

SALISBURY TOWNSHIP SCHOOL DISTRICT

---

FINANCIAL STATEMENTS

JUNE 30, 2017

---

SALISBURY TOWNSHIP SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2017

CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 9
<b>Basic Financial Statements:</b>	
<u>Government-wide Financial Statements:</u>	
Statement of Net Position	10
Statement of Activities	11 - 12
<u>Fund Financial Statements:</u>	
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	17
Statement of Net Position - Proprietary Fund	18
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund	19
Statement of Cash Flows - Proprietary Fund	20
Statement of Net Position - Fiduciary Funds	21
Notes to Financial Statements	22 - 44
<b>Required Supplementary Information</b>	
Schedule of Funding Progress - Postemployment Benefits Plan	45
Schedule of District's Proportional Share of the Net Pension Liability - Pension Plan	46
Schedule of District Contributions - Pension Plan	47

SALISBURY TOWNSHIP SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
JUNE 30, 2017

CONTENTS (Continued)

	<u>Page(s)</u>
<b>Supplementary Information Required by OMB Circular A-133</b>	
Schedule of Expenditures of Federal Awards	48 - 49
Notes to Schedule of Expenditures of Federal Awards	50
Schedule of Findings and Questioned Costs	51 - 52
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	53 - 54
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	55 - 57
<b>Other Supplementary Information</b>	
Schedule of Receipts and Disbursements - Activity Fund Accounts	58

FRANCE, ANDERSON, BASILE and COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

903 Chestnut Street  
Emmaus, Pennsylvania 18049

610-967-1200 Phone  
610-966-6669 Fax  
www.fabandco.com

INDEPENDENT AUDITORS' REPORT

To the Board of School Directors  
Salisbury Township School District  
Allentown, Pennsylvania

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

#### Opinions

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

#### Other Matters

##### Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9, postemployment benefits plan information on page 45, and pension plan reporting information on pages 46 - 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### Other Information:

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salisbury Township School District basic financial statements. The introductory section and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2017, on our consideration of Salisbury Township School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

*France, Anderson, Beside and Company, P.C.*

Emmaus, Pennsylvania  
December 12, 2017

**SALISBURY TOWNSHIP SCHOOL DISTRICT  
ALLENTOWN, PENNSYLVANIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Required Supplementary Information (RSI)  
June 30, 2017**

The discussion and analysis of Salisbury Township's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of the discussion and analysis is to look at the School District's financial performance as a whole. The MD&A should be read in conjunction with the financial statements and footnotes to enhance the understanding of the District's financial performance.

**THE SCHOOL DISTRICT**

Salisbury Township School District is a School District of the Third Class, organized and existing under the laws of the Commonwealth of Pennsylvania (the "Commonwealth"). The governing body of the School District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the School District is carried out by the administrative staff of the School District, headed by the Superintendent of Schools who is appointed by the Board of School Directors.

**FINANCIAL HIGHLIGHTS**

The District's financial position, as reflected in total net position decreased by \$(3.9) million due to the \$(3,890,631) decrease in governmental activities which was caused by the increased pension liability (see page 12).

Total revenues and other sources of governmental activities were \$38,131,843. General revenues amounted to \$32.3 million or 83.4% of total revenues. Program specific revenues in the form of operating grants and contributions accounted for \$5.7 million or 14.7 percent of total revenues.

The school district had \$41,985,045 in expenses related to governmental activities; \$5.8 million of these expenses was offset by program specific charges for services and grants. General revenue (primarily taxes and subsidies) of \$32,367,659 covered the expenses.

At June 30, 2017 unreserved/undesignated fund balance of the general fund was \$2,908,509 or 7.7 percent of 2017-18 general fund expenditures (budget).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Management's Discussion and Analysis introduces the school district's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. These statements are organized so the reader can understand Salisbury Township School District as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**SALISBURY TOWNSHIP SCHOOL DISTRICT  
ALLENTOWN, PENNSYLVANIA**

**Government-wide Financial Statements**

There are two (2) government-wide financial statements: The Statement of Net position and the Statement of Activities. These statements report information about the District as a whole using the accrual basis of accounting similar to that used by private-sector companies. The Statement of Net position includes all of the District's assets and liabilities, short term as well as long-term. The Statement of Activities reports all current year revenues and expenditures regardless of when cash is received or paid.

Together, the two government-wide statements report the District's net position and how they have changed. The Statement of Activities reports how the changes in net assets have occurred during the current fiscal year. Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively. Evaluation of the overall economic health of the district would extend to other factors such as changes in the district's property tax base, student enrollment, facility conditions, required educational programs and performance of the students.

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

- **Governmental Activities** – All of the District's basic services are included here, such as instruction, support services, administration, operation and maintenance of plant, pupil transportation, and extracurricular activities. Property taxes and state and federal subsidies finance most of these activities.
- **Business-Type Activities** - The District operates a food service operation and charges fees to staff, students, and visitors to help cover its costs of operation.

**Fund Financial Statements**

The District's fund financial statements, which begin on page 13, provide detailed information about the most significant funds – not the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

**Governmental funds** – Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements on pages 14 - 16

**SALISBURY TOWNSHIP SCHOOL DISTRICT  
ALLENTOWN, PENNSYLVANIA**

**Proprietary funds** - Proprietary funds use the same basis of accounting as business-type activities; therefore, these fund financial statements will essentially match the government-wide financial statements. The Food Service Fund is the District's proprietary fund.

**Fiduciary funds** – The District is the trustee, or fiduciary, for scholarship, student activity and agency funds. All of the Districts fiduciary activities are reported in separate Statements of Fiduciary Net Position on Page 21. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

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

The District's total net position was \$(27,355,467) for 2017 and \$(23,424,903) for 2016, a decrease of \$3,930,564 primarily due to the increase in noncurrent liabilities. This is attributed to the increase in PSERS (retirement) liability at the state level. GASB now requires that state pension liabilities must be recorded to reflect the future liability of the District. The net pension liability amounted to \$56,346,000. A comparison of the School District's net assets for 2017 compared to 2016 is as follows:

**Table A-1  
Summary of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 11,505,597	\$ 17,076,238	\$ 118,327	\$ 135,627	\$ 11,623,924	\$ 17,211,865
Capital assets	52,866,695	50,625,225	78,390	96,153	52,945,085	50,721,378
<b>Total assets</b>	<b>\$ 64,372,292</b>	<b>\$ 67,701,463</b>	<b>\$ 196,717</b>	<b>\$ 231,780</b>	<b>\$ 64,569,009</b>	<b>\$ 67,933,243</b>
Current and other liabilities	\$ 6,258,647	\$ 6,861,100	\$ 23,951	\$ 19,081	\$ 6,282,598	\$ 6,880,181
Noncurrent liabilities	98,411,587	88,605,400			98,411,587	88,605,400
<b>Total liabilities</b>	<b>\$ 104,670,234</b>	<b>\$ 95,466,500</b>	<b>\$ 23,951</b>	<b>\$ 19,081</b>	<b>\$ 104,694,185</b>	<b>\$ 95,485,581</b>
<b>Net Position</b>						
Invested in capital assets, net of related debt	12,421,186	7,971,204	\$ 78,390	\$ 96,153	12,499,576	\$ 8,067,357
Restricted	1,355,651	5,701,096			1,355,651	5,701,096
Unrestricted (deficit)	(41,305,070)	(37,309,902)	94,376	116,546	(41,210,694)	(37,193,356)
<b>Total net position</b>	<b>\$ (27,528,233)</b>	<b>\$ (23,637,602)</b>	<b>\$ 172,766</b>	<b>\$ 212,699</b>	<b>\$ (27,355,467)</b>	<b>\$ (23,424,903)</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 77,142,001</b>	<b>\$ 71,828,898</b>	<b>\$ 196,717</b>	<b>\$ 231,780</b>	<b>\$ 77,338,718</b>	<b>\$ 72,060,678</b>

The District's net position is invested in capital assets (buildings, land and equipment). The restricted net position is for payment of compensated absences, future OPEB liability or other future uses as planned by the district.

The results of this year's operations as a whole are reported in the Statement of Activities on pages 11-12. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues.

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

**SALISBURY TOWNSHIP SCHOOL DISTRICT  
ALLENTOWN, PENNSYLVANIA**

**Table A-2  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues and other sources</b>						
Program Revenues						
Charges for services	\$ 297,010	\$ 385,514	\$ 285,909	\$ 270,455	\$ 582,919	\$ 655,969
Operating grants and contributions	5,333,961	5,971,916	393,116	343,601	5,727,077	6,315,517
Capital grants and contributions	95,784	114,504			95,784	114,504
General Revenues:						
Property Taxes	23,248,131	22,654,080			23,248,131	22,654,080
Taxes levied for specific purposes	3,463,498	3,340,503			3,463,498	3,340,503
Grants, subsidies and contributions, unrestricted	5,496,634	4,952,415			5,496,634	4,952,415
Other	196,825	120,546	280	96	197,105	120,642
<b>Total Revenues and other sources</b>	<b>\$38,131,843</b>	<b>\$37,539,478</b>	<b>\$ 679,305</b>	<b>\$ 614,152</b>	<b>\$38,811,148</b>	<b>\$38,153,630</b>
<b>Program expenses and other uses</b>						
Instruction	\$23,443,451	\$20,974,211			\$23,443,451	\$20,974,211
Support services						
Instructional student support	8,229,420	7,861,716			8,229,420	7,861,716
Administrative and financial support services	2,806,661	2,849,831			2,806,661	2,849,831
Operation and maintenance of plant services	3,103,798	2,957,546			3,103,798	2,957,546
Pupil transportation	2,179,690	2,139,575			2,179,690	2,139,575
Non-instructional services						
Student activities	994,561	927,304			994,561	927,304
Community services						
Interest on long-term debt	1,175,976	1,168,063			1,175,976	1,168,063
Unallocated depreciation expense	51,488	51,488			51,488	51,488
Refund of Prior Year Receipts		1				
Food services			756,667	723,319	756,667	723,319
<b>Total Expenses</b>	<b>\$41,985,045</b>	<b>\$38,929,735</b>	<b>\$ 756,667</b>	<b>\$ 723,319</b>	<b>\$42,741,712</b>	<b>\$39,653,054</b>
<b>Increase (decrease) in net assets</b>	<b>\$ (3,853,202)</b>	<b>\$ (1,390,257)</b>	<b>\$ (77,362)</b>	<b>\$ (109,167)</b>	<b>\$ (3,930,564)</b>	<b>\$ (1,499,424)</b>

**Governmental Activities**

Governmental activities for 2017 resulted in a decrease in net assets of \$(3,890,631). The decrease is primarily the result of the increase in instruction, and support services primarily due to the increase in pension liabilities (see page 15).

The School District's revenues consist of Local (taxes and other), 70.5 percent; and State and Federal revenues (subsidies and grants), 29.5 percent (federal revenue amounted to less than 1%). Local taxation is the major funding source for the District. The School District's program expenses are 56 percent instruction, 39 percent support services, 2 percent non-instructional, and 3 percent debt interest. All program expenses and other uses of fund increased except Administrative and Financial Support Services, which decreased \$43,170 from the prior year.

**Business-Type Activities**

The District's food service operation is the business-type of activity. Charges for services, along with federal and state subsidies fund 90 percent of the food service operation. The remainder is funded with support from the general fund.

**SCHOOL DISTRICT'S FUNDS**

Financial information related to the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total

**SALISBURY TOWNSHIP SCHOOL DISTRICT  
ALLENTOWN, PENNSYLVANIA**

revenues of \$38 million and expenditures of \$43.1 million. Primarily, the fund balance was decreased by the increase in expenditures and capital projects. The net decrease in fund balance was \$762,988.

**General Fund Budget Highlights**

The School District's budget is prepared on the modified accrual basis of accounting. The Board of School Directors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the districts. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is shown on page 17.

General fund expenditures exceeded revenues by \$680,034. The Fund Balance of General Fund was further reduced by the \$92,429 transfers to Capital Projects and Business-Type (food service). The 2016-17 budget was adopted with the expectation that expenditures would exceed revenues by approximately \$990 thousand.

Revenues were over budget estimates by \$11 thousand. This was primarily due to state revenues exceeding budget amounts. State revenues exceed the budget by \$255 thousand. This is primarily due to the increase in special education funds and pension reimbursement from the state. Expenditures came in over budget by \$55.8 thousand at \$35,797,917 at fiscal year-end. The district had planned to have expenditures exceed revenues by \$635 thousand.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2017, the District had \$52,945,085 invested in land, buildings, and equipment. This represents the capital assets of both the governmental and business-type activities of the District. The investment is shown net of accumulated depreciation.

**Debt Administration**

At June 30, 2017, the School District had \$40,445,509 in General Obligation Bonds and leases principal outstanding. Out of this amount, \$2,258,425 is payable in the 2017-18 fiscal year. For additional information on long-term debt, see Note 7 to the financial statements.

**SALISBURY TOWNSHIP SCHOOL DISTRICT  
ALLENTOWN, PENNSYLVANIA**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District expects moderate growth in the near future as the economy continues to be strong and stable. Act 1 of 2006 and its amendments of 2011 limits the ability of school districts to increase taxes. Additionally, there are no significant alternative funding sources available to the district.

Health insurance premium actually decreased approximately 3% for 2017-18 school year. However, health insurance is expected to increase 4% for the 2018-19 fiscal year (the rate is actually increasing by approximately 12%; the Health Care Consortium is utilizing the rate stabilization fund to reduce the rate). In addition, contributions to the Pennsylvania School Employees Retirement System were 30.03% of payroll for 2016-17 and 32.57% for 2017-18. The PSERS rate is projected to rise considerably in the future. The five year projected rates are: 33.43% in 2018-19, 34.79% in 2019-20, 35.26% in 2020-2021, 35.68 in 2021-2022, and 36.32% in 2022-23. The "Pension Reform Act", Act 120 of 2010 was signed into law during November, 2010. This legislation provides numerous changes to the current PSERS system, primarily for new employees beginning July 1, 2010. While this Act does provide a new structure for management of increased contribution rates for future years, the impact will continue to be significant for a school district the size of Salisbury Township.

The School Board has been assessing the capital improvement needs for the District since early 2002. On August 30, 2004, the Board passed a resolution to issue debt at a future date with a maximum amount of \$17,720,000 at an interest rate not to exceed 7.8323978%. The purpose of this resolution is to provide the district flexibility with debt exemptions under Act 72 and subsequently Act 1 and to complete capital improvements identified by the district.

The budget for the 2017-18 year is \$1.4 million more than the original budget for 2016-17. The real estate tax increased 0.3931 mills from 18.0596 mills to a millage rate of 18.4527 mills. This represents a 2.18% increase. The Act 1 index allowed for a millage increase of 2.4%, therefore the actual tax increase was below the maximum rate allowed. The district sought and was approved for two exceptions to the Act 1 referendum requirements due to the increase in pension contributions and special education expenses which exceeded the Act 1 index.

Funding cuts have a significant negative impact on the school district and its' future planning. While state and federal revenue streams have decreased the educational needs of students, mandated programs continue to increase. Future budgets will require the school board and administration to work diligently to find solutions that will provide continued academic excellence in the programs we offer at the same time as staff and program cuts become necessary due to the declining revenue base.

**Contacting the School District's Financial Management**

Our financial report is designed to provide citizens, taxpayers, students, investors and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Robert Bruchak, Business Administrator/Board Secretary at Salisbury Township School District, 1140 Salisbury Road, Allentown, Pennsylvania, 18103, or 610-797-2062 ext. 1300.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 6,859,038	\$ 81,470	\$ 6,940,508
Investments	1,980,000	0	1,980,000
Taxes receivable	690,229	0	690,229
Due from other funds	3,329	0	3,329
Intergovernmental receivables	1,231,907	11,265	1,243,172
Other receivables	629,597	1,879	631,476
Inventories	50,000	23,713	73,713
Prepaid expenses	61,497	0	61,497
<b>Total Current Assets</b>	<b>11,505,597</b>	<b>118,327</b>	<b>11,623,924</b>
<u>Noncurrent Assets:</u>			
Capital assets (net of accumulated depreciation)			
Land	492,022	0	492,022
Site improvements	406,432	0	406,432
Building & improvements	44,579,047	0	44,579,047
Furniture & equipment	4,894,305	78,390	4,972,695
Construction in progress	2,494,889	0	2,494,889
<b>Total Noncurrent Assets</b>	<b>52,866,695</b>	<b>78,390</b>	<b>52,945,085</b>
<b>Total Assets</b>	<b>64,372,292</b>	<b>196,717</b>	<b>64,569,009</b>
Deferred Outflows of Resources	13,536,959	0	13,536,959
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Due to other funds	1,497	3,329	4,826
Accounts payable	541,424	13,528	554,952
Accrued salaries and benefits	3,147,582	214	3,147,796
Accrued interest payable	309,719	0	309,719
Current portion of long-term debt	2,258,425	0	2,258,425
Unearned revenues	0	6,880	6,880
<b>Total Current Liabilities</b>	<b>6,258,647</b>	<b>23,951</b>	<b>6,282,598</b>
<u>Noncurrent Liabilities:</u>			
Compensated absences payable	1,207,782	0	1,207,782
Other postemployment benefits	2,670,721	0	2,670,721
Net pension liability	56,346,000	0	56,346,000
Bonds and notes payable	38,187,084	0	38,187,084
<b>Total Noncurrent Liabilities</b>	<b>98,411,587</b>	<b>0</b>	<b>98,411,587</b>
<b>Total Liabilities</b>	<b>104,670,234</b>	<b>23,951</b>	<b>104,694,185</b>
Deferred Inflows of Resources	767,250	0	767,250
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	12,421,186	78,390	12,499,576
Restricted for capital projects	1,355,651	0	1,355,651
Unrestricted	(41,305,070)	94,376	(41,210,694)
<b>Total Net Position</b>	<b>\$(27,528,233)</b>	<b>\$ 172,766</b>	<b>\$(27,355,467)</b>
	=====	=====	=====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
<u>Governmental Activities</u>				
Depreciation - unallocated	\$ 51,488	\$ 0	\$ 0	\$ 0
Instruction	23,443,451	251,273	1,834,448	0
Instructional student support	8,229,420	0	2,991,562	0
Administrative and financial support services	2,806,661	0	0	0
Operation and maintenance of plant services	3,103,798	0	0	0
Pupil transportation	2,179,690	0	507,951	0
Student activities	994,561	45,737	0	6,000
Interest on long-term debt	1,175,976	0	0	89,784
Refund of prior year receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	<u>\$41,985,045</u>	<u>\$ 297,010</u>	<u>\$5,333,961</u>	<u>\$ 95,784</u>
 <u>Business-type Activities</u>				
Food service	<u>\$ 756,667</u>	<u>\$ 285,909</u>	<u>\$ 393,116</u>	<u>\$ 0</u>
Total Business-type Activities	<u>756,667</u>	<u>285,909</u>	<u>393,116</u>	<u>0</u>
Total	<u>\$42,741,712</u>	<u>\$ 582,919</u>	<u>\$5,727,077</u>	<u>\$ 95,784</u>
	=====	=====	=====	=====

Property taxes, levied for general purposes, net  
Taxes levied for specific purposes  
Grants, subsidies and contributions not  
restricted to specific programs  
Investment earnings  
Miscellaneous income  
Transfers between governmental and business-type  
activities

Total general revenues and transfers

Change in net position

Net position, July 1

Net position, June 30

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
STATEMENTS OF ACTIVITIES (Continued)  
FOR THE YEAR ENDED JUNE 30, 2017

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental</u>	<u>Business-type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (51,488)	\$ 0	\$ (51,488)
(21,357,730)	0	(21,357,730)
(5,237,858)	0	(5,237,858)
(2,806,661)	0	(2,806,661)
(3,103,798)	0	(3,103,798)
(1,671,739)	0	(1,671,739)
(942,824)	0	(942,824)
(1,086,192)	0	(1,086,192)
<u>0</u>	<u>0</u>	<u>0</u>
<u>\$ (36,258,290)</u>	<u>\$ 0</u>	<u>\$ (36,258,290)</u>
<u>\$ 0</u>	<u>\$ (77,642)</u>	<u>\$ (77,642)</u>
<u>\$ 0</u>	<u>(77,642)</u>	<u>(77,642)</u>
<u>\$ (36,258,290)</u>	<u>\$ (77,642)</u>	<u>\$ (36,335,932)</u>
23,248,131	0	23,248,131
3,463,498	0	3,463,498
5,496,634	0	5,496,634
81,172	280	81,452
115,653	0	115,653
<u>(37,429)</u>	<u>37,429</u>	<u>0</u>
<u>32,367,659</u>	<u>37,709</u>	<u>32,405,368</u>
(3,890,631)	(39,933)	(3,930,564)
<u>(23,637,602)</u>	<u>212,699</u>	<u>(23,424,903)</u>
\$ (27,528,233)	\$ 172,766	\$ (27,355,467)
=====	=====	=====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

<u>ASSETS AND DEFERRED</u>		<u>Capital</u>	<u>Total</u>
<u>OUTFLOWS OF RESOURCES</u>	<u>General</u>	<u>Projects</u>	<u>Governmental</u>
			<u>Funds</u>
Cash and cash equivalents	\$ 5,456,512	\$ 1,402,526	\$ 6,859,038
Investments	1,980,000	0	1,980,000
Taxes receivable	690,229	0	690,229
Due from other funds	3,329	0	3,329
Intergovernmental receivables	1,231,907	0	1,231,907
Other receivables	628,969	628	629,597
Inventories	50,000	0	50,000
Prepaid expenses	61,497	0	61,497
<b>Total Assets</b>	<u>10,102,443</u>	<u>1,403,154</u>	<u>11,505,597</u>
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$10,102,443</u> =====	<u>\$ 1,403,154</u> =====	<u>\$ 11,505,597</u> =====
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
<u>Liabilities:</u>			
Due to other funds	\$ 1,497	\$ 0	\$ 1,497
Accounts payable	493,921	47,503	541,424
Accrued salaries and benefits	3,147,582	0	3,147,582
<b>Total Liabilities</b>	<u>3,643,000</u>	<u>47,503</u>	<u>3,690,503</u>
Deferred Inflows of Resources	<u>826,068</u>	<u>0</u>	<u>826,068</u>
<u>Fund Balances:</u>			
Nonspendable	111,497	0	111,497
Restricted	0	1,355,651	1,355,651
Committed	1,207,782	0	1,207,782
Assigned	1,405,587	0	1,405,587
Unassigned	2,908,509	0	2,908,509
<b>Total Fund Balances</b>	<u>5,633,375</u>	<u>1,355,651</u>	<u>6,989,026</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$10,102,443</u> =====	<u>\$ 1,403,154</u> =====	<u>\$ 11,505,597</u> =====

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



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

	General Fund	PA PRRI Pass-Through Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES:</b>				
Local sources	\$ 27,479,478	\$ 0	\$ 21,414	\$ 27,500,892
State sources	7,395,980	2,940,650	0	10,336,630
Federal sources	<u>242,425</u>	<u>0</u>	<u>0</u>	<u>242,425</u>
Total revenues	<u>35,117,883</u>	<u>2,940,650</u>	<u>21,414</u>	<u>38,079,947</u>
<b>EXPENDITURES:</b>				
Instruction	19,425,218	0	0	19,425,218
Support services	12,085,926	2,940,650	0	15,026,576
Noninstructional services	978,790	0	0	978,790
Capital outlay	5,594	0	4,337,273	4,342,867
Debt service	3,302,389	0	84,586	3,386,975
Refund of prior year receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>35,797,917</u>	<u>2,940,650</u>	<u>4,421,859</u>	<u>43,160,426</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(680,034)</u>	<u>0</u>	<u>(4,400,445)</u>	<u>(5,080,479)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of general fixed assets	9,475	0	0	9,475
Transfers in (out)	<u>(92,429)</u>	<u>0</u>	<u>55,000</u>	<u>(37,429)</u>
Total other financing sources (uses)	<u>(82,954)</u>	<u>0</u>	<u>55,000</u>	<u>(27,954)</u>
Net change in fund balances	(762,988)	0	(4,345,445)	(5,108,433)
Fund Balances, July 1	<u>6,396,363</u>	<u>0</u>	<u>5,701,096</u>	<u>12,097,459</u>
Fund Balances, June 30	<u>\$ 5,633,375</u>	<u>\$ 0</u>	<u>\$ 1,355,651</u>	<u>\$ 6,989,026</u>

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

Net Change in Fund Balances - Governmental Funds            \$(5,108,433)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$4,440,477 exceeded depreciation of \$(2,199,007) in the current year. 2,241,470

Some property taxes will not be collected for several months after year end, they are not considered as "available" revenues in the governmental funds. Deferred inflows increased by this amount during the year. 42,421

The issuance of bonds, notes and leases is a receipt in the governmental funds, but the proceeds increase long-term liabilities in the statement of net position. The receipt of leases and bonds issued for the year were: 0

The repayment of bonds, notes and leases payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Repayments of bonds, notes and leases payable for the year were: 2,208,512

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.

District pension contributions	4,470,959
Cost of pension benefits earned, net of employee contributions	(6,765,435)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net increase in compensated absences of \$(12,494), the net decrease in accrued interest of \$ 2,487 and the net increase in postemployment benefits of \$(970,118). (980,125)

Change in Net Position of Governmental Activities            \$(3,890,631)  
=====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES:</b>				
Local sources	\$ 27,665,746	\$ 27,665,746	\$ 27,479,478	\$ (186,268)
State sources	7,140,855	7,140,855	7,395,980	255,125
Federal sources	<u>300,210</u>	<u>300,210</u>	<u>242,425</u>	<u>(57,785)</u>
Total revenues	<u>35,106,811</u>	<u>35,106,811</u>	<u>35,117,883</u>	<u>11,072</u>
<b>EXPENDITURES:</b>				
Instruction	19,397,343	19,397,343	19,425,218	(27,875)
Support services	12,029,984	12,029,984	12,085,926	(55,942)
Noninstructional services	1,001,464	1,001,464	978,790	22,674
Capital outlay	12,000	12,000	5,594	6,406
Debt service	3,301,247	3,301,247	3,302,389	(1,142)
Refund of prior year receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>35,742,038</u>	<u>35,742,038</u>	<u>35,797,917</u>	<u>(55,879)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(635,227)</u>	<u>(635,227)</u>	<u>(680,034)</u>	<u>(44,807)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of general fixed assets	0	0	9,475	9,475
Transfers out	(125,000)	(125,000)	(92,429)	32,571
Budgetary reserve	<u>(230,000)</u>	<u>(230,000)</u>	<u>0</u>	<u>230,000</u>
Total other financing sources (uses)	<u>(355,000)</u>	<u>(355,000)</u>	<u>(82,954)</u>	<u>272,046</u>
Net change in fund balances	(990,227)	(990,227)	(762,988)	227,239
FUND BALANCES, JULY 1	<u>6,126,946</u>	<u>6,126,946</u>	<u>6,396,363</u>	<u>269,417</u>
FUND BALANCES, JUNE 30	\$ 5,136,719	\$ 5,136,719	\$ 5,633,375	\$ 496,656
	=====	=====	=====	=====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2017

	<u>Food Service Fund</u>
<u>ASSETS AND DEFERRED</u>	
<u>OUTFLOWS OF RESOURCES</u>	
<u>Current Assets:</u>	
Cash and cash equivalents	\$ 81,470
Intergovernmental receivables	11,265
Other receivables	1,879
Inventories	<u>23,713</u>
Total Current Assets	<u>118,327</u>
<u>Noncurrent Assets:</u>	
Furniture and equipment (net)	<u>78,390</u>
Total Assets	<u>196,717</u>
Deferred Outflows of Resources	<u>0</u>
Total Assets and Deferred Outflows of Resources	\$ 196,717 =====
 <u>LIABILITIES, DEFERRED INFLOWS</u>	
<u>OF RESOURCES AND NET POSITION</u>	
<u>Current Liabilities:</u>	
Due to other funds	\$ 3,329
Accounts payable	13,528
Accrued salaries and benefits	214
Unearned revenues	<u>6,880</u>
Total Liabilities	<u>23,951</u>
Deferred Inflows of Resources	<u>0</u>
 <u>NET POSITION</u>	
Invested in capital assets, net of related debt	78,390
Unrestricted	<u>94,376</u>
Total Net Position	<u>172,766</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 196,717 =====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Food Service Fund</u>
Operating Revenues	
Food service revenue	\$ <u>285,909</u>
Total Operating Revenues	<u>285,909</u>
Operating Expenses	
Salaries	296,052
Employee benefits	164,613
Purchased property services	5,592
Other purchased services	274
Supplies	271,276
Depreciation	17,763
Dues and fees	1,097
Other operating expenditures	<u>0</u>
Total Operating Expenses	<u>756,667</u>
Operating (Loss)	<u>(470,758)</u>
Nonoperating Revenues	
Earnings on deposits	280
State sources	69,265
Federal sources	<u>323,851</u>
Total Nonoperating Revenue	<u>393,396</u>
Net (Loss) Before Operating Transfers	(77,362)
Operating Transfers In	<u>37,429</u>
Change in Net Position	(39,933)
Net Position, July 1	<u>212,699</u>
Net Position, June 30	\$ <u>172,766</u> =====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Food Service Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash received from users	\$ 284,858
Cash payments to employees	(295,838)
Cash payments to suppliers	(262,191)
Cash payments for other operating expenses	(171,576)
Net Cash Used by Operating Activities	<u>(444,747)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>	
Grants and subsidies received for non-operating activities:	
State	70,709
Federal	350,149
Operating transfers in	37,429
Net Cash Provided by Non-Capital Financing Activities	<u>458,287</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Capital outlay	<u>0</u>
Net Cash Used by Capital and Related Financing Activities	<u>0</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Earnings on deposits	<u>280</u>
Net Cash Provided by Investing Activities	<u>280</u>
Net Increase in Cash and Cash Equivalents	13,820
Cash and Cash Equivalents, July 1	<u>67,650</u>
Cash and Cash Equivalents, June 30	\$ 81,470 =====
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES</u>	
Operating (Loss)	\$ (470,758)
Adjustments to reconcile operating (loss) to net cash used by operating activities:	
Depreciation	17,763
(Increase) decrease in accounts receivable	(1,051)
(Increase) decrease in inventory	4,429
Increase (decrease) in accounts payable	1,157
Increase (decrease) in accrued salaries & benefits	214
Increase (decrease) in unearned revenue	<u>3,499</u>
Total Adjustments	<u>26,011</u>
Net Cash Used by Operating Activities	\$ (444,747) =====

Non-cash investing, capital, and financing activities      None

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

<u>ASSETS AND DEFERRED</u> <u>OUTFLOWS OF RESOURCES</u>	<u>Agency</u>	<u>Activity</u>	<u>Total</u> <u>Fiduciary</u> <u>Funds</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 59,620	\$ 129,725	\$ 189,345
Due from other funds	<u>1,497</u>	<u>0</u>	<u>1,497</u>
Total Assets	<u>61,117</u>	<u>129,725</u>	<u>190,842</u>
Deferred Outflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Deferred Outflows of Resources	\$ 61,117 =====	\$ 129,725 =====	\$ 190,842 =====
 <u>LIABILITIES, DEFERRED INFLOWS</u> <u>OF RESOURCES AND NET POSITION</u>			
<u>Liabilities:</u>			
Accounts payable	5,771	0	5,771
Payroll deductions and withholdings	55,346	0	55,346
Due to student organizations	<u>0</u>	<u>129,725</u>	<u>129,725</u>
Total Liabilities	<u>61,117</u>	<u>129,725</u>	<u>190,842</u>
Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>0</u>
<u>Net Position:</u>			
Unrestricted	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities and Deferred Inflows of Resources and Net Position	\$ 61,117 =====	\$ 129,725 =====	\$ 190,842 =====

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2017

NOTE 1 Summary of Significant Accounting Policies

The accounting policies and accompanying financial statements of Salisbury Township School District (the District) conform to generally accepted accounting principles as applicable to governmental units. The District applies relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Principles Determining Scope of Reporting Entity

The Board of School Directors, a nine member group, has governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Salisbury Township School District, in accordance with an act established by the Commonwealth legislature. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth by GASB Statement 61. The criteria for including a potential component unit within the financial reporting entity is the significance of the potential component unit's operational or financial relationship with the District. Based upon the application of these criteria, there are no component units to be included in the financial reporting entity of the District.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities which report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 1 Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. Substantially all tax revenues, Federal and State aid

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

(except aid restricted for use in the Special Revenue Fund) and other operating revenues are accounted for in the General Fund. This fund also accounts for expenditures and transfers as appropriated in the budget which provides for the District's day-to-day operations.

The PA PRRI Pass-Through Fund accounts for state aid which is passed through directly to Kidspace.

The Capital Projects Fund accounts for resources used to construct or acquire fixed assets and capital improvements. Resources of the capital projects fund are derived principally from budget transfers, long term debt proceeds, and investment earnings.

The District reports the following major proprietary fund:

The Food Service Fund is the District's proprietary fund established to account for all revenues, food purchases, costs, and expenses for the food service.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods. The principal operating revenue of the District is the sale of food to students and other related organizations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District also reports the following fund types:

The agency and activity funds are established to administer resources received and held by the District in a fiduciary capacity for others. Use of these funds facilitates the discharge of responsibilities placed upon the District by virtue of law or other authority. These funds are established to account for the resources of student groups and payroll taxes which is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

Budgets and Budgetary Accounting

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

1) In accordance with State law and District procedures, prior to May 31, the District Superintendent and Business Manager submit to the Board of School Directors, with whom the legal level of

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 1 Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

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

budgetary control resides, a proposed budget for the fiscal year beginning the following July 1. The budget includes proposed expenditures and the means of financing them for the upcoming year. The only legally adopted budget is for the General Fund.

2) Public hearings are conducted to obtain taxpayer comment concerning the proposed budget.

3) Prior to June 30, the budget is legally enacted through passage of a resolution. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.

4) Each month the administration prepares a detailed budget report. The report cites the past month and year-to-date activity, as well as encumbrances and unencumbered balances by account.

5) All modifications, transfers and amendments must be approved by the Board of School Directors.

6) Formal budgetary integration is employed as a management control device during the year for the General Fund.

7) The budget for the General Fund is adopted substantially on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed in governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Cash and Investments

Statutes allow the District to invest in obligations of the U.S. Treasury and U.S. Agencies, savings accounts or time deposits of institutions insured by FDIC and deposits in excess of insured amounts if collateralized by the depository.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 1 Summary of Significant Accounting Policies (Continued)

Property Taxes Receivable

The property tax calendar for the fiscal year is as follows:

July 1	-	Levy Date
July 1 to August 31	-	2% Discount Period
September 1 to October 31	-	Face Payment Period
November 1 to December 31	-	10% Penalty Period
January 1	-	Lien Date

The tax rate for the year ended June 30, 2017, was \$18.0596 per \$1,000 on a taxable valuation of \$1,301,671,800.

Inventory

Inventory in the General Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time the individual inventory items are purchased. Inventory of the Food Service Fund is valued at the lower of cost or market. Inventories are similarly reported in government-wide and fund financial statements.

Capital Assets, Depreciation and Amortization

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in the financial statements.

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Vehicles	8
Furniture, machinery and equipment	10 - 20
Computers	5

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 1 Summary of Significant Accounting Policies (Continued)

Prepaid Expenses

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

Compensated Absences

Sick leave and severance allowances are recorded as expenditures in the year paid. Upon retirement, the District compensates professional employees and support staff for unused accumulated sick leave at the rate of \$30.00 per day, provided that the employee has completed 15 years of service within the District and has met the requirements of retirement with the Public School Employees' Retirement System.

District employees who are required to work a twelve-month schedule are credited with vacation rates which vary with length of service and job classification. Vacations generally may not be accumulated into future periods.

Long-term Obligations

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a method that approximates the effective interest method.

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 1 Summary of Significant Accounting Policies (Continued)

Transfers

Legally authorized payments or authorizations to make payments from a fund receiving revenue to a fund through which the resources are to be expended are reported as operating transfers.

NOTE 2 Deposits and Investments

The District's current investment policy is to place as much of the available funds into interest bearing accounts as feasible. Current cash requirements are kept in bank demand deposits. As of June 30, 2017, certificates of deposit in the amount of \$1,980,000 were held. The District does not pool cash of the various funds.

Deposits

The District requires all deposits and investments to be covered by federal depository insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not fully insured by the Federal Deposit Insurance Corporation are collateralized using the pooled asset method to 100% of value as required by Pennsylvania law. The securities pledged as collateral are held by the trust department of a financial institution or by its agents in the financial institution's name.

The District's deposits are categorized to give an indication of the level of risk assumed by the District. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Uncollateralized.

As of June 30, 2017, the carrying amount of the District's deposits is \$3,648,993 and the bank balance is \$3,905,904. Of the bank balance, \$265,055 is covered by federal depository corporation insurance. Deposits, categorized by level of risk, are:

	<u>Categories</u>			<u>Bank</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>	<u>Amount</u>
Cash	\$ 265,055	\$ 0	\$ 3,640,849	\$ 3,905,904	\$ 3,648,993

Uncategorized

PA School District Liquid Asset Fund				1,420,028	1,421,076
PA Local Government Investment Trust				<u>2,052,231</u>	<u>2,059,784</u>
				\$ 7,378,163	\$ 7,129,853
				=====	=====

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 2 Deposits and Investments (Continued)

Deposits (Continued)

The District deposits cash in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) which are governmental cash management pools. The purpose of the pools are to allow governmental units to maximize investment potential through cash pooling while providing security and liquidity. The investments of the pools are held in safekeeping by the investment custodians. Although the PSDLAF and PLGIT portfolios contain investments that are individually insured and guaranteed, the investment is not categorized as to credit risk, as required by Governmental Accounting Standards Board Statement No. 3.

Investments

Authorized types of investments for the District funds are as follows:

- a) United States Treasury Bills and Notes.
- b) Short-term obligations of the United States, its agencies or instrumentalities.
- c) Deposits in savings accounts or time deposits insured by the Federal Deposit Insurance Corporation or similar insurance and provided that approved collateral for public deposits is pledged by the depository for excess amounts over the insured maximum.
- d) Obligations of the United States and the Commonwealth of Pennsylvania or any of their agencies or instrumentalities backed by the full faith and credit of the United States, Commonwealth of Pennsylvania or political subdivisions.
- e) Shares of an investment company provided that the only investments of the company are in the investments listed in a) through d) above.

Investments made by the District are summarized on the next page. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Insured or registered, or securities held by the District or its agent in the District's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the District's name.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 2 Deposits and Investments (Continued)

Investments, categorized by level of risk, are:

	<u>Categories</u>			<u>Fair</u>	<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Amount</u>
Certificates of deposit	\$ 0	\$ 0	\$ 1,980,000	\$ 1,980,000	\$ 1,980,000

NOTE 3 Taxes Receivable and Deferred Inflows

Property taxes are collected and remitted to the District by the local tax collector. Earned income, per capita, and business and occupational privilege taxes are collected and remitted to the District by an independent collection company.

In the governmental fund financial statements, property taxes receivable are recorded in the General Fund after the taxes are levied. At June 30, 2017, the receivables represent delinquent property taxes, as well as current earned income taxes and interim real estate taxes. Delinquent property taxes not paid within 60 days of June 30 are recorded as deferred inflows.

In the government-wide financial statements, taxes receivable and related revenue include all amounts due to the District regardless of when cash is received. Over time, substantially all property taxes are collected.

NOTE 4 Interfund Receivable and Payable Balances

The District had interfund receivable and payable balances in the following amounts at June 30, 2017:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 3,329	\$ 1,497
Food Service Fund	0	3,329
Payroll Fund	<u>1,497</u>	<u>0</u>
Total	\$ 4,826	\$ 4,826
	=====	=====

The general fund owes the payroll fund for bank service charges in excess of interest income incurred by the payroll fund. The food service fund owes the general fund for dental benefits paid by the general fund for food service employees. These amounts are expected to be paid within one year.

NOTE 5 Intergovernmental Receivables and Unearned Revenue

Intergovernmental receivables are comprised of amounts due from the state and federal governments for grants and subsidies, as well as other School Districts for tuition costs. Revenue is recorded as earned when eligibility requirements are satisfied.

Grant revenues unearned in the financial statements represent inventory of the Food Service Fund from donated commodities received from the federal government.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 6 Capital Assets

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

	Balance 07/01/16	Increases	Decreases	Balance 06/30/17
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 492,022	\$ 0	\$ 0	\$ 492,022
Capital assets, being depreciated:				
Site improvements	1,431,607	7,148	0	1,438,755
Buildings and improvements	72,166,733	3,561,860	0	75,728,593
Furniture and equipment	8,280,837	563,908	(34,552)	8,810,193
Construction in progress	2,187,328	307,561	0	2,494,889
Total capital assets being depreciated	<u>84,066,505</u>	<u>4,440,477</u>	<u>(34,552)</u>	<u>88,472,430</u>
Less accumulated depreciation for:				
Site improvements	(994,844)	(37,479)	0	(1,032,323)
Buildings and improvements	(29,751,511)	(1,398,035)	0	(31,149,546)
Furniture and equipment	(3,186,947)	(763,493)	34,552	(3,915,888)
Total accumulated depreciation	<u>(33,933,302)</u>	<u>(2,199,007)</u>	<u>34,552</u>	<u>(36,097,757)</u>
Total capital assets, being depreciated, net	<u>50,133,203</u>	<u>2,241,470</u>	<u>0</u>	<u>52,374,673</u>
Governmental activities capital assets, net	\$50,625,225	\$ 2,241,470	\$ 0	\$52,866,695
	=====	=====	=====	=====
	Balance 07/01/16	Increases	Decreases	Balance 06/30/17
<u>Business-type activities:</u>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 478,096	\$ 0	\$ (16,447)	\$ 461,649
Less accumulated depreciation	(381,943)	(17,763)	16,447	(383,259)
Business-type activities capital assets, net	\$ 96,153	\$ (17,763)	\$ 0	\$ 78,390
	=====	=====	=====	=====

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 6 Capital Assets (Continued)

Depreciation expense was charged to functions as follows:

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
Instruction	\$1,959,555	Food service	\$ 17,763
Instructional support	172,193		
Non-instructional services	15,771		
Unallocated	51,488		
Total	<u>\$2,199,007</u>		<u>\$ 17,763</u>
	=====		=====

NOTE 7 Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities only.

The following is a summary of the details of outstanding bonds as of June 30, 2017:

General Obligation Note Series of 2008: date of issue was May 21, 2008; original amount was \$1,000,000; maturity date is February 1, 2018.

General Obligation Bonds Series A of 2012: date of issue was May 30, 2012, registered bonds; original amount was \$5,675,000; yield to maturity varies from 0.50.% to 3.25%; maturity date is May 15, 2033.

General Obligation Bonds Series B of 2012: date of issue was May 30, 2012, registered bonds; original amount was \$4,250,000; yield to maturity varies from 0.50.% to 2.50%; maturity date is May 15, 2024.

General Obligation Bonds Series of 2013: date of issue was february 20, 2013, registered bonds; original amount was \$8,165,000; yield to maturity varies from 0.50.% to 3.00%; maturity date is February 15, 2020.

General Obligation Bonds Series of 2014: date of issue was July 23, 2014, registered bonds; original amount was \$8,100,000; yield to maturity varies from 1.85.% to 4.00%; maturity date is April 1, 2035.

General Obligation Bonds Series of 2015: date of issue was April 14, 2015, registered bonds; original amount was \$1,050,000; yield to maturity varies from 2.60.% to 3.00%; maturity date is April 1, 2029.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 7 Long-Term Debt (Continued)

General Obligation Bonds Series A of 2015: date of issue was April 14, 2015, registered bonds; original amount was \$8,615,000; yield to maturity varies from 1.50.% to 2.50%; maturity date is April 1, 2026.

General Obligation Bonds Series AA of 2015: date of issue was April 30, 2015, registered bonds; original amount was \$6,050,000; yield to maturity varies from 2.00.% to 3.75%; maturity date is February 15, 2037.

General Obligation Bonds Series of 2016: date of issue was May 24, 2016, registered bonds; original amount was \$2,040,000; yield to maturity varies from 1.50.% to 3.00%; maturity date is February 15, 2030.

Administration building HVAC lease dated July 4, 2013; original amount was \$544,907 due in annual installments of \$60,665 at 2.47% with a maturity date of July 1, 2022.

Apple computer equipment lease dated July 15, 2014; original amount was \$1,879,150 due in annual installments of \$379,706 at .98% with a maturity date of July 15, 2017.

The following is a summary of bonds, note and lease payable transactions of the District for the year ended June 30, 2017:

	Balance <u>07/01/16</u>	Debt <u>Issued</u>	Debt <u>Retired</u>	Balance <u>06/30/17</u>
05/21/08	\$ 165,000	\$ 0	\$ 80,000	\$ 85,000
05/30/12 A	5,415,000	0	70,000	5,345,000
05/30/12 B	4,230,000	0	5,000	4,225,000
02/20/13	5,865,000	0	1,585,000	4,280,000
07/23/14	8,095,000	0	5,000	8,090,000
04/14/15	1,050,000	0	0	1,050,000
04/14/15 A	8,610,000	0	5,000	8,605,000
04/30/15 AA	6,050,000	0	35,000	6,015,000
05/24/16	2,040,000	0	0	2,040,000
HVAC lease	385,629	0	51,141	334,488
Computer lease	748,392	0	372,371	376,021
Total	\$42,654,021	\$ 0	\$ 2,208,512	\$40,445,509
	=====	=====	=====	=====

Annual debt service requirements to maturity for general obligation bonds, notes and leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
06/30/2018	\$ 2,258,425	\$ 1,153,068	\$ 3,411,493
06/30/2019	1,933,698	1,093,546	3,027,244
06/30/2020	2,030,024	1,053,477	3,083,501
06/30/2021	2,131,383	1,009,851	3,141,234
06/30/2022	2,182,776	966,958	3,149,734
06/30/2023	2,219,203	921,274	3,140,477

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 7 Long-Term Debt (Continued)

Annual debt service requirements to maturity for general obligation bonds, notes and leases are as follows (continued):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
06/30/2024	\$ 2,220,000	\$ 871,874	\$ 3,091,874
06/30/2025	2,305,000	818,854	3,123,854
06/30/2026	2,360,000	763,433	3,123,433
06/30/2027	815,000	703,920	1,518,920
06/30/2028	835,000	685,502	1,520,502
06/30/2029	2,295,000	660,385	2,955,385
06/30/2030	2,365,000	591,268	2,956,268
06/30/2031	2,150,000	516,500	2,666,500
06/30/2032	2,220,000	446,325	2,666,325
06/30/2033	2,295,000	372,281	2,667,281
06/30/2034	2,275,000	291,263	2,566,263
06/30/2035	2,360,000	207,162	2,567,162
06/30/2036	2,295,000	119,812	2,414,812
06/30/2037	900,000	33,750	933,750
Total	<u>\$40,445,509</u>	<u>\$13,280,503</u>	<u>\$53,726,012</u>
	=====	=====	=====

NOTE 8 Accumulated Compensated Absences

Early Retirement Incentive

The District offers early retirement incentive programs to teachers, administrative and supervisory personnel. Payment shall be made only after the sum is included in the adopted budget of the District. In the event that the retiree dies prior to payment, it will be made posthumously in accordance with retirement policy.

Severance Pay

The District pays teachers \$30 per day for unused vacation, sick, personal and emergency days. In addition, teachers receive a retirement payment in the amount of .75% of their final salary multiplied by the total years of service. Each payment is contingent upon the teacher serving at least fifteen years of service within the District.

The District pays manager and administrative personnel \$30 per day for unused vacation, sick, personal and emergency days. In addition, these employees receive \$50 per year for each year of service rendered in Salisbury Township School District.

In the governmental fund financial statements, these accumulated leaves are recorded as expenditures in the period taken or as an accrued expenditure in the fiscal year of separation. Termination compensation payable in future years is recorded in the government-wide financial statements.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 9 Pension Plan

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

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension 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

PSER provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at 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 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 9 Pension Plan (Continued)

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

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

Contributions - Members

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

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

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

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

Contributions - Employers

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, combined with employee contributions, is expected to finance the costs of

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 9 Pension Plan (Continued)

benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$4,470,959 for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$56,346,000 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was .1137 percent, which was an increase of .0092 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$6,765,435. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between expected and actual experience	\$ 0	\$ 469,000
Net difference between projected and actual investment earnings	3,140,000	0
Changes in proportions	3,891,000	153,000
Changes in assumptions	2,035,000	0
Contributions subsequent to the measurement date	<u>4,470,959</u>	<u>0</u>
Total	<u>\$13,536,959</u>	<u>\$ 622,000</u>
	=====	=====

\$ 4,470,959 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2017	\$ 1,975,000
2018	1,975,000
2019	2,509,000
2020	1,985,000

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 9 Pension Plan (Continued)

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 actuarial valuation to June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Changes in assumptions used in measurement of the total pension liability beginning June 30, 2016:

a) The investment rate of return was adjusted from 7.50% to 7.25%.

b) The inflation assumption was decreased from 3.0% to 2.75%.

c) 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.

d) Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 9 Pension Plan (Continued)

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

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major 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 contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease <u>6.25%</u>	Current Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
District's proportionate share of the net pension liability	\$68,926,000	\$56,346,000	\$45,775,000

Pension Plan Fiduciary Net Position

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 10 Litigation

Various tax appeals and lawsuits have been brought against the District. Defenses are being conducted by counsel for the District or the insurance carrier, and losses, if any, are not anticipated to have a significant effect on the District's financial statements.

NOTE 11 Contingencies

The District participates in a number of state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The audits of these programs including the year ended June 30, 2017 have not yet been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 12 Deficit Fund Equity, Expenditures and Appropriations

No funds of the District have a deficit net position at June 30, 2017. Additionally, for the year ended June 30, 2017, the General Fund did not have an excess of expenditures over appropriations.

NOTE 13 Joint Ventures

The District is a participating member of the Lehigh Career and Technical Institute (the Institute). The Institute is governed by a joint board consisting of school directors from each member district. The board of directors from each member district must approve the Institute's annual operating budget. Each member district participates in the operating, capital, debt service and other costs of the Institute based on the number of students attending the Institute from each district. For the year ended June 30, 2017, the District's share was \$719,193. The Institute issues separate financial statements which are available to the public.

The District also participates with the Lehigh Carbon Community College (the College) and the Carbon Lehigh Intermediate Unit (the Unit). The District's involvement is limited to District member representatives serving on committees of the Boards of the College and the Unit as well as approving their annual budgets. The District shares in the operating, capital and other costs of the College and Unit, which amounted to \$214,082 and \$174,621 respectively, for the year ended June 30, 2017. The College and the Unit issue separate financial statements which are available to the public.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 14 Risk Management

Significant losses are covered by commercial insurance for all major programs. There has been no significant reduction in insurance coverages. Settlement amounts have not exceeded insurance coverages for the current year or the three prior years.

NOTE 15 Postemployment Benefits Other Than Pensions

In addition to the pension benefits described in Note 9, the District provides certain post-retirement healthcare benefits to its retirees who meet eligibility requirements based upon whether they are entitled to receive a pension allowance or a disability allowance through PSERS. Post-retirement benefits consist of medical, prescription drug, dental and vision coverage.

The District's contribution is based on projected pay as you go financing requirements. Retirees receiving benefits are required to remit the PSERS Premium Assistance monthly to the District. Retirees pay 100% of the premiums for spouse and dependent coverage for medical, prescription drug, dental and vision benefits.

The District's annual OPEB cost for the plan is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Actuarial valuations of an ongoing plan involve estimates 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 healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 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.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 15 Postemployment Benefits Other Than Pensions (Continued)

The following table shows the components of the District's annual OPEB cost for the year, the amount of estimated contributions to the plan, and changes in the District's net OPEB obligations, as well as assumptions used to calculate the net OPEB obligation:

Annual required contribution (ARC)	\$ 992,510
Interest on net OPEB obligation	79,248
Adjustment to ARC	<u>(101,640)</u>
Annual OPEB cost	970,118
Projected pay-as-you go expense	<u>0</u>
Increase in net OPEB obligation	970,118
Net OPEB obligation beginning of year	<u>1,700,603</u>
Net OPEB obligation end of year	\$ 2,670,721 =====

Methods and assumptions are as follows:

Actuarial valuation date	July 1, 2016
Actuarial cost method	Unit Credit
Amortization method	Level Dollar Closed
Asset valuation method	N/A
Remaining amortization period	30 Years
Actuarial assumptions:	
Discount rate	4.66%
Projected salary increases	N/A
Health care cost trend	10.0% in 2016, grading to 5.0% in 2026
Mortality	RP-2014 Mortality Fully Generational using Projection Scale MP-2015

Three Year Trend Information

Year	Annual OPEB Cost (AOC)	Estimated Percentage of AOC Contributed	Estimated Net OPEB Obligation
06/30/17	\$ 970,118	36%	\$2,670,721
06/30/16	\$ 928,358	55%	\$1,700,603
06/30/15	\$ 619,210	57%	\$1,083,413

NOTE 16 Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 16 Fund Balance Reporting (Continued)

1. Nonspendable - this fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. Items associated with this category include inventories, prepaids, long-term loans and notes receivable, and property held for resale, unless the proceeds are restricted, committed, or assigned.

2. Restricted - this fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Enabling legislation authorizes the District to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use the resources created by enabling legislation only for the purposes specified by the legislation.

3. Committed - this fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action by the School Board of Directors who is the highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the School Board of Directors removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the School Board, separate from authorization to raise the underlying revenue, therefore, compliance with those constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

4. Assigned - this fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

5. Unassigned - this fund balance category is the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2017

NOTE 16 Fund Balance Reporting (Continued)

and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The following represents the fund balance classifications of the District at June 30, 2017:

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Inventories	\$ 50,000	\$ 0	\$ 50,000
Prepaid expenses	61,497	0	61,497
Restricted for:			
Capital improvements	0	1,355,651	1,355,651
Committed for:			
Compensated absences	1,207,782	0	1,207,782
Assigned for:			
Carryover budget	366,120	0	366,120
Capital projects	600,000	0	600,000
Retirement increases	439,467	0	439,467
Unassigned:			
Unassigned	<u>2,908,509</u>	<u>0</u>	<u>2,908,509</u>
 Total fund balances	 \$ 5,633,375 =====	 \$ 1,355,651 =====	 \$ 6,989,026 =====

Note 17 Subsequent Events

Subsequent events have been evaluated through December 12, 2017, which is the date the financial statements were available to be issued.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
POSTEMPLOYMENT BENEFIT PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
(An Integral Part of the Financial Statements)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/2016	\$ 0	\$ 9,201,390	\$ 9,201,390	0.0%	Not Available	N/A
07/01/2014	0	6,438,387	6,438,387	0.0%	Not Available	N/A
07/01/2012	0	6,254,555	6,254,555	0.0%	Not Available	N/A
07/01/2010	0	5,574,391	5,574,391	0.0%	Not Available	N/A
12/31/2008	0	10,605,302	10,605,302	0.0%	Not Available	N/A

SALISBURY TOWNSHIP SCHOOL DISTRICT  
PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONAL SHARE  
OF THE NET PENSION LIABILITY  
(An Integral Part of the Financial Statements)

Last 10 Fiscal Years\*

	<u>06/30/17</u>	<u>06/30/16</u>	<u>06/30/15</u>	<u>06/30/14</u>
District's proportion of the net pension liability	0.1137%	0.1045%	0.1051%	0.1011%
District's proportionate share of the net pension liability	\$56,346,000	\$45,264,000	\$41,599,000	\$41,386,000
District's covered-employee payroll**	\$14,731,015	\$13,441,695	\$13,416,088	\$12,976,658
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	382.50%	336.74%	310.07%	318.93%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%	54.49%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

\*\* District's covered-employee payroll for this schedule was furnished by PSERS, and is one year behind.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
PENSION PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
(An Integral Part of the Financial Statements)

	Last 10 Fiscal Years*			
	<u>06/30/17</u>	<u>06/30/16</u>	<u>06/30/15</u>	<u>06/30/14</u>
Contractually required contribution	\$ 4,470,959	\$ 3,607,435	\$ 2,681,422	\$ 2,094,000
Contributions in relation to the contractually required contribution	<u>4,470,959</u>	<u>3,607,435</u>	<u>2,681,422</u>	<u>2,094,000</u>
Contribution deficiency (excess)	0	0	0	0
District's covered-employee payroll	\$15,311,503	\$14,731,015	\$13,441,695	\$13,416,088
Contributions as a percentage of covered-employee payroll	29.20%	25.00%	20.50%	15.61%

Amounts are based on actual contributions during the fiscal year.

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017

<u>Program Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor's Number</u>	<u>Grant Period Beginning/Ending Date</u>	<u>Program or Award Amount</u>
<u>U.S. Dept. of Agriculture</u>					
<u>Passed through the PA Dept. of Education:</u>					
National School Lunch Program	I	10.555	N/A	7/1/16-6/30/17	N/A
National School Lunch Program	I	10.555	N/A	7/1/15-6/30/16	N/A
<u>Passed through the PA Dept. of Agriculture:</u>					
Value of USDA Donated Food	I	10.555	N/A	7/1/16-6/30/17	N/A
Total U.S. Dept. of Agriculture					
<u>U.S. Dept. of Education</u>					
<u>Passed through the PA Dept. of Education:</u>					
Title I Improve Basic Pr.	I	84.010	13-170370	7/1/16-6/30/17	\$ 173,041
Title I Improve Basic Pr.	I	84.010	13-160370	7/1/15-6/30/16	\$ 173,140
Title III LEP	I	84.365	10-170370	7/1/16-6/30/17	\$ 18,868
Title II Improve Teach.	I	84.367	20-170370	7/1/16-6/30/17	\$ 58,791
Title II Improve Teach.	I	84.367	20-160370	7/1/15-6/30/16	\$ 59,810
<u>Passed through the Carbon Lehigh Intermediate Unit:</u>					
IDEA Grants to States	I	84.027	H027A160093	7/1/16-9/30/17	\$ 338,874
IDEA Grants to States	I	84.027	H027A150093	7/1/15-9/30/16	\$ 325,317
IDEA Preschool Grants	I	84.173	H173A160090	7/1/16-6/30/17	\$ 2,450
IDEA Preschool Grants	I	84.173	H173A150090	7/1/15-6/30/16	\$ 1,408

Total U.S. Dept. of Education

Total Federal Assistance

Source Codes: I - Indirect Funding  
D - Direct Funding

Footnotes:

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

There were no federal awards passed through to subrecipients.

See notes to the Schedule of Expenditures of Federal Awards.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
YEAR ENDED JUNE 30, 2017

<u>Total Received for the Year</u>	<u>Accrued or (Deferred) Revenue at 7/1/16</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at 6/30/17</u>
\$ 273,102.26	\$ 0.00	\$ 283,722.74	\$ 283,722.74	\$ 10,620.48
36,918.30	36,918.30	0.00	0.00	0.00
(a) <u>43,626.70</u>	(b) <u>(3,381.19)</u>	<u>40,127.77</u>	(c) <u>40,127.77</u>	(d) <u>(6,880.12)</u>
\$ <u>353,647.26</u>	\$ <u>33,537.11</u>	\$ <u>323,850.51</u>	\$ <u>323,850.51</u>	\$ <u>3,740.36</u>
\$ 162,002.44	\$ 0.00	\$ 132,678.67	\$ 132,678.67	\$ (29,323.77)
35,584.80	6,199.50	29,385.30	29,385.30	0.00
17,610.18	0.00	16,629.92	16,629.92	(980.26)
59,044.00	0.00	58,791.00	58,791.00	(253.00)
15,905.04	15,905.04	0.00	0.00	0.00
254,364.68	0.00	338,873.83	338,873.83	84,509.15
82,792.91	82,792.91	0.00	0.00	0.00
0.00	0.00	2,450.00	2,450.00	2,450.00
<u>1,408.00</u>	<u>1,408.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
\$ <u>628,712.05</u>	\$ <u>106,305.45</u>	<u>578,808.72</u>	<u>578,808.72</u>	\$ <u>56,402.12</u>
\$ 982,359.31	\$ 139,842.56	\$ 902,659.23	\$ 902,659.23	\$ 60,142.48
=====	=====	=====	=====	=====

Total expenditures per above schedule \$ 902,659.23

Programs selected for testing:

IDEA Grants to States	\$ 338,873.83
IDEA Preschool Grants	<u>2,450.00</u>
	\$ 341,323.83
	=====

There were no federal awards passed through to subrecipients.

See notes to the Schedule of Expenditures of Federal Awards.

SALISBURY TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2017

NOTE 1 Summary of Significant Accounting Policies

Basis of Accounting

The revenues and expenditures recognized on this schedule are reported on the accrual basis of accounting. Such revenues and expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Salisbury Township School District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Inventory

It is the policy of Salisbury Township School District to expense the value of all donated commodities used during the year. Recognition is given to inventories of donated goods on hand at year end on this schedule.

NOTE 2 Federal Revenue Summary

The following is a summary of federal revenue by CFDA number:

10.555	\$ 323,850.51
84.010	162,063.97
84.027	338,873.83
84.173	2,450.00
84.365	16,629.92
84.367	<u>58,791.00</u>
Total	\$ 902,659.23
	=====

NOTE 3 Schedule Presentation

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

SALISBURY TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017

SECTION I - SUMMARY AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? NO

Reportable condition(s) identified  
not considered to be material weaknesses? NONE

Noncompliance material to financial  
statements noted? NO

Federal Awards

Internal control over major programs:

Material weakness(es) identified? NO

Reportable condition(s) identified  
not considered to be material weaknesses? NONE

Type of auditors' report issued on compliance  
for major programs: Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with the Uniform  
Guidance? NO

Major programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
84.027	Grants to States (IDEA, Part B)
84.173	Preschool Grants (IDEA Preschool)

Dollar threshold used to distinguish  
between Type A and Type B programs: \$ 750,000  
=====

Auditee qualified as a low risk auditee? YES

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SALISBURY TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)  
YEAR ENDED JUNE 30, 2017

SUMMARY OF PRIOR AUDIT FINDINGS

NONE

FRANCE, ANDERSON, BASILE and COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

903 Chestnut Street  
Emmaus, Pennsylvania 18049

610-967-1200 Phone  
610-966-6669 Fax  
www.fabandco.com

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

To the Board of School Directors  
Salisbury Township School District  
Allentown, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Salisbury Township School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*France, Adams, Beside and Company, P.C.*

Emmaus, Pennsylvania  
December 12, 2017

FRANCE, ANDERSON, BASILE and COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

903 Chestnut Street  
Emmaus, Pennsylvania 18049

610-967-1200 Phone  
610-966-6669 Fax  
www.fabandco.com

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

To the Board of Directors  
Salisbury Township School District  
Allentown, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Salisbury Township 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 their major federal programs for the year ended June 30, 2017. Salisbury Township 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.

Auditors' Responsibility

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

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

### Opinion on Each Major Federal Program

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

### Report on Internal Control Over Compliance

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

Our 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Francis Anderson, Beside and Company, P.C.*

Emmaus, Pennsylvania  
December 12, 2017

SALISBURY TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS -  
ACTIVITY FUND ACCOUNTS  
YEAR ENDED JUNE 30, 2017

	Balance 7/01/16	Receipts	Disbursements	Balance 6/30/17
<b>HIGH SCHOOL:</b>				
Baseball	\$ 28	\$ 0	\$ 0	\$ 28
Basketball - Girls	13	0	0	13
Business Club (FBLA)	44	800	705	139
Cheerleaders - Senior	2,047	14,063	14,797	1,313
Class of 2016	10,799	0	10,799	0
Class of 2017	9,407	24,047	33,454	0
Class of 2018	4,454	17,422	10,358	11,518
Class of 2019	1,966	10,656	2,569	10,053
Class of 2020	0	3,363	0	3,363
Class of 2021	0	670	0	670
Cross Country	70	1,695	1,116	649
Drama Club	9,332	7,208	8,235	8,305
Field Hockey	1,293	824	1,217	900
German Club	1,088	14,018	577	14,529
Glee Club	342	5,625	5,869	98
Golf	577	301	36	842
High School Activity	7,893	4,780	4,003	8,670
Impact	388	1	0	389
Key Club	1,635	3,753	4,302	1,086
Model UN	394	0	240	154
Music Department	243	12,475	12,399	319
National Honor Society	261	600	501	360
Newspaper Club	445	0	0	445
No Place for Hate	1,452	514	0	1,966
Rifle Club	320	521	220	621
Soccer	4,051	5,962	7,876	2,137
Softball	2,093	1,088	965	2,216
Stand Tall	757	92	150	699
Student Council	1,364	3,359	3,778	945
Student Store	2,294	1,175	2,886	583
Tennis	884	300	618	566
Track & Field	2,179	303	290	2,192
Wrestling	48	0	0	48
Yearbook	6,785	7,563	9,978	4,370
<b>Total High School</b>	<b>74,946</b>	<b>143,178</b>	<b>137,938</b>	<b>80,186</b>
<b>MIDDLE SCHOOL:</b>				
After School	2,667	3	0	2,670
Chorus	(30)	0	0	(30)
Eighth Grade	1,945	2	246	1,701
Field Hockey	621	3,181	3,086	716
Girls Softball	218	0	0	218
Interact	210	1,396	1,395	211
Middle School Activity	13,452	27,780	25,500	15,732
Prosper Project	471	1	0	472
School Store	1,756	42	0	1,798
Seventh Grade	6,661	2,179	2,546	6,294
Sixth Grade	6,808	1,414	813	7,409
Ski Club	371	1	0	372
Student Council	3,374	772	1,145	3,001
Swimming	826	1	0	827
Yearbook	1,433	3,852	3,594	1,691
<b>Total Middle School</b>	<b>40,783</b>	<b>40,624</b>	<b>38,325</b>	<b>43,082</b>
Truman Elementary	2,074	1,187	1,389	1,872
Western Elementary	7,143	5,122	7,680	4,585
<b>TOTAL</b>	<b>\$124,946</b>	<b>\$ 190,111</b>	<b>\$ 185,332</b>	<b>\$129,725</b>
	=====	=====	=====	=====