

**South Park School District
Financial Statements
June 30, 2016**

**South Park School District
Table of Contents**

	Exhibit	Page No.
FINANCIAL SECTION		
Independent Auditor's Report		1 - 3
Management's Discussion and Analysis		4 - 14
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	16
Fund Financial Statements		
Balance Sheet - Governmental Funds	3	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	6	20 - 21
Statement of Net Position - Proprietary Funds	7	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	8	23
Statement of Cash Flows - Proprietary Fund Types	9	24 - 25
Statement of Net Position - Fiduciary Funds	10	26
Notes to Financial Statements		27 - 57
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in Fund Balance General Fund - Budget and Actual		58 - 64
Other Post-Employment Benefits		65

**South Park School District
Table of Contents**

	Exhibit	Page No.
FINANCIAL SECTION (CONT'D)		
Required Supplementary Information (Cont'd)		
Schedule of School District's Contribution - PSERS		66
Schedule of School District's Proportionate Share of the Net Pension Liability - PSERS		67
SINGLE AUDIT SECTION		
Letter of Transmittal		68
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 <i>Government Auditing Standards</i>	A	69 - 70
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	B	71 - 73
Schedule of Findings and Questioned Costs	C	74 - 75
Schedule of Expenditures of Federal Awards	D	76 - 77
List of Report Distribution	E	78

HOSACK, SPECHT, MUETZEL & WOOD LLP

CERTIFIED PUBLIC ACCOUNTANTS

2 PENN CENTER WEST, SUITE 326

PITTSBURGH, PENNSYLVANIA 15276

PHONE - 412-343-9200

FAX - 412-343-9209

HSMW@HSMWCPA.COM

WWW.HSMWCPA.COM

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, 2016, and the related notes to the financial statements, which collectively comprise South Park School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Report on the Financial Statements (Cont'd)

Auditor's Responsibility (Cont'd)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Park School District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

Report on the Financial Statements (Cont'd)

Other Matters (Cont'd)

Other Information (Cont'd)

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 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 18, 2017, 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 18, 2017

**South Park School District
Management's Discussion and Analysis
June 30, 2016**

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, 2016. 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. 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 0.58 mills to 23.06 for fiscal 2015/2016 to help fund the debt service for various capital projects in the School District.
- The 2015/2016 budget contained expenditures of \$30,404,863 and revenues of \$30,448,338, which if realized would have a \$43,475 increase in the general fund balance. Actual expenditures were \$29,829,867, which was less than projected by \$574,996. Transfers to other funds in the amount of \$1,750,088 were also made.
- Total revenues were \$30,922,407 which exceeded projections by \$474,069. As of June 30, 2016, the School District ended the year with the following fund balances: general fund - \$3,484,278; capital reserve fund - \$1,029,780; and capital projects fund - \$4,846,756.

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 Government Auditing Standards and the Uniform Grant Guidance. 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.

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.

**South Park School District
Management's Discussion and Analysis
June 30, 2016**

Using the Annual Financial Report (Cont'd)

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:

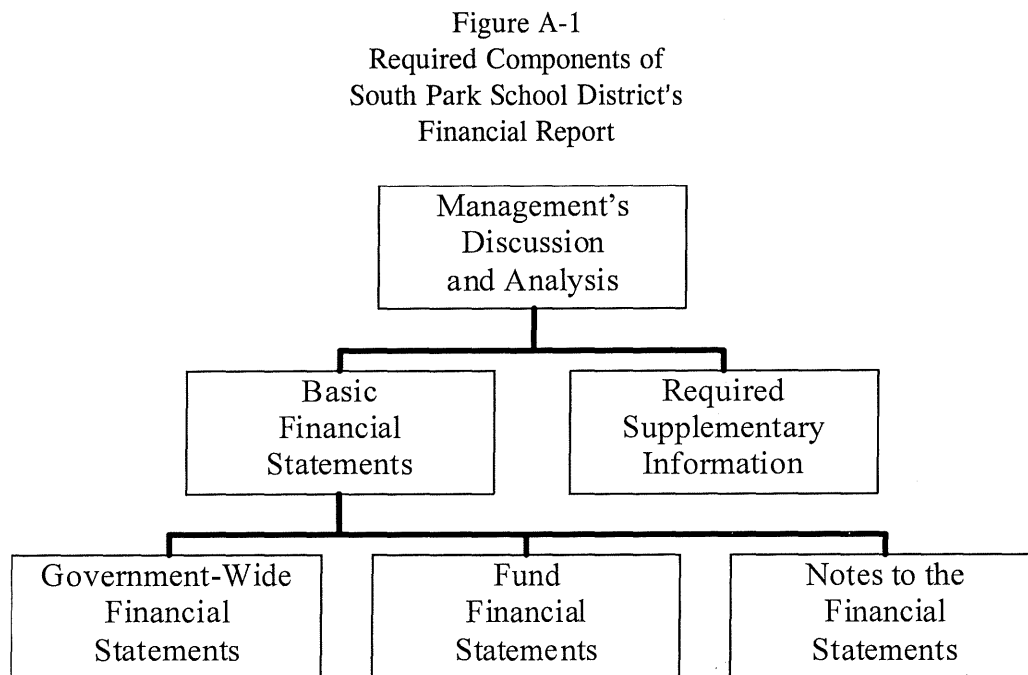


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**South Park School District
Management's Discussion and Analysis
June 30, 2016**

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	Fund Statements		
	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, 2016**

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, 2016**

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 \$(38,295,503) at June 30, 2016 and a deficit \$(38,001,402) at June 30, 2015.

Table A-1
Years Ended June 30, 2016 and 2015
Net Position

	2016			2015		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 17,535,242	\$ 233,542	\$ 17,768,784	\$ 28,591,446	\$ (32,327)	\$ 28,559,119
Capital Assets	<u>49,869,744</u>	<u>52,325</u>	<u>49,922,069</u>	<u>38,793,031</u>	<u>62,039</u>	<u>38,855,070</u>
Total Assets	<u>67,404,986</u>	<u>285,867</u>	<u>67,690,853</u>	<u>67,384,477</u>	<u>29,712</u>	<u>67,414,189</u>
Deferred Outflows of Resources	<u>14,240,643</u>	<u>60,385</u>	<u>14,301,028</u>	<u>12,629,333</u>	<u>49,349</u>	<u>12,678,682</u>
Current and Other Liabilities	4,899,381	264,581	5,163,962	3,034,835	13,152	3,047,987
Noncurrent Liabilities						
Due Within One Year	2,316,640	-	2,316,640	2,304,040	-	2,304,040
Due in More Than One Year	<u>99,245,716</u>	<u>800,469</u>	<u>100,046,185</u>	<u>98,738,008</u>	<u>741,560</u>	<u>99,479,568</u>
Total Liabilities	<u>106,461,737</u>	<u>1,065,050</u>	<u>107,526,787</u>	<u>104,076,883</u>	<u>754,712</u>	<u>104,831,595</u>
Deferred Inflows of Resources	<u>12,737,102</u>	<u>23,495</u>	<u>12,760,597</u>	<u>13,209,019</u>	<u>53,659</u>	<u>13,262,678</u>
Net Position						
Net Investment in						
Capital Assets	(4,913,662)	52,325	(4,861,337)	(5,093,405)	62,039	(5,031,366)
Restricted	4,851,067	-	4,851,067	17,371,174	-	17,371,174
Unrestricted	<u>(37,490,615)</u>	<u>(794,618)</u>	<u>(38,285,233)</u>	<u>(49,549,861)</u>	<u>(791,349)</u>	<u>(50,341,210)</u>
Total Net Position	<u>\$(37,553,210)</u>	<u>\$(742,293)</u>	<u>\$(38,295,503)</u>	<u>\$(37,272,092)</u>	<u>\$(729,310)</u>	<u>\$(38,001,402)</u>

**South Park School District
Management's Discussion and Analysis
June 30, 2016**

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

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 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.

Table A-2
Years Ended June 30, 2016 and 2015
Changes in Net Position

	2016			2015		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ 105,554	\$ 589,245	\$ 694,799	\$ 97,783	\$ 591,618	\$ 689,401
Operating Grants and Contribs.	4,917,044	382,056	5,299,100	5,040,366	333,644	5,374,010
Capital Grants and Contribs.	455,983	-	455,983	466,832	-	466,832
General Revenues						
Property Taxes	15,975,863	-	15,975,863	15,503,539	-	15,503,539
Other Taxes	2,422,976	-	2,422,976	2,328,832	-	2,328,832
Grants, Subs. and Contribs.						
Unrestricted	7,113,109	-	7,113,109	7,023,183	-	7,023,183
Investment Earnings	112,612	-	112,612	376,099	10	376,109
Miscellaneous Income	<u>95,276</u>	<u>-</u>	<u>95,276</u>	<u>205,267</u>	<u>-</u>	<u>205,267</u>
Total Revenues	<u>31,198,417</u>	<u>971,301</u>	<u>32,169,718</u>	<u>31,041,901</u>	<u>925,272</u>	<u>31,967,173</u>
Expenses						
Instruction	17,779,963	-	17,779,963	18,825,158	-	18,825,158
Instructional Student Support	2,268,450	-	2,268,450	2,272,961	-	2,272,961
Admin. and Financial Support Svcs.	2,731,603	-	2,731,603	2,466,587	-	2,466,587
Operation and Maintenance of						
Plant Services	3,334,432	-	3,334,432	3,310,802	-	3,310,802
Pupil Transportation	1,620,624	-	1,620,624	1,658,254	-	1,658,254
Student Activities	951,163	-	951,163	926,625	-	926,625
Community Services	331	-	331	479	-	479

**South Park School District
Management's Discussion and Analysis
June 30, 2016**

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

Table A-2 (Cont'd)
Years Ended June 30, 2016 and 2015
Changes in Net Position

	2016			2015		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Expenses (Cont'd)						
Interest on Long-Term Debt	\$ 2,792,969	\$ -	\$ 2,792,969	\$ 2,326,179	\$ -	\$ 2,326,179
Food Service	<u>-</u>	<u>984,284</u>	<u>984,284</u>	<u>-</u>	<u>975,092</u>	<u>975,092</u>
Total Expenses	<u>31,479,535</u>	<u>984,284</u>	<u>32,463,819</u>	<u>31,787,045</u>	<u>975,092</u>	<u>32,762,137</u>
Increase (Decrease) in Net Position	(281,118)	(12,983)	(294,101)	(745,144)	(49,820)	(794,964)
Beginning Net Position	<u>(37,272,092)</u>	<u>(729,310)</u>	<u>(38,001,402)</u>	<u>(36,526,948)</u>	<u>(679,490)</u>	<u>(37,206,438)</u>
Ending Net Position	<u>\$(37,553,210)</u>	<u>\$(742,293)</u>	<u>\$(38,295,503)</u>	<u>\$(37,272,092)</u>	<u>\$(729,310)</u>	<u>\$(38,001,402)</u>

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

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, 2016 and 2015
Governmental Activities

Functions/Programs	2016		2015	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$17,779,963	\$14,278,942	\$18,825,158	\$15,099,946
Instructional Student Support	2,268,450	1,979,387	2,272,961	2,081,759
Admin. and Fin. Support Services	2,731,603	2,507,946	2,466,587	2,275,427
Operation and Maintenance of Plant Svcs.	3,334,432	3,140,968	3,310,802	3,143,999
Pupil Transportation	1,620,624	985,779	1,658,254	959,839

**South Park School District
Management's Discussion and Analysis
June 30, 2016**

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

Table A-3 (Cont'd)
Years Ended June 30, 2016 and 2015
Governmental Activities

	2016		2015	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Student Activities	\$ 951,163	\$ 770,946	\$ 926,625	\$ 761,747
Community Services	331	-	479	-
Interest on Long-Term Debt	<u>2,792,969</u>	<u>2,336,986</u>	<u>2,326,179</u>	<u>1,859,347</u>
Total Governmental Activities	<u>\$31,479,535</u>	26,000,954	<u>\$31,787,045</u>	26,182,064
Less:				
Unrestricted Grants, Subsidies		<u>(7,113,109)</u>		<u>(7,023,183)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$18,887,845</u>		<u>\$19,158,881</u>

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

Table A-4
Years Ended June 30, 2016 and 2015
Business-Type Activities

	2016		2015	
	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>\$984,284</u>	\$12,983	<u>\$975,092</u>	\$49,830
Less:				
Investment Earnings		-		(10)
Total Business-Type Activities		<u>\$12,983</u>		<u>\$49,820</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.

**South Park School District
Management's Discussion and Analysis
June 30, 2016**

School District Funds

At June 30, 2016, the School District's general fund reported a fund balance of \$3,484,278, which is a decrease of \$657,548. The capital reserve fund reported a balance of \$1,029,780. The capital projects fund, which is primarily being used for Middle School renovations and other miscellaneous capital projects, has a fund balance of \$4,846,756.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2016, the School District's governmental funds had \$49,869,744 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

	2016	2015
Land	\$ 2,408,906	\$ 2,408,906
Land Improvements	906,960	1,022,228
Buildings and Building Improvements	31,156,545	32,835,173
Furniture and Equipment	503,822	571,484
Construction in Progress	14,893,511	1,955,240

Debt Administration

As of July 1, 2015, the School District had total outstanding bond principal of \$61,590,000. During the year, the School District issued the Series of 2016 bonds of \$3,555,000 which refunded the Series of 2010 in the amount of \$3,345,000 and retired principal of \$1,830,000. The total outstanding bond principal at June 30, 2016, is \$59,970,000.

Table A-6
Outstanding Debt

	As of 06/30/16	As of 06/30/15
General Obligation Bonds		
Bonds - Series of 2009A	\$ 9,725,000	\$ 9,730,000
Bonds - Series of 2009B	6,800,000	8,510,000
Bonds - Series of 2010	-	3,455,000
Bonds - Series of 2011	19,900,000	19,905,000

**South Park School District
Management's Discussion and Analysis
June 30, 2016**

Capital Assets and Debt Administration (Cont'd)

Debt Administration (Cont'd)

Table A-6 (Cont'd)
Outstanding Debt

General Obligation Bonds (Cont'd)	As of 06/30/16	As of 06/30/15
Bonds - Series of 2014	\$ 9,995,000	\$ 9,995,000
Bonds - Series of 2015	9,995,000	9,995,000
Bonds - Series of 2016	3,555,000	-

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.

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 1% to approximately 1,828 in the 2016/2017 school year. The School District projects, at the elementary level, that enrollment will be increased for the 2016/2017 school year with enrollment at 635 students. At the middle school, grades five through eight, enrollment for 2016/2017 is expected to decrease to approximately 560. High school enrollment has decreased to approximately 623 students for the 2016/2017 school year, of which 10 are attending the in-house Eagle Academy Cyber School.

Real estate tax millage will be increased by 0.76 mills to 23.82 for fiscal 2016/2017. This increase is the School District's allowable increase based upon the index. The increase is approximately 3.0%. The taxes generated by the increase are reserved for middle school renovations and the stadium project that were approved by the School Board.

**South Park School District
Management's Discussion and Analysis
June 30, 2016**

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, 2016

Exhibit 1

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 11,602,119	\$ 209,718	\$ 11,811,837
Taxed Receivable, Net	4,037,437	-	4,037,437
Internal Balances	252,767	(252,767)	-
Due from Other Governments	1,529,048	-	1,529,048
Other Receivables	71,091	5,215	76,306
Inventories	-	18,609	18,609
Prepaid Items	42,780	-	42,780
Capital Assets not Being Depreciated			
Land	2,408,906	-	2,408,906
Construction in Progress	14,893,511	-	14,893,511
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	906,960	-	906,960
Buildings and Building Improvements	31,156,545	-	31,156,545
Furniture and Equipment	<u>503,822</u>	<u>52,325</u>	<u>556,147</u>
TOTAL ASSETS	<u>67,404,986</u>	<u>33,100</u>	<u>67,438,086</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts Related to Pensions	2,855,408	60,385	2,915,793
Accumulated Decreases in Fair Value of Hedging Derivatives	11,285,512	-	11,285,512
Deferred Charge on Refunding	<u>99,723</u>	<u>-</u>	<u>99,723</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>14,240,643</u>	<u>60,385</u>	<u>14,301,028</u>
LIABILITIES			
Accounts Payable	2,143,541	-	2,143,541
Contracts Payable	769,877	-	769,877
Accrued Salaries and Benefits	1,523,229	-	1,523,229
Payroll Deductions and Withholdings	101,486	-	101,486
Unearned Revenues	16,662	11,814	28,476
Other Current Liabilities	344,586	-	344,586
Noncurrent Liabilities			
Due Within One Year	2,316,640	-	2,316,640
Due in More Than One Year			
Compensated Absences	164,418	-	164,418
Bonds Payable	57,889,885	-	57,889,885
Other Post-Employment Benefits	364,422	-	364,422
Termination Payments	1,084,460	-	1,084,460
Net Pension Liability	<u>39,742,531</u>	<u>800,469</u>	<u>40,543,000</u>
TOTAL LIABILITIES	<u>106,461,737</u>	<u>812,283</u>	<u>107,274,020</u>
DEFERRED INFLOWS OF RESOURCES			
Accumulated Increases in Fair Value of Hedging Derivatives	11,570,597	-	11,570,597
Amounts Related to Pensions	<u>1,166,505</u>	<u>23,495</u>	<u>1,190,000</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>12,737,102</u>	<u>23,495</u>	<u>12,760,597</u>
NET POSITION			
Net Investment in Capital Assets	(4,913,662)	52,325	(4,861,337)
Restricted for Capital Projects	4,851,067	-	4,851,067
Unrestricted	<u>(37,490,615)</u>	<u>(794,618)</u>	<u>(38,285,233)</u>
TOTAL NET POSITION	<u>\$(37,553,210)</u>	<u>\$(742,293)</u>	<u>\$(38,295,503)</u>

See Accompanying Notes

**South Park School District
Statement of Activities
Year Ended June 30, 2016**

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	\$17,779,963	\$ -	\$3,501,021	\$ -	\$(14,278,942)	\$ -	\$(14,278,942)
Instructional Student Support	2,268,450	-	289,063	-	(1,979,387)	-	(1,979,387)
Administrative and Financial Support Services	2,731,603	-	223,657	-	(2,507,946)	-	(2,507,946)
Operation and Maintenance of Plant Services	3,334,432	-	193,464	-	(3,140,968)	-	(3,140,968)
Pupil Transportation	1,620,624	-	634,845	-	(985,779)	-	(985,779)
Student Activities	951,163	105,554	74,663	-	(770,946)	-	(770,946)
Community Services	331	-	331	-	-	-	-
Interest on Long-Term Debt	<u>2,792,969</u>	-	-	<u>455,983</u>	<u>(2,336,986)</u>	-	<u>(2,336,986)</u>
Total Governmental Activities	<u>31,479,535</u>	<u>105,554</u>	<u>4,917,044</u>	<u>455,983</u>	<u>(26,000,954)</u>	-	<u>(26,000,954)</u>
Business-Type Activities							
Food Service	<u>984,284</u>	<u>589,245</u>	<u>382,056</u>	-	-	<u>(12,983)</u>	<u>(12,983)</u>
Total Primary Government	<u>\$32,463,819</u>	<u>\$694,799</u>	<u>\$5,299,100</u>	<u>\$455,983</u>	<u>(26,000,954)</u>	<u>(12,983)</u>	<u>(26,013,937)</u>
General Revenues							
Taxes							
Property Taxes Levied for General Purposes, Net					15,975,863	-	15,975,863
Earned Income Taxes					2,042,391	-	2,042,391
Real Estate Transfer Taxes					200,172	-	200,172
Other Taxes Levied for General Purposes, Net					180,413	-	180,413
Grants, Subsidies and Contributions not Restricted					7,113,109	-	7,113,109
Investment Earnings					112,612	-	112,612
Miscellaneous Income					<u>95,276</u>	-	<u>95,276</u>
Total General Revenues					<u>25,719,836</u>	-	<u>25,719,836</u>
Changes in Net Position					(281,118)	(12,983)	(294,101)
Net Position - July 1, 2015					<u>(37,272,092)</u>	<u>(729,310)</u>	<u>(38,001,402)</u>
Net Position - June 30, 2016					<u>\$(37,553,210)</u>	<u>\$(742,293)</u>	<u>\$(38,295,503)</u>

See Accompanying Notes

**South Park School District
Balance Sheet
Governmental Funds
June 30, 2016**

Exhibit 3

	General Fund	Capital Projects Fund	Non- major Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$3,467,791	\$6,549,880	\$1,584,448	\$11,602,119
Taxes Receivable, Net	4,037,437	-	-	4,037,437
Due from Other Funds	252,767	509,173	-	761,940
Due from Other Governments	1,529,048	-	-	1,529,048
Other Receivables	71,091	-	-	71,091
Prepaid Items	<u>42,780</u>	<u>-</u>	<u>-</u>	<u>42,780</u>
TOTAL ASSETS	<u>\$9,400,914</u>	<u>\$7,059,053</u>	<u>\$1,584,448</u>	<u>\$18,044,415</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Due to Other Funds	\$ -	\$ -	\$ 509,173	\$ 509,173
Accounts Payable	659,937	1,442,420	41,184	2,143,541
Contracts Payable	-	769,877	-	769,877
Accrued Salaries and Benefits	1,523,229	-	-	1,523,229
Payroll Deductions and Withholdings	101,486	-	-	101,486
Unearned Revenues	<u>16,662</u>	<u>-</u>	<u>-</u>	<u>16,662</u>
Total Liabilities	<u>2,301,314</u>	<u>2,212,297</u>	<u>550,357</u>	<u>5,063,968</u>
Deferred Inflows of Resources				
Unavailable Revenues - Property Taxes	<u>3,615,322</u>	<u>-</u>	<u>-</u>	<u>3,615,322</u>
Fund Balances				
Nonspendable	42,780	-	-	42,780
Restricted	-	4,846,756	4,311	4,851,067
Assigned	-	-	1,029,780	1,029,780
Unassigned	<u>3,441,498</u>	<u>-</u>	<u>-</u>	<u>3,441,498</u>
Total Fund Balances	<u>3,484,278</u>	<u>4,846,756</u>	<u>1,034,091</u>	<u>9,365,125</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$9,400,914</u>	<u>\$7,059,053</u>	<u>\$1,584,448</u>	<u>\$18,044,415</u>

See Accompanying Notes

South Park School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Exhibit 4

Total Fund Balances - Governmental Funds \$ 9,365,125

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$77,410,717, and the accumulated depreciation is \$27,540,973. 49,869,744

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. 3,615,322

Deferred charges in bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. 339,838

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

Deferred Outflows of Resources Related to Pensions	\$ 2,855,408	
Deferred Inflows of Resources Related to Pensions	<u>(1,166,505)</u>	1,688,903

Derivative instruments used in governmental activities are not financial resources and therefore, are not reported in the governmental funds. (285,085)

Some liabilities including net pension liabilities, are not due and payable in the current period and therefore, are not reported in the funds.

Net Pension Liability		(39,742,531)
-----------------------	--	--------------

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:

Bonds Payable	(59,970,000)	
Accrued Interest on the Bonds	(344,586)	
Other Post-Employment Benefits Payable	(364,422)	
Termination Payments	(1,531,100)	
Compensated Absences	<u>(194,418)</u>	<u>(62,404,526)</u>

Total Net Position - Governmental Activities \$(37,553,210)

See Accompanying Notes

**South Park School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016**

Exhibit 5

	General Fund	Capital Projects Fund	Non- major Funds	Total Governmental Funds
Revenues				
Local Sources	\$18,648,610	\$ 7,061	\$ 150	\$ 18,655,821
State Sources	11,906,658	-	-	11,906,658
Federal Sources	<u>367,139</u>	<u>-</u>	<u>-</u>	<u>367,139</u>
Total Revenues	<u>30,922,407</u>	<u>7,061</u>	<u>150</u>	<u>30,929,618</u>
Expenditures				
Instruction	15,343,923	-	-	15,343,923
Support Services	9,115,016	-	116,529	9,231,545
Noninstructional Services	926,084	-	-	926,084
Capital Outlay	-	13,739,416	354,874	14,094,290
Debt Service	4,428,003	-	3,404,254	7,832,257
Refunds of Prior Year's Receipts	<u>16,841</u>	<u>-</u>	<u>-</u>	<u>16,841</u>
Total Expenditures	<u>29,829,867</u>	<u>13,739,416</u>	<u>3,875,657</u>	<u>47,444,940</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,092,540</u>	<u>(13,732,355)</u>	<u>(3,875,507)</u>	<u>(16,515,322)</u>
Other Financing Sources (Uses)				
Issuance of Bonds	-	-	3,555,000	3,555,000
Discount on Bonds Issued	-	-	(29,969)	(29,969)
Transfers In	-	1,208,000	542,088	1,750,088
Transfers Out	<u>(1,750,088)</u>	<u>-</u>	<u>-</u>	<u>(1,750,088)</u>
Total Other Financing Sources (Uses)	<u>(1,750,088)</u>	<u>1,208,000</u>	<u>4,067,119</u>	<u>3,525,031</u>
Net Changes in Fund Balances	(657,548)	(12,524,355)	191,612	(12,990,291)
Fund Balances - July 1, 2015	<u>4,141,826</u>	<u>17,371,111</u>	<u>842,479</u>	<u>22,355,416</u>
Fund Balances - June 30, 2016	<u>\$ 3,484,278</u>	<u>\$ 4,846,756</u>	<u>\$ 1,034,091</u>	<u>\$ 9,365,125</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, 2016**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$(12,990,291)

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	\$(1,893,587)	
Capital Outlays	<u>12,970,300</u>	11,076,713

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. 182,670

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. 1,830,000

The School District's bonded debt was also reduced by a current refunding of debt. Resources of \$3,555,000 were used to currently refund outstanding of \$3,345,000. 3,345,000

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: (3,555,000)

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).

**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, 2016**

Exhibit 6

Compensated Absences	\$ (91,104)	
Termination Payments	388,540	
Other Post-Employment Benefits	<u>(39,279)</u>	\$ 258,157

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		(113,129)
---	--	-----------

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.

102,971

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	29,969	
Amortization of Discount, Premium and Deferred Loss on Refunding	<u>(22,584)</u>	7,385

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	(3,217,510)	
Cost of Benefits Earned	<u>2,791,916</u>	<u>(425,594)</u>

Change in Net Position of Governmental Activities		\$ <u>(281,118)</u>
---	--	---------------------

See Accompanying Notes

**South Park School District
Statement of Net Position
Proprietary Funds
June 30, 2016**

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 209,718
Other Receivables	5,215
Inventories	<u>18,609</u>
Total Current Assets	<u>233,542</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>52,325</u>
TOTAL ASSETS	<u>285,867</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to Pensions	<u>60,385</u>
LIABILITIES	
Current Liabilities	
Due to Other Funds	252,767
Unearned Revenues	<u>11,814</u>
Total Current Liabilities	<u>264,581</u>
Noncurrent Liabilities	
Net Pension Liability	<u>800,469</u>
TOTAL LIABILITIES	<u>1,065,050</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to Pensions	<u>23,495</u>
NET POSITION	
Net Investment in Capital Assets	52,325
Unrestricted	<u>(794,618)</u>
TOTAL NET POSITION	<u>\$ (742,293)</u>

See Accompanying Notes

South Park School District
Statement of Revenues, Expenses and Change
in Net Position
Proprietary Funds
Year Ended June 30, 2016

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ 556,907
Charges for Services	18,817
Other Operating Revenues	<u>13,521</u>
Total Operating Revenues	<u>589,245</u>
Operating Expenses	
Salaries	235,862
Employee Benefits	165,952
Purchased Property Services	7,308
Other Purchased Services	711
Supplies	558,620
Depreciation	9,714
Dues and Fees	3,564
Other Operating Expenditures	<u>2,553</u>
Total Operating Expenses	<u>984,284</u>
Operating Income (Loss)	<u>(395,039)</u>
Nonoperating Revenues (Expenses)	
State Sources	61,784
Federal Sources	<u>320,272</u>
Total Nonoperating Revenues (Expenses)	<u>382,056</u>
Change in Net Position	(12,983)
Net Position - July 1, 2015	<u>(729,310)</u>
Net Position - June 30, 2016	<u>\$(742,293)</u>

See Accompanying Notes

**South Park School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2016**

Exhibit 9

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 554,270
Cash Received from Other Operating Revenue	27,123
Cash Payments to Employees for Services	(384,105)
Cash Payments to Suppliers for Goods and Services	(511,210)
Cash Payments for Other Operating Expenses	<u>(6,117)</u>
Net Cash Used for Operating Activities	<u>(320,039)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	62,172
Federal Sources	<u>267,563</u>
Net Cash Provided by Non-Capital Financing Activities	<u>329,735</u>
Cash Flows from Investing Activities	
Loans Received	<u>4,784</u>
Net Increase in Cash and Cash Flows	14,480
Cash and Cash Equivalents - July 1, 2015	<u>195,238</u>
Cash and Cash Equivalents - June 30, 2016	<u>\$ 209,718</u>

**South Park School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2016**

Exhibit 9

	Food Service Fund
Operating Income (Loss)	<u>\$(395,039)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation and Net Amortization	9,714
Donated Commodities	56,899
(Increase) Decrease in Accounts Receivable	(5,215)
(Increase) Decrease in Inventories	864
(Increase) Decrease in Other Current Assets	(11,036)
Increase (Decrease) in Accounts Payable	(2,334)
Increase (Decrease) in Other Current Liabilities	(2,637)
Increase (Decrease) in Deferred Outflows	(30,164)
Increase (Decrease) in Net Pension Liability	<u>58,909</u>
Total Adjustments	<u>75,000</u>
Cash Used for Operating Activities	<u>\$(320,039)</u>

Noncash Non-Capital Financing Activities:

During the year ended June 30, 2016, the School District received \$60,531 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, 2016**

Exhibit 10

	Agency Fund
ASSETS	
Investments	<u>\$56,436</u>
LIABILITIES	
Other Current Liabilities	<u>56,436</u>
NET POSITION	<u>\$ -</u>

See Accompanying Notes

South Park School District
Notes to Financial Statements
June 30, 2016

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, 2016

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 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 nonmajor funds the following:

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

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, 2016**

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 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, 2016

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, 2016 was \$541,752, 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, 2016. 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, 2016

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, 2016.

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, 2016**

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, 2016.

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, 2016 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, 2016**

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, 2016

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, 2016**

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, 2016**

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, 2016, are as follows:

1. The nonspendable fund balance in the general fund of \$42,780 represents prepaid items.
2. The restricted fund balance in the capital projects fund of \$4,846,756 is for current construction projects.
3. The restricted fund balance in the debt service fund of \$4,311 is for future debt service.
4. The assigned fund balance in the capital improvement fund of \$1,029,780 is for future capital projects.

Note 2 - 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, 2016, \$12,037,321 of the School District's bank balance of \$12,502,241 was exposed to custodial credit risk.

Uninsured and Collateral Held by Pledging Bank's Agent
not in the School District's Name

\$12,037,321

**South Park School District
Notes to Financial Statements
June 30, 2016**

Note 2 - 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, 2016, the School District had the following investments:

Investments	Fair Value
PSDLAF	<u>\$ 15,670</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, 2016, 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	<u>\$(285,085)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(285,085)</u>

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	\$19,900,000

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, 2016**

Note 2 - 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 3 - 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 2015/2016 was 23.06 mills (\$23.06 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied is as follows:

Tax Levy Date	July 31, 2015
2% Discount Period	Through September 30, 2015
Face Payment Period	October 1 - November 30, 2015
10% Penalty Period	December 1 Until Liened
Lien Filing Date	July 1, 2016

**South Park School District
Notes to Financial Statements
June 30, 2016**

Note 3 - 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 \$3,615,322, net of estimated uncollectible of \$1,205,107, along with other taxes receivable of \$422,115.

Note 4 - Due from Other Governments

At June 30, 2016, the following amounts are due from other governmental units:

Federal (through the state)	\$	16,062
State		<u>1,512,986</u>
		<u>\$1,529,048</u>

Note 5 - Capital Assets

For the year ended June 30, 2016, capital asset activity was as follows:

	Balance 07/01/15	Additions	Disposals	Balance 06/30/16
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 2,408,906	\$ -	\$ -	\$ 2,408,906
Construction in Progress	<u>1,955,240</u>	<u>12,938,271</u>	<u>-</u>	<u>14,893,511</u>
Total Capital Assets not Being Depreciated	<u>4,364,146</u>	<u>12,938,271</u>	<u>-</u>	<u>17,302,417</u>
Capital Assets Being Depreciated				
Land Improvements	3,187,937	-	-	3,187,937
Buildings and Building Improvements	55,363,724	-	-	55,363,724
Furniture and Equipment	<u>1,524,610</u>	<u>32,029</u>	<u>-</u>	<u>1,556,639</u>
Total Capital Assets Being Depreciated	<u>60,076,271</u>	<u>32,029</u>	<u>-</u>	<u>60,108,300</u>

South Park School District
Notes to Financial Statements
June 30, 2016

Note 5 - Capital Assets (Cont'd)

	Balance 07/01/15	Additions	Disposals	Balance 06/30/16
Governmental Activities (Cont'd)				
Less Accumulated Depreciation				
Land Improvements	\$ 2,165,709	\$ 115,268	\$ -	\$ 2,280,977
Buildings and Bldg. Improvements	22,528,551	1,678,628	-	24,207,179
Furniture and Equipment	<u>953,126</u>	<u>99,691</u>	<u>-</u>	<u>1,052,817</u>
Total Accumulated Depreciation	<u>25,647,386</u>	<u>1,893,587</u>	<u>-</u>	<u>27,540,973</u>
 Total Capital Assets Being Depreciated, Net	 <u>34,428,885</u>	 <u>(1,861,558)</u>	 <u>-</u>	 <u>32,567,327</u>
 Governmental Activities Capital Assets, Net	 <u>\$38,793,031</u>	 <u>\$11,076,713</u>	 <u>\$ -</u>	 <u>\$49,869,744</u>
 Business-Type Activities Furniture and Equipment	 \$ 275,674	 \$ -	 \$ -	 \$ 275,674
Less Accumulated Depreciation	<u>213,635</u>	<u>9,714</u>	<u>-</u>	<u>223,349</u>
Business-Type Capital Assets, Net	<u>\$ 62,039</u>	<u>\$ (9,714)</u>	<u>\$ -</u>	<u>\$ 52,325</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$1,851,358
Instructional Student Support	5,818
Operation and Maintenance of Plant Services	26,403
Student Activities	<u>10,008</u>
 Total Depreciation Expense	 <u>\$1,893,587</u>
 Business-Type Activities Food Service	 <u>\$ 9,714</u>

Note 6 - Interfund Balances

Interfund balances at June 30, 2016 were:

**South Park School District
Notes to Financial Statements
June 30, 2016**

Note 6 - Interfund Balances (Cont'd)

Fund	Interfund Receivable	Interfund Payable
General Fund	\$252,767	\$ -
Capital Projects Fund	509,173	-
Capital Reserve Fund	-	509,173
Enterprise Fund		
Food Service Fund	<u>-</u>	<u>252,767</u>
	<u>\$761,940</u>	<u>\$761,940</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 7 - Interfund Transfers

For the year ended June 30, 2016, interfund transfers consisted of the following:

<u>Transfer To</u>	<u>Transfer From</u> General Fund
Governmental Funds	
Capital Reserve Fund	\$ 542,088
Capital Projects Fund	<u>1,208,000</u>
	<u>\$1,750,088</u>

The transfer from the general fund to the capital reserve fund was to provide funds for future capital improvements. The transfer from the general fund to the capital projects fund was to provide additional funds for the middle school renovations and other School District capital projects.

Note 8 - Long-Term Debt

The following are changes in the long-term liabilities for the fiscal year ended June 30, 2016:

**South Park School District
Notes to Financial Statements
June 30, 2016**

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

	Balance 07/01/15	Additions	Reductions	Balance 06/30/16	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$61,590,000	\$3,555,000	\$5,175,000	\$59,970,000	\$1,840,000
Less: Bond Discount	<u>(270,489)</u>	<u>(29,969)</u>	<u>(60,343)</u>	<u>(240,115)</u>	<u>-</u>
Total Bonds Payable	<u>61,319,511</u>	<u>3,525,031</u>	<u>5,114,657</u>	<u>59,729,885</u>	<u>1,840,000</u>
Early Retirement Incentive	1,919,640	88,500	477,040	1,531,100	446,640
Compensated Absences	<u>103,314</u>	<u>91,104</u>	<u>-</u>	<u>194,418</u>	<u>30,000</u>
Governmental Activities					
Long-Term Liabilities	<u>\$63,342,465</u>	<u>\$3,704,635</u>	<u>\$5,591,697</u>	<u>\$61,455,403</u>	<u>\$2,316,640</u>
Variable Rate Demand Bonds, Series of 2009 A in the amount of \$9,850,000 due annually through 2030; interest is variable.					\$ 9,725,000
Variable Rate Demand Bonds, Series of 2009 B due annually through 2020; interest is variable.					6,800,000
Variable Rate Demand Bonds, Series of 2011 due annually through 2028; interest is variable.					19,900,000
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%.					9,995,000
General Obligation Bonds, Series of 2016 due annually through 2030; interest from 2.00% to 3.125%.					<u>3,555,000</u>
					<u>\$59,970,000</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, 2016, including accretion on the capital appreciation bonds, are as follows:

South Park School District
Notes to Financial Statements
June 30, 2016

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

Year Ended June 30,	General Obligation Bonds		Totals
	Principal	Interest	
2017	\$ 1,840,000	\$ 2,772,523	\$ 4,612,523
2018	2,095,000	2,672,563	4,767,563
2019	2,205,000	2,571,002	4,776,002
2020	2,285,000	2,426,795	4,711,795
2021	2,365,000	2,265,458	4,630,458
2022-2026	13,900,000	9,361,395	23,261,395
2027-2031	17,885,000	5,291,853	23,176,853
2032-2036	<u>17,395,000</u>	<u>1,555,113</u>	<u>18,950,113</u>
	<u>\$59,970,000</u>	<u>\$28,916,702</u>	<u>\$88,886,702</u>

On January 12, 2016, the School District issued \$3,555,000 Series of 2016 bonds with interest rates from 2.00% to 3.125% to currently refund the outstanding Series of 2010 (\$3,345,000) with interest rates ranging from 2.625% to 4.25%.

The net proceeds of \$3,404,254 (after payment of issuance costs) were used to currently refund the outstanding 2010 bonds and interest due on those bonds through the refunding date. As a result, those bonds are considered defeased and the liability for those bonds has been removed as a liability in these financial statements. The School District advance refunded the 2010 bonds to reduce its total debt service over the next sixteen years by \$232,587 and to obtain an economic gain (the difference between the present value of the debt service payments of the old and new debt) of approximately \$217,608.

Note 9 - Derivative Instruments

A. Details of Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2016 classified by type, and the change in fair value of such derivative instruments for the year ended as reported in the June 30, 2016 financial statements are as follows:

Governmental Activities	Change in Fair Value		Fair Value at June 30, 2016		Notional in Thousands
	Classification	Amount	Classification	Amount	
Cash Flow Hedges Pay Fixed Interest Rate Swaps	Deferred Outflow of Resources	\$(816,737)	Debt	\$(4,522,647)	\$ 9,725

**South Park School District
Notes to Financial Statements
June 30, 2016**

Note 9 - Derivative Instruments (Cont'd)

A. Details of Instruments (Cont'd)

Governmental Activities	Change in Fair Value		Fair Value at June 30, 2016		Notional in Thousands
	Classification	Amount	Classification	Amount	
Pay Fixed Interest Rate Swaps	Deferred Outflow of Resources	\$(640,318)	Debt	\$(6,065,696)	\$19,900
Pay Fixed Interest Rate Swaps	Deferred Outflow of Resources	288,164	Debt	(697,169)	6,800
Investments Derivatives Basis Swap	Investment Revenue	102,971	Investment	(285,085)	19,900

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, 2016:

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
Notional Amount	\$19,900,000	\$6,800,000	\$9,725,000

The counterparty credit rating is A and A2 by S & P and Moody's, respectively.

South Park School District
Notes to Financial Statements
June 30, 2016

Note 9 - Derivative Instruments (Cont'd)

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 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.

South Park School District
Notes to Financial Statements
June 30, 2016

Note 9 - Derivative Instruments (Cont'd)

C. Risks (Cont'd)

- 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) 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)

**South Park School District
Notes to Financial Statements
June 30, 2016**

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

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

2. Benefits Provided (Cont'd)

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, 2016

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

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

3. Contributions (Cont'd)

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, 2016 was 25.0% 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 \$2,851,022 for the year ended June 30, 2016.

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

At June 30, 2016, the School District reported a liability of \$40,543,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 to June 30, 2015. 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, 2015, the School District's proportion was 0.0936%, which was an increase of 0.0027% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$3,294,327. At June 30, 2016, 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, 2016**

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
Net difference between expected and actual actual experience	\$ -	\$ 167,000
Net difference between projected and actual investment earnings	-	82,000
Changes in proportions	-	941,000
Difference between employer contributions and proportionate share of total contributions	64,771	-
Contributions subsequent to the measurement date	<u>2,851,022</u>	<u>-</u>
	<u>\$2,915,793</u>	<u>\$1,190,000</u>

\$2,851,022 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (446,673)
2018	(446,673)
2019	(446,673)
2020	<u>214,790</u>
	<u>\$(1,125,229)</u>

1. Actuarial Assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

**South Park School District
Notes to Financial Statements
June 30, 2016**

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, 2014 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	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%

**South Park School District
Notes to Financial Statements
June 30, 2016**

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
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	<u>(14.0)%</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, 2015.

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, 2016**

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	\$49,973	\$40,543	\$32,617

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.pasers.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, 2016 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 thirty-six (36) eligible employees who retired under these incentives. During 2015/2016, \$477,040 was paid under these incentives.

Future minimum payments for these retirement incentives are as follows:

**South Park School District
Notes to Financial Statements
June 30, 2016**

Note 12 - Retirement Incentive (Cont'd)

Year Ended June 30,	Amount
2017	\$ 446,640
2018	421,140
2019	404,640
2020	242,180
2021	<u>16,500</u>
	<u>\$1,531,100</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 \$3,066,301 and \$3,060,516 for the years ended June 30, 2016 and 2015, 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, 2016 the net position of the Consortium is \$43,916,293 of which \$551,940 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, 2016 was \$2,200,820.

**South Park School District
Notes to Financial Statements
June 30, 2016**

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

This includes \$1,708,081 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 \$492,739 to the federal government for social security and Medicare taxes for the year ended June 30, 2016. 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, 2016 were \$233,747. Future minimum payments for these leases are as follows:

Year Ended June 30,	Amount
2017	\$223,538
2018	195,571
2019	156,520
2020	<u>47,606</u>
	<u>\$623,235</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, 2016**

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, 2016, the School District contributed \$0-. Plan members receiving benefits contributed \$326,321. 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	13,006
Adjustment to Annual Required Contribution	<u>(23,925)</u>
Annual OPEB Cost (Expense)	255,377
Contribution Made	<u>(216,098)</u>
Increase in OPEB Obligation	39,279
Net OPEB Obligation - Beginning of Year	<u>325,143</u>
Net OPEB Obligation - End of Year	<u>\$ 364,422</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, 2016, 2015 and 2014 is as follows.

**South Park School District
Notes to Financial Statements
June 30, 2016**

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
06/30/16	\$255,377	84.60%	\$364,422
06/30/15	256,159	90.09%	325,143
06/30/14	205,622	83.79%	301,836

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, 2016

Note 17 - Construction Commitments

As of June 30, 2016, the School District had construction commitments in the amount of approximately \$5,684,369 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, 2016**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$15,323,892	\$15,323,892	\$15,358,100	\$ 34,208
Interim Real Estate Taxes	60,000	60,000	38,157	(21,843)
Public Utility Realty Taxes	20,000	20,000	20,096	96
Current Per Capita Taxes - Sec. 679	42,000	42,000	37,958	(4,042)
Current Per Capita Taxes - Act 511	42,000	42,000	37,958	(4,042)
Local Services Taxes	11,000	11,000	15,019	4,019
Earned Income Taxes	1,999,041	1,999,041	1,905,012	(94,029)
Real Estate Transfer Taxes	125,000	125,000	200,172	75,172
Amusement Taxes	28,000	28,000	27,550	(450)
Delinquencies on Taxes	812,400	812,400	592,988	(219,412)
Earnings on Investments	6,000	6,000	2,430	(3,570)
Other Local Revenues				
Revenue from Student Activities	67,000	67,000	105,554	38,554
Federal Revenues from IUs	195,770	195,770	206,782	11,012
Contribs. & Donations from Private Srces.	-	-	5,620	5,620
Rentals	2,500	2,500	18,424	15,924
Tuition from Patrons	5,000	5,000	5,557	557
Services Prov. Other Local Gov't. Units	10,000	10,000	-	(10,000)
Refunds of Prior Year's Expenditures	-	-	31,933	31,933
Miscellaneous Revenue	<u>173,811</u>	<u>173,811</u>	<u>39,300</u>	<u>(134,511)</u>
Total Revenues from Local Sources	<u>18,923,414</u>	<u>18,923,414</u>	<u>18,648,610</u>	<u>(274,804)</u>
State Sources				
Basic Instruct. and Oper. Subsidies				
Basic Instructional Subsidy	6,276,680	6,276,680	6,237,764	(38,916)
Tuition	-	-	17,883	17,883
Subsidies for Specific Educ. Programs				
Special Education of Except. Pupils	1,151,430	1,151,430	1,186,789	35,359
Subsidies for Noneduc. Programs				
Transportation (Regular and Add'l.)	725,000	725,000	629,288	(95,712)
Rentals and Sinking Fund Payments	469,729	469,729	455,983	(13,746)
Health Services	36,000	36,000	33,650	(2,350)
Property Tax Relief Payment	869,499	869,499	875,345	5,846

**South Park School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Revenues (Cont'd)				
State Sources (Cont'd)				
Subsidies for Noneduc. Programs (Cont'd)				
Ready to Learn Grant	\$ 102,902	\$ 102,902	\$ 308,092	\$ 205,190
Social Security Payments	475,000	475,000	484,402	9,402
State Retirement Revenue	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,677,462</u>	<u>577,462</u>
Total Revenues from State Sources	<u>11,206,240</u>	<u>11,206,240</u>	<u>11,906,658</u>	<u>700,418</u>
Federal Sources				
Restricted Grants-in-Aid from the Fed. Gov't. through the Commonwealth				
Title I	182,636	182,636	220,614	37,978
Title II	68,048	68,048	68,070	22
Race to the Top	-	-	8,622	8,622
Medical Assistance - Access	<u>68,000</u>	<u>68,000</u>	<u>69,833</u>	<u>1,833</u>
Total Revenues from Federal Sources	<u>318,684</u>	<u>318,684</u>	<u>367,139</u>	<u>48,455</u>
Total Revenues	<u>30,448,338</u>	<u>30,448,338</u>	<u>30,922,407</u>	<u>474,069</u>
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	6,652,063	6,652,063	6,614,538	37,525
Employee Benefits	3,568,261	3,568,261	3,518,046	50,215
Purchased Prof. and Tech. Services	73,001	73,001	81,789	(8,788)
Purchased Property Services	6,875	6,875	6,035	840
Other Purchased Services	465,431	465,431	689,701	(224,270)
Supplies	654,004	654,004	540,037	113,967
Property	<u>14,627</u>	<u>14,627</u>	<u>10,578</u>	<u>4,049</u>
Total Regular Programs	<u>11,434,262</u>	<u>11,434,262</u>	<u>11,460,724</u>	<u>(26,462)</u>

**South Park School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<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	\$ 1,303,753	\$ 1,303,753	\$ 1,295,541	\$ 8,212
Employee Benefits	916,745	916,745	856,684	60,061
Purchased Prof. and Tech. Services	342,132	342,132	419,264	(77,132)
Other Purchased Services	537,149	537,149	469,885	67,264
Supplies	<u>23,312</u>	<u>23,312</u>	<u>4,697</u>	<u>18,615</u>
Total Special Programs	<u>3,123,091</u>	<u>3,123,091</u>	<u>3,046,071</u>	<u>77,020</u>
Vocational Education Programs				
Personal Services				
Salaries	199,979	199,979	196,404	3,575
Employee Benefits	104,829	104,829	85,896	18,933
Other Purchased Services	470,581	470,581	542,050	(71,469)
Supplies	<u>7,398</u>	<u>7,398</u>	<u>2,518</u>	<u>4,880</u>
Total Vocational Educ. Programs	<u>782,787</u>	<u>782,787</u>	<u>826,868</u>	<u>(44,081)</u>
Other Instructional Programs				
Personal Services				
Salaries	4,250	4,250	6,267	(2,017)
Employee Benefits	1,462	1,462	2,164	(702)
Supplies	<u>1,800</u>	<u>1,800</u>	<u>1,829</u>	<u>(29)</u>
Total Other Instructional Programs	<u>7,512</u>	<u>7,512</u>	<u>10,260</u>	<u>(2,748)</u>
Total Instruction	<u>15,347,652</u>	<u>15,347,652</u>	<u>15,343,923</u>	<u>3,729</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	431,421	431,421	438,321	(6,900)
Employee Benefits	227,051	227,051	197,763	29,288

**South Park School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<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	\$ 67,350	\$ 67,350	\$ 83,345	\$ (15,995)
Purchased Property Services	8,924	8,924	7,685	1,239
Other Purchased Services	1,643	1,643	421	1,222
Supplies	52,844	52,844	53,078	(234)
Other Objects	<u>600</u>	<u>600</u>	<u>595</u>	<u>5</u>
Total Pupil Personnel	<u>789,833</u>	<u>789,833</u>	<u>781,208</u>	<u>8,625</u>
Instructional Staff				
Personal Services				
Salaries	365,915	365,915	360,579	5,336
Employee Benefits	231,857	231,857	227,884	3,973
Purchased Prof. and Tech. Services	129,848	129,848	111,465	18,383
Other Purchased Services	16,145	16,145	6,203	9,942
Supplies	47,851	47,851	36,828	11,023
Property	200,697	200,697	201,212	(515)
Other Objects	<u>600</u>	<u>600</u>	<u>595</u>	<u>5</u>
Total Instructional Staff	<u>992,913</u>	<u>992,913</u>	<u>944,766</u>	<u>48,147</u>
Administration				
Personal Services				
Salaries	978,925	978,925	1,042,100	(63,175)
Employee Benefits	580,037	580,037	522,541	57,496
Purchased Prof. and Tech. Services	147,345	147,345	150,980	(3,635)
Purchased Property Services	73,263	73,263	66,395	6,868
Other Purchased Services	21,523	21,523	14,918	6,605
Supplies	34,274	34,274	23,331	10,943
Property	13,740	13,740	13,602	138
Other Objects	<u>14,606</u>	<u>265,674</u>	<u>312,621</u>	<u>(46,947)</u>
Total Administration	<u>1,863,713</u>	<u>2,114,781</u>	<u>2,146,488</u>	<u>(31,707)</u>

**South Park School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<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	\$ 190,172	\$ 190,172	\$ 193,960	\$ (3,788)
Employee Benefits	109,679	109,679	96,775	12,904
Purchased Prof. and Tech. Services	650	650	3,035	(2,385)
Other Purchased Services	200	200	-	200
Supplies	6,900	6,900	5,353	1,547
Property	<u>-</u>	<u>-</u>	<u>337</u>	<u>(337)</u>
Total Pupil Health	<u>307,601</u>	<u>307,601</u>	<u>299,460</u>	<u>8,141</u>
Business				
Personal Services				
Salaries	237,194	237,194	233,133	4,061
Employee Benefits	140,082	140,082	138,265	1,817
Purchased Prof. and Tech. Services	180	180	933	(753)
Other Purchased Services	1,202	1,202	174	1,028
Supplies	1,360	1,360	1,169	191
Other Objects	<u>15,497</u>	<u>15,497</u>	<u>17,837</u>	<u>(2,340)</u>
Total Business	<u>395,515</u>	<u>395,515</u>	<u>391,511</u>	<u>4,004</u>
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	1,034,757	1,034,757	1,005,950	28,807
Employee Benefits	716,062	716,062	686,112	29,950
Purchased Prof. and Tech. Services	43,225	43,225	22,745	20,480
Purchased Property Services	737,594	737,594	686,294	51,300
Other Purchased Services	144,966	144,966	142,678	2,288
Supplies	429,983	429,983	301,542	128,441
Property	69,487	69,487	61,405	8,082
Other Objects	<u>385</u>	<u>385</u>	<u>195</u>	<u>190</u>
Total Oper. and Maint. of Plant Svcs.	<u>3,176,459</u>	<u>3,176,459</u>	<u>2,906,921</u>	<u>269,538</u>

**South Park School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<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	\$ 15,486	\$ 15,486	\$ -	\$ 15,486
Employee Benefits	14,135	14,135	20	14,115
Other Purchased Services	1,665,504	1,665,504	1,619,140	46,364
Supplies	500	500	122	378
Property	<u>-</u>	<u>-</u>	<u>1,342</u>	<u>(1,342)</u>
Total Student Transportation Services	<u>1,695,625</u>	<u>1,695,625</u>	<u>1,620,624</u>	<u>75,001</u>
Other				
Other Purchased Services	22,267	22,267	21,927	340
Supplies	<u>2,298</u>	<u>2,298</u>	<u>2,111</u>	<u>187</u>
Total Other	<u>24,565</u>	<u>24,565</u>	<u>24,038</u>	<u>527</u>
Total Support Services	<u>9,246,224</u>	<u>9,497,292</u>	<u>9,115,016</u>	<u>382,276</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	455,051	455,051	390,162	64,889
Employee Benefits	201,958	201,958	144,228	57,730
Purchased Prof. and Tech. Services	86,177	86,177	82,437	3,740
Purchased Property Services	37,766	37,766	25,739	12,027
Other Purchased Services	125,087	125,087	173,535	(48,448)
Supplies	54,250	54,250	58,263	(4,013)
Property	45,075	45,075	43,566	1,509
Other Objects	<u>9,100</u>	<u>9,100</u>	<u>7,823</u>	<u>1,277</u>
Total Student Activities	<u>1,014,464</u>	<u>1,014,464</u>	<u>925,753</u>	<u>88,711</u>
Community Services				
Supplies	<u>1,000</u>	<u>1,000</u>	<u>331</u>	<u>669</u>
Total Noninstructional Services	<u>1,015,464</u>	<u>1,015,464</u>	<u>926,084</u>	<u>89,380</u>

**South Park School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Debt Service				
Interest	\$ 2,915,523	\$ 2,664,455	\$ 2,598,003	\$ 66,452
Refunds of Prior Year's Receipts	50,000	50,000	16,841	33,159
Redemption of Principal	<u>1,830,000</u>	<u>1,830,000</u>	<u>1,830,000</u>	<u>-</u>
Total Debt Service	<u>4,795,523</u>	<u>4,544,455</u>	<u>4,444,844</u>	<u>99,611</u>
 Total Expenditures	 <u>30,404,863</u>	 <u>30,404,863</u>	 <u>29,829,867</u>	 <u>574,996</u>
 Other Financing Uses				
Fund Transfers				
Capital Projects Fund	-	-	1,208,000	(1,208,000)
Capital Reserve Fund	<u>-</u>	<u>-</u>	<u>542,088</u>	<u>(542,088)</u>
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>1,750,088</u>	<u>(1,750,088)</u>
 Total Expenditures and Other Financing Uses	 <u>30,404,863</u>	 <u>30,404,863</u>	 <u>31,579,955</u>	 <u>(1,175,092)</u>
 Net Change in Fund Balance	 43,475	 43,475	 (657,548)	 (701,023)
 Fund Balance - July 1, 2015	 <u>3,325,736</u>	 <u>3,325,736</u>	 <u>4,141,826</u>	 <u>816,090</u>
 Fund Balance - June 30, 2016	 <u>\$ 3,369,211</u>	 <u>\$ 3,369,211</u>	 <u>\$ 3,484,278</u>	 <u>\$ 115,067</u>

**South Park School District
Required Supplementary Information
Other Post-Employment Benefits
June 30, 2016**

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
 Last Two Years**

	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 2,763,399	\$ 2,413,412
Contributions in Relation to the Contractually Required Contribution	<u>2,763,399</u>	<u>2,413,412</u>
Contribution Deficiency (Excess)	\$ <u> -</u>	\$ <u> -</u>
School District's Covered-Employee Payroll	\$11,232,807	\$12,031,982
Contributions as a Percentage of Covered Employee Payroll	24.60%	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 Three Years
(Dollar Amount in Thousands)

	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.0936%	0.0963%	0.0964%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$40,543	\$38,116	\$39,463
School District's Covered Employee Payroll	\$12,032	\$12,287	\$12,368
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	336.96%	310.21%	319.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.36%	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

2 PENN CENTER WEST, SUITE 326

PITTSBURGH, PENNSYLVANIA 15276

PHONE - 412-343-9200

FAX - 412-343-9209

HSMW@HSMWCPA.COM

WWW.HSMWCPA.COM

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, 2016 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. 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 the Uniform Guidance
- 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 18, 2017

CERTIFIED PUBLIC ACCOUNTANTS

2 PENN CENTER WEST, SUITE 326

PITTSBURGH, PENNSYLVANIA 15276

PHONE - 412-343-9200

FAX - 412-343-9209

HSMW@HSMWCPA.COM

WWW.HSMWCPA.COM

**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, 2016, 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 18, 2017.

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
Pittsburgh, Pennsylvania
January 18, 2017

HOSACK, SPECHT, MUETZEL & WOOD LLP

Exhibit B

CERTIFIED PUBLIC ACCOUNTANTS

2 PENN CENTER WEST, SUITE 326

PITTSBURGH, PENNSYLVANIA 15276

PHONE - 412-343-9200

FAX - 412-343-9209

HSMW@HSMWCPA.COM

WWW.HSMWCPA.COM

**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

Report on Internal Control Over Compliance (Cont'd)

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

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 18, 2017

**South Park School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016**

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, 2016

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 07/01/15	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/16
U. S. Department of Education										
Passed through the Pennsylvania Department of Education										
Title I Improving Basic Programs	I	84.010	013-160398	07/01/15-09/30/16	\$220,614	\$205,678	\$ -	\$220,614	\$220,614	\$14,936
Title I Improving Basic Programs	I	84.010	013-150398	07/01/14-09/30/15	185,323	<u>14,863</u>	<u>14,863</u>	-	-	-
						<u>220,541</u>	<u>14,863</u>	<u>220,614</u>	<u>220,614</u>	<u>14,936</u>
Title II Improving Teacher Quality	I	84.367	020-160398	07/01/15-09/30/16	68,070	68,070	-	68,070	68,070	-
Title II Improving Teacher Quality	I	84.367	020-150398	07/01/14-09/30/15	67,914	<u>13,590</u>	<u>13,590</u>	-	-	-
						<u>81,660</u>	<u>13,590</u>	<u>68,070</u>	<u>68,070</u>	-
Passed through Intermediate Unit 7										
IDEA-B - Section 619	I	84.173	131-1300003	07/01/15-06/30/16	2,356	2,356	-	2,356	2,356	-
IDEA-B	I	84.027	062-160003	07/01/15-06/30/16	201,694	201,579	-	201,694	201,694	115
IDEA-B	I	84.027	062-150003	07/01/14-06/30/15	226,415	<u>21,018</u>	<u>18,286</u>	<u>2,732</u>	<u>2,732</u>	-
Total Special Education Cluster						<u>224,953</u>	<u>18,286</u>	<u>206,782</u>	<u>206,782</u>	<u>115</u>
-76- Passed through Intermediate Unit 7										
Race to the Top	I	84.413A	FA-999-150603	07/01/15-06/30/16	8,622	<u>8,622</u>	-	<u>8,622</u>	<u>8,622</u>	-
Sub Total U. S. Dept. of Education						<u>535,776</u>	<u>46,739</u>	<u>504,088</u>	<u>504,088</u>	<u>15,051</u>
U. S. Department of Health & Human Svcs.										
Passed through the Pennsylvania Department of Public Welfare										
Medical Assistance - Access	I	93.778	N/A	07/01/15-06/30/16	N/A	<u>1,234</u>	<u>412</u>	<u>1,833</u>	<u>1,833</u>	<u>1,011</u>
Sub Total U. S. Dept. of Health & Human Svcs.						<u>1,234</u>	<u>412</u>	<u>1,833</u>	<u>1,833</u>	<u>1,011</u>
U. S. Department of Agriculture										
Passed through the Pennsylvania Department of Education										
Nat'l. School Lunch Program	I	10.555	N/A	07/01/15-06/30/16	N/A	224,599	3,409	221,190	221,190	-
Passed through the Pennsylvania Department of Agriculture										
National School Lunch Program (Donated Commodities Noncash Assistance)	I	10.555	N/A	07/01/15-06/30/16	N/A	<u>57,541</u>	<u>(2,701)</u>	<u>53,909</u>	<u>53,909</u>	<u>(6,333)</u>
						<u>282,140</u>	<u>708</u>	<u>275,099</u>	<u>275,099</u>	<u>(6,333)</u>
Passed through the Pennsylvania Department of Agriculture										
National School Breakfast Program	I	10.553	N/A	07/01/15-06/30/16	N/A	<u>42,965</u>	<u>782</u>	<u>42,183</u>	<u>42,183</u>	-
Sub Total U. S. Dept. of Agriculture and Nutrition Cluster						<u>325,105</u>	<u>1,490</u>	<u>317,282</u>	<u>317,282</u>	<u>(6,333)</u>
Total Federal Financial Assistance						<u>\$862,115</u>	<u>\$48,641</u>	<u>\$823,203</u>	<u>\$823,203</u>	<u>\$ 9,729</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

South Park School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Exhibit D

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of South Park School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of South Park School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of South Park School District.

Note B - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) South Park School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Source Code

The source code (I) indicates funds received indirectly.

Note D - Reconciliation with Subsidy Confirmation

Amount Received per Schedule	\$ 862,115
Less: Commodities Received	(57,541)
Less: Pass-through Intermediate Units	(233,575)
Less: Medical Assistance	(1,234)
Add: Medical Assistance - Access	68,000
Add: State Funding on Confirmation	<u>23,213</u>
Per Federal Subsidy Confirmation	<u>\$ 660,978</u>

Note E - Subrecipients

The School District did not pass through any federal expenditures to subrecipients.

**South Park School District
List of Report Distribution
June 30, 2016**

Exhibit E

1 Copy - Bureau of Audits

1 Copy - Bureau of the Census