

SOUTHERN FULTON SCHOOL DISTRICT
FINANCIAL REPORT
JUNE 30, 2017

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1 - 3
Management's Discussion and Analysis	4 - 11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12 - 13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	19 - 21
Statement of Net Position - Proprietary Fund - Food Service	22
Statement of Revenues, Expenses and Change in Net Position - Proprietary Fund - Food Service	23
Statement of Cash Flows - Proprietary Fund - Food Service	24 - 25
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position - Scholarship Trust Funds	27
Notes to Financial Statements	28 - 60

CONTENTS (Continued)

REQUIRED SUPPLEMENTARY INFORMATION

Post-Employment Benefit Plan	
Schedule of Funding Progress	61
Schedule of District's Proportionate Share of the	
Net Pension Liability	62
Schedule of District's Contributions	63

SUPPLEMENTARY INFORMATION

Statement of Receipts and Disbursements -	
Activity Funds	64

INDEPENDENT AUDITOR'S REPORT

Board of School Directors
Southern Fulton School District
Warfordsburg, Pennsylvania

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Southern Fulton School District's 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. 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.

We believe 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 activity, each major fund and the aggregate remaining fund information of Southern Fulton School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

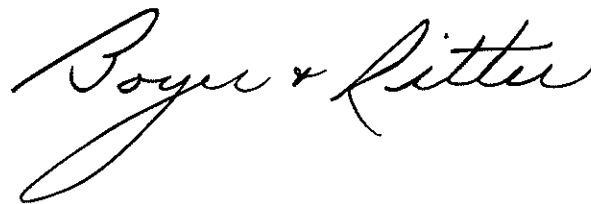
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-11 and the required supplementary information as listed 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 with 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 Southern Fulton School District's basic financial statements. The Statement of Cash Receipts and Disbursements - Activity Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement of Cash Receipts and Disbursements - Activity Funds is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting or 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 Statement of Cash Receipts and Disbursements - Activity Funds is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script, reading "Boyer & Ritter". The signature is written in dark ink and is centered on the page.

Chambersburg, Pennsylvania
January 11, 2018

SOUTHERN FULTON SCHOOL DISTRICT MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A) June 30, 2017

Management's Discussion & Analysis of Southern Fulton School District's (District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the basic financial statements and the notes to the financial statements.

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

Financial Highlights

Property Taxes

The District's real estate tax rate for the 2016-2017 fiscal year was 25.2556 mills (\$25.26 per \$1,000 assessed valuation) which was effective for the July 2016 tax levy. There was no increase in the real estate tax rate from the 2015-2016 fiscal year. Real estate tax revenue received during the 2016-2017 fiscal year totaled \$3,300,931 an increase of \$24,282 from the 2015-2016 fiscal year, and accounted for 26.73% of the District's General Fund Revenue.

Property Tax Reduction Allocation

During the 2016-2017 fiscal year, the District used \$289,958 of state property-tax reduction funds, received from the Commonwealth of Pennsylvania under the provisions of the Taxpayer Relief Act (Act 1 of 2006), to reduce property tax bills for approved homestead/farmstead properties within the District. This provided a maximum reduction in real estate tax of \$174.53 for each approved homestead/farmstead property.

Overview of Financial Statements

Government-Wide Statements

The government-wide statements report information about the Southern Fulton 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.

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's total assets and deferred outflows of resources less total liabilities and deferred inflows of resources, is one way to measure the District's financial health or position.

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

To assess the overall health of the District, additional non-financial factors, such as changes in the District's property-tax base and the performances of students, must be considered.

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

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

Fund Financial Statements

The District's fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required by state law or by bond requirements.

Governmental funds - Most of the 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 the modified-accrual method of 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 District's operations and the services it provides. Governmental-fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

Fiduciary funds - The District is the trustee, or fiduciary, for several scholarship and activity funds. All fiduciary activities are reported in separate columns on the Statement of Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance operations.

Table A-1 summarizes the major features of the District’s financial statements, including the portion of the District they cover and the types of information they contain. The remainder to this overview section of MD&A explains the structure and contents of the statements.

Table A-1
Major Features of Southern Fulton School District’s
Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business - Food Service	Activities in which the District is the trustee or agent for another party’s resources – Student Activity and Scholarship Funds
Required Financial Information	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and Changes in 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 inflow/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

Financial Analysis of the District as a Whole

Table A-2
As of June 30, 2017 and 2016
Net Position

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2016-2017
	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	
Current and other assets	\$ 12,987,474	\$ 12,817,243	\$ 20,553	\$ 16,194	\$ 13,008,027	\$ 12,833,437	-1.34%
Capital assets	13,156,042	12,583,708	16,113	15,314	13,172,155	12,599,022	-4.35%
Total assets	\$ 26,143,516	\$ 25,400,951	\$ 36,666	\$ 31,508	\$ 26,180,182	\$ 25,432,459	-2.86%
Deferred Outflows of Resources	\$ 1,705,386	\$ 3,620,386	\$ 27,767	\$ 51,767	\$ 1,733,153	\$ 3,672,153	111.88%
Current and other liabilities	\$ 2,046,611	\$ 1,899,572	\$ 17,212	\$ 15,058	\$ 2,063,823	\$ 1,914,630	-7.23%
Long-term liabilities	23,549,080	25,260,404	283,382	317,382	23,832,462	25,577,786	7.32%
Total liabilities	\$ 25,595,691	\$ 27,159,976	\$ 300,594	\$ 332,440	\$ 25,896,285	\$ 27,492,416	6.16%
Deferred Inflows of Resources	\$ 98,251	\$ 152,251	\$ 1,749	\$ 2,749	\$ 100,000	\$ 155,000	55.00%
Net Position							
Invested in capital assets, net of related debt	\$ 5,915,153	\$ 6,357,503	\$ 16,113	\$ 15,314	\$ 5,931,266	\$ 6,372,817	7.44%
Restricted	1,259,097	1,754,381	-	-	1,259,097	1,754,381	39.34%
Unrestricted	(5,019,308)	(6,402,774)	(254,023)	(267,228)	(5,273,331)	(6,670,002)	26.49%
Total net assets	\$ 2,154,942	\$ 1,709,110	\$ (237,910)	\$ (251,914)	\$ 1,917,032	\$ 1,457,196	-23.99%

The District's net position is primarily comprised of amounts invested in capital assets (land, buildings and equipment) and amounts restricted for a specific purpose. The restricted balances are amounts set aside to fund future capital purchases or projects planned by the District. The implementation of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, required the District to record its proportionate share of the PSERS pension plan net pension liability. Recording this liability caused a substantial deficit in the unrestricted net position of the District.

The results of this year's operations, as a whole, are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are presented to determine the final amount of the District's activities that is supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the Commonwealth of Pennsylvania and the local taxes assessed to community taxpayers.

Table A-3 restates information from the Statement of Activities in a different format.

Table A-3
Fiscal Years Ended June 30, 2017 and 2016
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	2016-2017
Revenues							
Program revenues							
Charges for services	\$ 65,107	\$ 79,417	\$ 179,022	\$ 171,495	\$ 244,129	\$ 250,912	2.78%
Operating grants and contributions	2,900,986	3,345,320	286,054	287,108	3,187,040	3,632,428	13.97%
General revenues							
Property taxes	3,497,765	3,544,092	-	-	3,497,765	3,544,092	1.32%
Other taxes	499,817	588,891	-	-	499,817	588,891	17.82%
Grants, subsidies and contributions, unrestricted	4,644,233	4,711,383	-	-	4,644,233	4,711,383	1.45%
Other	64,192	83,086	6	-	64,198	83,086	29.42%
Transfers	-	-	58,517	93,955	58,517	93,955	60.56%
Total revenues	11,672,100	12,352,189	523,599	552,558	12,195,699	12,904,747	5.81%
Expenses							
Instructional	7,716,607	8,074,612	-	-	7,716,607	8,074,612	4.64%
Instructional student support	734,175	805,093	-	-	734,175	805,093	9.66%
Administration and financial support	1,463,928	1,609,778	-	-	1,463,928	1,609,778	9.96%
Operation and maint. of plant services	787,713	909,053	-	-	787,713	909,053	15.40%
Pupil transportation	723,119	765,098	-	-	723,119	765,098	5.81%
Student activities	224,454	280,975	-	-	224,454	280,975	25.18%
Scholarships and awards	1,000	500	-	-	1,000	500	-50.00%
Facilities construction and improvement	3,388	9,593	-	-	3,388	9,593	183.15%
Interest on long-term debt	316,967	249,365	-	-	316,967	249,365	-21.33%
Food service	-	-	470,091	566,562	470,091	566,562	20.52%
Refund of prior year receipts	17,550	-	-	-	17,550	-	-100.00%
Loss on disposal of capital assets	1,257	-	-	-	1,257	-	-100.00%
Transfers	58,517	93,955	-	-	58,517	93,955	60.56%
Total expenses	12,048,675	12,798,022	470,091	566,562	12,518,766	13,364,584	6.76%
Changes in net assets	\$ (376,575)	\$ (445,833)	\$ 53,508	\$ (14,004)	\$ (323,067)	\$ (459,837)	42.33%

The tables below present the expenses of both the Governmental Activities and Business-Type Activities of the District.

Table A-4 presents the District's largest functions - instructional programs, instructional student support, administration, operation and maintenance of facilities, pupil transportation, student activities, facilities construction and improvement and debt service, and 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-4
Fiscal Years Ended June 30, 2017 and 2016
Governmental Activities

Functions/Programs	Total Cost of Services		Net Cost of Services	
	6/30/2016	6/30/2017	6/30/2016	6/30/2017
Instructional	\$ 7,716,607	\$ 8,074,612	\$ 5,830,079	\$ 5,843,972
Instructional student support	734,175	805,093	600,396	644,952
Administration	1,463,928	1,609,778	1,328,891	1,420,454
Operation and maintenance	787,713	909,053	701,445	807,281
Pupil transportation	723,119	765,098	160,093	182,584
Student activities	224,454	280,975	167,829	213,484
Scholarships and awards	1,000	500	(452)	-
Community services	-	-	(600)	(1,065)
Facilities construction and improvement	3,388	9,593	3,388	9,593
Refund of prior-year revenues	17,550	-	17,550	-
Interest on long-term debt	316,967	249,365	214,189	158,075
Total governmental activities	\$ 11,988,901	\$ 12,704,067	9,022,808	9,279,330
Less unrestricted grants, subsidies and contributions			(4,644,233)	(4,711,383)
Total needs for grants, taxes and other revenues			\$ 4,378,575	\$ 4,567,947

Table A-5 reflects the activities of the Food Service Program, the only business-type activity of the District.

Table A-5
Fiscal Years Ended June 30, 2017 and 2016
Business-Type Activities

Functions/Programs	Total Cost of Services		Net Cost of Services	
	6/30/2016	6/30/2017	6/30/2016	6/30/2017
Food services	\$ 470,091	\$ 566,562	\$ (5,015)	\$ (107,959)
Other income			6	-
Transfers in			58,517	93,955
Total business-type activities			\$ 53,508	\$ (14,004)

The District Funds

At June 30, 2017, the District's governmental funds reported a combined fund balance of \$11,617,078, which reflects a decrease of \$221,175 from June 30, 2016. Total net position in governmental activities is \$ 1,709,110. A reconciliation of the governmental fund balance to the net position of the governmental activities can be found on page 16.

General Fund Budget

During the fiscal year, the Board of School Directors did not authorize revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. Therefore, the statement of revenues, expenditures and changes in fund balance - budget to actual - general fund reports the original and final budget amounts in a single column.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2017, the District had \$12,599,022 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This compares to \$13,172,155 at June 30, 2016. Major capital asset activity during the year included capital purchases of \$48,788 and depreciation expense of \$621,921.

Table A-6
Fiscal Years Ended June 30, 2017 and 2016
Capital Assets - Net of Depreciation

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	2016-2017
Land and site improvements	\$ 375,030	\$ 350,153	\$ -	\$ -	\$ 375,030	\$ 350,153	-6.63%
Buildings and improvements	12,527,518	11,960,382	-	-	12,527,518	11,960,382	-4.53%
Furniture and equipment	253,494	273,173	16,113	15,314	269,607	288,487	7.00%
	<u>\$ 13,156,042</u>	<u>\$ 12,583,708</u>	<u>\$ 16,113</u>	<u>\$ 15,314</u>	<u>\$ 13,172,155</u>	<u>\$ 12,599,022</u>	-4.35%

Debt Administration

As of July 1, 2016, the District had total outstanding bond principal of \$7,296,079. During the year, the District made payments against principal of \$1,022,521 resulting in an outstanding debt as of June 30, 2017, of \$6,273,558.

Table A-7
Fiscal Years Ended June 30, 2017 and 2016
Outstanding Debt

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	6/30/16	6/30/17	6/30/16	6/30/17	6/30/16	6/30/17	2016-2017
General Obligation Bonds							
Series of 1993	\$ 1,501,079	\$ 543,558	\$ -	\$ -	\$ 1,501,079	\$ 543,558	-63.79%
Series of 2003	5,795,000	5,730,000	-	-	5,795,000	5,730,000	-1.12%
	<u>\$ 7,296,079</u>	<u>\$ 6,273,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,296,079</u>	<u>\$ 6,273,558</u>	-14.01%

Other obligations include accrued sick and personal leave for specific employees of the District, other post-employment benefits, and the net pension liability. More detailed information about our long-term liabilities is included in the notes to the financial statements.

A four-year, percentage comparison of revenues and expenditures for the governmental funds follows:

Table A-8
Revenues and Expenditures

	2013-2014	2014-2015	2015-2016	2016-2017
Local revenues	35.13%	34.84%	35.37%	35.83%
State revenues	61.95%	62.48%	61.87%	62.66%
Federal revenues	2.48%	2.68%	2.76%	1.50%
Instruction	41.49%	52.32%	57.03%	57.26%
Support services	24.94%	28.45%	30.02%	30.16%
Non-instructional/community	1.34%	1.74%	1.79%	2.19%
Facilities construction and improvement	24.31%	6.72%	0.30%	0.08%
Debt service	7.92%	10.77%	11.13%	10.32%

Contacting the District's Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students and creditors with a general overview of the 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 the Business Manager at Southern Fulton School District, 3072 Great Cove Road, Warfordsburg, PA 17267, (717) 294-2203.

SOUTHERN FULTON SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-Type Activity	Total
Assets			
Cash and cash equivalents	\$11,256,104	\$ 1,246	\$11,257,350
Investments	804,858	-	804,858
Receivables			
Taxes - net of allowance for uncollectibles	220,307	-	220,307
Federal subsidies	135,095	-	135,095
State subsidies	379,303	-	379,303
Other	19,112	-	19,112
Inventories	-	14,948	14,948
Prepaid bond insurance - net	2,464	-	2,464
Capital assets			
Land and improvements - net	350,153	-	350,153
Buildings and improvements - net	11,960,382	-	11,960,382
Furniture and equipment - net	273,173	15,314	288,487
Total capital assets	12,583,708	15,314	12,599,022
Total assets	25,400,951	31,508	25,432,459

Deferred Outflows of Resources

Deferred amounts on pension liability	\$ 3,620,386	\$ 51,767	\$ 3,672,153
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Total assets and deferred outflows of resources

\$29,021,337	\$ 83,275	\$29,104,612
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See Notes to Financial Statements.

	Governmental Activities	Business-Type Activity	Total
Liabilities			
Accounts payable	\$ 158,959	\$ 478	\$ 159,437
Accrued expenses			
Salaries and benefits	856,928	-	856,928
Payroll withholdings	63	-	63
Interest payable	41,720	-	41,720
Deposits payable	2,863	-	2,863
Unearned revenue	5,481	14,580	20,061
General obligation debt			
Due within one year	833,558	-	833,558
Due in more than one year	5,392,647	-	5,392,647
Compensated absences	229,300	-	229,300
Other post-employment benefits	1,371,839	-	1,371,839
Pension liability	18,266,618	317,382	18,584,000
Total liabilities	27,159,976	332,440	27,492,416
Deferred Inflows of Resources			
Deferred amounts on pension liability	152,251	2,749	155,000
Net Position			
Net investment in capital assets	6,357,503	15,314	6,372,817
Restricted for capital projects	1,754,381	-	1,754,381
Unrestricted	(6,402,774)	(267,228)	(6,670,002)
Total net position	1,709,110	(251,914)	1,457,196
Total liabilities, deferred inflows of resources and net position	\$29,021,337	\$ 83,275	\$29,104,612

SOUTHERN FULTON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Governmental Activities						
Instructional	\$ 8,074,612	\$ 37,211	\$ 2,193,429	\$ (5,843,972)	\$ -	\$ (5,843,972)
Instructional student support	805,093	-	160,141	(644,952)	-	(644,952)
Administration and financial support	1,609,778	-	189,324	(1,420,454)	-	(1,420,454)
Operation and maintenance of plant services	909,053	12,000	89,772	(807,281)	-	(807,281)
Pupil transportation	765,098	-	582,514	(182,584)	-	(182,584)
Student activities	280,975	29,141	38,350	(213,484)	-	(213,484)
Scholarships and awards	500	-	500	-	-	-
Community services	-	1,065	-	1,065	-	1,065
Facilities acquisition, construction and improvement services	9,593	-	-	(9,593)	-	(9,593)
Interest on long-term debt	249,365	-	91,290	(158,075)	-	(158,075)
Total governmental activities	12,704,067	79,417	3,345,320	(9,279,330)	-	(9,279,330)
Business-Type Activity						
Food service	566,562	171,495	287,108	-	(107,959)	(107,959)
Total primary government	\$ 13,270,629	\$ 250,912	\$ 3,632,428	\$ (9,279,330)	\$ (107,959)	\$ (9,387,289)
General Revenues and Transfers:						
Property taxes, levied for general purposes, net				\$ 3,544,092	\$ -	\$ 3,544,092
Public utility, realty transfer, earned income, and per capita taxes for general purposes, net				588,891	-	588,891
Grants, subsidies and contributions, not restricted				4,711,383	-	4,711,383
Investment earnings				64,239	-	64,239
Miscellaneous income				18,848	-	18,848
Transfers				(93,955)	93,955	-
Total general revenues and transfers				8,833,498	93,955	8,927,453
Changes in net position				(445,832)	(14,004)	(459,836)
Net Position - July 1, 2016				2,154,942	(237,910)	1,917,032
Net Position - June 30, 2017				\$ 1,709,110	\$ (251,914)	\$ 1,457,196

See Notes to Financial Statements.

SOUTHERN FULTON SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2017

	General	Capital Projects	Non-Major Debt Service	Total Governmental Funds
Assets				
Cash	\$ 9,155,812	\$ 1,754,381	\$ 345,911	\$11,256,104
Investments	804,858	-	-	804,858
Receivables				
Taxes - net of allowance for uncollectibles	220,307	-	-	220,307
Federal subsidies	135,095	-	-	135,095
State subsidies	379,303	-	-	379,303
Other	19,112	-	-	19,112
Total assets	<u>\$10,714,487</u>	<u>\$ 1,754,381</u>	<u>\$ 345,911</u>	<u>\$12,814,779</u>
Liabilities				
Accounts payable	\$ 158,959	\$ -	\$ -	\$ 158,959
Accrued expenses				
Salaries and benefits	856,928	-	-	856,928
Payroll withholdings	63	-	-	63
Deposits payable	2,863	-	-	2,863
Unearned revenue	5,481	-	-	5,481
Total liabilities	<u>1,024,294</u>	<u>-</u>	<u>-</u>	<u>1,024,294</u>
Deferred Inflows of Resources				
Delinquent property taxes	173,407	-	-	173,407
Fund Balances				
Restricted for capital projects	-	1,754,381	-	1,754,381
Committed	8,151,730	-	-	8,151,730
Assigned	-	-	345,911	345,911
Unassigned	1,365,056	-	-	1,365,056
Total fund balances	<u>9,516,786</u>	<u>1,754,381</u>	<u>345,911</u>	<u>11,617,078</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$10,714,487</u>	<u>\$ 1,754,381</u>	<u>\$ 345,911</u>	<u>\$12,814,779</u>

See Notes to Financial Statements.

SOUTHERN FULTON SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2017

Total fund balances - governmental funds	\$ 11,617,078
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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, they are not reported as assets in governmental funds. The cost of assets is \$28,475,319, and the related accumulated depreciation is \$15,891,611.	12,583,708
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Certain taxes receivable are not available soon enough to pay for current period expenditures, and therefore, are reported as deferred inflows of resources in the fund financial statements.	173,407
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Governmental funds report insurance premiums paid for bonds as current expenditures. However, in the Statement of Activities, the cost of bond insurance is allocated over the life of the debt issue. This is the amount by which prepaid bond insurance costs exceed accumulated amortization.	2,464
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Long-term liabilities, including bonds payable, compensated absences, other post-employment benefits and net pension obligations, are not due and payable in the current period, and therefore, they are not reported as liabilities in the fund financial statements. Long-term liabilities at year-end consist of:

Bonds payable	(6,273,558)	
Unamortized bond discounts	47,353	
Accrued interest	(41,720)	
Compensated absences	(229,300)	
Other post-employment benefits	(1,371,839)	
Net pension liability	(18,266,618)	(26,135,682)

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

Deferred outflows	3,620,386
Deferred inflows	(152,251)

Total net position - governmental activities	\$ 1,709,110
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See Notes to Financial Statements.

SOUTHERN FULTON SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2017**

	General	Capital Projects	Non-Major Debt Service	Total Governmental Funds
Revenues				
Local sources	\$ 4,417,688	\$ 3,912	\$ 6,889	\$ 4,428,489
State sources	7,745,335	-	-	7,745,335
Federal sources	186,141	-	-	186,141
Total revenues	<u>12,349,164</u>	<u>3,912</u>	<u>6,889</u>	<u>12,359,965</u>
Expenditures				
Instructional	7,151,617	-	-	7,151,617
Support services	3,766,983	-	92	3,767,075
Operation of non-instructional services	273,312	-	-	273,312
Facilities acquisition, construction and improvement services	965	8,628	-	9,593
Debt service				
Principal	65,000	-	957,521	1,022,521
Interest	194,074	-	72,479	266,553
Total expenditures	<u>11,451,951</u>	<u>8,628</u>	<u>1,030,092</u>	<u>12,490,671</u>
Excess (deficiency) of revenues over expenditures	897,213	(4,716)	(1,023,203)	(130,706)
Other Financing Sources (Uses)				
Refund of prior year expenditures	3,486	-	-	3,486
Interfund transfers	(1,284,552)	500,000	690,597	(93,955)
Total other financing sources (uses) - net	<u>(1,281,066)</u>	<u>500,000</u>	<u>690,597</u>	<u>(90,469)</u>
Net changes in fund balances	(383,853)	495,284	(332,606)	(221,175)
Fund Balances - July 1, 2016	9,900,639	1,259,097	678,517	11,838,253
Fund Balances - June 30, 2017	<u>\$ 9,516,786</u>	<u>\$ 1,754,381</u>	<u>\$ 345,911</u>	<u>\$ 11,617,078</u>

See Notes to Financial Statements.

SOUTHERN FULTON 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, 2017

Net changes in fund balances - governmental funds	\$	(221,175)
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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 outlays is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.

Capital outlays	48,788		
Less depreciation expense	(621,122)		(572,334)

Because some delinquent taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year. (11,260)

Interest expense 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, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest accrued in the Statement of Activities over the amount due is shown here. 25,025

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, they are not reported as expenditures in governmental funds.

Changes in compensated absences	521		
Changes in other post-employment benefits	(189,829)		(189,308)

Governmental funds report District pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	1,451,000		
Costs of benefits earned net of employee contributions	(1,940,000)		(489,000)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond insurance, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of long-term debt	1,022,521		
Amortization of prepaid bond insurance	(2,464)		
Amortization of bond discounts	(7,837)		1,012,220

Changes in net position - governmental activities	\$	(445,832)
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See Notes to Financial Statements.

SOUTHERN FULTON SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2017**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Local sources			
Real estate taxes	\$ 3,268,048	\$ 3,300,931	\$ 32,883
Public utility realty tax	5,000	4,390	(610)
Payments in lieu of taxes	26,002	25,860	(142)
Per capita taxes	21,020	20,416	(604)
Earned income tax	400,000	503,683	103,683
Real estate transfer tax	40,000	59,350	19,350
Delinquent real estate taxes	201,500	228,561	27,061
Delinquent per capita taxes	-	1,052	1,052
Earnings on investments	4,000	53,439	49,439
Revenues from district activities	29,200	34,448	5,248
Pass through revenue from intermediary sources	5,000	124,728	119,728
Rentals	12,000	12,000	-
Contributions and donations	-	500	500
Tuition from patrons	-	31,904	31,904
Refunds and other miscellaneous revenue	25,675	16,426	(9,249)
Total revenues from local sources	4,037,445	4,417,688	380,243
State sources			
Basic instructional subsidy	4,621,761	4,421,425	(200,336)
Tuition for orphans and children placed in private homes	-	6,367	6,367
Special education funding	499,947	480,817	(19,130)
Transportation	580,087	582,514	2,427
Building reimbursement subsidy	420,628	434,062	13,434
Health services	15,000	14,388	(612)
Property tax reduction	289,388	289,958	570
Pre-K counts	144,500	155,373	10,873
Ready to learn block grant	-	153,038	153,038
Social security reimbursement	221,033	231,146	10,113
Retirement reimbursement	867,666	976,247	108,581
Total revenues from state sources	7,660,010	7,745,335	85,325

(Continued)

SOUTHERN FULTON SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
Year Ended June 30, 2017**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues (Continued)			
Federal sources			
Title I - Grants to Local Education Agencies	150,740	166,087	15,347
Title II - Supporting Effective Instruction State Grant	18,499	18,254	(245)
IDEA, Part B	118,426	-	(118,426)
IDEA, Section 619	3,316	-	(3,316)
Medical assistance reimbursement	-	1,800	1,800
Total revenues from Federal sources	290,981	186,141	(104,840)
 Total revenues	 11,988,436	 12,349,164	 360,728
 Expenditures			
Instructional			
Regular programs	4,774,542	4,852,000	(77,458)
Special programs	1,668,082	1,447,885	220,197
Vocational educational programs	618,816	606,971	11,845
Pre-kindergarten	144,500	133,523	10,977
Other instructional programs	89,238	111,238	(22,000)
Total instructional	7,295,178	7,151,617	143,561
 Support Services			
Pupil personnel	121,827	120,327	1,500
Instructional staff	437,323	402,539	34,784
Administration	919,565	955,175	(35,610)
Pupil health	177,902	178,338	(436)
Business	176,553	174,372	2,181
Operation and maintenance of plant services	934,398	847,459	86,939
Student transportation services	831,710	765,098	66,612
Central service	272,378	262,123	10,255
Other support services	92,250	61,552	30,698
Total support services	3,963,906	3,766,983	196,923
 Operation of Non-instructional Services			
Student activities	286,289	272,812	13,477
Scholarships and awards	-	500	(500)
Total operation of non-instructional services	286,289	273,312	12,977

(Continued)

SOUTHERN FULTON SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND (Continued)
Year Ended June 30, 2017**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (Continued)			
Debt service			
Principal	322,139	65,000	(257,139)
Interest	966,935	194,074	(772,861)
Total debt service	<u>1,289,074</u>	<u>259,074</u>	<u>(1,030,000)</u>
Facilities acquisition, construction and improvements			
Capital outlay	<u>-</u>	<u>965</u>	<u>965</u>
Total expenditures	<u>12,834,447</u>	<u>11,451,951</u>	<u>(675,574)</u>
Excess (deficiency) of revenues over expenditures	(846,011)	897,213	(314,846)
Other Financing Sources (Uses)			
Refund of prior-year expenditures	-	3,486	3,486
Interfund transfers	1,146,011	(1,284,552)	(2,430,563)
Budgetary reserve	(300,000)	-	300,000
Total other financing uses - net	<u>846,011</u>	<u>(1,281,066)</u>	<u>(2,127,077)</u>
Net changes in fund balance	<u>\$ -</u>	<u>(383,853)</u>	<u>\$ (2,441,923)</u>
Fund Balance - July 1, 2016		9,900,639	
Fund Balance - June 30, 2017		<u>\$ 9,516,786</u>	

See Notes to Financial Statements.

SOUTHERN FULTON SCHOOL DISTRICT

STATEMENT OF NET POSITION
PROPRIETARY FUND - FOOD SERVICE
June 30, 2017

Assets	
Current Assets	
Cash and cash equivalents	\$ 1,246
Inventories	14,948
Total current assets	<u>16,194</u>
Noncurrent Assets	
Furniture and equipment - net	15,314
Total assets	<u>31,508</u>
Deferred Outflows of Resources Related to Pensions	
Deferred outflows of resources related to pensions	<u>51,767</u>
Total assets and deferred outflows of resources	<u><u>\$ 83,275</u></u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 478
Unearned revenue	14,580
Total current liabilities	<u>15,058</u>
Noncurrent Liabilities	
Net pension liability	317,382
Total liabilities	<u>332,440</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	<u>2,749</u>
Net Position	
Invested in capital assets	15,314
Unrestricted	(267,228)
Total net position	<u>(251,914)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 83,275</u></u>

See Notes to Financial Statements.

SOUTHERN FULTON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION - PROPRIETARY FUND - FOOD SERVICE Year Ended June 30, 2017

Operating Revenues	
Food service revenue	\$ 171,495
Operating Expenses	
Salaries	64,692
Employee benefits	104,213
Contracted services	146,182
Repairs and maintenance	3,693
Supplies	8,854
Food and milk	196,818
Donated commodities used	40,613
Dues and fees	37
Small equipment	327
Bad debt expense	334
Depreciation	799
Total operating expenses	566,562
Operating loss	(395,067)
Nonoperating Revenues	
Federal subsidies	219,642
State subsidies	26,853
Value of donated commodities	40,613
Total nonoperating revenues	287,108
Loss before transfers	(107,959)
Interfund Transfers	93,955
Change in net position	(14,004)
Net Position - July 1, 2016	(237,910)
Net Position - June 30, 2017	<u><u>\$ (251,914)</u></u>

See Notes to Financial Statements.

SOUTHERN FULTON SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - FOOD SERVICE
Year Ended June 30, 2017**

<hr/>	
Cash Flows From Operating Activities	
Cash received from meal sales	\$ 168,863
Cash payments to employees for services	(53,214)
Cash payments to suppliers for goods and services	(455,315)
Net cash used in operating activities	<u>(339,666)</u>
Cash Flows From Noncapital Financing Activities	
State subsidies	26,853
Federal subsidies	219,642
Transfers from other funds	93,955
Net cash provided by noncapital financing activities	<u>340,450</u>
Net increase in cash and cash equivalents	784
Cash and Cash Equivalents:	
July 1, 2016	462
June 30, 2017	<u>\$ 1,246</u>

(Continued)

SOUTHERN FULTON SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUND - FOOD SERVICE (Continued) Year Ended June 30, 2017

Reconciliation of Operating Loss to Net Cash Used	
in Operating Activities	
Operating loss	\$ (395,067)
Adjustments to reconcile operating loss to net	
cash used in operating activities	
Depreciation	799
Value of donated commodities	40,613
Changes in assets and liabilities:	
(Increase) decrease in:	
Inventories	5,143
Deferred outflows of resources	(24,000)
(Decrease) increase in:	
Accounts payable	478
Deferred revenue	(2,632)
Net pension liability	34,000
Deferred inflows of resources	1,000
Net cash used in operating activities	<u>\$ (339,666)</u>

See Notes to Financial Statements.

SOUTHERN FULTON SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	Private Purpose Trust Funds	Activity Funds
ASSETS		
Cash	\$ 47,054	\$ 103,538
Investments	135,718	-
Total assets	\$ 182,772	\$ 103,538
LIABILITIES		
Accounts payable	\$ -	\$ 1,866
Due to student groups	-	101,672
Total liabilities	-	103,538
NET POSITION		
Unrestricted	49,197	-
Restricted for scholarships	96,845	-
Held in trust for scholarships	36,730	-
Total net position	\$ 182,772	\$ -

See Notes to Financial Statements.

SOUTHERN FULTON SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PRIVATE PURPOSE TRUST FUNDS

Year Ended June 30, 2017

<hr/>	
Additions	
Contributions	\$ 8,408
Fundraising	26,204
Investment income	9,779
Total additions	<hr/> 44,391 <hr/>
Deductions	
Scholarships and donations	14,465
Administration	1,671
Fundraising	5,014
Professional fees	858
Total deductions	<hr/> 22,008 <hr/>
Change in net position	22,383
Net Position - July 1, 2016	160,389
Net Position - June 30, 2017	<hr/> \$ 182,772 <hr/>

See Notes to Financial Statements.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Southern Fulton School District (District) operates a public school system which serves students within the southern area of Fulton County, Pennsylvania. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania. The governing body of the District is a locally-elected, nine-member, Board of Directors.

The financial statements of Southern Fulton School District have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body for the establishment of governmental accounting and financial reporting principles. The significant accounting policies of the District are described below:

Reporting Entity

The Governmental Accounting Standards Board defines the criteria used to determine the composition of the reporting entity. The standards require that the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, (c) organizations that are fiscally dependent on the primary government and for which a financial benefit or burden exists, and (d) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District is not a component unit of any other entities.

Southern Fulton School District Educational Foundation (Foundation) is governed by a seventeen-member board that includes two of the District's board members and several District employees. Although it is legally separate from the District, the Foundation is considered a component unit because its sole purpose is to provide financial and other benefits to the School District. The Foundation's financial statements may be reviewed by contacting the Foundation directly. The Foundation is presented in the fiduciary funds as a private purpose trust fund blended with the District's scholarship funds.

The District is affiliated with the Tuscarora Intermediate Unit #11 (TIU#11) along with eight other member school districts. The District is also affiliated with the Fulton County Area Vocational-Technical School (FCAVTS) along with two other member school districts. The member school districts participate in providing oversight responsibility to the TIU#11 and FCAVTS through the following:

- Appointment of Board members who are also Board members of the member school districts
- Approval and funding of operating budgets

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Despite the foregoing, the overriding issue is that the volume of participating school districts does not permit Southern Fulton School District to exercise “significant influence” over the operations of the TIU#11 and FCAVTS; consequently, these entities are not considered “component units” of Southern Fulton School District in determining the “reporting entity” as defined by the Governmental Accounting Standards Board.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenue and other non-exchange revenues, are reported separately from business-type activities, which rely to a significant extent on revenue generated from fees charged to external parties for goods and services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements

Separate fund financial statements are provided in the report for all of the governmental, proprietary, and fiduciary funds of the District, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

The government-wide financial statements are reported using the “economic resources” measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) is used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Property and equipment are capitalized and depreciated over the assets’ lives. Depreciation is charged as an expense against current operations, and accumulated depreciation is reported in the Statement of Net Position. Debt obligations are reported in the Statement of Net Position and payments made on debt reduce the related liabilities. This approach differs from the manner in which governmental fund financial statements are prepared; therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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. Revenues from Federal, state and other grants designated for payment of specific District expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures generally are recorded when liabilities are incurred, as under accrual accounting. However, expenditures related to capital outlays, debt service payments, compensated absences, pension obligations and claims and judgments, are recorded only when payment is due.

The District complies with accounting principles generally accepted in the United States of America and applies all relevant Governmental Accounting Standards Board pronouncements.

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

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

The District reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all financial resources and activities except those legally or administratively required to be in another fund. Revenues are primarily derived from local property, earned income and per capita taxes, and state and Federal distributions. Many of the more important activities of the District, including instruction, administration of the District and certain non-instructional services are accounted for in this fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources that are restricted, committed, or assigned for the acquisition or construction of major capital assets (other than those financed by proprietary funds).

Additionally, the District reports the following non-major governmental fund:

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for and payment of general long-term debt principal, interest and related costs.

Proprietary-type funds are used to account for operations (a) where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the District's proprietary fund consists of charges for providing meals through the District's food service program. Operating expenses include food production costs, supplies, administrative costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as non-operating revenues and expenses.

The Districts reports the following major proprietary fund:

Food Service Fund - The Food Service Fund is used to account for the revenues and expenses related to the operation of the District's food service program. The District does not attempt to allocate "building-wide costs" to the Food Service Fund. Thus, General Fund expenditures which partially benefit the Food Service Fund (utilities, janitorial services, insurance, etc.) are not proportionately recognized within the Food Service Fund; similarly, the Food Service Fund does not recognize a cost for the building space it occupies (no rental-of-facilities expense).

The District has no non-major proprietary funds to report at June 30, 2017.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

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

Fiduciary-fund reporting focuses on net position and changes in net position and is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District in a trustee capacity for individuals, private organizations, or other governments and therefore are not available to support the District's general operations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has no pension trust funds or investment trust funds, but reports the following private-purpose trust and agency funds:

Scholarship Funds - These funds account for activities of the various scholarship accounts, the sole purpose of which are to provide annual scholarships to particular students as prescribed by donor stipulations.

Southern Fulton School District Educational Foundation – These funds account for activities of the Foundation, the sole purpose of which is to provide financial and other support to the District.

Student Activity Funds - These funds account for monies authorized by Section 511 of the Public School Code of 1949 for school publications and organizations. The Student Activity Funds are agency funds which are separate from other agency funds because of legal requirements.

Budgets and Budgetary Accounting

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified-accrual basis of accounting. The General Fund is the only fund for which a budget is legally required. The Pennsylvania School Code dictates specific procedures relative to adoption of the District's budget and reporting of its financial statements:

- The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.
- The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the Administrative Office of the District.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Continued)

- Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function/major-object level. The Board of School Directors may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments, if applicable.

Cash and Cash Equivalents: For purposes of the Statement of Cash Flows presented for the proprietary fund, the District considers all highly-liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Investments: Investments are stated at fair value or at amortized costs, depending on the investment type, consistent with generally accepted accounting principles.

Allowance for Estimated Uncollectible Taxes and Delinquent Property Taxes: The allowance for estimated uncollectible taxes is based upon an historical estimate of delinquent taxes that will not be received within one year of the fiscal year-end. Delinquent property taxes are based upon a historical estimate of delinquent taxes expected to be received within one year of the fiscal year-end.

The portion of taxes which is expected to be received within sixty days of June 30 is recorded as revenue in the current year. The remaining amount of taxes which is expected to be received within one year from June 30 is recorded as delinquent property taxes. All other taxes receivable are written off as estimated uncollectible taxes.

Inventories: Governmental funds record the cost of inventory items as expenditures when purchased. Food Service Fund inventories are presented at the lower of cost or market on a first-in, first-out basis, and are recorded as expenditures when used. A physical inventory of the Food Service Fund's food and supplies was taken as of June 30, 2017. The inventory consisted of government donated commodities which were valued at estimated fair value, and purchased commodities and supplies, valued at cost using the first-in, first-out method. The District has adopted an inventory recordkeeping system which distinguishes between donated and purchased commodities. Accordingly, unearned revenue for donated commodities received, but not used, has been recorded.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation: Capital assets, which include property, buildings, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets with an original unit cost of \$1,000 or greater are capitalized, unless assets are acquired by debt proceeds, in which case the assets must be capitalized. Management considers various factors in the capitalization of assets, including the assets' estimated useful lives, their costs, and the extent to which the assets are components of larger capital projects. All purchased capital assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair market values on the dates of donation. The costs of normal maintenance and repairs that do not add to the values of assets or materially extend assets' lives are not capitalized. Depreciation is provided for capital assets on the straight-line basis over the estimated useful lives of the assets or groups of assets as determined by management.

Deferred Outflows of Resources - Pensions: The District recognizes the difference between actual employer contributions to its pension plan, the proportionate share of contributions and the contributions to the plan subsequent to the measurement date of June 30, 2016, and changes in proportions as deferred outflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Long-Term Obligations: In the government-wide financial statements, and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns of the Statement of Net Position. Bond premiums and discounts, as well as the cost of bond insurance, are deferred and amortized over the lives of the respective issues using the straight-line method. Bonds payable are reported net of applicable bond premiums or discounts. Bond insurance costs are reported as deferred charges and amortized over the terms of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, and bond-issuance costs as expenditures during the current period. The face amount of the debt issued is reported as other financing sources while discounts 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.

Compensated Absences: Under the system of financial accounting and reporting for Pennsylvania School Systems, the District accrues certain accumulated employee benefits, such as unused sick and personal days and retirement incentives. Calculation of this amount is determined by the appropriate sick, personal and retirement lump-sum payments which would be available to employees if they would leave or retire from the District. Accrued benefit days, multiplied by appropriate rates per employment contracts, are reflected as a long-term liability unless retirements are likely within the upcoming fiscal year. The value of future compensated absences is reflected as a liability in the Statement of Net Position.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

Post-Employment Benefits: In the government-wide financial statements, the District recognizes the costs and liabilities associated with post-employment benefits other than pension compensation, which is funded through the District's contribution to the statewide Public School Employees' Retirement System (PSERS), a governmental, cost-sharing, multiple-employer defined-benefit pension plan. The District provides retiree health and prescription drug coverage to eligible, retired employees and qualified spouses. The District has estimated the cost of providing these benefits through an actuarial valuation.

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 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.

Transfers: Advances between funds that are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the advances are accounted for through the various "due from" and "due to" accounts. On fund financial statements, short-term interfund loans are classified as interfund balances. These amounts are eliminated in the Statement of Net Position, except for amounts between governmental and business-type activities, which are presented as internal balances.

Deferred Inflows of Resources - Pensions: The District recognizes their share of the difference between projected earnings and actual investments of their pension plan and the changes in proportions in the pension plan as deferred inflows of resources. These amounts are amortized over the average remaining service lives of active and inactive members.

Deferred Inflows of Resources - Delinquent Property Taxes: The District recognizes the property tax revenues when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Those property tax receivables expected to be collected after sixty days after year-end are shown as deferred inflows of resources in the fund financial statements. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note I. Summary of Significant Accounting Policies (Continued)

Fund Balance: In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable - includes fund balance amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, contributors, or laws and regulations of other governments, or amounts constrained by law through constitutional provisions or enabling legislation.
- Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned - includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes.

Approval of an official motion at a formal meeting by the Board of School Directors is required to establish, modify, or rescind committed fund balance. The Board of School Directors or the Business Manager have the authority to express intended uses of resources that result in assigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District's policy is to spend resources in the following order:

1. Restricted
2. Unrestricted

Unless the Board of School Directors specifically approves the use of committed resources, or the Board of School Directors or the authorized body or official specifically approves the use of assigned resources, the District's policy is to spend unrestricted resources in the following order:

1. Unassigned
2. Assigned
3. Committed

The District does not have a formal minimum fund balance policy.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (Continued)

A schedule of the governmental fund balances at June 30, 2017, is as follows:

	General Fund	Capital Projects	Debt Service	Total Governmental Funds
Fund Balances				
Restricted				
Capital expenditures	\$ -	\$ 1,754,381	\$ -	\$ 1,754,381
Committed				
PSERS retirement rate increases	2,000,000	-	-	2,000,000
Health insurance increases	2,000,000	-	-	2,000,000
Debt service payments	4,051,730	-	-	4,051,730
Capital improvements	100,000	-	-	100,000
Total committed	8,151,730	-	-	8,151,730
Assigned				
Debt service payments	-	-	345,911	345,911
Unassigned	1,365,056	-	-	1,365,056
Total Fund Balances	\$ 9,516,786	\$ 1,754,381	\$ 345,911	\$ 11,617,078

Use of Estimates: Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenue, expenditures/expenses and disclosures.

Subsequent Events: In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosures through January 11, 2018, the date the financial statements were available to be issued.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments

Section 440.1 of the Public School Code of 1949 as amended and supplemented by Act 10 of 2016 define allowable investments for school districts, which are summarized as follows:

- United States Treasury Bills
- Short-term obligations of the U.S. Government or its agencies or instrumentalities
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) or the National Credit Union Share Insurance Fund (NCUSIF) to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full-faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full-faith and credit of the political subdivision
- Shares of an investment company registered under the Investment Company Act of 1940
- Local Government Investment Pools
- Repurchase agreements with respect to U.S. Treasury bills or obligations, participations or other instruments of or guaranteed by the U.S. or any federal agency, instrumentality or U.S. government-sponsored enterprise
- Obligations, participations or other instruments of any federal agency, instrumentality or U.S. government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state laws, with a maturity not to exceed 270 days
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less

The deposit and investment policies of the District adhere to state statutes and prudent business practices. There were no deposit or investment transactions during the year that violated either state statutes or District policies.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Custodial-Credit Risk: Deposits

Custodial-credit risk is the risk that in the event of a bank failure, the District's investments may not be returned to it. A summary of the District's deposits, including petty cash of \$400, at June 30, 2017, are as follows:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 250,000	\$ 250,000	BB&T
Insured (FDIC)	250,000	250,000	F&M Trust
Insured (FDIC)	79,801	79,801	M&T Bank
Uninsured and collateralized by assets maintained in conformity with Act 72	559,927	669,131	BB&T
Uninsured and collateralized by assets maintained in conformity with Act 72	19,073	19,075	F&M Trust
	<u>\$ 1,158,801</u>	<u>\$ 1,268,007</u>	

Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledgers of the assets.

Credit Risk: Investments

As of June 30, 2017, the District had the following investments, some of which are included in cash and cash equivalents on the Statement of Net Position and Balance Sheet:

Investment	Credit Rating	Weighted Avg Maturity in Days	Carrying Value
Pennsylvania School District Liquid Asset Fund (PSDLAF)			
Max Series	AAAm	41	\$ 1,674,580
Pennsylvania Local Government Insurance Trust (PLGIT)			
PLGIT - Class shares	AAAm	78	16,746
PLGIT/PLUS - Class Shares	AAAm	78	8,779,435
Pennsylvania Treasury Department INVEST Program (INVEST)	AAAm	54	572,514
			<u>\$ 11,043,275</u>

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Portfolio Assets

Certain external pool investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and the participating government levels consistent with GASB Statement No. 79. The District measures those investments, which include PSDLAF, PLGIT, and INVEST, at amortized cost.

PSDLAF - This fund invests in U.S. Treasury obligations, securities issued by the U.S. government, its agencies and instrumentalities, and repurchase agreements, collateralized by such securities and contracted with highly-rated counterparties. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDLAF does not have limitations or restrictions on withdrawals.

PLGIT - This fund invests primarily in U.S. Treasury and Federal-agency securities and repurchase agreements, secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money-market funds as contained in Rule 2a-7 of the Investment Company Act of 1940. The fund maintains a weighted average maturity to reset of 60 days or less.

PLGIT-Class shares is a flexible option, within the PLGIT fund, which requires no minimum balance, no minimum initial investment requirement and has a minimum investment period of one day. Dividends are paid monthly.

PLGIT/Plus-Class shares is an option within the PLGIT fund which requires a minimum investment of \$50,000, a minimum investment period of thirty (30) days, and has a premature withdrawal penalty. Dividends are paid quarterly.

INVEST - Pennsylvania Treasurer's INVEST is administered by the Pennsylvania Treasury Department. The funds are invested by INVEST directly in a portfolio of securities which is held by a third-party custodian. INVEST pools are invested in high-quality, short-term securities denominated in U.S. dollars. These investments generally consist of: (1) direct obligations issued by, or obligations that are fully guaranteed as to principal and interest by, the U.S. government, its agencies or instrumentalities; (2) repurchase agreements backed by such securities; (3) certificates of deposit; (4) commercial paper with 'A-1+' ratings; and (5) other money market funds with 'A-1+' ratings. INVEST is acting in a fiduciary capacity for the District and recognizes the District as a pledgee of the collateral securities, these deposits are considered to be held by the agent in the District's name. Weighted-average portfolio maturity for the fund is expected to be kept at or below 60 days.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Presently, the investments currently held by the District are valued at amortized cost and are not subject to the fair value categorization disclosures.

Weighted-Average Maturity

The weighted-average maturity (WAM) method expresses investment time horizons, the time when investments become due and payable, in years or months, weighted to reflect the dollar-size of individual investments within an investment type. WAMs are computed for each investment type. A portfolio's WAM is derived by dollar-weighting the WAM for each investment type.

Interest-Rate Risk

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

Credit Risk

As indicated above, Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the District's investments, and the District has no investment policy that would further limit its investment choices.

Concentrations-of-Credit Risk

The District places no limit on the amounts invested in any one issuer. The District's investments in PLGIT, PSDLAF and INVEST represent 80%, 15% and 5%, respectively, of the District's total investments.

Southern Fulton School District Educational Foundation

The Southern Fulton School District Educational Foundation holds investments in money market accounts, equity mutual funds and fixed income mutual funds. There are no regulatory restrictions or board restrictions on the types of investments of the Foundation. All investments are considered Level 1 investments in that their values are determined by quoted prices in an active market.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 3. Taxes Receivable, Deferred Inflows of Resources, and Unearned Revenue

A summary of the taxes receivable and related accounts at June 30, 2017, is as follows:

	Amount
Uncollected taxes - real estate	\$ 175,967
Uncollected taxes - personal	32,969
Realty transfer taxes	1,707
Earned income taxes	13,950
Allowance for uncollectible taxes	(4,286)
	<hr/>
Taxes Receivable - Net	\$ 220,307
	<hr/>
Taxes to be collected within 60 days	\$ 46,900
Delinquent property taxes	173,407
	<hr/>
Taxes Receivable - Net	\$ 220,307
	<hr/>
Deferred Inflows of Resources - General Fund	
Delinquent property taxes	\$ 173,407
	<hr/>
Unearned Revenue - General Fund	
Federal subsidies	\$ 6,051
State subsidies	(570)
	<hr/>
	\$ 5,481
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Unearned Revenue - Food Service Fund	
Student deposits	\$ 8,880
Donated commodities	5,700
	<hr/>
	\$ 14,580
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SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 4. Property Taxes

Based upon assessed valuations provided by Fulton County, the tax collector bills and collects property taxes on behalf of the District. The schedule for property taxes levied for 2016-2017 is as follows:

July 1st	tax levy date
Through September 30 th	2% discount period
October 1st through November 30th	face payment period
December 1st	10% penalty period
January 15th	lien filing date

The District's tax rate for all purposes in 2016-2017 was 25.2556 mills (\$25.26 per \$1,000 assessed valuation). The total assessed valuation for the 2016 tax levy was \$150,661,490. Fulton County Tax Claim Bureau collects delinquent real estate taxes for the District. Current tax collections for the District were approximately 94.76% of the total tax levy.

The District has not entered into any tax abatement agreements as of June 30, 2017.

Note 5. Interfund Accounts

Operating transfer activity between funds at June 30, 2017, is as follows:

	Transfers In	Transfers Out
General	\$ -	\$ 1,284,552
Capital reserve	500,000	-
Debt service	690,597	-
Food service	93,955	-
	<u>\$ 1,284,552</u>	<u>\$ 1,284,552</u>

Transfers and payments within the District are substantially for purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 6. Food Service Fund Inventory

The composition of Food Service Fund inventory at June 30, 2017, is as follows:

	Amount
Materials and supplies	\$ 4,494
Purchased food	4,754
Donated food	5,700
	<u>\$ 14,948</u>

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2017, and a summary of capital asset balances as of June 30, 2017, are as follows:

	July 1, 2016	Increases	Decreases	June 30, 2017
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 193,944	\$ -	\$ -	\$ 193,944
Capital assets, being depreciated				
Site improvements	838,213	-	-	838,213
Buildings and improvements	24,378,667	-	-	24,378,667
Furniture and equipment	3,015,707	48,788	-	3,064,495
Total capital assets, being depreciated	28,232,587	48,788	-	28,281,375
Less accumulated depreciation				
Site improvements	657,127	24,877	-	682,004
Buildings and improvements	11,851,149	567,136	-	12,418,285
Furniture and equipment	2,762,213	29,109	-	2,791,322
Total accumulated depreciation	15,270,489	621,122	-	15,891,611
Total capital assets, being depreciated, net	12,962,098	(572,334)	-	12,389,764
Governmental Activities, Capital Assets - Net	\$ 13,156,042	\$ (572,334)	\$ -	\$ 12,583,708
Business-Type Activities				
Machinery and equipment	\$ 276,887	\$ -	\$ -	\$ 276,887
Accumulated depreciation	(260,774)	(799)	-	(261,573)
Business-Type Activities, Capital Assets - Net	\$ 16,113	\$ (799)	\$ -	\$ 15,314

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 7. Capital Assets (Continued)

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

	Amount
Governmental Activities	
Instruction	\$ 443,148
Instructional student support	49,093
Administration and financial support	75,217
Operation and maintenance of plant services	33,175
Student activities	20,489
Total governmental activities	<u>621,122</u>
Business-Type Activity	
Food service	799
Total District	<u><u>\$ 621,921</u></u>

Note 8. Accrued Salaries and Benefits

Accrued salaries and benefits at June 30, 2017, consist of the following:

	Amount
Accrued salaries	\$ 344,397
Retirement	486,561
Social security	25,970
	<u><u>\$ 856,928</u></u>

Accrued salaries represent teachers' salaries earned during the 2016-2017 school year which will be paid subsequent to June 30, 2017. Accrued retirement represents the Public School Employees' Retirement Board contribution for the second quarter of calendar year 2017, including the portion pertaining to accrued salaries at June 30, 2017. Accrued social security represents the District's liability arising from accrued salaries at June 30, 2017.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 9. Operating Leases

The District leases 4 copiers under a 62 month operating lease, expiring August 2017. The lease requires monthly payments of \$1,250.

The District leases 1 copier under a 60 month operating lease, expiring September 2018. The lease requires monthly payments of \$268.

The District leases 2 copiers under a 60 month operating lease, expiring May 2021. The lease requires monthly payments of \$1,384.

The District also leases 1 copier under a 5 year operating lease, expiring June 2020. The lease requires annual payments of \$603.

Future minimum lease obligations under non-cancelable operating leases with a term greater than one year are as follows for the years ending June 30:

Year	Amount
2018	\$ 21,674
2019	17,744
2020	17,208
2021	13,838
Total minimum lease obligations	<u>\$ 70,464</u>

Total rental expense under operating leases for the year ended June 30, 2017 amounted to \$35,424.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Obligations

A summary of the District's long-term obligations as of June 30, 2017, and transactions during the fiscal year then ended follows:

	Balances July 1, 2016	Increase	Decrease	Balances June 30, 2017	Due Within One Year
Governmental Activities					
General Obligation Bonds					
Series of 1993	\$ 1,501,079	\$ -	\$ 957,521	\$ 543,558	\$ 543,558
General Obligation Bonds					
Series of 2013	5,795,000	-	65,000	5,730,000	290,000
	7,296,079	-	1,022,521	6,273,558	833,558
Bond discounts	(55,190)	-	(7,837)	(47,353)	-
Total general obligation debt	7,240,889	-	1,014,684	6,226,205	833,558
Other Long-Term Liabilities					
Compensated absences payable	229,821	-	521	229,300	-
Net pension liability	15,916,618	2,350,000	-	18,266,618	-
Other postemployment benefits	1,182,010	189,829	-	1,371,839	-
Total long-term obligations	\$24,569,338	\$2,539,829	\$1,015,205	\$26,093,962	\$ 833,558
Business-Type Activity					
Net pension liability	\$ 283,382	\$ 34,000	\$ -	\$ 317,382	\$ -

General Obligation Bonds - Series of 1993 (Capital Appreciation Bonds) - On August 25, 1993, the District issued General Obligation Bonds that consisted of Capital Appreciation Bonds in the principal amount of \$1,426,871. The proceeds were used to defease a portion of the General Obligation Bonds - Series of 1989. The bonds bear annual interest rates ranging from 5.95% to 6.05%. Interest is payable semi-annually, from March 22, 2013 through September 15, 2017. Interest is payable at maturity, and the bonds mature serially in amounts ranging from \$485,000 to \$560,000. The Capital Appreciation Bonds are not subject to early redemption. The payment of interest and principal on these bonds is guaranteed under an insurance policy issued by Capital Guaranty Insurance Company.

General Obligation Bonds - Series of 2013 - On October 24, 2013, the District issued General Obligation Bonds in the principal amount of \$5,925,000. The proceeds were used to finance the planning, design, construction, and improvements to the High School, which includes an energy savings project that involves modifications and improvements to the HVAC system, and pay the costs and expenses related to the issuance of the 2013 Bonds. The bonds bear annual interest rates ranging from 0.70% to 4.35%. Interest is payable semi-annually, on April 15 and October 15, and the bonds mature serially in amounts ranging from \$65,000 to \$460,000, through April 15, 2033. The District irrevocably has pledged its full faith, credit, and taxing power as security for the bonds. Total interest expense on the Series of 2013 Bonds for the year ended June 30, 2017, was \$194,074.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 10. Long-Term Obligations (Continued)

The District is in compliance with all covenants of the outstanding debt issues. Those covenants include the following: the District shall include the annual debt service in its budget for the fiscal year, shall appropriate these amounts from its general revenues, and shall punctually cause the payment of the principal and interest of each of the debt obligations.

Future maturities of long-term debt are as follows:

Year	Governmental Activities		
	Principal	Interest	Total
2018	\$ 833,558	\$ 209,216	\$ 1,042,774
2019	295,000	186,974	481,974
2020	300,000	181,074	481,074
2021	305,000	174,324	479,324
2022	315,000	166,699	481,699
2023-2027	1,720,000	685,838	2,405,838
2028-2032	2,045,000	357,520	2,402,520
2033	460,000	20,010	480,010
	<u>\$ 6,273,558</u>	<u>\$ 1,981,655</u>	<u>\$ 8,255,213</u>

Compensated Absences - Under the terms of the District's employment policies, employees are granted sick and personal days per school year, and any unused sick and personal days are permitted to be carried over to future years. Upon retirement from the District, eligible employees are reimbursed for accumulated sick and personal days equal to the number of unused days multiplied by an amount per the employment contract. Employees are also offered retirement payments as prescribed in the contracts if certain conditions are met. The total liability for accrued sick and personal leave and retirement incentives at June 30, 2017, has been reflected in the Statement of Net Position and totals \$229,300.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan

Plan Description

PSERS (System) 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.pa.gov.

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) 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.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

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.

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 districts' contractually required contribution rate for the fiscal year ended June 30, 2017, was 29.20% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,511,292 for the year ended June 30, 2017. For the year ended June 30, 2017, the District recognized retirement subsidy revenue from the Commonwealth in the amount of \$976,247.

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

At June 30, 2017, the District reported a liability of \$18,584,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.0375%, which was an increase of 0.0001% from its proportion measured as of June 30, 2016.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$1,951,000. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources in the governmental and business-type activities:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 155,000
Changes in assumptions	671,000	-
Net difference between projected and actual investment earnings	1,036,000	-
Changes in proportions	469,153	-
Difference between employer contributions and proportionate share of total contributions	26,000	-
Contributions subsequent to the measurement date	1,470,000	-
	<u>\$ 3,672,153</u>	<u>\$ 155,000</u>

\$1,470,000 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2018	\$ 478,000
2019	478,000
2020	683,000
2021	405,000
2022	3,153
Thereafter	-
	<u>\$ 2,047,153</u>

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

Changes in Actuarial Assumptions

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

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

- The Investment Rate of Return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the PSERS Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

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

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 11. Defined-Benefit Pension Plan (Continued)

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 22,733,000	\$ 18,584,000	\$ 15,097,000

Pension Plan Fiduciary Net Position

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

Plan Payables

At June 30, 2017, the District has payables to the PSERS pension plan of \$486,624 which is comprised of staff payroll accruals and the quarterly PSERS liability for second quarter 2017 retirement contributions.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Post-Employment Benefits other than Pensions

Plan Description - Southern Fulton School District administers a single-employer, defined-benefit healthcare plan. The plan provides medical benefits to eligible retirees and their spouses or one dependent through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the unions representing District instructional staff employees and supportive staff employees and are renegotiated each bargaining period. Retired employees are allowed to continue coverage for themselves and their spouses or one dependent in the employer's group health plan. Employees are eligible upon retirement with 30 years of PSERS service or upon superannuation retirement (age 60 with 30 years of service, age 62 with 1 year of service, or 35 years of service regardless of age). The plan does not issue a publicly-available financial report.

Funding Policy - Contribution requirements also are negotiated between the District and the unions representing instructional staff employees and supportive staff employees. District employees who retire with 30 years of service in the public school system and at least 20 years of service at the Southern Fulton School District, will be eligible for District-paid medical premiums. Medical premiums, for the retiree and spouse or one dependent, will be covered by the District until eligibility for full social security benefits or a maximum of ten years. Retirees will surrender to the District the PSERS premium assistance paid to them along with any excess annual premium increase above 5%. All other District retirees will pay the full premium for coverage. The District funds the plan on a pay-as-you-go basis, and there is no obligation to make contributions in advance of when the insurance premiums or claims are due for payment.

Annual OPEB Cost and Net OPEB Obligation - The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents the level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan.

	Amount
Annual required contribution (ARC)	\$ 387,059
Interest on net OPEB obligation	47,280
Adjustment to annual required contribution	(83,629)
Annual OPEB cost (expense)	350,710
Contributions made (estimated)	(160,881)
Estimated increase in net OPEB obligation	189,829
Net OPEB obligation - beginning of year	1,182,010
Estimated net OPEB obligation - end of year	\$ 1,371,839

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Post-Employment Benefits other than Pensions (Continued)

The District's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2017 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 396,971	44.96%	\$ 977,788
6/30/2016	\$ 356,107	42.65%	\$ 1,182,010
6/30/2017	\$ 350,710	45.87%	\$ 1,371,839

Funded Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$3,032,172, all of which was unfunded. The actuarial accrued liability is the present value of benefits allocated to periods prior to the valuation date. The present value of benefits allocated to all periods (both prior to and after the valuation date) is \$6,132,093.

Actuarial valuations of an on-going plan involve estimates of the value of the 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 multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Post-Employment Benefits other than Pensions (Continued)

Actuarial Valuation Date	July 1, 2015
Actuarial Cost Method	Unit Credit under which the benefits (projected or unprojected) of each individual included are allocated by a consistent formula to valuation years. The Actuarial Present Value of benefits allocated to a valuation year is called the Normal Cost. The Actuarial Present Value of benefits allocated to all periods prior to a valuation year is called the Actuarial Accrued Liability. The attribution period ends when a Participant is eligible for benefits.
Amortization of Unfunded Liability	Unfunded Liability is amortized under the level-dollar method using an amortization period of 20 years.
Treatment of Gains (Losses)	Actuarial Gains (Losses), as they occur, generally reduce (increase) the Unfunded Actuarial Accrued Liability
Asset Valuation Method	Benefits are funded on a pay-as-you-go basis
Actuarial assumptions: Discount Rate	Annual rate of 4.00%

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 12. Post-Employment Benefits other than Pensions (Continued)

Assumed Retirement Age	100% of employees are assumed to retire when eligible for unreduced benefits under the Public School Employees' Retirement System of Pennsylvania								
Pre-Retirement Mortality	RP-2014 Employee Mortality Table (Male and Female)								
Post-Retirement Mortality	RP-2014 Healthy Annuitant Mortality Table (Male and Female)								
Turnover before Retirement	Actuary's Turnover Table T-1; the following are sample rates: <table><tr><td>Age</td><td>Rate</td></tr><tr><td>25</td><td>4.90%</td></tr><tr><td>40</td><td>1.10%</td></tr><tr><td>55</td><td>0.00%</td></tr></table>	Age	Rate	25	4.90%	40	1.10%	55	0.00%
Age	Rate								
25	4.90%								
40	1.10%								
55	0.00%								
Marriage Assumption	80% of employees are assumed to be married, with the beneficiary being the same age as the retiree								
Coverage	It is assumed that 67% of future retirees and 67% of spouses will participate in the retiree medical program. All current participating retirees and spouses are assumed to continue participation in the medical program.								
Expenses	Expenses are included in the claim costs								

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 13. Risk Management

Southern Fulton School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, and errors or omissions. Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in settlement coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 14. Tuscarora Intermediate Unit Capital Insurance Trust

Southern Fulton School District participates in the Tuscarora Intermediate Unit Capital Insurance Trust (TIUCIT), a public entity risk pool, which was established to purchase medical, dental, and vision insurance coverages for a group of local education agencies. TIUCIT self-insures health, dental, and vision coverages, using a stop loss insurance to limit risk related to major medical claims. Premiums charged in excess of claims paid and administrative costs are retained in a Premium Stabilization Fund which will be used to pay settlement charges and offset increases to the cost of coverage. Since charges are currently being levied to, and paid by, Southern Fulton School District, no receivable or payable to the TIUCIT has been reflected in these financial statements. As a result, Southern Fulton School District has expensed all premiums paid through June 30, 2017.

Note 15. Joint Ventures

Southern Fulton School District is a member of the Tuscarora Intermediate Unit #11. Through this membership, the District is able to secure various special services, including special education, curriculum development, and certain internal-service functions. The District paid approximately \$101,637 as its share to the Tuscarora Intermediate Unit #11 during 2016-2017. Complete financial statements for the Tuscarora Intermediate Unit #11 can be obtained from the administrative office at 2527 US Highway 522 South, McVeytown, PA 17051.

Southern Fulton School District is served by the Fulton County Area Vocational-Technical School (Vo-Tech). Students of the District are offered courses and curriculums at the Vo-Tech that are related to various technical training fields. Costs of the Vo-Tech are shared with other local Districts. Southern Fulton School District paid approximately \$236,873 as its share to the Vo-Tech during 2016-2017. Any excess of revenues over expenditures in a fiscal year is reported as unearned revenue of the Vo-Tech and will be returned to the member districts either through payment by check or by using a portion of unearned revenue in a future year's budget to reduce the tuition due from the member districts. Complete financial statements for the Vo-Tech can be obtained from the administrative office at 145 East Cherry Street, McConnellsburg, PA 17233.

SOUTHERN FULTON SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note 16. Property Use Agreement

The District has a 30 year property use agreement, which took effect during the 2012-2013 fiscal year, with Phantom of Breezewood, Inc. for the old elementary school building and property. Under the agreement the District will not sell, lease, convey to, or otherwise allow any 1.4G consumer fireworks retailer, wholesaler, distributor, or manufacturer to occupy or conduct business on the property. Phantom of Breezewood, Inc., will also have the Right of First Refusal to purchase the property in the event that the District decides to sell the real estate. In consideration for this agreement, Phantom of Breezewood, Inc., at its own risk and expense, demolished the vacant building and returned the property to a state of a grass lot. Phantom of Breezewood, Inc. will also make 10 annual lump sum payments to the District in the amount of \$12,000 each, beginning on or before September 1, 2013. Under the agreement, the District shall retain the title to the real property.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHERN FULTON SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION POST-EMPLOYMENT BENEFITS PLAN SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)*	UAAL as a Percentage of Covered Payroll ((b-a) / c)*
7/1/2009	\$ -	\$ 2,005,210	\$ 2,005,210	0.00%	N/A	N/A
7/1/2012	-	3,048,237	3,048,237	0.00%	N/A	N/A
7/1/2015	-	3,032,172	3,032,172	0.00%	N/A	N/A

*The unit-credit method is used under which the benefits (projected or unprojected) of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years. In the unprojected unit-credit method, benefits already accumulated for years of service are not affected by future salary levels.

Actuarial evaluations are only required to be prepared every three years for plans with a total membership of fewer than 200. Trend information is presented only for years in which information is available.

SOUTHERN FULTON SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Years ended June 30,	2017	2016	2015
District's proportion of the net pension liability	0.0375%	0.0374%	0.0363%
District's proportionate share of the net pension liability	\$ 18,584,000	\$ 16,200,000	\$ 14,368,000
District's covered-employee payroll	\$ 4,858,523	\$ 4,814,485	\$ 4,629,631
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	382.50%	336.48%	310.35%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%

Because 2015 was the year of transition for GASB Statement No. 68, requirements of GASB No. 68 have been implemented prospectively; therefore, the above illustration does not reflect similar information for years preceding 2015.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

SOUTHERN FULTON SCHOOL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS

Years Ended June 30,	2017	2016	2015
Contractually required contribution	\$ 1,469,521	\$ 986,969	\$ 740,741
Contributions in relation to the contractually required contribution	(1,469,521)	(986,969)	(740,741)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 5,127,787	\$ 4,814,485	\$ 4,629,631
Contributions as a percentage of covered-employee payroll	28.66%	20.50%	16.00%

Because 2015 was the year of transition for GASB Statement No. 68, requirements of GASB No. 68 have been implemented prospectively; therefore, the above illustration does not reflect similar information for years preceding 2015.

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

SUPPLEMENTARY INFORMATION

SOUTHERN FULTON SCHOOL DISTRICT

STATEMENT OF RECEIPTS AND DISBURSEMENTS - ACTIVITY FUNDS

Year Ended June 30, 2017

	High School Activity	Elementary Activity	Totals
Balance - July 1, 2016	\$ 74,240	\$ 19,055	\$ 93,295
Receipts	97,081	20,020	117,101
Disbursements	(89,230)	(19,494)	(108,724)
Balance - June 30, 2017	\$ 82,091	\$ 19,581	\$ 101,672
Balance consists of:			
Cash	\$ 83,957	\$ 19,581	\$ 103,538
Accounts payable	(1,866)	-	(1,866)
	\$ 82,091	\$ 19,581	\$ 101,672