

**South Park School District
Financial Statements
June 30, 2015**

**South Park School District
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Independent Auditor's Report

Members of the Board
South Park School District
South Park, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Park School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair representation 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.

Report on the Financial Statements (Cont'd)

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 South Park School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements in the year ended June 30, 2015, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, "Accounting and Financial Reporting for Pensions". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Park School District's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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

Report on the Financial Statements (Cont'd)

Other Matters (Cont'd)

Other Information (Cont'd)

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2016, on our consideration of South Park School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Park School District's internal control over financial reporting and compliance.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP

Pittsburgh, Pennsylvania

January 8, 2016

South Park School District
Management's Discussion and Analysis
June 30, 2015

The discussion and analysis of South Park School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

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

Financial Highlights

- The real estate tax millage was increased by 0.63 mills to 22.48 for fiscal 2014/2015.
- The 2014/2015 budget contained expenditures of \$29,505,463 and revenues of \$29,621,429, which if realized would have a \$115,966 increase in the general fund balance. Actual expenditures were \$29,572,553, which was greater than projected by \$67,090.
- Total revenues were \$30,701,819 which exceeded projections by \$1,080,390. As of June 30, 2015, the School District ended the year with the following fund balances: general fund - \$4,141,826; capital improvement fund - \$842,416; and capital projects fund -\$17,371,111.
- Fourteen (14) teachers retired at the end of the school year. The teachers were offered/accepted a retirement incentive.
- It included funding to address the instructional needs of our enrollment of 1,887 students which is projected to decrease slightly for the upcoming year.

Using the Annual Financial Report

The Annual Financial Report consists of a financial section and a single audit section which is issued to comply with federal guidelines as required in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement. Within the financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand South Park School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**South Park School District
Management's Discussion and Analysis
June 30, 2015**

Using the Annual Financial Report (Cont'd)

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

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

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

Figure A-1 shows how the required parts of the financial section are arranged and relate to one another:

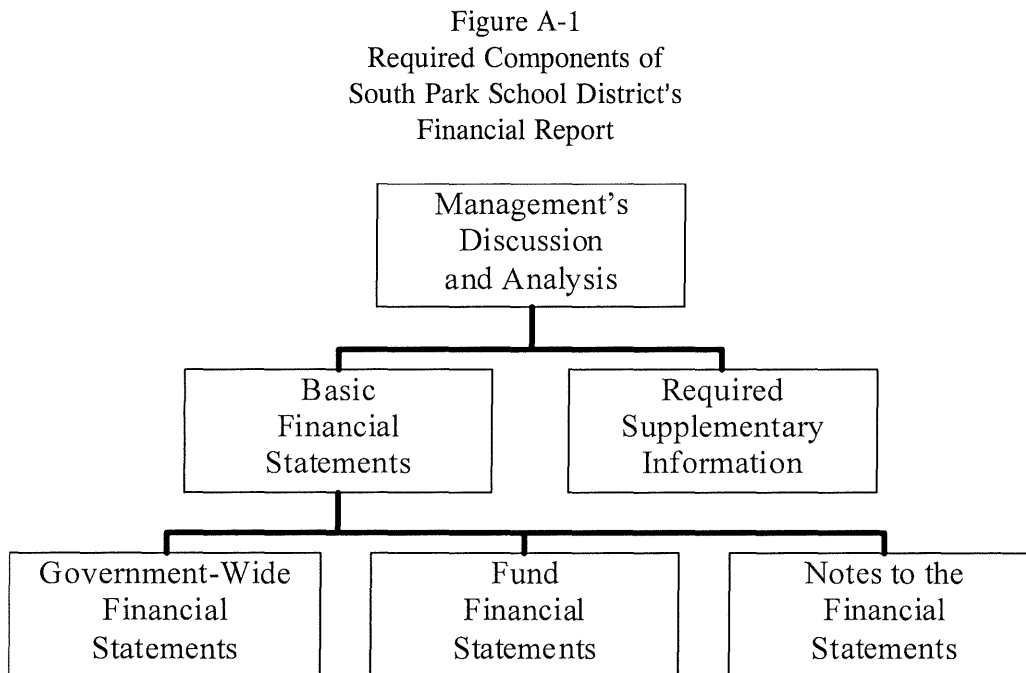


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**South Park School District
Management's Discussion and Analysis
June 30, 2015**

Using the Annual Financial Report (Cont'd)

Figure A-2
Major Features of South Park School District's
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as education, administration and community services	Activities the School District operates similar to private business - food services	Instances in which the School District is the trustee or agent to someone else's resources
Required financial statements	Statement of net position; statement of activities	Balance sheet; statement of revenues, expenditures, and changes in fund balance	Statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows	Statement of fiduciary net position; statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Overview of Financial Statements

Government-Wide Statements

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

**South Park School District
Management's Discussion and Analysis
June 30, 2015**

Overview of Financial Statements (Cont'd)

Government-Wide Statements (Cont'd)

The two government-wide statements report the School District's net position and how they have changed. Net position, the difference between the School District's assets and liabilities, is one way to measure the School District's financial health or position.

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

To assess the overall health of the School District, you need to consider additional non-financial factors, such as changes in the School District's property tax base and the performance of the students.

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

- **Governmental activities** - All of the School District's basic services are included here, such as instruction, administration and community services. Property taxes and state and federal subsidies and grants finance most of these activities.
- **Business type activities** - The School District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

Fund Financial Statements

The School District's fund financial statements, which begin with Exhibit 1, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School 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 School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary funds - These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides - whether to outside customers or to other units in the School District - these services are generally reported in proprietary funds. The food service fund is the School District's

**South Park School District
Management's Discussion and Analysis
June 30, 2015**

Overview of Financial Statements (Cont'd)

Fund Financial Statements (Cont'd)

proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The School District is the trustee, or fiduciary, for certain student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on Exhibit 10. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net position was a deficit \$(38,001,402) at June 30, 2015 and \$286,704 at June 30, 2014.

Table A-1
Years Ended June 30, 2015 and 2014
Net Position

	2015			2014		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 28,591,446	\$ (32,327)	\$ 28,559,119	\$10,205,594	\$ 2,055	\$10,207,649
Capital Assets	<u>38,793,031</u>	<u>62,039</u>	<u>38,855,070</u>	<u>38,317,120</u>	<u>59,153</u>	<u>38,376,273</u>
Total Assets	<u>67,384,477</u>	<u>29,712</u>	<u>67,414,189</u>	<u>48,522,714</u>	<u>61,208</u>	<u>48,583,922</u>
Deferred Outflows of Resources						
Accumulated Decreases in Fair Value of Hedging Derivatives	10,116,621	-	10,116,621	10,276,795	-	10,276,795
Deferred Charge on Refunding Amounts Related to Pensions	<u>61,964</u>	<u>-</u>	<u>61,964</u>	<u>66,095</u>	<u>-</u>	<u>66,095</u>
	<u>2,450,748</u>	<u>49,349</u>	<u>2,500,097</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>12,629,333</u>	<u>49,349</u>	<u>12,678,682</u>	<u>10,342,890</u>	<u>-</u>	<u>10,342,890</u>
Current and Other Liabilities	3,034,835	13,152	3,047,987	2,425,523	11,255	2,436,778
Noncurrent Liabilities						
Due Within One Year	2,304,040	-	2,304,040	2,388,900	-	2,388,900
Due in More Than One Year	<u>98,738,008</u>	<u>741,560</u>	<u>99,479,568</u>	<u>53,814,430</u>	<u>-</u>	<u>53,814,430</u>
Total Liabilities	<u>104,076,883</u>	<u>754,712</u>	<u>104,831,595</u>	<u>58,628,853</u>	<u>11,255</u>	<u>58,640,108</u>

**South Park School District
Management's Discussion and Analysis
June 30, 2015**

Financial Analysis of the School District as a Whole (Cont'd)

Table A-1 (Cont'd)
Years Ended June 30, 2015 and 2014
Net Position

	2015			2014		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Deferred Inflows of Resources						
Accumulated Increases in Fair Value of Hedging Derivatives	\$ 10,504,677	\$ -	\$ 10,504,677	\$ -	\$ -	\$ -
Amounts Related to Pensions	<u>2,704,342</u>	<u>53,659</u>	<u>2,758,001</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>13,209,019</u>	<u>53,659</u>	<u>13,262,678</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position						
Net Investment in Capital Assets	\$ (5,093,405)	\$ 62,039	\$ (5,031,366)	\$(4,815,940)	\$59,153	\$(4,756,787)
Restricted	17,371,174	-	17,371,174	1,249,566	-	1,249,566
Unrestricted	<u>(49,549,861)</u>	<u>(791,349)</u>	<u>(50,341,210)</u>	<u>3,803,125</u>	<u>(9,200)</u>	<u>3,793,925</u>
Total Net Position	<u>\$(37,272,092)</u>	<u>\$(729,310)</u>	<u>\$(38,001,402)</u>	<u>\$ 236,751</u>	<u>\$49,953</u>	<u>\$ 286,704</u>

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is combined of designated and undesignated amounts. The designated balances are amounts set aside to fund future purchases or capital projects as planned by the School District.

The School District adopted GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" as of July 1, 2014. The School District recognized as a liability on its government-wide statements its proportionate share of the collective net pension liability of the cost sharing pension plan (PSERS) in the amount of \$37,374,440 and \$741,560 in the governmental and business-type activities, respectively. The total net pension liability of PSERS (for all entities) as of the June 30, 2013 measurement date was \$40,936,255,000.

The results of this year's operations as a whole are reported in the statement of activities on Exhibit 2. 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 School District's activities that are supported by other general revenues. The largest general revenues are the local taxes (property and earned income) assessed to community taxpayers.

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

**South Park School District
Management's Discussion and Analysis
June 30, 2015**

Financial Analysis of the School District as a Whole (Cont'd)

Table A-2
Years Ended June 30, 2015 and 2014
Changes in Net Position

	2015			2014		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 591,618	\$ 591,618	\$ -	\$ 541,479	\$ 541,479
Operating Grants and Contribs.	5,138,149	333,644	5,471,793	4,691,863	313,224	5,005,087
Capital Grants and Contribs.	466,832	-	466,832	474,079	-	474,079
General Revenues						
Property Taxes	14,892,706	-	14,892,706	14,306,257	-	14,306,257
Other Taxes	2,939,665	-	2,939,665	3,192,791	-	3,192,791
Grants, Subs. and Contribs.						
Unrestricted	7,023,183	-	7,023,183	7,023,159	-	7,023,159
Investment Earnings	376,099	10	376,109	126,382	-	126,382
Miscellaneous Income	205,267	-	205,267	196,002	-	196,002
Sale of Capital Assets	-	-	-	100,000	-	100,000
Total Revenues	<u>31,041,901</u>	<u>925,272</u>	<u>31,967,173</u>	<u>30,110,533</u>	<u>854,703</u>	<u>30,965,236</u>
Expenses						
Instruction	18,825,158	-	18,825,158	17,484,375	-	17,484,375
Instructional Student Support	2,272,961	-	2,272,961	1,819,040	-	1,819,040
Admin. and Financial Support Svcs.	2,466,587	-	2,466,587	2,059,713	-	2,059,713
Operation and Maintenance of						
Plant Services	3,310,802	-	3,310,802	2,855,852	-	2,855,852
Pupil Transportation	1,658,254	-	1,658,254	1,589,380	-	1,589,380
Student Activities	926,625	-	926,625	882,311	-	882,311
Community Services	479	-	479	1,087	-	1,087
Interest on Long-Term Debt	2,326,179	-	2,326,179	2,459,789	-	2,459,789
Food Service	-	975,092	975,092	-	950,365	950,365
Total Expenses	<u>31,787,045</u>	<u>975,092</u>	<u>32,762,137</u>	<u>29,151,547</u>	<u>950,365</u>	<u>30,101,912</u>
Increase (Decrease) in Net Position	(745,144)	(49,820)	(794,964)	958,986	(95,662)	863,324
Beginning Net Position (Restated - See Note 2)	(36,526,948)	(679,490)	(37,206,438)	(722,235)	145,615	(576,620)
Ending Net Position	<u>\$(37,272,092)</u>	<u>\$(729,310)</u>	<u>\$(38,001,402)</u>	<u>\$ 236,751</u>	<u>\$ 49,953</u>	<u>\$ 286,704</u>

The tables below present the expenses of both the governmental activities and the business-type activities of the School District.

**South Park School District
Management's Discussion and Analysis
June 30, 2015**

Financial Analysis of the School District as a Whole (Cont'd)

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

Table A-3
Years Ended June 30, 2015 and 2014
Governmental Activities

Functions/Programs	2015		2014	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$18,825,158	\$15,099,946	\$17,484,375	\$14,198,350
Instructional Student Support	2,272,961	2,081,759	1,819,040	1,634,692
Admin. and Fin. Support Services	2,466,587	2,275,427	2,059,713	1,903,955
Operation and Maintenance of Plant Svcs.	3,310,802	3,143,999	2,855,852	2,724,484
Pupil Transportation	1,658,254	959,839	1,589,380	858,221
Student Activities	926,625	761,747	882,311	679,106
Community Services	479	-	1,087	1,087
Interest on Long-Term Debt	<u>2,326,179</u>	<u>1,859,347</u>	<u>2,459,789</u>	<u>1,985,710</u>
Total Governmental Activities	<u>\$31,787,045</u>	26,182,064	<u>\$29,151,547</u>	23,985,605
Less:				
Unrestricted Grants, Subsidies		<u>(7,023,183)</u>		<u>(7,023,159)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$19,158,881</u>		<u>\$16,962,446</u>

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District.

**South Park School District
Management's Discussion and Analysis
June 30, 2015**

Financial Analysis of the School District as a Whole (Cont'd)

Table A-4
Years Ended June 30, 2015 and 2014
Business-Type Activities

	2015		2014	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Food Service	<u>\$975,092</u>	\$49,830	<u>\$950,365</u>	\$95,662
Less:				
Investment Earnings		<u>(10)</u>		<u>-</u>
Total Business-Type Activities		<u>\$49,820</u>		<u>\$95,662</u>

The statement of revenues, expenses and changes in fund net position for this proprietary fund shown on Exhibit 8 will further detail the actual results of operations.

School District Funds

At June 30, 2015, the School District's general fund reported a fund balance of \$4,141,826, which is an increase of \$1,129,266. The capital improvement fund reported a balance of \$842,416. The capital projects fund, which is primarily being used for Middle School renovations and other miscellaneous capital projects, has a fund balance of \$17,371,111.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2015, the School District's governmental funds had \$38,793,031 invested in a broad range of capital assets, including land, land improvements, buildings, furniture and equipment, and construction in progress.

Table A-5
Governmental Activities
Capital Assets - Net of Depreciation

	2015	2014
Land	\$ 2,408,906	\$ 2,408,906
Land Improvements	1,022,228	1,121,016

**South Park School District
Management's Discussion and Analysis
June 30, 2015**

Capital Assets and Debt Administration (Cont'd)

Capital Assets (Cont'd)

Table A-5 (Cont'd)
Governmental Activities
Capital Assets - Net of Depreciation

	2015	2014
Buildings and Building Improvements	\$32,835,173	\$34,408,845
Furniture and Equipment	571,484	378,353
Construction in Progress	1,955,240	-

Debt Administration

As of July 1, 2014, the School District had total outstanding bond principal of \$43,345,000. During the year, the School District issued the Series of 2014 and Series of 2015 bonds totaling \$19,990,000 and retired principal of \$1,745,000. The total outstanding bond principal at June 30, 2015, is \$61,590,000.

Table A-6
Outstanding Debt

	As of 06/30/15	As of 06/30/14
General Obligation Bonds		
Bonds - Series of 2009A	\$ 9,730,000	\$ 9,740,000
Bonds - Series of 2009B	8,510,000	10,135,000
Bonds - Series of 2010	3,455,000	3,560,000
Bonds - Series of 2011	19,905,000	19,910,000
Bonds - Series of 2014	9,995,000	-
Bonds - Series of 2015	9,995,000	-

Other obligations include accrued sick leave for specific employees of the School District. More detailed information about our long-term liabilities is included the notes to the financial statements.

Bond Rating

The School District's general obligation bond rating is a Standard & Poor's A/Stable rating. Additional security for the bonds is provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of a default.

**South Park School District
Management's Discussion and Analysis
June 30, 2015**

Economic Factors and Next Year's Budget

The School District does not expect significant growth in the near future. In fact, student enrollment has decreased by 2% to approximately 1,848 in the 2015/2016 school year. The School District projects, at the elementary level, that enrollment will be reduced for the 2015/2016 school year with enrollment at 628 students. At the middle school, grades five through eight, enrollment for 2015/2016 is expected to decrease to approximately 580. High school enrollment has decreased to approximately 632 students for the 2015/2016 school year, of which 14 are attending the in-house Eagle Academy Cyber School.

Real estate tax millage will be increased by 0.58 mills to 23.06 for fiscal 2015/2016. This increase is the School District's allowable increase based upon the index. The increase is approximately 2.5%. The taxes generated by the increase are reserved for several capital projects that are approved by the School Board.

Table A-7

	Revenues	
	2014/2015	2013/2014
Local	60.2%	60.0%
State	38.4%	38.0%
Federal/Other	1.4%	2.0%
	Expenditures	
	2014/2015	2013/2014
Instruction	53.4%	50.9%
Support Services	30.4%	27.9%
Noninstructional	3.0%	2.9%
Debt/Other	13.2%	18.3%

Contacting the School District Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, 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 Edward J. Gannis Jr., Business Manager, South Park School District, 2005 Eagle Ridge Road, South Park, PA 15129.

South Park School District
Statement of Net Position
June 30, 2015

Exhibit 1

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 23,171,233	\$ 195,238	\$ 23,366,471
Taxed Receivable	3,940,613	-	3,940,613
Internal Balances	247,983	(247,983)	-
Due from Other Governments	969,017	4,576	973,593
Other Receivables	234,927	-	234,927
Inventories	-	15,842	15,842
Prepaid Items	27,673	-	27,673
Capital Assets not Being Depreciated			
Land	2,408,906	-	2,408,906
Construction in Progress	1,955,240	-	1,955,240
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	1,022,228	-	1,022,228
Buildings and Building Improvements	32,835,173	-	32,835,173
Furniture and Equipment	<u>571,484</u>	<u>62,039</u>	<u>633,523</u>
TOTAL ASSETS	<u>67,384,477</u>	<u>29,712</u>	<u>67,414,189</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts Related to Pensions	2,450,748	49,349	2,500,097
Accumulated Decreases in Fair Value of Hedging Derivatives	10,116,621	-	10,116,621
Deferred Charge on Refunding	<u>61,964</u>	<u>-</u>	<u>61,964</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>12,629,333</u>	<u>49,349</u>	<u>12,678,682</u>
LIABILITIES			
Accounts Payable	1,283,574	2,334	1,285,908
Contracts Payable	83,395	-	83,395
Accrued Salaries and Benefits	1,297,744	-	1,297,744
Payroll Deductions and Withholdings	113,806	-	113,806
Unearned Revenues	24,859	10,818	35,677
Other Current Liabilities	231,457	-	231,457
Noncurrent Liabilities			
Due Within One Year	2,333,640	-	2,333,640
Due in More Than One Year			
Compensated Absences	73,714	-	73,714
Bonds Payable	59,489,511	-	59,489,511
Other Post-Employment Benefits	325,143	-	325,143
Termination Payments	1,445,600	-	1,445,600
Net Pension Liability	<u>37,374,440</u>	<u>741,560</u>	<u>38,116,000</u>
TOTAL LIABILITIES	<u>104,076,883</u>	<u>754,712</u>	<u>104,831,595</u>
DEFERRED INFLOWS OF RESOURCES			
Accumulated Increases in Fair Value of Hedging Derivatives	10,504,677	-	10,504,677
Amounts Related to Pensions	<u>2,704,342</u>	<u>53,659</u>	<u>2,758,001</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>13,209,019</u>	<u>53,659</u>	<u>13,262,678</u>
NET POSITION			
Net Investment in Capital Assets	(5,093,405)	62,039	(5,031,366)
Restricted for Capital Projects	17,371,174	-	17,371,174
Unrestricted	<u>(49,549,861)</u>	<u>(791,349)</u>	<u>(50,341,210)</u>
TOTAL NET POSITION	<u>\$(37,272,092)</u>	<u>\$(729,310)</u>	<u>\$(38,001,402)</u>

See Accompanying Notes

**South Park School District
Statement of Activities
Year Ended June 30, 2015**

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern- mental Activities	Business- Type Activities	Totals
Governmental Activities							
Instruction	\$18,825,158	\$ -	\$3,725,212	\$ -	\$(15,099,946)	\$ -	\$(15,099,946)
Instructional Student Support	2,272,961	-	191,202	-	(2,081,759)	-	(2,081,759)
Administrative and Financial Support Services	2,466,587	-	191,160	-	(2,275,427)	-	(2,275,427)
Operation and Maintenance of Plant Services	3,310,802	-	166,803	-	(3,143,999)	-	(3,143,999)
Pupil Transportation	1,658,254	-	698,415	-	(959,839)	-	(959,839)
Student Activities	926,625	-	164,878	-	(761,747)	-	(761,747)
Community Services	479	-	479	-	-	-	-
Interest on Long-Term Debt	<u>2,326,179</u>	-	-	<u>466,832</u>	<u>(1,859,347)</u>	-	<u>(1,859,347)</u>
Total Governmental Activities	<u>31,787,045</u>	-	<u>5,138,149</u>	<u>466,832</u>	<u>(26,182,064)</u>	-	<u>(26,182,064)</u>
Business-Type Activities							
Food Service	<u>975,092</u>	<u>591,618</u>	<u>333,644</u>	-	-	<u>(49,830)</u>	<u>(49,830)</u>
Total Primary Government	<u>\$32,762,137</u>	<u>\$591,618</u>	<u>\$5,471,793</u>	<u>\$466,832</u>	<u>(26,182,064)</u>	<u>(49,830)</u>	<u>(26,231,894)</u>
General Revenues							
Taxes							
Property Taxes Levied for General Purposes, Net					14,892,706	-	14,892,706
Earned Income Taxes					1,894,710	-	1,894,710
Other Taxes Levied for General Purposes, Net					1,044,955	-	1,044,955
Grants, Subsidies and Contributions not Restricted					7,023,183	-	7,023,183
Investment Earnings					376,099	10	376,109
Miscellaneous Income					<u>205,267</u>	-	<u>205,267</u>
Total General Revenues					<u>25,436,920</u>	<u>10</u>	<u>25,436,930</u>
Changes in Net Position					(745,144)	(49,820)	(794,964)
Net Position - July 1, 2014 (Restated - See Note 2)					<u>(36,526,948)</u>	<u>(679,490)</u>	<u>(37,206,438)</u>
Net Position - June 30, 2015					<u>\$(37,272,092)</u>	<u>\$(729,310)</u>	<u>\$(38,001,402)</u>

See Accompanying Notes

**South Park School District
Balance Sheet
Governmental Funds
June 30, 2015**

Exhibit 3

	General Fund	Capital Projects Fund	Capital Reserve Fund	Non- major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 3,886,047	\$17,741,390	\$1,543,733	\$63	\$23,171,233
Taxes Receivable, Net	3,940,613	-	-	-	3,940,613
Due from Other Funds	944,600	-	-	-	944,600
Due from Other Governments	969,017	-	-	-	969,017
Other Receivables	234,927	-	-	-	234,927
Prepaid Items	<u>27,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,673</u>
TOTAL ASSETS	<u>\$10,002,877</u>	<u>\$17,741,390</u>	<u>\$1,543,733</u>	<u>\$63</u>	<u>\$29,288,063</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ -	\$ -	\$ 696,617	\$ -	\$ 696,617
Accounts Payable	991,990	286,884	4,700	-	1,283,574
Contracts Payable	-	83,395	-	-	83,395
Accrued Salaries and Benefits	1,297,744	-	-	-	1,297,744
Payroll Deductions and Withholdings	113,806	-	-	-	113,806
Unearned Revenues	<u>24,859</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,859</u>
Total Liabilities	<u>2,428,399</u>	<u>370,279</u>	<u>701,317</u>	<u>-</u>	<u>3,499,995</u>
Deferred Inflows of Resources					
Unavailable Revenues - Property Taxes	<u>3,432,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,432,652</u>
Fund Balances					
Nonspendable	27,673	-	-	-	27,673
Restricted	-	17,371,111	-	63	17,371,174
Assigned	1,750,088	-	842,416	-	2,592,504
Unassigned	<u>2,364,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,364,065</u>
Total Fund Balances	<u>4,141,826</u>	<u>17,371,111</u>	<u>842,416</u>	<u>63</u>	<u>22,355,416</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$10,002,877</u>	<u>\$17,741,390</u>	<u>\$1,543,733</u>	<u>\$63</u>	<u>\$29,288,063</u>

See Accompanying Notes

South Park School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Exhibit 4

Total Fund Balances - Governmental Funds		\$ 22,355,416
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$64,440,417, and the accumulated depreciation is \$25,647,386.</p>		38,793,031
<p>Property taxes receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore, are deferred inflows in the funds.</p>		3,432,652
<p>Deferred charges in bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position.</p>		332,453
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds.</p>		
<p style="padding-left: 40px;">Deferred Outflows of Resources Related to Pensions</p> <p style="padding-left: 40px;">Deferred Inflows of Resources Related to Pensions</p>	<p>\$ 2,450,748</p> <p><u>(2,704,342)</u></p>	(253,594)
<p>Derivative instruments used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.</p>		(388,056)
<p>Some liabilities including net pension liabilities, are not due and payable in the current period and therefore, are not reported in the funds.</p>		
<p style="padding-left: 40px;">Net Pension Liability</p>		(37,374,440)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:</p>		
<p style="padding-left: 40px;">Bonds Payable</p> <p style="padding-left: 40px;">Accrued Interest on the Bonds</p> <p style="padding-left: 40px;">Other Post-Employment Benefits Payable</p> <p style="padding-left: 40px;">Termination Payments</p> <p style="padding-left: 40px;">Compensated Absences</p>	<p>(61,590,000)</p> <p>(231,457)</p> <p>(325,143)</p> <p>(1,919,640)</p> <p><u>(103,314)</u></p>	(64,169,554)
Total Net Position - Governmental Activities		<u>\$ (37,272,092)</u>

See Accompanying Notes

South Park School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

Exhibit 5

	General Fund	Capital Projects Fund	Capital Reserve Fund	Non- major Funds	Total Governmental Funds
Revenues					
Local Sources	\$18,485,787	\$ 3,044	\$ 25	\$ -	\$18,488,856
State Sources	11,796,045	-	-	-	11,796,045
Federal Sources	<u>419,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>419,987</u>
Total Revenues	<u>30,701,819</u>	<u>3,044</u>	<u>25</u>	<u>-</u>	<u>30,704,888</u>
Expenditures					
Instruction	15,786,001	-	-	-	15,786,001
Support Services	8,989,833	319,191	-	-	9,309,024
Noninstructional Services	881,145	-	-	-	881,145
Capital Outlay	-	2,167,012	406,948	-	2,573,960
Debt Service	3,881,453	-	-	-	3,881,453
Refunds of Prior Year's Receipts	<u>34,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,121</u>
Total Expenditures	<u>29,572,553</u>	<u>2,486,203</u>	<u>406,948</u>	<u>-</u>	<u>32,465,704</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,129,266</u>	<u>(2,483,159)</u>	<u>(406,923)</u>	<u>-</u>	<u>(1,760,816)</u>
Other Financing Sources (Uses)					
Issuance of Bonds	-	19,990,000	-	-	19,990,000
Discount on Bonds Issued	<u>-</u>	<u>(135,894)</u>	<u>-</u>	<u>-</u>	<u>(135,894)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>19,854,106</u>	<u>-</u>	<u>-</u>	<u>19,854,106</u>
Net Changes in Fund Balances	1,129,266	17,370,947	(406,923)	-	18,093,290
Fund Balances - July 1, 2014	<u>3,012,560</u>	<u>164</u>	<u>1,249,339</u>	<u>63</u>	<u>4,262,126</u>
Fund Balances - June 30, 2015	<u>\$ 4,141,826</u>	<u>\$17,371,111</u>	<u>\$ 842,416</u>	<u>\$63</u>	<u>\$22,355,416</u>

See Accompanying Notes

**South Park School District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in
 Fund Balances to the Statement of Activities
 Year Ended June 30, 2015**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$18,093,290

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the period.

Depreciation Expense	\$(1,883,073)	
Capital Outlays	2,360,667	
Disposal of Assets - Net	<u>(1,683)</u>	475,911

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unearned revenues increased by this amount this year.

3,440

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

1,745,000

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. The proceeds were:

(19,990,000)

In the statement of activities, certain operating expenses - compensated absences (sick pay and vacations), special termination benefits (early retirement) and other post-employment benefits (OPEB) - are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated Absences	69,652	
Termination Payments	(570,340)	
Other Post-Employment Benefits	<u>(23,307)</u>	(523,995)

**South Park School District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in
 Fund Balances to the Statement of Activities
 Year Ended June 30, 2015**

Exhibit 6

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Net Change in Accrued Interest on Bonds		\$ (174,345)
---	--	--------------

Government funds report changes in investment derivative instruments only when those instruments provide or use financial resources. However, in the statement of activities, changes in the fair value of investment derivative instruments are changes in economic resources and are reported in each period in which there is a change in the fair value of the investment. This is the amount of change in the fair value of investment derivatives in the current period.

369,377

Bond discount and premium are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Bond Discount	\$ 135,894	
Amortization of Discount, Premium and Deferred Loss on Refunding	<u>(15,382)</u>	120,512

Governmental funds report School District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.

School District Pension Contributions to PSERS	(3,274,107)	
Cost of Benefits Earned	<u>2,409,773</u>	<u>(864,334)</u>

Change in Net Position of Governmental Activities		\$ <u>(745,144)</u>
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See Accompanying Notes

**South Park School District
Statement of Net Position
Proprietary Funds
June 30, 2015**

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 195,238
Due from Other Governments	4,576
Inventories	<u>15,842</u>
Total Current Assets	<u>215,656</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>62,039</u>
TOTAL ASSETS	<u>277,695</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to Pensions	<u>49,349</u>
LIABILITIES	
Current Liabilities	
Due to Other Funds	247,983
Accounts Payable	2,334
Unearned Revenues	<u>10,818</u>
Total Current Liabilities	<u>261,135</u>
Noncurrent Liabilities	
Net Pension Liability	<u>741,560</u>
TOTAL LIABILITIES	<u>1,002,695</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to Pensions	<u>53,659</u>
NET POSITION	
Net Investment in Capital Assets	62,039
Unrestricted	<u>(791,349)</u>
TOTAL NET POSITION	<u>\$ (729,310)</u>

See Accompanying Notes

South Park School District
Statement of Revenues, Expenses and Change
in Net Position
Proprietary Funds
Year Ended June 30, 2015

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ <u>591,618</u>
Operating Expenses	
Salaries	237,736
Employee Benefits	152,230
Purchased Property Services	12,170
Other Purchased Services	776
Supplies	557,349
Depreciation	11,301
Dues and Fees	<u>3,530</u>
Total Operating Expenses	<u>975,092</u>
Operating Income (Loss)	<u>(383,474)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	10
State Sources	56,485
Federal Sources	<u>277,159</u>
Total Nonoperating Revenues (Expenses)	<u>333,654</u>
Change in Net Position	(49,820)
Net Position - July 1, 2014 (Restated - See Note 2)	<u>(679,490)</u>
Net Position - June 30, 2015	<u>\$(729,310)</u>

See Accompanying Notes

**South Park School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2015**

Exhibit 9

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 594,909
Cash Payments to Employees for Services	(373,539)
Cash Payments to Suppliers for Goods and Services	(540,697)
Cash Payments for Other Operating Expenses	<u>(3,530)</u>
Net Cash Used for Operating Activities	<u>(322,857)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	56,098
Federal Sources	<u>241,332</u>
Net Cash Provided by Non-Capital Financing Activities	<u>297,430</u>
Cash Flows from Capital and Related Financing Activities	
Facilities Acquisition/Construction/Improvement Services	<u>(14,186)</u>
Cash Flows from Investing Activities	
Earnings on Investments	10
Loans Received	<u>192,073</u>
Net Cash Provided by Investing Activities	<u>192,083</u>
Net Increase in Cash and Cash Flows	152,470
Cash and Cash Equivalents - July 1, 2014	<u>42,768</u>
Cash and Cash Equivalents - June 30, 2015	<u>\$ 195,238</u>

**South Park School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2015**

Exhibit 9

	Food Service Fund
Operating Income (Loss)	<u>\$(383,474)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation	11,301
Donated Commodities	31,635
Change in Pension Expense	16,427
(Increase) Decrease in Accounts Receivable	3,785
(Increase) Decrease in Inventories	(3,787)
Increase (Decrease) in Accounts Payable	1,750
Increase (Decrease) in Unearned Revenue	<u>(494)</u>
Total Adjustments	<u>60,617</u>
Cash Used for Operating Activities	<u>\$(322,857)</u>

Noncash Non-Capital Financing Activities:

During the year ended June 30, 2015, the School District received \$32,278 of U. S. D. A. Donated Commodities in the food service fund.

See Accompanying Notes

**South Park School District
Statement of Net Position
Fiduciary Funds
June 30, 2015**

Exhibit 10

	Agency Fund
ASSETS	
Cash and Cash Equivalents	<u>\$31,321</u>
LIABILITIES	
Other Current Liabilities	<u>31,321</u>
NET POSITION	<u>\$ -</u>

See Accompanying Notes

South Park School District
Notes to Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies

South Park School District, located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the Township of South Park. The School District operates under a nine-person elected Board of Directors.

A. Basic Financial Statements - Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of South Park School District. *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. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

B. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; proprietary; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

South Park School District
Notes to Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (Cont'd)

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The School District reports these major governmental funds and fund types:

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

The *capital reserve fund* accounts for resources to be used for the purchase of major capital facilities or equipment.

The *capital projects fund* accounts for financial resources to be used for the acquisition of construction of major capital facilities or equipment (other than those financed by proprietary funds). The capital improvement and high school construction funds are considered capital projects funds.

The School District also reports as a nonmajor governmental fund the following:

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School District reports the following proprietary fund type:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The *food service fund* accounts for the revenues, food purchases and other costs and expenses for providing meals to students and/or faculty during the school year.

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 1 - Summary of Significant Accounting Policies (Cont'd)

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and are therefore not available to support School District programs. The reporting focus is on net position and changes in net position. The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, or agency). The School District reports the following fiduciary fund type:

The *agency fund* represents the School District's student activity funds. These funds account for student activities in the high school and middle school.

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

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

C. Measurement Focus and Basis of Accounting

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

The government-wide financial statements and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

South Park School District
Notes to Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

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

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

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

D. Joint Ventures

The School District is one of ten member school districts of the Steel Center Area Vocational-Technical School ("Steel Center"). Steel Center provides vocational-technical training and education to participating students of the member districts. Steel Center is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Direct oversight of Steel Center's operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Steel Center. The School District's share of annual operating and capital costs for Steel Center fluctuates, based on the percentage of enrollment of each member district in the school. The School District's financial obligation to Steel Center for the year ended June 30, 2015 was \$466,592, which has been reported in the School District's general fund. The School District has no equity interest in Steel Center as of June 30, 2015. Complete financial statements for Steel Center can be obtained from the administrative offices at 565 Lewis Run Road; Clairton, Pennsylvania 15025.

South Park School District
Notes to Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (Cont'd)

E. Cash and Cash Equivalents

The School District's policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices. Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the School District and approved by the Members of the Board. The School Code states that authorized types of investments shall be: United States Treasury Bills; short-term obligations of the United States Government or its agencies or instrumentalities; deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

G. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved various budget transfers throughout the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2015.

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and, for comparative purposes the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval. Excess of expenditures over appropriations in the general fund is presented in the required supplementary information section.

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 1 - Summary of Significant Accounting Policies (Cont'd)

I. Inventories

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

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2015.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2015 are reported as unearned revenue.

J. Prepaid Items

In both the government-wide and fund financial statements, certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

K. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 1 - Summary of Significant Accounting Policies (Cont'd)

K. Capital Assets (Cont'd)

Assets	Years
Buildings	50
Building Improvements	25
Land Improvements	20
Furniture	20
Vehicles	8
Equipment	10
Computer Software	6

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 12 years.

L. Deferred Outflows/Inflows of Resources

In addition to assets the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. One is the deferred charge on an interest rate swap that qualifies under GASB Statement No. 53 as an investment derivative. The other in the government-wide statement of net position is related to the participation in the cost sharing defined benefit pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School District has three types of items reported as deferred inflows of resources, one which arises only under the modified accrual basis of accounting and qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The second item is reported in the governmental activities statement of net position. The School District is involved in an interest rate swap that qualifies under GASB Statement 53 as a hedging derivative. The derivative instrument and a corresponding deferred inflow of resources are recognized in the governmental activities column in the government-wide statement of net position. The third item reported in the government-wide statement of net position relates to the cost sharing defined benefit pension plan.

South Park School District
Notes to Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (Cont'd)

M. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discount are reported as deferred charges and amortized over the term of the related debt.

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

N. Compensated Absences

The School District's policies regarding vacation and sick time is provided through various contracts. Employees can accumulate sick and/or vacation days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract and their years of service. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the amount of reimbursable unused vacation or sick leave to employees who have terminated their employment as of the end of the fiscal year, while the proprietary funds report the liability as it is incurred.

O. Defining Operating Revenues and Expenses

The School District's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the School District's food service fund consist of charges for meals and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

P. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

South Park School District
Notes to Financial Statements
June 30, 2015

Note 1 - Summary of Significant Accounting Policies (Cont'd)

P. Equity Classifications (Cont'd)

Government-Wide Statements (Cont'd)

Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Statements - Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the School District classifies governmental fund balances as follows:

Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action, approval of a motion by the majority of the School Board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially commit the money.

Assigned - reflects the School District's intent to use the money for a specific purpose but is not considered restricted or committed. The assignment of fund balance can be assigned by management in the business office.

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 1 - Summary of Significant Accounting Policies (Cont'd)

P. Equity Classifications (Cont'd)

The School District's policy is that it considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. It also considers committed amounts to be spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance could be used.

The purposes of the fund balance classifications as of June 30, 2015, are as follows:

1. The nonspendable fund balance in the general fund of \$27,673 represents prepaid items.
2. The restricted fund balance in the capital projects fund of \$17,371,111 is for current construction projects.
3. The restricted fund balance in the debt service fund of \$63 is for future debt service.
4. The assigned fund balance in the general fund of \$1,750,088 is for future capital projects.
5. The assigned fund balance in the capital improvement fund of \$842,416 is for future capital projects.

Note 2 - Restatement of Beginning Net Position

South Park School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* as of July 1, 2014 and applied the statement by restating the beginning net position. Beginning net position of the governmental activities and business-type activities in the government-wide financial statements were restated as of July 1, 2014. The result of the effects of applying this new statement is summarized below.

	Governmental Activities	Business-Type Activities
Net Position, June 30, 2014 (previously reported)	\$ 236,751	\$ 49,953

This Statement requires the liability of employers for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 2 - Restatement of Beginning Net Position (Cont'd)

	Governmental Activities	Business-Type Activities
of service (total pension liability), less the amount of the pension plan's fiduciary net position. A liability should be recognized for the employer's proportionate share of the collective net pension liability in financial statements prepared using the economic resources measurement focus and accrual basis of accounting.		
The net pension liability as of June 30, 2013, the measurement date, was	\$(38,695,233)	\$(767,767)
In addition, employer contributions subsequent to the measurement date (June 30, 2013) of the net pension liability are required to be reported as deferred outflows of resources.		
The employer contributions subsequent to the measurement date were	<u>1,931,534</u>	<u>38,324</u>
Restated Net Position, July 1, 2014	<u>\$(36,526,948)</u>	<u>\$(679,490)</u>

Note 3 - Deposits and Investments

The deposit and investment policy of the School District adheres to state statutes and prudent business practice. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the School District.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2015, \$23,687,332 of the School District's bank balance of \$24,156,741 was exposed to custodial credit risk.

Uninsured and Collateral Held by Pledging Bank's Agent not in the School District's Name	<u>\$23,687,332</u>
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**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 3 - Deposits and Investments (Cont'd)

Custodial Credit Risk - Deposits (Cont'd)

Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name.

As of June 30, 2015, the School District had the following investments:

Investments	Fair Value
PSDLAF	\$ <u>124,892</u>

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

Interest Rate Risk Relating to Derivatives - As of June 30, 2015, the School District had investment with the following maturities:

Investment Type	Investment Maturities (In Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Investment Derivative Instruments	\$(388,056)	\$ _____	\$ _____	\$ _____	\$(388,056)

The School District is invested in one interest rate swap with terms as noted below:

Transaction Date	06/06/06
Effective Date	05/23/06
Maturity Date	08/01/27
Terms	School District pays variable rate interest payment equal to BMA and receives 67% of 1-month LIBOR
Notional Amount	\$19,905,000

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1F. The School District has no investment policy that would further limit its investment choices. The School District's investments in Pennsylvania School District Liquid Asset Fund (PSDLAF) were rated AAAM by Standard & Poor's.

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 3 - Deposits and Investments (Cont'd)

Custodial Credit Risk - Deposits (Cont'd)

Credit risk is the risk the School District will have exposure to a swap counterparty under the swap. Credit risk is mitigated by several factors, including minimum credit rating criteria and ratings downgrade triggers in the swap documents. The credit ratings for the counterparty is A and A2 by S & P and Moody's respectively.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issue.

Investments

The Pennsylvania School District Liquid Asset Fund (PSDLAF) was established as a common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the fund are offered to certain Pennsylvania school enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the fund is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. This fund has the characteristics of open-end mutual funds and is not subject to custodial credit risk classification.

PSDLAF is governed by an elected board of trustees who are responsible for the overall management of the fund. The trustees are elected from the several classes of local governments participating in the fund. The fund is audited annually by independent auditors. The fund operates in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The fund uses amortized cost to report net position to compute share prices. The fund maintains net asset value of \$1 per share. Accordingly, the fair value of the position in PSDLAF is the same as the value of PSDLAF shares.

Note 4 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2014/2015 was 22.48 mills (\$22.48 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2014/2015 is as follows:

Tax Levy Date	July 31, 2014
2% Discount Period	Through September 30, 2014
Face Payment Period	October 1 - November 30, 2014
10% Penalty Period	December 1 Until Liened
Lien Filing Date	July 1, 2015

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 4 - Real Estate Taxes (Cont'd)

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as deferred revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$3,432,652, net of estimated uncollectible of \$1,144,217, along with other taxes receivable of \$507,961.

Note 5 - Due from Other Governments

At June 30, 2015, the following amounts are due from other governmental units:

	Governmental Funds	Business-Type Funds	Totals
Federal (through the state)	\$111,974	\$4,190	\$116,164
State	<u>857,043</u>	<u>386</u>	<u>857,429</u>
	<u>\$969,017</u>	<u>\$4,576</u>	<u>\$973,593</u>

Note 6 - Capital Assets

For the year ended June 30, 2015, capital asset activity was as follows:

	Balance 07/01/14	Additions	Transfers	Disposals	Balance 06/30/15
Governmental Activities					
Capital Assets not Being Depreciated					
Land	\$ 2,408,906	\$ -	\$ -	\$ -	\$ 2,408,906
Construction in Progress	<u>-</u>	<u>1,955,240</u>	<u>-</u>	<u>-</u>	<u>1,955,240</u>
Total Capital Assets not Being Depreciated	<u>2,408,906</u>	<u>1,955,240</u>	<u>-</u>	<u>-</u>	<u>4,364,146</u>
Capital Assets Being Depreciated					
Land Improvements	3,221,626	24,950	-	58,639	3,187,937
Buildings and Building Improvements	58,780,014	103,448	-	3,519,738	55,363,724
Furniture and Equipment	<u>1,281,101</u>	<u>277,029</u>	<u>-</u>	<u>33,520</u>	<u>1,524,610</u>
Total Capital Assets Being Depreciated	<u>63,282,741</u>	<u>405,427</u>	<u>-</u>	<u>3,611,897</u>	<u>60,076,271</u>

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 6 - Capital Assets (Cont'd)

	Balance 07/01/14	Additions	Transfers	Disposals	Balance 06/30/15
Governmental Activities (Cont'd)					
Less Accumulated Depreciation					
Land Improvements	\$ 2,100,610	\$ 122,055	\$ -	\$ 56,956	\$ 2,165,709
Buildings and Bldg. Improvements	24,371,169	1,677,120	-	3,519,738	22,528,551
Furniture and Equipment	<u>902,748</u>	<u>83,898</u>	<u>-</u>	<u>33,520</u>	<u>953,126</u>
Total Accumulated Depreciation	<u>27,374,527</u>	<u>1,883,073</u>	<u>-</u>	<u>3,610,214</u>	<u>25,647,386</u>
 Total Capital Assets Being Depreciated, Net	 <u>35,908,214</u>	 <u>(1,477,646)</u>	 <u>-</u>	 <u>1,683</u>	 <u>34,428,885</u>
 Governmental Activities Capital Assets, Net	 <u>\$38,317,120</u>	 <u>\$ 477,594</u>	 <u>\$ -</u>	 <u>\$ 1,683</u>	 <u>\$38,793,031</u>
 Business-Type Activities					
Furniture and Equipment	\$ 261,487	\$ 14,187	\$ -	\$ -	\$ 275,674
Less Accumulated Depreciation	<u>202,334</u>	<u>11,301</u>	<u>-</u>	<u>-</u>	<u>213,635</u>
Business-Type Capital Assets, Net	<u>\$ 59,153</u>	<u>\$ 2,886</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,039</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$1,836,197
Instructional Student Support	5,818
Operation and Maintenance of Plant Services	24,085
Student Activities	<u>16,973</u>
 Total Depreciation Expense	 <u>\$1,883,073</u>
 Business-Type Activities	
Food Service	<u>\$ 11,301</u>

Note 7 - Interfund Balances

Interfund balances at June 30, 2015 were:

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 7 - Interfund Balances (Cont'd)

Fund	Interfund Receivable	Interfund Payable
General Fund	\$944,600	\$ -
Capital Reserve Fund	-	696,617
Enterprise Fund		
Food Service Fund	<u>-</u>	<u>247,983</u>
	<u>\$944,600</u>	<u>\$944,600</u>

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

Note 8 - Long-Term Debt

The following are changes in the long-term liabilities for the fiscal year ended June 30, 2015:

	Balance 07/01/14	Additions	Reductions	Balance 06/30/15	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$43,345,000	\$19,990,000	\$1,745,000	\$61,590,000	\$1,830,000
Less: Bond Discount	<u>(145,843)</u>	<u>(135,896)</u>	<u>(11,250)</u>	<u>(270,489)</u>	<u>-</u>
Total Bonds Payable	<u>43,199,157</u>	<u>19,854,104</u>	<u>1,733,750</u>	<u>61,319,511</u>	<u>1,830,000</u>
Early Retirement Incentive	1,349,300	1,198,200	627,860	1,919,640	474,040
Compensated Absences	<u>172,966</u>	<u>-</u>	<u>69,652</u>	<u>103,314</u>	<u>29,600</u>
Governmental Activities					
Long-Term Liabilities	<u>\$44,721,423</u>	<u>\$21,052,304</u>	<u>\$2,431,262</u>	<u>\$63,342,465</u>	<u>\$2,333,640</u>

Variable Rate Demand Bonds, Series of 2009 A in the amount of \$9,850,000 due annually through 2030; interest is variable.

\$ 9,730,000

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 8 - Long-Term Debt (Cont'd)

Variable Rate Demand Bonds, Series of 2009 B due annually through 2020; interest is variable.	\$ 8,510,000
General Obligation Bonds, Series of 2010 due annually through 2030; interest from 0.65% to 4.25%.	3,455,000
Variable Rate Demand Bonds, Series of 2011 due annually through 2028; interest is variable.	19,905,000
General Obligation Bonds, Series of 2014 due annually through 2033; interest from 0.70% to 3.25%.	9,995,000
General Obligation Bonds, Series of 2015 due annually through 2036; interest from 2.00% to 3.75%.	<u>9,995,000</u>
	<u>\$61,590,000</u>

The debt service source for the above debt is the general fund. The interest requirements on the Series of 2009 A, 2009 B and 2011 variable rate bonds used in the amounts below were based on the rate effective at year end.

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences and early retirement incentives) as of June 30, 2015, including accretion on the capital appreciation bonds, are as follows:

Year Ended June 30,	General Obligation Bonds		Totals
	Principal	Interest	
2016	\$ 1,830,000	\$ 750,360	\$ 2,580,360
2017	1,955,000	901,881	2,856,881
2018	2,060,000	896,587	2,956,587
2019	2,175,000	890,359	3,065,359
2020	2,255,000	882,418	3,137,418
2021-2025	13,045,000	4,248,598	17,293,598
2026-2030	17,030,000	3,867,558	20,897,558
2031-2035	19,400,000	2,210,738	21,610,738
2036	<u>1,840,000</u>	<u>36,475</u>	<u>1,876,475</u>
	<u>\$61,590,000</u>	<u>\$14,684,974</u>	<u>\$76,274,974</u>

South Park School District
Notes to Financial Statements
June 30, 2015

Note 9 - Derivative Instruments

A. Details of Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2015 classified by type, and the change in fair value of such derivative instruments for the year ended as reported in the June 30, 2015 financial statements are as follows:

Governmental Activities	Change in Fair Value		Fair Value at June 30, 2015		Notional in Thousands
	Classification	Amount	Classification	Amount	
Cash Flow Hedges					
Pay Fixed Interest Rate Swaps	Deferred Outflow of Resources	\$(123,462)	Debt	\$(3,705,910)	\$ 9,730
Pay Fixed Interest Rate Swaps	Deferred Outflow of Resources	(112,178)	Debt	(5,425,378)	19,905
Pay Fixed Interest Rate Swaps	Deferred Outflow of Resources	395,814	Debt	(985,333)	8,510
Investments Derivatives					
Basis Swap	Investment Revenue	367,813	Investment	(388,056)	19,905

The fair values of the interest rate swaps are estimated based on economic assessment of the transaction or instrument and is derived from model prices, external sources or market prices.

B. Objective and Terms

The following is the objective and terms of the School District's hedging derivative instruments outstanding at June 30, 2015:

Transaction Date	06/18/04	06/18/04	05/23/05
Effective Date	08/01/11	05/15/08	02/02/09
Maturity Date	08/01/27	05/15/20	08/01/30
Terms	School District pays 5.101% fixed rate and receives SIFMA indexed rate	School District pays 4.993% fixed rate and receives 67% of 1-month LIBOR	School District pays 4.993% fixed rate and receives 68% of 1-month LIBOR

South Park School District
Notes to Financial Statements
June 30, 2015

Note 9 - Derivative Instruments (Cont'd)

B. Objective and Terms (Cont'd)

Notional Amount	\$19,905,000	\$10,135,000	\$9,740,000
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The counterparty credit rating is A and A2 by S & P and Moody's, respectively.

C. Risks

Through the use of derivative financial instruments such as these swap agreements, the School District is exposed, or may become exposed, to certain risks as follows:

- **Basis Risk** - refers to the potential that the variable interest rate received from the counterparty will be higher or lower than the interest rate the School District will pay on the VRDBs transactions, the potential mismatch between the variable interest rate received from the swap provider versus the variable rate paid by the School District. Should the rate received be higher than the rate paid, the School District will realize a gain. Should the rate received be lower than the rate paid, the School District will incur a loss, reducing the attractiveness of this transaction.
- **Termination Risk** - the risk that the swap could be terminated due to any of several events, such as a School District or swap counterparty ratings downgrade, a covenant violation by either party, bankruptcy of either party, swap payment default by either party, default events as defined in the School District's bond documents and cross-default. Such a termination would potentially expose the School District to the possibility that the School District would have to make a termination payment. The risk that the School District will have to come up with a large termination payment in the event of default of a swap counterparty is mitigated by the fact that the same market conditions that would create an obligation on behalf of the School District to make a termination payment, will also create an environment whereby the School District could obtain a replacement swap with similar economic terms with a new counterparty who would be willing to pay an up-front amount approximately equal to the termination payment owned by the School District. The School District will have the option to terminate the swap at market at any time. If the School District were to elect to terminate under this provision, the market-based termination amount would be calculated and would be paid either by the swap counterparty or by the School District, depending on the market conditions at the time of the School District's exercise of this termination option. Because the option will be structured as "one-way" in the School District's favor, the swap counterparty will not have an optional termination feature.
- **Credit Risk** - the risk of a loss due to failure of the counterparty to make required payments. As of June 30, 2010, the School District was not exposed to credit risk on the basis swap as the options had not been exercised and the swap had a negative fair value. However, in the future should the fair value become positive, the School District could be exposed to credit risk equal to the fair value of the swap agreements. The swap counter-party has guaranteed all payments and is rated A/A2 by the major rating agencies. To

South Park School District
Notes to Financial Statements
June 30, 2015

Note 9 - Derivative Instruments (Cont'd)

C. Risks (Cont'd)

mitigate potential credit risks, if the counterparty's ratings are downgraded, it is required to collateralize the swap liability to the School District with securities consisting of obligations of the United State Government or specified agencies thereof. Such collateral will be deposited with a third-party custodian.

- Market Access Risk - the risk that, once issued, the School District would be unable to remarket its VRDBs. In such an event, the School District would owe a fee to the liquidity facility provider of the VRDBs at the "bank rate" that would be defined in the liquidity facility document, which is usually substantially higher than that which is paid to VRDB holders.

Note 10 - Public School Employees' Retirement System (PSERS)

A. Summary of Significant Accounting Policies

Pensions

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/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.

B. General Information about the Pension Plan

1. 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.

2. Benefits Provided

PSERS 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)

South Park School District
Notes to Financial Statements
June 30, 2015

Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)

B. General Information about the Pension Plan (Cont'd)

2. Benefits Provided (Cont'd)

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.

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.

3. Contributions

Member Contributions

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

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

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

South Park School District
Notes to Financial Statements
June 30, 2015

Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)

B. General Information about the Pension Plan (Cont'd)

3. Contributions

Member Contributions (Cont'd)

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

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.5% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$2,458,309 for the year ended June 30, 2015.

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

At June 30, 2015, the School District reported a liability of \$38,116,000; \$37,374,440 in the governmental activities and \$741,560 in the business-type activities for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2013 to June 30, 2014. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the School District's proportion was 0.0963%, which was a decrease of 0.0001 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the School District recognized pension expense of \$3,339,069. At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportions	\$ -	\$2,758,000
Difference between employer contributions and proportionate share of total contributions	41,789	-
Contributions subsequent to the measurement date	<u>2,458,309</u>	<u>-</u>
	<u>\$2,500,098</u>	<u>\$2,758,000</u>

\$2,458,309 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (678,931)
2017	(678,931)
2018	(678,931)
2019	(678,931)
2020	<u>(487)</u>
	<u>\$ (2,716,211)</u>

1. Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the System's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

1. Actuarial Assumptions (Cont'd)

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - effected average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1.00%, and merit or seniority increase of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. 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.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

The pension plan's policy in regard to 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 of the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

1. Actuarial Assumptions (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	<u>(9)%</u>	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

2. Discount Rate

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

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

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 10 - Public School Employees' Retirement System (PSERS) (Cont'd)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

3. Sensitivity of School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Cont'd)

	(In thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	6.50%	7.50%	8.50%
School District's proportionate share of the net pension liability	\$47,545	\$38,116	\$30,067

4. 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.

Note 11 - Contingent Liabilities

South Park School District participates in a number of federally assisted grant programs, principal of which are State Fiscal Stabilization Fund and IDEA-B. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2015 have not yet been conducted. Accordingly, the School 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 School District expects such amounts, if any, to be immaterial.

Note 12 - Retirement Incentive

The School District provides for a monetary incentive to those employees who retire from the School District under various contract provisions. The incentive is based upon the number of years of service in the South Park School District. There are fifty-seven (57) eligible employees who retired under these incentives.

Future minimum payments for these retirement incentives are as follows:

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 12 - Retirement Incentive (Cont'd)

Year Ended June 30,	Amount
2016	\$ 474,040
2017	427,140
2018	404,640
2019	388,140
2020	<u>225,680</u>
	<u>\$1,919,640</u>

Note 13 - Risk Management

The School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$3,060,516 and \$2,914,528 for the years ended June 30, 2015 and 2014, respectively.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net position or deficiency in net position, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2015 the net position of the Consortium is \$41,604,741 of which \$521,183 is attributable to the School District.

The School District participates in an insurance program offered by a commercial insurance company. It purchases commercial insurance policies for risks of losses for casualty, workmen's compensation and liability claims.

The School District is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note 14 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2015 was \$2,050,832.

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 14 - On-Behalf Payments (Cont'd)

This includes \$1,520,797 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and \$530,035 to the federal government for social security and Medicare taxes for the year ended June 30, 2015. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Note 15 - Operating Leases

The School District is committed under various leases for photocopiers. These leases are considered, for accounting purposes, to be operating leases. Total payments made on these leases for the year ended June 30, 2015 were \$242,924. Future minimum payments for these leases are as follows:

Year Ended June 30,	Amount
2016	\$196,949
2017	186,740
2018	158,772
2019	119,721
2020	<u>10,808</u>
	<u>\$672,990</u>

Note 16 - Post-Employment Healthcare Plan

A. Plan Description

South Park School District administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides medical and dental benefits for four groups of employees: teachers; administrators; support personnel; and service employees. The benefits provided are for the eligible retirees through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

B. Funding Policy

- 1) Eligibility for Benefit - The eligibility criteria for the current incentive is as follows: an employee must have met the "super-annuation" criteria under PSERS. The super-annuation criteria is 35 years of PSERS service at any age, age 62 with one year of service, or 30 years of service with the attainment of age 60.

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 16 - Post-Employment Healthcare Plan (Cont'd)

B. Funding Policy (Cont'd)

- 2) Contributions - All employees, including teachers, can "retire" at any time and elect to remain in the School District medical plan provided they pay 100% of the premium rate.
- 3) Benefit Duration - Medical benefits are provided to age 65.

For the year ended June 30, 2015, the School District contributed \$-0-. Plan members receiving benefits contributed \$300,063. The plan is financed on a pay-as-you-go basis.

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 266,296
Interest on Net OPEB Obligation	12,073
Adjustment to Annual Required Contribution	<u>(22,210)</u>
Annual OPEB Cost (Expense)	256,159
Contribution Made	<u>(232,852)</u>
Increase in OPEB Obligation	23,307
Net OPEB Obligation - Beginning of Year	<u>301,836</u>
Net OPEB Obligation - End of Year	<u>\$ 325,143</u>

The School District's OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the years ended June 30, 2015, 2014 and 2013 is as follows.

**South Park School District
Notes to Financial Statements
June 30, 2015**

Note 16 - Post-Employment Healthcare Plan (Cont'd)

C. Annual OPEB Cost and Net OPEB Obligation (Cont'd)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/15	\$256,159	90.09%	\$325,143
06/30/14	205,622	83.79%	301,836
06/30/13	205,803	97.39%	268,498

D. Funded Status and Funding Progress

As of July 1, 2014, the actuarial accrued liability for benefits was \$1,851,717, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$12,447,129 and the ratio of unfunded actuarial accrued liability to the covered payroll was 14.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the 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 trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Multi-year information will be presented in future years.

E. Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 4.0%; an annual healthcare cost trend rate of 7.0% initially decreasing by 0.5% per year to an ultimate rate of 4.5%. The method used to determine the actuarial value of assets is not applicable since there are no plan assets. The unfunded actuarial accrued liability is being amortized using the level dollar method. The amortization period for the most recent actuarial valuation is twenty years. The period is open.

South Park School District
Notes to Financial Statements
June 30, 2015

Noted 17 - Construction Commitments

As of June 30, 2015, the School District had construction commitments in the amount of approximately \$15,470,500 for the additions and renovations to the middle school building, new maintenance garage and the demolition of the old high school. It is anticipated the projects will be completed in December 2016.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

**South Park School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$14,827,965	\$14,827,965	\$14,841,458	\$ 13,493
Interim Real Estate Taxes	33,800	33,800	51,248	17,448
Public Utility Realty Taxes	22,400	22,400	21,194	(1,206)
Current Per Capita Taxes - Sec. 679	41,000	41,000	37,794	(3,206)
Current Per Capita Taxes - Act 511	41,000	41,000	38,686	(2,314)
Local Services Taxes	11,000	11,000	11,541	541
Earned Income Taxes	1,800,000	1,800,000	1,894,710	94,710
Real Estate Transfer Taxes	125,000	125,000	158,057	33,057
Amusement Taxes	28,000	28,000	34,387	6,387
Delinquencies on Taxes	802,400	802,400	773,977	(28,423)
Earnings on Investments	8,500	8,500	3,653	(4,847)
Other Local Revenues				
Revenue from Student Activities	41,736	41,736	33,859	(7,877)
Other District Activity Income	-	-	63,924	63,924
Federal Revenues from IUs	191,681	191,681	226,699	35,018
Rentals	2,500	2,500	11,610	9,110
Tuition from Patrons	24,250	24,250	87,650	63,400
Miscellaneous Revenue	49,983	49,983	138,070	88,087
Refunds of Prior Year's Expenditures	<u>-</u>	<u>-</u>	<u>57,270</u>	<u>57,270</u>
Total Revenues from Local Sources	<u>18,051,215</u>	<u>18,051,215</u>	<u>18,485,787</u>	<u>434,572</u>
State Sources				
Basic Instruct. and Oper. Subsidies				
Basic Instructional Subsidy	6,153,608	6,153,608	6,153,630	22
Tuition	-	-	169,295	169,295
Subsidies for Specific Educ. Programs				
Special Education of Except. Pupils	1,128,853	1,128,853	1,153,186	24,333
Subsidies for Noneduc. Programs				
Transportation (Regular and Add'l.)	720,000	720,000	695,942	(24,058)
Rentals and Sinking Fund Payments	517,562	517,562	466,832	(50,730)
Health Services	40,000	40,000	34,806	(5,194)
Real Estate Tax Reduction	869,553	869,553	869,553	-

**South Park School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Cont'd)				
State Sources (Cont'd)				
Subsidies for Noneduc. Programs (Cont'd)				
PA Accountability Grant	\$ 422,211	\$ 422,211	\$ -	\$ (422,211)
Ready to Learn	-	-	235,841	235,841
Social Security Payments	549,388	549,388	521,497	(27,891)
State Retirement Revenue	<u>818,355</u>	<u>818,355</u>	<u>1,495,463</u>	<u>677,108</u>
Total Revenues from State Sources	<u>11,219,530</u>	<u>11,219,530</u>	<u>11,796,045</u>	<u>576,515</u>
Federal Sources				
Restricted Grants-in-Aid from the Fed. Gov't. through the Commonwealth				
Title I	182,636	182,636	185,323	2,687
Title II	68,048	68,048	67,914	(134)
Title IV	-	-	342	342
Medical Assistance - Access	<u>100,000</u>	<u>100,000</u>	<u>166,408</u>	<u>66,408</u>
Total Revenues from Federal Sources	<u>350,684</u>	<u>350,684</u>	<u>419,987</u>	<u>69,303</u>
Total Revenues	<u>29,621,429</u>	<u>29,621,429</u>	<u>30,701,819</u>	<u>1,080,390</u>
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	7,253,785	7,253,785	7,457,825	(204,040)
Employee Benefits	3,413,799	3,413,799	3,454,115	(40,316)
Purchased Prof. and Tech. Services	74,990	74,990	51,462	23,528
Purchased Property Services	9,100	9,100	3,682	5,418
Other Purchased Services	437,310	437,310	642,692	(205,382)
Supplies	355,326	355,326	304,947	50,379
Property	<u>14,786</u>	<u>14,786</u>	<u>3,990</u>	<u>10,796</u>
Total Regular Programs	<u>11,559,096</u>	<u>11,559,096</u>	<u>11,918,713</u>	<u>(359,617)</u>

**South Park School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Instruction (Cont'd)				
Special Programs				
Personal Services				
Salaries	\$ 1,216,541	\$ 1,216,541	\$ 1,331,752	\$ (115,211)
Employee Benefits	761,747	761,747	817,831	(56,084)
Purchased Prof. and Tech. Services	429,557	429,557	447,347	(17,790)
Other Purchased Services	301,978	301,978	410,543	(108,565)
Supplies	<u>18,104</u>	<u>18,104</u>	<u>4,493</u>	<u>13,611</u>
Total Special Programs	<u>2,727,927</u>	<u>2,727,927</u>	<u>3,011,966</u>	<u>(284,039)</u>
Vocational Education Programs				
Personal Services				
Salaries	238,700	238,700	252,691	(13,991)
Employee Benefits	113,275	113,275	113,818	(543)
Other Purchased Services	559,954	559,954	467,087	92,867
Supplies	<u>13,936</u>	<u>13,936</u>	<u>7,465</u>	<u>6,471</u>
Total Vocational Educ. Programs	<u>925,865</u>	<u>925,865</u>	<u>841,061</u>	<u>84,804</u>
Other Instructional Programs				
Personal Services				
Salaries	4,250	4,250	9,234	(4,984)
Employee Benefits	1,326	1,326	2,709	(1,383)
Supplies	<u>2,350</u>	<u>2,350</u>	<u>2,318</u>	<u>32</u>
Total Other Instructional Programs	<u>7,926</u>	<u>7,926</u>	<u>14,261</u>	<u>(6,335)</u>
Total Instruction	<u>15,220,814</u>	<u>15,220,814</u>	<u>15,786,001</u>	<u>(565,187)</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	418,402	418,402	421,518	(3,116)
Employee Benefits	204,428	204,428	203,920	508

**South Park School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Pupil Personnel (Cont'd)				
Purchased Prof. and Tech. Services	\$ 38,160	\$ 38,160	\$ 36,358	\$ 1,802
Purchased Property Services	7,180	7,180	8,193	(1,013)
Other Purchased Services	2,384	2,384	460	1,924
Supplies	27,369	27,369	86,751	(59,382)
Property	800	800	-	800
Other Objects	<u>600</u>	<u>600</u>	<u>595</u>	<u>5</u>
Total Pupil Personnel	<u>699,323</u>	<u>699,323</u>	<u>757,795</u>	<u>(58,472)</u>
Instructional Staff				
Personal Services				
Salaries	397,563	397,563	352,400	45,163
Employee Benefits	201,151	201,151	201,640	(489)
Purchased Prof. and Tech. Services	71,805	71,805	104,274	(32,469)
Other Purchased Services	14,145	14,145	7,794	6,351
Supplies	79,316	79,316	32,859	46,457
Property	202,116	202,116	195,906	6,210
Other Objects	<u>-</u>	<u>-</u>	<u>525</u>	<u>(525)</u>
Total Instructional Staff	<u>966,096</u>	<u>966,096</u>	<u>895,398</u>	<u>70,698</u>
Administration				
Personal Services				
Salaries	942,635	942,635	936,822	5,813
Employee Benefits	519,652	519,652	460,729	58,923
Purchased Prof. and Tech. Services	158,138	158,138	153,523	4,615
Purchased Property Services	95,500	95,500	108,019	(12,519)
Other Purchased Services	23,217	23,217	12,786	10,431
Supplies	31,876	31,876	34,018	(2,142)
Property	8,943	8,943	2,019	6,924
Other Objects	<u>10,755</u>	<u>258,680</u>	<u>281,211</u>	<u>(22,531)</u>
Total Administration	<u>1,790,716</u>	<u>2,038,641</u>	<u>1,989,127</u>	<u>49,514</u>

**South Park School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Pupil Health				
Personal Services				
Salaries	\$ 186,313	\$ 186,313	\$ 184,961	\$ 1,352
Employee Benefits	102,149	102,149	88,088	14,061
Purchased Prof. and Tech. Services	760	760	6,248	(5,488)
Other Purchased Services	600	600	98	502
Supplies	5,600	5,600	4,365	1,235
Property	<u>3,500</u>	<u>3,500</u>	<u>2,211</u>	<u>1,289</u>
Total Pupil Health	<u>298,922</u>	<u>298,922</u>	<u>285,971</u>	<u>12,951</u>
Business				
Personal Services				
Salaries	245,965	245,965	232,285	13,680
Employee Benefits	135,476	135,476	126,815	8,661
Purchased Prof. and Tech. Services	180	180	180	-
Other Purchased Services	1,118	1,118	480	638
Supplies	2,075	2,075	1,604	471
Property	2,500	2,500	2,019	481
Other Objects	<u>15,556</u>	<u>15,556</u>	<u>16,814</u>	<u>(1,258)</u>
Total Business	<u>402,870</u>	<u>402,870</u>	<u>380,197</u>	<u>22,673</u>
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	957,159	957,159	1,001,184	(44,025)
Employee Benefits	613,645	613,645	626,956	(13,311)
Purchased Prof. and Tech. Services	22,885	22,885	21,276	1,609
Purchased Property Services	662,082	662,082	714,284	(52,202)
Other Purchased Services	146,597	146,597	148,183	(1,586)
Supplies	379,995	379,995	390,734	(10,739)
Property	117,275	117,275	97,213	20,062
Other Objects	<u>385</u>	<u>385</u>	<u>295</u>	<u>90</u>
Total Oper. and Maint. of Plant Svcs.	<u>2,900,023</u>	<u>2,900,023</u>	<u>3,000,125</u>	<u>(100,102)</u>

**South Park School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Student Transportation Services				
Personal Services				
Salaries	\$ 14,882	\$ 14,882	\$ 14,527	\$ 355
Employee Benefits	13,713	13,713	4,380	9,333
Other Purchased Services	1,639,379	1,639,379	1,638,255	1,124
Supplies	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total Student Transportation Services	<u>1,668,474</u>	<u>1,668,474</u>	<u>1,657,162</u>	<u>11,312</u>
Other				
Other Purchased Services	22,267	22,267	21,955	312
Supplies	<u>2,798</u>	<u>2,798</u>	<u>2,103</u>	<u>695</u>
Total Other	<u>25,065</u>	<u>25,065</u>	<u>24,058</u>	<u>1,007</u>
Total Support Services	<u>8,751,489</u>	<u>8,999,414</u>	<u>8,989,833</u>	<u>9,581</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	430,424	430,424	399,430	30,994
Employee Benefits	175,315	175,315	138,779	36,536
Purchased Prof. and Tech. Services	82,348	82,348	78,198	4,150
Purchased Property Services	38,222	38,222	24,246	13,976
Other Purchased Services	106,150	106,150	145,119	(38,969)
Supplies	45,050	45,050	65,417	(20,367)
Property	22,553	22,553	22,019	534
Other Objects	<u>9,100</u>	<u>9,100</u>	<u>7,458</u>	<u>1,642</u>
Total Student Activities	<u>909,162</u>	<u>909,162</u>	<u>880,666</u>	<u>28,496</u>
Community Services				
Supplies	<u>1,000</u>	<u>1,000</u>	<u>479</u>	<u>521</u>
Total Noninstructional Services	<u>910,162</u>	<u>910,162</u>	<u>881,145</u>	<u>29,017</u>

**South Park School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Debt Service				
Interest	\$ 2,389,295	\$ 2,141,370	\$ 2,136,453	\$ 4,917
Refunds of Prior Year's Receipts	50,000	50,000	34,121	15,879
Redemption of Principal	<u>1,745,000</u>	<u>1,745,000</u>	<u>1,745,000</u>	<u>-</u>
Total Debt Service	<u>4,184,295</u>	<u>3,936,370</u>	<u>3,915,574</u>	<u>20,796</u>
Total Expenditures	<u>29,066,760</u>	<u>29,066,760</u>	<u>29,572,553</u>	<u>(505,793)</u>
Other Financing Uses				
Fund Transfers				
Capital Improvement Fund	<u>438,703</u>	<u>438,703</u>	<u>-</u>	<u>438,703</u>
Total Expenditures and Other Financing Uses	<u>29,505,463</u>	<u>29,505,463</u>	<u>29,572,553</u>	<u>(67,090)</u>
Net Change in Fund Balance	115,966	115,966	1,129,266	1,013,300
Fund Balance - July 1, 2014	<u>3,719,746</u>	<u>3,719,746</u>	<u>3,012,560</u>	<u>(707,186)</u>
Fund Balance - June 30, 2015	<u>\$ 3,835,712</u>	<u>\$ 3,835,712</u>	<u>\$ 4,141,826</u>	<u>\$ 306,114</u>

**South Park School District
 Required Supplementary Information
 Other Post-Employment Benefits
 June 30, 2015**

Schedule of Funding Progress for Retiree Health Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
07/01/10	\$ -	\$2,657,991	\$2,657,991	0.0%	\$12,142,039	21.89%
07/01/12	-	1,506,478	1,506,478	0.0%	13,144,402	11.46%
07/01/14	-	1,851,717	1,851,717	0.0%	12,447,129	14.90%

South Park School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS
Current Year

	June 30, 2015
Contractually Required Contribution	\$2,413,412
Contributions in Relation to the Contractually Required Contribution	<u>2,413,412</u>
Contribution Deficiency (Excess)	\$ <u> -</u>
School District's Covered-Employee Payroll	\$12,031,982
Contributions as a Percentage of Covered Employee Payroll	20.05%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

South Park School District
Required Supplementary Information
Schedule of School District's Proportionate Share
of the Net Pension Liability
PSERS
Last Two Years
(Dollar Amount in Thousands)

	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.0963%	0.0964%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$38,116	\$39,463
School District's Covered Employee Payroll	\$12,287	\$12,368
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	310.21%	319.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.24%	54.49%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

SINGLE AUDIT SECTION

HOSACK, SPECHT, MUETZEL & WOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Members of the Board
South Park School District
South Park, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for South Park School District for the period ended June 30, 2015 were prepared to fulfill the requirements of the Office of Management and Budget's Circular A-133. A summary of the reports are as follows:

- A. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP

Pittsburgh, Pennsylvania

January 8, 2016

HOSACK, SPECHT, MUETZEL & WOOD LLP

Exhibit A

CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board
South Park School District
South Park, 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 South Park School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise South Park School District's basic financial statements, and have issued our report thereon dated January 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Park 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 South Park School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Park School District's internal control.

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

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

Purpose of this Report

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 8, 2016

HOSACK, SPECHT, MUETZEL & WOOD LLP

Exhibit B

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**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133**

Members of the Board
South Park School District
South Park, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited South Park School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Park School District's major federal programs for the year ended June 30, 2015. South Park 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Park 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 South Park School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Report on Compliance for Each Major Federal Program (Cont'd)

Auditor's Responsibility (Cont'd)

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 South Park School District's compliance.

Opinion on Each Major Federal Program

In our opinion, South Park 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, 2015.

Report on Internal Control Over Compliance

Management of South Park 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 South Park 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 OMB Circular A-133, 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 South Park School District's internal control over compliance.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 8, 2016

South Park School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Exhibit C

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued was unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes ✓ no
- Significant deficiency(ies) identified? ___ yes ✓ none reported

Noncompliance material to financial statements noted? ___ yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes ✓ no
- Significant deficiency(ies) identified? ___ yes ✓ none reported

Type of auditor's report issued on compliance for major programs was unmodified.

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ___ yes ✓ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.555 and 10.553	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ✓ yes ___ no

**South Park School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015**

Exhibit C

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Status of Prior Year's Findings

Not applicable.

South Park School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/14	Revenue Recognized	Expend- itures	Accrued or (Deferred) Revenue 06/30/15
U. S. Department of Education										
Passed through the Pennsylvania										
Department of Education										
Title I	I	84.010	013-150398	07/01/14-09/30/15	\$185,323	\$170,460	\$ -	\$185,323	\$185,323	\$14,863
Title II - Improving Teacher Quality	I	84.367	020-150398	07/01/14-09/30/15	67,914	<u>54,324</u>	<u>-</u>	<u>67,914</u>	<u>67,914</u>	<u>13,590</u>
						<u>224,784</u>	<u>-</u>	<u>253,237</u>	<u>253,237</u>	<u>28,453</u>
Passed through Allegheny										
Intermediate Unit										
Title III	I	84.365	FA-999-150603	07/16/14-09/30/15	342	342	-	342	342	-
IDEA B-619	I	84.173	131-130003	07/01/14-06/30/15	3,015	3,015	-	3,015	3,015	-
IDEA B	I	84.027	062-150003	07/01/14-06/30/15	223,684	205,398	-	223,684	223,684	18,286
IDEA B	I	84.027	062-140003	07/01/13-06/30/14	190,230	<u>134,715</u>	<u>134,715</u>	<u>-</u>	<u>-</u>	<u>-</u>
						<u>343,470</u>	<u>134,715</u>	<u>227,041</u>	<u>227,041</u>	<u>18,286</u>
Total U. S. Department of Education						<u>568,254</u>	<u>134,715</u>	<u>480,278</u>	<u>480,278</u>	<u>46,739</u>
U.S. Department of Health & Human Services										
Title XIX	I	93.778	N/A	07/01/14-06/30/15	N/A	<u>1,172</u>	<u>-</u>	<u>1,584</u>	<u>1,584</u>	<u>412</u>
U. S. Department of Agriculture										
Passed through the Pennsylvania										
Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/14-06/30/15	N/A	206,075	-	209,484	209,484	3,409
National School Breakfast Program	I	10.553	N/A	07/01/14-06/30/15	N/A	35,259	-	36,041	36,041	782
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated Commodities Noncash Assistance)	I	10.555	N/A	07/01/14-06/30/15	N/A	<u>32,278</u>	<u>(2,058)</u>	<u>31,635</u>	<u>31,635</u>	<u>(2,701)</u>
Total U. S. Department of Agriculture						<u>273,612</u>	<u>(2,058)</u>	<u>277,160</u>	<u>277,160</u>	<u>1,490</u>
Total Federal Financial Assistance						<u>\$843,038</u>	<u>\$132,657</u>	<u>\$759,022</u>	<u>\$759,022</u>	<u>\$48,641</u>

South Park School District
Schedule of Expenditures of Federal Awards
Footnotes
June 30, 2015

Exhibit D

Note A - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

Note B - Source Code

The source code (I) indicates funds received indirectly.

Note C - Reconciliation with Subsidy Confirmation

Amount Received Per Schedule	\$ 843,038
Less: Commodities Received	(32,278)
Less: Pass-through Intermediate Units	(343,470)
Less: Medical Assistance	(1,172)
Add: Medical Assistance - Access	100,000
Add: Refunds in Transit to PDE	(675)
Add: State Funding on Confirmation	<u>22,227</u>
Per Federal Subsidy Confirmation	<u>\$ 587,670</u>

**South Park School District
List of Report Distribution
June 30, 2015**

Exhibit E

- 1 Copy - Bureau of Audits
- 1 Copy - Bureau of the Census