------------------------------|---------------------|---------------------|------------------------------------|
| <b>U.S. Department of Education:</b>                                      |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| <b>Passed through Pa. Dept. of Education:</b>                             |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| Title I                                                                   | Indirect       | 84.010              | 13-170173                   | 7/1/16-9/30/17                       | \$ 715,158           | \$ 454,108                 | \$ -                              | \$ 535,661          | \$ 535,661          | \$ 81,553                          |
| Title I                                                                   | Indirect       | 84.010              | 13-160173                   | 7/1/15-9/30/16                       | 656,343              | 250,496                    | 88,566                            | 161,930             | 161,930             | -                                  |
| Title II - Improving Teacher Quality                                      | Indirect       | 84.367              | 20-170173                   | 7/1/16-9/30/17                       | 187,868              | 148,053                    | -                                 | 187,868             | 187,868             | 39,815                             |
| Title II - Improving Teacher Quality                                      | Indirect       | 84.367              | 20-160173                   | 7/1/15-9/30/16                       | 190,353              | 29,212                     | 29,212                            | -                   | -                   | -                                  |
| <b>Total Passed through Pa. Dept. of Education</b>                        |                |                     |                             |                                      |                      | <b>\$ 881,869</b>          | <b>\$ 117,778</b>                 | <b>\$ 885,459</b>   | <b>\$ 885,459</b>   | <b>\$ 121,368</b>                  |
| <b>Passed through Westmoreland Intermediate Unit</b>                      |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| IDEA                                                                      | Indirect       | 84.027              | N/A                         | 7/1/16-6/30/17                       | 619,936              | \$ 619,936                 | \$ -                              | \$ 619,936          | \$ 619,936          | (1) \$ -                           |
| IDEA Section 619                                                          | Indirect       | 84.173              | N/A                         | 7/1/16-6/30/17                       | 2,608                | -                          | -                                 | 2,608               | 2,608               | (1) 2,608                          |
| IDEA                                                                      | Indirect       | 84.027              | N/A                         | 7/1/15-6/30/16                       | 581,464              | 244,038                    | 244,038                           | -                   | -                   | (1) -                              |
| IDEA Section 619                                                          | Indirect       | 84.173              | N/A                         | 7/1/15-6/30/16                       | 3,055                | 3,055                      | 3,055                             | -                   | -                   | (1) -                              |
| <b>Total Passed through Westmoreland Intermediate Unit (IDEA Cluster)</b> |                |                     |                             |                                      |                      | <b>\$ 867,029</b>          | <b>\$ 247,093</b>                 | <b>\$ 622,544</b>   | <b>\$ 622,544</b>   | <b>\$ 2,608</b>                    |
| <b>Passed through Berks County Intermediate Unit</b>                      |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| Race to the Top                                                           | Indirect       | 84.413A             | N/A                         | 7/1/16-6/30/17                       | 75,000               | \$ 75,000                  | \$ -                              | \$ 75,000           | \$ 75,000           | \$ -                               |
| <b>Total Passed through Berks County Intermediate Unit</b>                |                |                     |                             |                                      |                      | <b>\$ 75,000</b>           | <b>\$ -</b>                       | <b>\$ 75,000</b>    | <b>\$ 75,000</b>    | <b>\$ -</b>                        |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                                      |                |                     |                             |                                      |                      | <b>\$ 1,823,898</b>        | <b>\$ 364,871</b>                 | <b>\$ 1,583,003</b> | <b>\$ 1,583,003</b> | <b>\$ 123,976</b>                  |
| <b>U.S. Department of Agriculture:</b>                                    |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| <b>Passed through Pa. Dept. of Education:</b>                             |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| National School                                                           |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| Lunch Program                                                             | Indirect       | 10.555              | N/A                         | 7/1/16-6/30/17                       | N/A                  | \$ 616,264                 | \$ -                              | \$ 616,264          | \$ 616,264          | -                                  |
| Breakfast Program                                                         | Indirect       | 10.553              | N/A                         | 7/1/16-6/30/17                       | N/A                  | 190,000                    | -                                 | 190,000             | 190,000             | -                                  |
| <b>Passed through Pa. Dept. of Agriculture:</b>                           |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| National School Lunch Program                                             | Indirect       | 10.555              | N/A                         | 7/1/16-6/30/17                       | N/A                  | 73,457 *                   | (339) **                          | 67,026              | 67,026              | (6,770) ***                        |
| <b>TOTAL DEPARTMENT OF AGRICULTURE (Child Nutrition Cluster)</b>          |                |                     |                             |                                      |                      | <b>\$ 879,721</b>          | <b>\$ (339)</b>                   | <b>\$ 873,290</b>   | <b>\$ 873,290</b>   | <b>\$ (6,770)</b>                  |
| <b>U.S. Department of Health and Human Services:</b>                      |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| <b>Passed through Pa. Dept. of Public Welfare:</b>                        |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| Title 19                                                                  | Indirect       | 93.778              | N/A                         | 7/1/16-6/30/17                       | N/A                  | \$ 487                     | \$ -                              | \$ 5,454            | \$ 5,454            | \$ 4,967                           |
| Title 19                                                                  | Indirect       | 93.778              | N/A                         | 7/1/15-6/30/16                       | N/A                  | 5,162                      | 5,162                             | -                   | -                   | -                                  |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                      |                |                     |                             |                                      |                      | <b>\$ 5,649</b>            | <b>\$ 5,162</b>                   | <b>\$ 5,454</b>     | <b>\$ 5,454</b>     | <b>\$ 4,967</b>                    |
| <b>U.S. Department of Homeland Security:</b>                              |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| Public Assistance                                                         | Indirect       | 97.036              | N/A                         | 7/1/15-6/30/16                       | N/A                  | \$ 7,360                   | \$ 7,360                          | \$ -                | \$ -                | \$ -                               |
| <b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>                              |                |                     |                             |                                      |                      | <b>\$ 7,360</b>            | <b>\$ 7,360</b>                   | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>                        |
| <b>TOTAL FEDERAL ASSISTANCE</b>                                           |                |                     |                             |                                      |                      | <b>\$ 2,716,628 #</b>      | <b>\$ 377,054</b>                 | <b>\$ 2,461,747</b> | <b>\$ 2,461,747</b> | <b>\$ 122,173</b>                  |

**# Reconciliation with federal subsidy confirmation:**

|                                         |                     |
|-----------------------------------------|---------------------|
| Per above                               | \$ 2,716,628        |
| School Lunch/Breakfast matching subsidy | 43,673              |
| IDEA and Race to the Top                | (942,029)           |
| Title 19                                | (5,649)             |
| Public Assistance (Homeland Security)   | (7,360)             |
| Donated commodities                     | (73,457)            |
| Per confirmation                        | <u>\$ 1,731,806</u> |

- \* Total USDA Commodity Received
- \*\* Represents beginning inventory - 7/1/16
- \*\*\* Represents ending inventory - 6/30/17
- (1) Denotes Major Program

**GREENSBURG SALEM SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2017**

**NOTE 1 – BASIS OF PRESENTATION**

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

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

**BASIS OF ACCOUNTING**

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

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

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

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

**NOTE 4 – RECEIVABLES AND UNEARNED REVENUE**

Federal grants receivable are included as part of 'due from other governments' in Exhibit A and Exhibit C as referenced in Note 4 to the Financial Statements. Unearned federal grant revenue, if any, is included as part of 'unearned revenue' in Exhibit A and Exhibit C, and is referenced in Note 7 to the Financial Statements.

**NOTE 5 - NON-CASH ASSISTANCE**

The Greensburg Salem School District received donated commodities from the Department of Agriculture in connection with its food service program. The amount of non-cash assistance expended in the accompanying schedule of expenditures of federal awards reflects the fair market value of the commodities used during the 2016-2017 fiscal year.

**NOTE 6 – INDIRECT COST RATE**

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



**GREENSBURG SALEM SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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

**Financial Statements**

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes   X  no
- Significant deficiency(ies) identified? \_\_\_yes   X  no

Noncompliance material to financial statements noted? \_\_\_yes   X  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes   X  no
- Significant deficiency(ies) identified? \_\_\_yes   X  no

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_yes   X  no

Identification of major programs:

| <u>CFDA number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-------------------------------------------|
| 84.027                | IDEA                                      |
| 84.173                | IDEA – Section 619                        |

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

Auditee qualified as low-risk auditee?   X  yes     no

**Section II – Financial Statement Findings**

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

None

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

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

None

**GREENSBURG SALEM SCHOOL DISTRICT**  
**STATUS OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDING JUNE 30, 2017**

The audit report of the Greensburg Salem School District for the year ended June 30, 2016, dated December 12, 2016, contained no audit findings.