

**SOUTHERN FULTON  
SCHOOL DISTRICT**

**FINANCIAL REPORT**

**JUNE 30, 2018**

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## **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, aggregate remaining fund information, and the respective budgetary comparison for the General Fund of Southern Fulton School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in Contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion 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 to design audit procedures that are appropriate in the circumstances, but not for 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions 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, 2018, 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.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, as of July 1, 2017, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The District expanded its note disclosures and required supplementary information related to its other postemployment benefit plans. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion & Analysis on pages 4-11 and the required supplementary information as listed in Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB which 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 forming an opinion on the financial statements that collectively comprise Southern Fulton School District's basic financial statements. The Statement of 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 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 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 that reads "Boyer & Ritten". The signature is written in black ink and is centered on the page.

Chambersburg, Pennsylvania  
December 10, 2018

**SOUTHERN FULTON SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION & ANALYSIS (MD&A)**  
**June 30, 2018**

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, 2018. 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 2017-2018 fiscal year was 25.6849 mills (\$25.68 per \$1,000 assessed valuation) which was effective for the July 2017 tax levy. This was an increase of 0.4293 mills in the real estate tax rate from the 2016-2017 fiscal year. Real estate tax revenue received during the 2017-2018 fiscal year totaled \$3,398,434, an increase of \$97,503 from the 2016-2017 fiscal year, and accounted for 27.44% of the District’s General Fund Revenue.

**Property Tax Reduction Allocation**

During the 2017-2018 fiscal year, the District used \$289,438 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 \$170.12 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
<b>Scope</b>	Entire District (except fiduciary funds)	Activities of the District <b>that are not proprietary or fiduciary</b> , such as education, administration and community services	Activities the District operates similar to private business - <b>Food Service</b>	Activities in which the District is the trustee or agent for another party’s resources - <b>Student Activity and Scholarship Funds</b>
<b>Required Financial Information</b>	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
<b>Accounting Basis and Measurement Focus</b>	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
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	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, 2018 and 2017**  
**Net Position**

	Governmental Activities		Business-Type Activity		Total		Total Percentage Change 2017-2018
	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	
Current and other assets	\$ 12,817,243	\$ 12,740,429	\$ 16,194	\$ 16,286	\$ 12,833,437	\$ 12,756,715	-0.60%
Capital assets	12,583,708	12,120,110	15,314	14,572	12,599,022	12,134,682	-3.69%
<b>Total assets</b>	<b>\$ 25,400,951</b>	<b>\$ 24,860,539</b>	<b>\$ 31,508</b>	<b>\$ 30,858</b>	<b>\$ 25,432,459</b>	<b>\$ 24,891,397</b>	<b>-2.13%</b>
<b>Deferred Outflows of Resources</b>	3,620,386	4,780,386	51,767	67,770	3,672,153	4,848,156	32.02%
Current and other liabilities	\$ 1,899,572	\$ 1,169,732	\$ 15,058	\$ 23,847	\$ 1,914,630	\$ 1,193,579	-37.66%
Long-term liabilities	25,260,404	29,785,237	317,382	391,518	25,577,786	30,176,755	17.98%
<b>Total liabilities</b>	<b>\$ 27,159,976</b>	<b>\$ 30,954,969</b>	<b>\$ 332,440</b>	<b>\$ 415,365</b>	<b>\$ 27,492,416</b>	<b>\$ 31,370,334</b>	<b>14.11%</b>
<b>Deferred Inflows of Resources</b>	152,251	146,251	2,749	1,749	155,000	148,000	-4.52%
<b>Net Position</b>							
Invested in capital assets,							
net of related debt	\$ 6,357,503	\$ 6,412,109	\$ 15,314	\$ 14,572	\$ 6,372,817	\$ 6,426,681	-1.25%
Restricted	1,754,381	1,547,623	-	-	1,754,381	1,547,623	-11.79%
Unrestricted	(6,402,774)	(9,420,027)	(267,228)	(333,058)	(6,670,002)	(9,753,085)	44.22%
<b>Total net assets</b>	<b>\$ 1,709,110</b>	<b>\$ (1,460,295)</b>	<b>\$ (251,914)</b>	<b>\$ (318,486)</b>	<b>\$ 1,457,196</b>	<b>\$ (1,778,781)</b>	<b>-222.07%</b>

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, 2018 and 2017**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activity		Total		Total
	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	Percentage Change 2017-2018
<b>Revenues</b>							
Program revenues							
Charges for services	\$ 79,417	\$ 97,436	\$ 171,495	\$ 186,262	\$ 250,912	\$ 283,698	13.07%
Operating grants and contributions	3,345,320	3,215,905	287,108	265,435	3,632,428	3,481,340	-4.16%
General revenues							
Property taxes	3,649,351	3,649,351	-	-	3,544,092	3,649,351	2.97%
Other taxes	588,891	583,588	-	-	588,891	583,588	-0.90%
Grants, subsidies and contributions, unrestricted	4,711,383	4,722,232	-	-	4,711,383	4,722,232	0.23%
Other	83,086	199,815	-	-	83,086	199,815	140.49%
Transfers	-	-	93,955	68,217	93,955	68,217	-27.39%
<b>Total revenues</b>	<b>12,352,189</b>	<b>12,468,327</b>	<b>552,558</b>	<b>519,914</b>	<b>12,904,747</b>	<b>12,988,241</b>	<b>0.65%</b>
<b>Expenses</b>							
Instructional	8,074,612	8,447,906	-	-	8,074,612	8,447,906	4.62%
Instructional student support	805,093	714,397	-	-	805,093	714,397	-11.27%
Administration and financial support	1,609,778	1,742,442	-	-	1,609,778	1,742,442	8.24%
Operation and maint. of plant services	909,053	789,526	-	-	909,053	789,526	-13.15%
Pupil transportation	765,098	762,829	-	-	765,098	762,829	-0.30%
Student activities	280,975	293,827	-	-	280,975	293,827	4.57%
Scholarships and awards	500	-	-	-	500	-	-100.00%
Facilities construction and improvement	9,593	144,946	-	-	9,593	144,946	1411%
Interest on long-term debt	249,365	311,528	-	-	249,365	311,528	24.93%
Food service	-	-	566,562	538,275	566,562	538,275	-6.76%
Refund of prior year receipts	-	-	-	-	-	-	0.00%
Loss on disposal of capital assets	-	-	-	-	-	-	0.00%
Transfers	93,955	68,217	-	-	93,955	68,217	-27.39%
<b>Total expenses</b>	<b>12,798,022</b>	<b>13,275,618</b>	<b>566,562</b>	<b>538,275</b>	<b>13,364,584</b>	<b>13,813,893</b>	<b>3.36%</b>
<b>Changes in net assets</b>	<b>\$ (445,833)</b>	<b>\$ (807,291)</b>	<b>\$ (14,004)</b>	<b>\$ (18,361)</b>	<b>\$ (459,837)</b>	<b>\$ (825,652)</b>	<b>79.55%</b>

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, 2018 and 2017**  
**Governmental Activities**

Functions/Programs	Total Cost of Services		Net Cost of Services	
	6/30/2017	6/30/2018	6/30/2017	6/30/2018
Instructional	\$ 8,074,612	\$ 8,447,906	\$ 5,843,972	\$ 6,248,753
Instructional student support	805,093	714,397	644,952	579,892
Administration	1,609,778	1,742,442	1,420,454	1,568,677
Operation and maintenance	909,053	789,526	807,281	695,619
Pupil transportation	765,098	762,829	182,584	158,539
Student activities	280,975	293,827	213,484	225,370
Scholarships and awards	500	-	-	(285)
Community services	-	-	(1,065)	-
Facilities construction and improvement	9,593	144,946	9,593	144,946
Refund of prior-year revenues	-	-	-	-
Interest on long-term debt	249,365	311,528	158,075	272,549
<b>Total governmental activities</b>	<b>\$ 12,704,067</b>	<b>\$ 13,207,401</b>	<b>9,279,330</b>	<b>9,894,060</b>
Less unrestricted grants, subsidies and contributions			(4,711,383)	(4,722,232)
<b>Total needs for grants, taxes and other revenues</b>			<b>\$ 4,567,947</b>	<b>\$ 5,171,828</b>

**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, 2018 and 2017**  
**Business-Type Activities**

Functions/Programs	Total Cost of Services		Net Cost of Services	
	6/30/2017	6/30/2018	6/30/2017	6/30/2018
Food services	\$ 566,562	\$ 538,275	\$ (107,959)	\$ (86,578)
Other income			-	-
Transfers in			93,955	68,217
<b>Total business-type activities</b>			<b>\$ (14,004)</b>	<b>\$ (18,361)</b>

## The District's Funds

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$11,515,028, which reflects a decrease of \$102,050 from June 30, 2017. Total net position in governmental activities is (\$1,460,295). A reconciliation of the governmental fund balance sheet 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, 2018, the District had \$12,134,682 invested in a broad range of capital assets, including land, buildings, furniture and equipment and construction in progress. This compares to \$12,599,022 at June 30, 2017. Major capital asset activity during the year included capital purchases of \$150,574 and depreciation expense of \$614,914.

**Table A-6**  
**Fiscal Years Ended June 30, 2018 and 2017**  
**Capital Assets - Net of Depreciation**

	Governmental Activities		Business-Type Activity		Total		Total Percentage Change
	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18	2017-2018
Land and site improvements	\$ 350,153	\$ 330,185	\$ -	\$ -	\$ 350,153	\$ 330,185	-5.70%
Buildings and improvements	11,960,382	11,397,348	-	-	11,960,382	11,397,348	-4.70%
Furniture and equipment	273,173	259,225	15,314	14,572	288,487	273,797	-5.09%
	<u>\$ 12,583,708</u>	<u>\$ 12,120,110</u>	<u>\$ 15,314</u>	<u>\$ 14,572</u>	<u>\$ 12,599,022</u>	<u>\$ 12,134,682</u>	-3.69%

## Debt Administration

As of July 1, 2017, the District had total outstanding bond principal of \$6,273,558. During the year, the District made payments against principal of \$6,273,558 and received refinancing proceeds of \$5,625,000 resulting in an outstanding debt as of June 30, 2018, of \$5,625,000.

**Table A-7**  
**Fiscal Years Ended June 30, 2018 and 2017**  
**Outstanding Debt**

	Governmental Activities		Business-Type Activity		Total	
	6/30/17	6/30/18	6/30/17	6/30/18	6/30/17	6/30/18
General Obligation Bonds						
Series of 1993	\$ 543,558	\$ -	\$ -	\$ -	\$ 543,558	\$ -
Series of 2003	5,730,000	-	-	-	5,730,000	-
Series of 2017	-	5,625,000	-	-	-	5,625,000
	<u>\$ 6,273,558</u>	<u>\$ 5,625,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,273,558</u>	<u>\$ 5,625,000</u>

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**

	2014-2015	2015-2016	2016-2017	2017-2018
Local revenues	34.84%	35.37%	35.83%	36.87%
State revenues	62.48%	61.87%	62.66%	61.07%
Federal revenues	2.68%	2.76%	1.50%	2.06%
Instruction	52.32%	57.03%	57.26%	40.88%
Support services	28.45%	30.02%	30.16%	20.88%
Non-instructional/community	1.74%	1.79%	2.19%	1.41%
Facilities construction and improvement	6.72%	0.30%	0.08%	80.00%
Debt service	10.77%	11.13%	10.32%	36.03%

## 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, 2018**

	Governmental Activities	Business-Type Activity	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 11,124,099	\$ 736	\$ 11,124,835
Investments	813,032	-	813,032
Receivables			
Taxes - net of allowance for uncollectibles	221,996	-	221,996
Federal subsidies	121,185	-	121,185
State subsidies	456,611	-	456,611
Other	3,506	-	3,506
Inventories	-	15,550	15,550
Capital assets			
Land and construction-in-progress	327,296	-	327,296
Other capital assets-net of depreciation	11,792,814	14,572	11,807,386
Total capital assets	<u>12,120,110</u>	<u>14,572</u>	<u>12,134,682</u>
<b>Total assets</b>	<u>24,860,539</u>	<u>30,858</u>	<u>24,891,397</u>
<b>Deferred Outflows of Resources</b>			
Deferred amounts on pension liability	3,027,386	44,767	3,072,153
Deferred amounts on OPEB liabilities	1,713,555	23,003	1,736,558
Deferred amount on bond refunding	39,445	-	39,445
<b>Total deferred outflows of resources</b>	<u>4,780,386</u>	<u>67,770</u>	<u>4,848,156</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 29,640,925</u>	<u>\$ 98,628</u>	<u>\$ 29,739,553</u>

See Notes to Financial Statements.

	Governmental Activities	Business-Type Activity	Total
<b>Liabilities</b>			
Accounts payable	\$ 123,144	\$ 1,111	\$ 124,255
Accrued expenses			
Salaries and benefits	897,399	5,996	903,395
Interest payable	46,840	-	46,840
Deposits payable	2,863	-	2,863
Unearned revenue	9,486	16,740	26,226
Long-term liabilities			
Due within one year	90,000	-	90,000
Due in more than one year	5,830,361	-	5,830,361
Net pension liability	18,252,618	317,382	18,570,000
Other postemployment benefits liabilities	5,702,258	74,136	5,776,394
Total long-term liabilities	<u>29,875,237</u>	<u>391,518</u>	<u>30,266,755</u>
<b>Total liabilities</b>	<u>30,954,969</u>	<u>415,365</u>	<u>31,370,334</u>
<b>Deferred Inflows of Resources</b>			
Deferred amounts on pension liability	110,251	1,749	112,000
Deferred amounts on OPEB liabilities	36,000	-	36,000
<b>Total deferred inflows of resources</b>	<u>146,251</u>	<u>1,749</u>	<u>148,000</u>
<b>Net Position</b>			
Net investment in capital assets	6,412,109	14,572	6,426,681
Restricted for capital projects	1,547,623	-	1,547,623
Unrestricted	(9,420,027)	(333,058)	(9,753,085)
<b>Total net position</b>	<u>(1,460,295)</u>	<u>(318,486)</u>	<u>(1,778,781)</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 29,640,925</u>	<u>\$ 98,628</u>	<u>\$ 29,739,553</u>

SOUTHERN FULTON SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activity	Total
<b>Governmental Activities</b>						
Instructional	\$ 8,447,906	\$ 53,292	\$ 2,145,861	\$ (6,248,753)	\$ -	\$ (6,248,753)
Instructional student support	714,397	-	134,505	(579,892)	-	(579,892)
Administration and financial support	1,742,442	-	173,765	(1,568,677)	-	(1,568,677)
Operation and maintenance of plant services	789,526	12,000	81,907	(695,619)	-	(695,619)
Pupil transportation	762,829	-	604,290	(158,539)	-	(158,539)
Student activities	293,827	31,859	36,598	(225,370)	-	(225,370)
Community services	-	285	-	285	-	285
Facilities acquisition, construction and improvement services	144,946	-	-	(144,946)	-	(144,946)
Interest on long-term debt	311,528	-	38,979	(272,549)	-	(272,549)
<b>Total governmental activities</b>	<b>13,207,401</b>	<b>97,436</b>	<b>3,215,905</b>	<b>(9,894,060)</b>	<b>-</b>	<b>(9,894,060)</b>
<b>Business-Type Activity</b>						
Food service	538,275	186,262	265,435	-	(86,578)	(86,578)
<b>Total primary government</b>	<b>\$ 13,745,676</b>	<b>\$ 283,698</b>	<b>\$ 3,481,340</b>	<b>\$ (9,894,060)</b>	<b>\$ (86,578)</b>	<b>\$ (9,980,638)</b>
<b>General Revenues and Transfers:</b>						
Property taxes, levied for general purposes, net				\$ 3,649,351	\$ -	\$ 3,649,351
Public utility, realty transfer, earned income, and per capita taxes for general purposes, net				583,588	-	583,588
Grants, subsidies and contributions, not restricted				4,722,232	-	4,722,232
Investment earnings				142,350	-	142,350
Miscellaneous income				57,465	-	57,465
Transfers				(68,217)	68,217	-
<b>Total general revenues and transfers</b>				<b>9,086,769</b>	<b>68,217</b>	<b>9,154,986</b>
<b>Changes in net position</b>				<b>(807,291)</b>	<b>(18,361)</b>	<b>(825,652)</b>
<b>Net Position - July 1, 2017 (as previously reported)</b>				<b>1,709,110</b>	<b>(251,914)</b>	<b>1,457,196</b>
<b>Prior Period Adjustment (See Note 1)</b>				<b>(2,362,114)</b>	<b>(48,211)</b>	<b>(2,410,325)</b>
<b>Net Position - July 1, 2017 (as restated)</b>				<b>(653,004)</b>	<b>(300,125)</b>	<b>(953,129)</b>
<b>Net Position - June 30, 2018</b>				<b>\$ (1,460,295)</b>	<b>\$ (318,486)</b>	<b>\$ (1,778,781)</b>

See Notes to Financial Statements.

**SOUTHERN FULTON SCHOOL DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2018**

	General	Capital Projects	Non-Major Debt Service	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 9,575,910	\$ 1,547,623	\$ 566	\$ 11,124,099
Investments	813,032	-	-	813,032
Receivables				
Taxes - net of allowance for uncollectibles	221,996	-	-	221,996
Federal subsidies	121,185	-	-	121,185
State subsidies	456,611	-	-	456,611
Other	3,506	-	-	3,506
<b>Total assets</b>	<b>\$ 11,192,240</b>	<b>\$ 1,547,623</b>	<b>\$ 566</b>	<b>\$ 12,740,429</b>
<b>Liabilities</b>				
Accounts payable	\$ 123,144	\$ -	\$ -	\$ 123,144
Accrued expenses				
Salaries and benefits	897,377	-	-	897,377
Payroll withholdings	22	-	-	22
Deposits payable	2,863	-	-	2,863
Unearned revenue	9,486	-	-	9,486
<b>Total liabilities</b>	<b>1,032,892</b>	<b>-</b>	<b>-</b>	<b>1,032,892</b>
<b>Deferred Inflows of Resources</b>				
Delinquent property taxes	192,509	-	-	192,509
<b>Fund Balances</b>				
Restricted for capital projects	-	1,547,623	-	1,547,623
Committed	8,151,730	-	-	8,151,730
Assigned	548,202	-	566	548,768
Unassigned	1,266,907	-	-	1,266,907
<b>Total fund balances</b>	<b>9,966,839</b>	<b>1,547,623</b>	<b>566</b>	<b>11,515,028</b>
<b>Total liabilities, deferred inflows         of resources and fund balances</b>	<b>\$ 11,192,240</b>	<b>\$ 1,547,623</b>	<b>\$ 566</b>	<b>\$ 12,740,429</b>

See Notes to Financial Statements.

**SOUTHERN FULTON SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2018**

<b>Total fund balances - governmental funds</b>	<b>\$ 11,515,028</b>
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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 \$28,625,893, and the related accumulated depreciation is \$16,505,783.	12,120,110
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.	192,509
The difference between the re-acquisition price and the net carrying amount of the old debt is a deferred outflow of resources, which is not reported in the governmental funds.	39,445
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	3,027,386
Deferred inflows	(110,251)
Deferred outflows and inflows of resources related to OPEB are applicable to future periods, and therefore, are not reported in the fund financial statements.	
Deferred outflows	1,713,555
Deferred inflows	(36,000)
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	(5,625,000)
Unamortized bond premium	(83,001)
Interest payable	(46,840)
Compensated absences	(212,360)
Other postemployment benefits	(5,702,258)
Net pension liability	(18,252,618)
	(29,922,077)
<b>Total net position - governmental activities</b>	<b>\$ (1,460,295)</b>

See Notes to Financial Statements.

SOUTHERN FULTON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year Ended June 30, 2018

	General	Capital Projects	Non-Major Debt Service	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 4,554,795	\$ 17,998	\$ 566	\$ 4,573,359
State sources	7,576,490	-	-	7,576,490
Federal sources	255,764	-	-	255,764
<b>Total revenues</b>	<b>12,387,049</b>	<b>17,998</b>	<b>566</b>	<b>12,405,613</b>
<b>Expenditures</b>				
Instructional	7,424,957	-	-	7,424,957
Support services	3,793,267	-	-	3,793,267
Operation of non-instructional services	255,830	-	-	255,830
Facilities acquisition, construction and improvement services	-	144,946	-	144,946
Debt service				
Principal	5,650,190	79,810	543,558	6,273,558
Interest	253,983	-	16,442	270,425
<b>Total expenditures</b>	<b>17,378,227</b>	<b>224,756</b>	<b>560,000</b>	<b>18,162,983</b>
<b>Deficiency of revenues expenditures</b>	<b>(4,991,178)</b>	<b>(206,758)</b>	<b>(559,434)</b>	<b>(5,757,370)</b>
<b>Other Financing Sources (Uses)</b>				
Refund of prior-year expenditures	43,611	-	-	43,611
Proceeds from refunding of bonds	5,625,000	-	-	5,625,000
Bond premium (discount)	54,926	-	-	54,926
Interfund transfers	(282,306)	-	214,089	(68,217)
<b>Total other financing sources (uses) - net</b>	<b>5,441,231</b>	<b>-</b>	<b>214,089</b>	<b>5,655,320</b>
<b>Net changes in fund balances</b>	<b>450,053</b>	<b>(206,758)</b>	<b>(345,345)</b>	<b>(102,050)</b>
Fund Balances - July 1, 2017	9,516,786	1,754,381	345,911	11,617,078
Fund Balances - June 30, 2018	\$ 9,966,839	\$ 1,547,623	\$ 566	\$ 11,515,028

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, 2018**

<b>Net changes in fund balances - governmental funds</b>	\$	(102,050)
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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	150,574	
Less depreciation expense	<u>(614,172)</u>	(463,598)

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 increased by this amount this year.	19,102
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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.	(5,120)
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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	16,940	
Changes in other postemployment benefits (District Plan)	<u>(297,750)</u>	(280,810)

Governmental funds report District pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned, net of employees' contributions, is reported as pension and OPEB expense.		
District pension and OPEB contributions (PSERS)	1,589,000	
Costs of benefits earned - net of employees' contributions (PSERS)	<u>(2,119,000)</u>	(530,000)

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.

Issuance of long-term debt	(5,625,000)	
Refunding of general obligation bonds	5,440,000	
Repayment of long-term debt	833,558	
Bond premium	(85,863)	
Amortization of prepaid bond insurance	(2,464)	
Amortization of refunding loss	(1,360)	
Amortization of bond discounts	<u>(3,686)</u>	555,185

<b>Changes in net position - governmental activities</b>	<b>\$</b>	<b><u>(807,291)</u></b>
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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, 2018**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Local sources			
Real estate taxes	\$ 3,371,192	\$ 3,398,434	\$ 27,242
Public utility realty tax	4,500	4,184	(316)
Payments in lieu of taxes	26,666	33,793	7,127
Per capita taxes	21,020	19,810	(1,210)
Earned income tax	400,000	480,487	80,487
Real estate transfer tax	50,000	76,752	26,752
Delinquent real estate taxes	201,250	198,022	(3,228)
Delinquent per capita taxes	-	2,355	2,355
Earnings on investments	26,000	123,786	97,786
Revenues from District activities	43,600	49,860	6,260
Pass through revenue from intermediary sources	-	105,882	105,882
Rentals	12,000	12,000	-
Tuition from patrons	16,000	23,063	7,063
Services provided to other LEAs	-	12,227	12,227
Refunds and other miscellaneous revenue	700	14,140	13,440
<b>Total revenues from local sources</b>	<b>4,172,928</b>	<b>4,554,795</b>	<b>381,867</b>
State sources			
Basic instructional subsidy	4,443,094	4,433,817	(9,277)
Tuition for orphans and children placed in private homes	-	5,474	5,474
Special education funding	492,186	489,738	(2,448)
Transportation	591,992	604,290	12,298
Building reimbursement subsidy	327,940	302,958	(24,982)
Health services	14,000	13,936	(64)
Property tax reduction	289,438	288,415	(1,023)
Pre-K counts	144,500	144,500	-
Ready to learn block grant	153,038	153,038	-
Social security reimbursement	212,158	218,554	6,396
Retirement reimbursement	865,344	921,770	56,426
<b>Total revenues from state sources</b>	<b>7,533,690</b>	<b>7,576,490</b>	<b>42,800</b>

(Continued)

**SOUTHERN FULTON SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND (Continued)  
Year Ended June 30, 2018**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues (Continued)</b>			
Federal sources			
Title I - Grants to Local Education Agencies	206,000	201,936	(4,064)
Title II - Supporting Effective Instruction State Grant	18,500	51,420	32,920
IDEA, Part B	119,644	-	(119,644)
IDEA, Section 619	3,316	-	(3,316)
Medical assistance reimbursement	-	2,408	2,408
<b>Total revenues from Federal sources</b>	<b>347,460</b>	<b>255,764</b>	<b>(91,696)</b>
<b>Total revenues</b>	<b>12,054,078</b>	<b>12,387,049</b>	<b>332,971</b>
<b>Expenditures</b>			
Instructional			
Regular programs	4,940,426	4,988,210	(47,784)
Special programs	1,723,277	1,596,454	126,823
Vocational educational programs	632,723	629,928	2,795
Pre-kindergarten	144,903	139,039	5,864
Other instructional programs	121,363	71,326	50,037
<b>Total instructional</b>	<b>7,562,692</b>	<b>7,424,957</b>	<b>137,735</b>
Support Services			
Pupil personnel	125,434	124,924	510
Instructional staff	411,297	303,202	108,095
Administration	1,025,923	1,108,511	(82,588)
Pupil health	190,919	187,996	2,923
Business	180,433	180,546	(113)
Operation and maintenance of plant services	937,675	846,805	90,870
Student transportation services	796,843	762,828	34,015
Central service	245,084	218,184	26,900
Other support services	83,002	60,271	22,731
<b>Total support services</b>	<b>3,996,610</b>	<b>3,793,267</b>	<b>203,343</b>
Operation of Non-instructional Services			
Student activities	312,550	255,830	56,720
<b>Total operation of non-instructional services</b>	<b>312,550</b>	<b>255,830</b>	<b>56,720</b>

(Continued)

SOUTHERN FULTON SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND (Continued)  
 Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures (Continued)</b>			
Debt service			
Principal	423,504	5,650,190	(5,226,686)
Interest	619,270	253,983	365,287
<b>Total debt service</b>	<u>1,042,774</u>	<u>5,904,173</u>	<u>(4,861,399)</u>
<b>Total expenditures</b>	<u>12,914,626</u>	<u>17,378,227</u>	<u>(4,463,601)</u>
<b>Deficiency of revenues over expenditures</b>	(860,548)	(4,991,178)	(4,130,630)
<b>Other Financing Sources (Uses)</b>			
Refund of prior-year expenditures	-	43,611	43,611
Proceeds from refunding of bonds	-	5,625,000	5,625,000
Bond premiums (discount)	-	54,926	54,926
Interfund transfers	(102,000)	(282,306)	(180,306)
Budgetary reserve	(250,000)	-	250,000
<b>Total other financing sources (uses) - net</b>	<u>(352,000)</u>	<u>5,441,231</u>	<u>5,793,231</u>
<b>Net change in fund balance</b>	<u>\$ (1,212,548)</u>	450,053	<u>\$ 1,662,601</u>
Fund Balance - July 1, 2017		<u>9,516,786</u>	
Fund Balance - June 30, 2018		<u>\$ 9,966,839</u>	

See Notes to Financial Statements.

**SOUTHERN FULTON SCHOOL DISTRICT**

**STATEMENT OF NET POSITION  
 PROPRIETARY FUND - FOOD SERVICE  
 June 30, 2018**

<b>Assets</b>	
Current Assets	
Cash and cash equivalents	\$ 736
Inventories	15,550
<b>Total current assets</b>	<u>16,286</u>
Noncurrent Assets	
Furniture and equipment - net	14,572
<b>Total assets</b>	<u>30,858</u>
<b>Deferred Outflows of Resources</b>	
Deferred amounts on pension liability	44,767
Deferred amounts on OPEB liabilities	23,003
<b>Total deferred outflows of resources</b>	<u>67,770</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 98,628</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	\$ 1,111
Accrued payroll and withholdings	5,996
Unearned revenue	16,740
<b>Total current liabilities</b>	<u>23,847</u>
Noncurrent Liabilities	
Net pension liability	317,382
Other postemployment benefits liabilities	74,136
<b>Total liabilities</b>	<u>415,365</u>
<b>Deferred Inflows of Resources</b>	
Deferred amounts on pension liability	1,749
<b>Net Position</b>	
Net investment in capital assets	14,572
Unrestricted	(333,058)
<b>Total net position</b>	<u>(318,486)</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 98,628</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, 2018**

<hr/>	
Operating Revenues	
Food service revenue	\$ 186,262
 Operating Expenses	
Salaries	66,643
Employee benefits	111,099
Contracted services	146,096
Repairs and maintenance	1,643
Supplies	15,482
Food and milk	171,885
Donated commodities used	21,237
Dues and fees	130
Small equipment	2,638
Bad debt expense	680
Depreciation	742
<b>Total operating expenses</b>	<u>538,275</u>
<b>Operating loss</b>	(352,013)
 Nonoperating Revenues	
Federal subsidies	216,506
State subsidies	27,692
Value of donated commodities	21,237
<b>Total nonoperating revenues</b>	<u>265,435</u>
<b>Loss before transfers</b>	(86,578)
 Interfund Transfers	<u>68,217</u>
<b>Change in net position</b>	(18,361)
 Net Position - July 1, 2017 (as previously reported)	(251,914)
Prior Period Adjustment (See Note 1)	(48,211)
Net Position - July 1, 2017 (as restated)	<u>(300,125)</u>
Net Position - June 30, 2018	<u><u>\$ (318,486)</u></u>

See Notes to Financial Statements.

**SOUTHERN FULTON SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND - FOOD SERVICE  
Year Ended June 30, 2018**

<hr/>	
Cash Flows From Operating Activities	
Cash received from meal sales	\$ 188,422
Cash payments to employees for services	(162,824)
Cash payments to suppliers for goods and services	(338,523)
<b>Net cash used in operating activities</b>	<u>(312,925)</u>
Cash Flows From Noncapital Financing Activities	
State subsidies	27,692
Federal subsidies	216,506
Transfers from other funds	68,217
<b>Net cash provided by noncapital         financing activities</b>	<u>312,415</u>
<b>Net decrease in cash and cash equivalents</b>	(510)
Cash and Cash Equivalents:	
July 1, 2017	1,246
June 30, 2018	<u>\$ 736</u>

(Continued)

**SOUTHERN FULTON SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND - FOOD SERVICE (Continued)  
Year Ended June 30, 2018**

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Reconciliation of Operating Loss to Net Cash Used	
in Operating Activities	
Operating loss	\$ (352,013)
Adjustments to reconcile operating loss to net	
cash used in operating activities	
Depreciation	742
Value of donated commodities	21,237
Changes in assets and liabilities:	
(Increase) decrease in:	
Inventories	(602)
Deferred outflows of resources	(12,912)
(Decrease) increase in:	
Accounts payable	633
Accrued payroll and withholdings	5,996
Unearned revenue	2,160
Other postemployment benefits liabilities	22,834
Deferred inflows of resources	(1,000)
<b>Net cash used in operating activities</b>	<b>\$ (312,925)</b>

See Notes to Financial Statements.

**SOUTHERN FULTON SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2018**

	Private Purpose Trust Funds	Activity Funds
<b>ASSETS</b>		
Cash	\$ 18,960	\$ 97,617
Investments	184,234	-
<b>Total assets</b>	<b>\$ 203,194</b>	<b>\$ 97,617</b>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 1,029
Due to student groups	-	96,588
<b>Total liabilities</b>	<b>-</b>	<b>97,617</b>
<b>NET POSITION</b>		
Unrestricted	65,739	-
Restricted for scholarships	101,564	-
Held in trust for scholarships	35,891	-
<b>Total net position</b>	<b>\$ 203,194</b>	<b>\$ -</b>

See Notes to Financial Statements.

**SOUTHERN FULTON SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE PURPOSE TRUST FUNDS**

**Year Ended June 30, 2018**

Additions	
Contributions	\$ 1,386
Fundraising	26,950
Investment earnings	6,257
<b>Total additions</b>	<u>34,593</u>
Deductions	
Scholarships and donations	5,690
Administration	1,355
Fundraising	6,066
Professional fees	1,060
<b>Total deductions</b>	<u>14,171</u>
<b>Change in net position</b>	20,422
Net Position - July 1, 2017	182,772
Net Position - June 30, 2018	<u>\$ 203,194</u>

See Notes to Financial Statements.

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **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 GASB 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 districts. The District is also affiliated with the Fulton County Area Vocational-Technical School (FCAVTS) along with two other member districts. The member districts provide oversight to the TIU#11 and FCAVTS through the following:

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

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 GASB.

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note I. Summary of Significant Accounting Policies (Continued)

#### 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 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 function or segment. Taxes and other items not included among program revenues are reported as general revenues.

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 and 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.

#### 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 basis upon which governmental fund financial statements are prepared; therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationships between the government-wide and governmental fund financial statements.

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note I. Summary of Significant Accounting Policies (Continued)

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

Generally, the effects of interfund activity are 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 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, compensated absences, pension obligations and claims and judgments are recorded only when payments are due.

The District complies with accounting principles generally accepted in the United States of America and applies all relevant GASB 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.

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.

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note I. Summary of Significant Accounting Policies (Continued)

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

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 funds' 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 these classifications 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, 2018.

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 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 qualifying students as prescribed by donor stipulations.

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note I. Summary of Significant Accounting Policies (Continued)

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

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 the District is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the District's Administrative Office.
- 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. By legislative action in accordance with the Pennsylvania School Code, the Board of School Directors may make transfers of funds appropriated for any expenditure. 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 effects 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 accounting principles generally accepted in the United States of America.

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note I. Summary of Significant Accounting Policies (Continued)

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 an 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 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, determined on a first-in, first-out (FIFO) 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, 2018. The inventory consisted of government-donated commodities which were valued at estimated, fair value, and purchased commodities and supplies, valued at cost using the FIFO 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.

Capital Assets and Depreciation: Capital assets, which include property, buildings, and equipment, are reported in the applicable governmental or business-type activity 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 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 - Deferred Amounts on Refunding Debt: The District reports the difference between the reacquisition price and the net, carrying amount of old debt as a deferred outflow and recognizes it as a component of interest expense over the remaining life of either the old or new debt, whichever remaining life is shorter.

Deferred Outflows of Resources - Pensions: The District reports differences between expected and actual experience; changes in assumptions; net differences between projected and actual, investment earnings; changes in proportion; differences between employers' contributions and proportionate shares of total contributions; and contributions received subsequent to the measurement date as deferred outflows of resources. These amounts are amortized over the average, remaining, service lives of active and inactive members.

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note I. Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources - Other Post-Employment Benefits: The District recognizes changes in assumptions; net differences between projected and actual, investment earnings; benefit payments subsequent to the measurement date; and contributions received after the measurement date 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, and 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; withheld 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. Calculations of these amounts are determined by the appropriate sick, personal and retirement, lump-sum payments available to employees if the employees 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.

Other 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. The District participates in two plans; the first is a single-employer plan administered by the District. The plan provides retiree health, vision, dental, and prescription-drug benefits for eligible, retired employees and their qualified spouses/beneficiaries. The District estimates the cost of providing these benefits through an actuarial valuation.

The District also participates in a governmental, cost-sharing, multiple-employer, other post-employment benefit plan (OPEB) with the Public-School Employees' Retirement System (PSERS) for all eligible retirees who qualify and elect to participate. For purposes of measuring the net OPEB liability, deferred outflows and inflows of resources related to OPEB and OPEB expense, information about the fiduciary-net position of the PSERS and additions to/deductions from PSERS's fiduciary-net position, have been determined on the same bases as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**SOUTHERN FULTON SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note I. Summary of Significant Accounting Policies (Continued)**

Other Post-Employment Benefits (Continued):

As of July 1, 2017, the District has implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Implementation of GASB No. 75 requires the District to recognize the liability and deferred inflows and outflows of resources resulting from a proportionate share of the net OPEB liability relating to the PSERS plan and like components of the total OPEB liability relating to the District's Single-Employer Plan as of June 30, 2017. This recognition resulted in a total decrease in the District's net position of \$2,410,325 as of July 1, 2017.

The balances of the District's OPEB obligations and deferred outflows and inflows of resources at June 30, 2018, are as follows:

	Governmental Activities	Business-Type Activity	Total
<b>OPEB Liabilities</b>			
District's Single-Employer Plan (Note 12)	\$ 4,945,258	\$ 65,136	\$ 5,010,394
PSERS Cost-Sharing Plan (Note 13)	757,000	9,000	766,000
Total OPEB Liabilities	<u>\$ 5,702,258</u>	<u>\$ 74,136</u>	<u>\$ 5,776,394</u>
<b>Deferred Outflows of Resources</b>			
District's Single-Employer Plan	\$ 1,670,555	\$ 22,003	\$ 1,692,558
PSERS Cost-Sharing Plan	43,000	1,000	44,000
Total Deferred Outflows of Resources on OPEB Liabilities	<u>\$ 1,713,555</u>	<u>\$ 23,003</u>	<u>\$ 1,736,558</u>
<b>Deferred Inflows of Resources</b>			
District's Single-Employer Plan	\$ -	\$ -	\$ -
PSERS Cost-Sharing Plan	36,000	-	36,000
Total Deferred Inflows of Resources on OPEB Liabilities	<u>\$ 36,000</u>	<u>\$ -</u>	<u>\$ 36,000</u>

Additional disclosures related to other post-employment benefits of the District's Single-Employer and PSERS Cost-Sharing Plans are in Notes 12 and 13, respectively.

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note I. Summary of Significant Accounting Policies (Continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions and pension expense, information about the PSERS's fiduciary-net position, and additions to/deductions from PSERS's fiduciary-net position have been determined on the same bases as reported by PSERS. For this purpose, benefit payments (including refunds of employees' contributions) are recognized when due and payable in accordance with 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 differences between expected and actual experience and changes in proportion as deferred inflows of resources. These amounts are amortized over the average, remaining, service lives of active and inactive members.

Deferred Inflows of Resources - Other Post-Employment Benefits: The District recognizes changes in assumptions, changes in proportions and differences between employers' contributions and proportionate shares of total contributions 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 property tax revenues when they become available. Available includes those property taxes expected to be collected within sixty days after year-end. Those property taxes 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.

Fund Balance: In accordance with GASB 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 imposed externally by providers such as creditors, grantors, contributors, 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 imposed internally by the District through formal action of the highest level of decision making authority and which constraints do not lapse at year-end.

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note I. Summary of Significant Accounting Policies (Continued)

#### Fund Balance (Continued):

- 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 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 amounts that are not assigned to other funds and that are not restricted, committed, or assigned to specific purposes.

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

When an expenditure is incurred for a purpose 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 I. Summary of Significant Accounting Policies (Continued)**

Fund Balance (Continued):

A schedule of the governmental fund balances at June 30, 2018, is as follows:

	General Fund	Capital Projects	Debt Service	Total Governmental Funds
<b>Fund Balances</b>				
<b>Restricted</b>				
Capital expenditures	\$ -	\$ 1,547,623	\$ -	\$ 1,547,623
<b>Committed</b>				
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
<b>Assigned</b>				
Athletic activities	2,419	-	-	2,419
2018-2019 Budget deficit	545,783	-	-	545,783
Debt-service payments	-	-	566	566
Total assigned	548,202	-	566	548,768
<b>Unassigned</b>				
	1,266,907	-	-	1,266,907
<b>Total Fund Balances</b>	<b>\$ 9,966,839</b>	<b>\$ 1,547,623</b>	<b>\$ 566</b>	<b>\$ 11,515,028</b>

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 December 10, 2018, the date the financial statements were available to be issued.

## SOUTHERN FULTON SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 2. Deposits and Investments

Section 440.1 of the Public-School Code of 1949, as amended and supplemented by Act 10 of 2016, defines 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 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, and the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full-faith and credit of the political subdivisions;
- 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 equivalent thereto;
- Commercial paper issued by corporations or other business entities organized in accordance with Federal or state laws and characterized by 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 a 180-day maturity;
- Negotiable certificates of deposit or other evidences of deposit, with remaining maturities of three years or less.

The District’s deposit and investment policies adhere to state statutes and prudent, business practices. There were no deposit or investment transactions during the year that violated either state statutes or the District’s 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, 2018, are as follows:

	Carrying Amount	Bank Balance	Financial Institution
Insured (FDIC)	\$ 246,707	\$ 250,000	BB&T
Insured (FDIC)	250,000	250,000	F&M Trust
Insured (FDIC)	-	1	M&T Bank
Uninsured and collateralized by assets maintained in conformity with Act 72	-	60,395	BB&T
Uninsured and collateralized by assets maintained in conformity with Act 72	18,990	18,994	F&M Trust
	<u>\$ 515,697</u>	<u>\$ 579,390</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 pledgors of the assets.

As of June 30, 2018, the Southern Fulton School District Educational Foundation (a component unit of the District, contained within the fiduciary fund - private-purpose trust fund) had \$14,966 of deposits all insured by the FDIC.

##### Credit Risk: Investments

As of June 30, 2018, 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	80	\$ 1,547,623
Pennsylvania Local Government Insurance Trust (PLGIT) PLGIT - Class shares	AAAm	85	22,866
PLGIT/PLUS - Class Shares	AAAm	85	9,404,856
Pennsylvania Treasury Department INVEST Program (INVEST)	AAAm	50	579,933
			<u>\$ 11,555,278</u>

## SOUTHERN FULTON SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 2. Deposits and Investments (Continued)

As of June 30, 2018, the Southern Fulton School District Educational Foundation (a component unit of the District, contained within the fiduciary fund - private-purpose trust fund) had the following investments:

	Carrying Amount
Edward Jones	
Money Market Funds	\$ 283
Exchange Traded & Closed End Funds	62,083
Mutual Funds	46,702
Wells Fargo	
Cash Sweep	1,001
Mutual Funds	42,267
	<u>\$ 152,337</u>

#### 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-Max Series - This fund invests in securities such as U.S. Treasury obligations, securities issued by the U.S. government, its agencies and instrumentalities; collateralized or government agency LOC-backed bank deposits; and repurchase agreements collateralized by such securities and contracted with highly rated counterparties. The pool will hold at least 50% of its assets in securities rated 'A-1+' by Standard & Poor's, with the remainder held in securities rated 'A-1'. The fund is required to maintain a weighted-average-maturity-to-reset of no longer than 60 days. PSDLAF-Max Series 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 comparable 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.

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

## SOUTHERN FULTON SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 2. Deposits and Investments (Continued)**

Within PLGIT, PLGIT/Plus-Class shares is an option 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 Treasury Department INVEST Program is administered by the Pennsylvania Treasury Department. The funds are invested directly by INVEST 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+' rating; 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 secured by the collateral securities; these deposits are considered held by the agent in the District's name. Weighted-average- portfolio maturity is expected to be kept at or below 60 days.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of an 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, investments held by the District are valued at amortized cost and are not subject to fair value disclosures.

#### Weighted-Average Maturity

Weighted-average maturity (WAM) expresses investment-time horizons, or maturities, 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

## NOTES TO FINANCIAL STATEMENTS

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### Note 2. Deposits and Investments (Continued)

#### 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 held by the Foundation. All investments are considered Level-1 investments as their values are determined by quoted prices in an active market.

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

A summary of taxes receivable and related accounts at June 30, 2018, is as follows:

	Amount
Taxes receivable	\$ 226,446
Allowance for uncollectibles	(4,450)
Taxes Receivable - Net	<u>\$ 221,996</u>
Taxes to be collected within 60 days	\$ 29,487
Delinquent property taxes	192,509
Taxes Receivable - Net	<u>\$ 221,996</u>
Deferred Inflows of Resources - General Fund	
Delinquent property taxes	<u>\$ 192,509</u>
Unearned Revenue - General Fund	
Federal subsidies	\$ 3,571
State subsidies	5,915
	<u>\$ 9,486</u>
Unearned Revenue - Food Service Fund	
Student deposits	\$ 6,705
Donated commodities	10,035
	<u>\$ 16,740</u>

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### 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 2017-2018 is as follows:

July 1st	tax-levy date
Through September 30 <sup>th</sup>	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 2017-2018 was 25.6849 mills (\$25.68 per \$1,000 assessed valuation). The total assessed valuation for the 2017-tax levy was \$151,787,900. Fulton County Tax Claim Bureau collects delinquent, real estate taxes for the District. Current, tax collections for the District were approximately 95.02% of the total, tax levy.

The District has not entered into any tax abatement agreements as of June 30, 2018.

### Note 5. Interfund Accounts

Operating transfer activity between funds at June 30, 2018, is as follows:

	Transfers In	Transfers Out
General	\$ -	\$ 282,306
Debt service	214,089	-
Food service	68,217	-
	<u>\$ 282,306</u>	<u>\$ 282,306</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, 2018, is as follows:

	Amount
Materials and supplies	\$ 2,921
Purchased food	2,594
Donated commodities	10,035
	<u>\$ 15,550</u>

**Note 7. Capital Assets**

Capital asset activity for the year ended June 30, 2018, and a summary of capital-asset balances as of June 30, 2018, are as follows:

	July 1, 2017	Increases	Decreases	June 30, 2018
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 193,944	\$ -	\$ -	\$ 193,944
Construction-in-progress	-	133,352	-	133,352
Total capital assets, not being depreciated	<u>193,944</u>	<u>133,352</u>	<u>-</u>	<u>327,296</u>
Capital assets, being depreciated				
Site improvements	838,213	-	-	838,213
Buildings and improvements	24,378,667	3,630	-	24,382,297
Furniture and equipment	3,064,495	13,592	-	3,078,087
Total capital assets, being depreciated	<u>28,281,375</u>	<u>17,222</u>	<u>-</u>	<u>28,298,597</u>
Less accumulated depreciation				
Site improvements	682,004	19,968	-	701,972
Buildings and improvements	12,418,285	566,664	-	12,984,949
Furniture and equipment	2,791,322	27,540	-	2,818,862
Total accumulated depreciation	<u>15,891,611</u>	<u>614,172</u>	<u>-</u>	<u>16,505,783</u>
Total capital assets, being depreciated, net	<u>12,389,764</u>	<u>(596,950)</u>	<u>-</u>	<u>11,792,814</u>
<b>Governmental Activities, Capital Assets - Net</b>	<u>\$ 12,583,708</u>	<u>\$ (463,598)</u>	<u>\$ -</u>	<u>\$ 12,120,110</u>
<b>Business-Type Activity</b>				
Machinery and equipment	\$ 276,887	\$ -	\$ -	\$ 276,887
Accumulated depreciation	(261,573)	(742)	-	(262,315)
<b>Business-Type Activity, Capital Assets - Net</b>	<u>\$ 15,314</u>	<u>\$ (742)</u>	<u>\$ -</u>	<u>\$ 14,572</u>

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 7. Capital Assets (Continued)

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

	Amount
Governmental Activities	
Instruction	\$ 439,253
Instructional student support	41,490
Administration and financial support	74,869
Operation and maintenance of plant services	33,686
Student activities	24,874
Total governmental activities	<u>614,172</u>
Business-Type Activity	
Food service	742
Total District	<u><u>\$ 614,914</u></u>

### Note 8. Accrued Salaries and Benefits

Accrued salaries and benefits at June 30, 2018, consist of the following:

	Amount
Accrued salaries	\$ 352,943
Retirement	521,884
Social security	26,931
Payroll withholding	1,637
	<u><u>\$ 903,395</u></u>

Accrued salaries represent teachers' salaries earned during the 2017-2018 school year which will be paid after June 30, 2018. Accrued retirement represents the PSERS Board contribution for the second quarter of calendar year 2018, including the portion pertaining to accrued salaries at June 30, 2018. Accrued social security represents the District's liability arising from accrued salaries at June 30, 2018.

## SOUTHERN FULTON SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 9. Operating Leases

The District leases 4 copiers under a 60-month, operating lease, expiring during July 2022. The lease requires monthly payments of \$996.

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

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

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

Future, minimum-lease obligations under non-cancelable, operating leases having remaining terms exceeding one year at June 30, 2018, are as follows:

Year	Amount
2019	\$ 30,970
2020	30,434
2021	26,850
2022	11,950
2023	996
Total minimum-lease obligations	<u>\$ 101,200</u>

Total rental expense under operating leases for the year ended June 30, 2018 amounted to \$33,904.

# 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, 2018, and transactions during the fiscal year then ended follows:

	Balances July 1, 2017	Increase	Decrease	Balances June 30, 2018	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable					
Series of 1993	\$ 543,558	\$ -	\$ 543,558	\$ -	\$ -
Series of 2013	5,730,000	-	5,730,000	-	-
Series of 2017	-	5,625,000	-	5,625,000	90,000
	6,273,558	5,625,000	6,273,558	5,625,000	90,000
Net premium (discount) on bonds	(47,353)	133,216	2,862	83,001	-
Total bonds payable	6,226,205	5,758,216	6,276,420	5,708,001	90,000
Compensated absences payable	229,300	-	16,940	212,360	-
Total long-term obligations	\$ 6,455,505	\$ 5,758,216	\$ 6,293,360	\$ 5,920,361	\$ 90,000

**General Obligation Bonds - Series of 1993 (Capital Appreciation Bonds)** - On August 25, 1993, the District issued General Obligation Bonds consisting of Capital Appreciation Bonds in the principal amount of \$1,426,871. 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 commencing on March 22, 2013 through September 15, 2017. The bonds mature serially in amounts ranging from \$485,000 to \$560,000. The Capital Appreciation Bonds are not subject to early redemption. Payment of interest and principal on these bonds is guaranteed under an insurance policy issued by Capital Guaranty Insurance Company. These bonds were paid in full during the 2017-2018 fiscal year.

**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, including an energy-savings project that involves modifications and improvements to the HVAC system, and to 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 pledged its full faith, credit, and taxing power as security for the bonds. These bonds were refinanced in December 2017.

**General Obligation Bonds - Series of 2017** - On December 20, 2017, the District issued General Obligation Bonds in the principal amount of \$5,625,000. The proceeds were used to advance refund a portion of the 2013 Bonds; to pay a portion of the remaining, outstanding 2013 Bonds; and to pay costs of issuing the Bonds. The economic gain on the refunding of the 2013 bonds was \$142,723. The bonds bear annual interest rates ranging from 2.00% to 3.00%. Interest is payable semi-annually, on March 15 and September 15, and the bonds mature serially in amounts ranging from \$90,000 to \$925,000 through March 15, 2033. The District irrevocably pledged its full faith, credit, and taxing power as security for the bonds.

**SOUTHERN FULTON SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 10. Long-Term Obligations (Continued)**

The District has complied with all covenants of the outstanding, debt issues. Those covenants include the following: inclusion of the District’s annual, debt service in the District’s fiscal-year budget; appropriation of annual, debt service from the District’s general revenues; and punctual 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
2019	\$ 90,000	\$ 159,245	\$ 249,245
2020	330,000	152,945	482,945
2021	335,000	144,645	479,645
2022	345,000	136,120	481,120
2023	355,000	125,620	480,620
2024-2028	1,945,000	461,900	2,406,900
2029-2032	2,225,000	166,650	2,391,650
	<u>\$ 5,625,000</u>	<u>\$ 1,347,125</u>	<u>\$ 6,972,125</u>

All debt-service payments for general obligation notes and bonds are funded by the General Fund. As required by the Pennsylvania Department of Education Financial Accounting and Reporting Manual, debt-issuance costs are reported on the Statement of Revenues, Expenditures and Changes in Fund Balances within Support Services.

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 contract if certain conditions are met. The total liability for accrued sick and personal leave and retirement incentives at June 30, 2018, totals \$212,360.

## SOUTHERN FULTON SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 11. Defined-Benefit Pension Plan**

##### Plan Description

PSERS is a governmental, cost-sharing, multi-employer, defined-benefit pension plan that provides retirement benefits to public-school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the PSERS 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. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://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 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 2.00% or 2.50%, 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 T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability benefits after completion of five years of credited service. Such benefits are generally equal to 2.00% or 2.50%, 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 the benefits cannot be less than one-third of such salary nor greater than the benefits members would have 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 T-F members) or who has at least five years of credited service (ten years for Class T-E and T-F members). Such benefits are actuarially equivalent to the benefits that would have been effective if the member retired on the day before death.

## SOUTHERN FULTON SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Defined-Benefit Pension Plan (Continued)

##### Contributions

###### Member Contributions:

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

Members who joined the PSERS 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 members' qualifying compensation.

Members who joined the PSERS 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 PSERS after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the members' qualifying compensation. All new hires after June 30, 2011 who elect Class T-F membership contribute at 10.30% (base rate) of the members' qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010. Accordingly, in future fiscal years, the Membership Class T-E contribution rate may fluctuate between 7.50% and 9.50%, and the Membership Class T-F contribution rate may fluctuate between 10.30% and 12.30%.

###### Employer Contributions:

The Districts' actuarially determined and contractually required contribution rate for the fiscal year ended June 30, 2018 was 32.57% of covered payroll. This rate, when combined with employees' contributions, is expected to finance benefits earned by employees during the year, plus an additional amount to finance any unfunded, accrued liability. The 32.57% rate is composed of a contribution rate of 31.74% for pension benefits and 0.83% for healthcare-insurance-premium assistance (OPEB benefits).

The District is required to pay the entire contribution but will be reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income-aid ratio (as defined in Act 29 of 1994). Reimbursement will be at least one half of the total District's rate. The District's contribution to the Plan, relating to pension benefits, for the year ended June 30, 2018, totaled \$1,570,283, and is equal to the required contribution for the year. For the year ended June 30, 2018, the District recognized gross, retirement-subsidy revenue from the Commonwealth of \$932,623.

**SOUTHERN FULTON SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 11. Defined-Benefit Pension Plan (Continued)**

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

At June 30, 2018, the District reported a liability of \$18,570,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS's total pension liability as of June 30, 2016 to June 30, 2017. 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 0.0376%, which was an increase of 0.0001% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$2,092,000. At June 30, 2018, the District reported deferred outflows and 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	\$ 194,000	\$ 112,000
Changes in assumptions	504,000	-
Net difference between projected and actual investment earnings	430,000	-
Changes in proportions	331,153	-
Difference between employer contributions and proportionate share of total contributions	43,000	-
Contributions subsequent to the measurement date	1,570,000	-
	<u>\$ 3,072,153</u>	<u>\$ 112,000</u>

\$1,570,000 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 ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	Amount
2019	\$ 434,000
2020	639,000
2021	361,000
2022	(43,000)
2023	(847)
	<u>\$ 1,390,153</u>

## SOUTHERN FULTON SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Defined-Benefit Pension Plan (Continued)

##### Actuarial Assumptions

The total pension liability as of June 30, 2017, was determined by rolling forward the PSERS's total pension liability as of June 30, 2016 to June 30, 2017, using the following actuarial assumptions applied to all periods included in the measurements:

- Actuarial cost method - Entry-Age Normal - level % of pay.
- Investment return - 7.25%, includes inflation at 2.75%.
- Salary growth - 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 based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect the PSERS's experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

## SOUTHERN FULTON SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 11. Defined-Benefit Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term, Expected, Real Rate-of-Return
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	-20.0%	1.1%
	<u>100.0%</u>	

The above was the PSERS's Board's adopted, asset-allocation policy and best estimates of geometric, real rates-of-return for each major, asset class as of June 30, 2017.

#### 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 actuarially determined, contractually required rates. Based on those assumptions, the Plan's fiduciary-net position was projected to be sufficient 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**

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**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 District's proportionate share of the net pension liability, calculated using the discount rate of 7.25%, and the District's proportionate share of the net pension liability calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current discount rate:

	1.00% Decrease 6.25%	Current Discount Rate 7.25%	1.00% Increase 8.25%
District's proportionate share of the net pension liability	\$ 22,858,000	\$ 18,570,000	\$ 14,950,000

Pension Plan Fiduciary - Net Position

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

Plan Payables

At June 30, 2018, the District has payables to the PSERS pension plan of \$508,584. This total is composed of staff, payroll accruals and the quarterly PSERS payment for retirement contributions in the second quarter of 2018.

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 12. Other Post-Employment Benefits - District's Single-Employer Plan

#### Plan Description, Benefit Terms and Funding Policy

The District has a healthcare plan for retired employees; the Plan is a single-employer, defined-benefit healthcare plan administered by the District. The plan provides medical and prescription-drug coverage for retirees and spouses. The District funds the plan on a pay-as-you-go basis, and there is no obligation to make contributions in advance of when insurance premiums or claims are due for payment. The District does not maintain or accumulate any assets within a trust in accordance with paragraph 4 of GASB Statement No. 75. The plan description and benefit terms provided by the plan are summarized below:

Retiree Benefits - Benefits valued under GASB include medical coverage and prescription drug.

Medical Coverage - Employees who retire from active service at age 60, have at least 20 years of continuous service with the District and 30 years of credit in the PSERS, or who retire at age 55, have at least 20 years of continuous service with the District and 35 years of credit in the PSERS are eligible. Previously, Support Staff was believed to be ineligible for continuation of medical coverage. Retirees and spouses are covered until the earlier of (i) 10 years of coverage, or (ii) Medicare eligibility. Medical coverage provided to active employees is continued for eligible retirees and spouses (or one dependent) until age 65, and then there is no coverage.

Premium Sharing - The District contributes 100.00% of the Medical premiums for active employees and their spouses, except for prescription-drug coverage. Retirees pay \$675 per year for individual coverage or \$1,350 for 2-party coverage, plus future, premium increases greater than 5.00%. Retirees and spouses pay the full premium for prescription-drug coverage.

#### Employees Covered by Benefit Terms

During the year ended June 30, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	100
	<hr/>
	106
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**SOUTHERN FULTON SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 12. Other Post-Employment Benefits - District's Single-Employer Plan (Continued)**

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

At June 30, 2018, the District reported a liability of \$5,010,394 for the total OPEB liability. The total OPEB liability was measured as of July 1, 2017, and was determined by an actuarial valuation as of July 1, 2017. The OPEB liability is composed of the following:

Total OPEB Liability, beginning	\$ 3,177,045
Changes for the year	
Service cost	172,527
Interest	130,765
Differences between expected and actual experience	316,082
Changes of assumptions	1,374,856
Estimated benefit payments	(160,881)
Net Changes	<u>1,833,349</u>
Total OPEB Liability, ending	<u>\$ 5,010,394</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$561,588. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 287,269
Changes of assumptions	1,249,527
Benefit payments subsequent to the measurement date	155,762
	<u>\$ 1,692,558</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$155,762 resulting from benefit payments after the measurement date and before the end of the fiscal year will be included as a reduction of the collective, net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

Year ending June 30,	Total
2019	\$ 154,142
2020	154,142
2021	154,142
2022	154,142
2023	154,142
Thereafter	766,086
	<u>\$ 1,536,796</u>

**SOUTHERN FULTON SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 12. Other Post-Employment Benefits - District’s Single-Employer Plan (Continued)**

Actuarial Method and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017 using the following actuarial assumptions applied to all periods included in the measurement unless otherwise specified:

- Actuarial-Cost Method - Entry-Age Normal.
- Inflation - assumed to be 3.00% less than the ultimate, healthcare-cost-trend rate.
- Salary Increases - an annual rate of 2.50%; previously none was assumed.
- Discount Rate - 3.00%. Based on S&P Municipal Bond 20-Year, High-Grade-Rate Index at July 1, 2017.
- Healthcare-Cost-Trend Rate - 5.50% in 2018, 5.40% in 2019, 5.30% in 2020, 5.20% in 2021-2043. Rates gradually decrease from 5.10% in 2044 to 4.70% in 2058 and later based on the Society of Actuaries Long-Term Health-Cost-Trends Model.
- Retirees’ Share of Benefit-Related Costs - Retiree contributions are assumed to remain at the current level.

Mortality rates are separate and assumed preretirement and postretirement. The preretirement mortality uses rates assumed in the RPH-2014 Employee Table (Male and Female weighted by headcount) as published by the Society of Actuaries. The postretirement mortality uses rates assumed in the RPH-2014 Healthy Annuitant Table (Male and Female weighted by headcount) as published by the Society of Actuaries.

Incorporated into the table are rates projected generationally by the Scale MP-2017 (Male and Female) to reflect mortality improvement and as published by the Society of Actuaries.

Sensitivity of the District’s Total OPEB Liability to Changes in the Discount Rate

The following presents the District’s total OPEB liability calculated using the discount rate of 3.00% and what the total OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (2.00%) or 1.00% higher (4.00%) than the current rate:

	1% Decrease 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%
Total OPEB liability	\$ 5,508,146	\$ 5,010,394	\$ 4,556,604

The discount rate used to measure the total OPEB liability decreased from 4.00% at July 1, 2016 to 3.00% at July 1, 2017.

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 12. Other Post-Employment Benefits - District's Single-Employer Plan (Continued)

#### Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare-Cost-Trend Rates

The following presents the District's total OPEB liability calculated using the healthcare-cost-trend rate of 5.50% in 2017, decreasing to 4.70%, and what the total OPEB liability would be if it were calculated using a healthcare-cost-trend rate that is either 1.00% lower or 1.00% higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB liability	\$ 4,324,968	\$ 5,010,394	\$ 5,830,928

### Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan

#### PSERS Administration

The administrative staff of PSERS administers a defined-benefit pension plan, and two, postemployment-healthcare programs for PSERS's retirees: Health Insurance Premium Assistance Program (Premium Assistance) and Health Options Program (HOP). PSERS is a governmental, cost-sharing, multiple-employer, defined-benefit pension plan that provides retirement benefits to public-school employees of the Commonwealth of Pennsylvania (Commonwealth). Eligible participants 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. HOP is a PSERS-sponsored, voluntary-health-insurance program for the sole benefit of PSERS retirees, spouses of retirees, and survivor annuitants and their dependents. HOP is funded exclusively by premiums paid by participants for their elected-benefit coverage.

Control and management of PSERS, including investment of its assets, is vested in the Board of Trustees (Board). The Commonwealth's General Assembly has the authority to amend the PSERS's benefit terms by passing bills in the Senate and House of Representatives and sending those bills to the Governor for approval.

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### **Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)**

#### Plan Description and Benefits Provided - Health Insurance Premium Assistance Program

PSERS provides premium assistance through a governmental, cost-sharing, multiple-employer, other-postemployment-benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employers' contribution rates for premium assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating, eligible retirees are entitled to receive premium-assistance payments equal to the lesser of \$100 per month or the eligible retirees' out-of-pocket, monthly health-insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their employer or through PSERS's Health Options Program. As of June 30, 2017, there were no assumed, future-benefit increases to participating, eligible retirees.

#### Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance Program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in HOP or an employer-sponsored, health-insurance program.

#### Employer Contributions

The Districts' actuarially determined, contractually required, contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, an amount that, when combined with employees' contributions, is expected to finance the benefit costs earned by employees during the year and to provide an additional amount to finance any unfunded-accrued liability. The District's contributions to the OPEB were \$41,063 for the year ended June 30, 2018.

#### OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of \$766,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward PSERS's total OPEB liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year-reported covered payroll as it relates to total, one-year-reported covered payroll. At June 30, 2017, the District's proportion was 0.0376% percent, which was an increase of 0.0001% from its proportion measured as of June 30, 2016.

**SOUTHERN FULTON SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)**

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2018, the District recognized OPEB expense of \$32,000. At June 30, 2018, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ 36,000
Net difference between projected and actual investment earnings	1,000	-
Changes in proportions	2,000	-
Contributions subsequent to the measurement date	41,000	-
	<u>\$ 44,000</u>	<u>\$ 36,000</u>

\$41,000 reported as deferred outflows of resources related to OPEB resulting from District contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	Amount
2019	\$ (5,000)
2020	(5,000)
2021	(5,000)
2022	(6,000)
2023	(6,000)
Thereafter	(6,000)
	<u>\$ (33,000)</u>

## SOUTHERN FULTON SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

##### Actuarial Assumptions

Total OPEB Liability as of June 30, 2017, was determined by rolling forward PSERS's total OPEB Liability at June 30, 2016 to June 30, 2017, using the following actuarial assumptions applied to all periods included in the measurement:

- Actuarial-cost method - Entry-Age Normal - level % of pay.
- Investment return - 3.13% - S&P 20-Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real-wage growth and merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed, healthcare-cost trends were applied to retirees with less than \$1,200 in annual, premium assistance.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS's experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate pre-age 65 at 50%
  - Eligible retirees will elect to participate post-age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employers' contribution rate for fiscal year 2017.
- Cost Method: Amount necessary to assure solvency of Premium Assistance Program through the third fiscal year after the valuation date.
- Asset-valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both healthy-annuitant males and females and dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables were applied with age set back 7 years for males and 3 years for females. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders, assuming the population consists of 25% males and 75% females, is used to determine actuarial-equivalent benefits.)

# SOUTHERN FULTON SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

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### Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)

#### Investments

Investments consist primarily of short-term assets designed to protect investment principal. The expected rate-of-return on OPEB-plan investments was determined using the OPEB-asset-allocation policy and best estimates of geometric, real rates-of-return for each asset class.

The OPEB plan's policy regarding the allocation of invested-plan assets is established and may be amended by the Board. Under the program, as defined in the Retirement Code, employers' contribution rates for the Premium Assistance Program are established to provide reserves in the Health Insurance Account that are sufficient for payment of premium-assistance benefits for each succeeding year.

Asset Class	Target Allocation	Long-Term, Expected, Real Rate-of-Return
Cash	76.40%	0.60%
Fixed income	23.60%	1.50%
	<u>100.00%</u>	

The above table presents the Board's adopted, asset-allocation policy and best estimates of geometric, real rates-of-return for each, major-asset class at June 30, 2017.

#### Discount rate

The discount rate used to measure the total OPEB liability was 3.13%. Under the Plan's funding policy, contributions are structured for short-term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of the Premium Assistance Program through the third fiscal year after the actuarial valuation date. The Premium Assistance Account is funded to establish reserves that are sufficient for the payment of premium-assistance benefits for each succeeding year. Due to the short-term, funding policy, the Plan's fiduciary-net position was not projected to be sufficient to meet projected, future-benefit payments; therefore, the Plan is considered a "pay-as-you-go" plan. A discount rate of 3.13%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2017, was applied to all projected, benefit payments to measure the total OPEB liability.

**SOUTHERN FULTON SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

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**Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)**

Change in Actuarial Assumptions

The discount rate used to measure the total OPEB liability increased from 2.71% at June 30, 2016 to 3.13% at June 30, 2017.

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

The following presents the District's total OPEB liability calculated using the discount rate of 3.13%, and what the total OPEB liability would be if it were calculated using a discount rate that is either 1.00% lower (2.13%) or 1.00% higher (4.13%) than the current discount rate:

	1.00% Decrease 2.13%	Current Discount Rate 3.13%	1.00% Increase 4.13%
District's proportionate share of the net OPEB liability	\$ 871,000	\$ 766,000	\$ 679,000

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in Healthcare-Cost-Trend Rates

The following presents the District's proportionate share of the net OPEB liability and what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare-cost-trend rates (between 5.00% to 8.00%) that are either 1.00% lower or 1.00% higher than the current, healthcare-cost-trend rates:

	1.00% Decrease	Current Trend Rate	1.00 % Increase
District's proportionate share of the net OPEB liability	\$ 766,000	\$ 766,000	\$ 766,000

## SOUTHERN FULTON SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 13. Other Post-Employment Benefits - PSERS Cost-Sharing Plan (Continued)**

##### OPEB Plan Fiduciary - Net Position

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

##### Plan Payables

At June 30, 2018, the District has payables to the OPEB Plan of \$13,300.

#### **Note 14. 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 or three prior years.

#### **Note 15. 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, educational agencies. TIUCIT self-insures health, dental, and vision coverages, using a stop-loss insurance to limit risk related to major-medical claims. Premiums charges exceeding claims paid and administrative costs are retained in a Premium Stabilization Fund which pays settlement charges and offsets 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 is reflected in these financial statements. Consequently, Southern Fulton School District has expensed all premiums paid through June 30, 2018.

## **SOUTHERN FULTON SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **Note 16. Joint Ventures**

Southern Fulton School District is a member of the Tuscarora Intermediate Unit #11. Through this membership, the District secures various, special services, including special education; curriculum development; and certain, internal-service functions. The District paid approximately \$35,636 as its share to the Tuscarora Intermediate Unit #11 during 2017-2018. 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 2017-2018. Any excess of revenues over expenditures in a fiscal year is reported as unearned revenue of the Vo-Tech and will be returned to 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.

#### **Note 17. Property Use Agreement**

During the 2012-2013 fiscal year, the District implemented a 30-year, property-use agreement 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 if 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 grass lot. Phantom of Breezewood, Inc. will also make ten \$12,000-annual, lump-sum payments to the District beginning on or before September 1, 2013. Under the agreement, the District shall retain title to the property.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTHERN FULTON SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

<b>Years Ended June 30,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability	0.0376%	0.0375%	0.0374%	0.0363%
District's proportionate share of the net pension liability	<u>\$ 18,570,000</u>	<u>\$ 18,584,000</u>	<u>\$ 16,200,000</u>	<u>\$ 14,368,000</u>
District's covered payroll	<u>\$ 5,008,775</u>	<u>\$ 4,858,523</u>	<u>\$ 4,814,485</u>	<u>\$ 4,629,631</u>
District's proportionate share of net pension liability as a percentage of its covered payroll	370.75%	382.50%	336.48%	310.35%
Plan fiduciary-net position as a percentage of the total pension liability	51.84%	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 PENSION CONTRIBUTIONS**

<b>Years Ended June 30,</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 1,570,283	\$ 1,469,521	\$ 986,969	\$ 740,741
Contributions in relation to the contractually required contribution	(1,570,283)	(1,469,521)	(986,969)	(740,741)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,132,722	\$ 5,127,787	\$ 4,814,485	\$ 4,629,631
Contributions as a percentage of covered payroll	30.59%	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.

**SOUTHERN FULTON SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS-  
DISTRICT'S SINGLE-EMPLOYER PLAN**

**Year Ended June 30, 2018**

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<b>Total OPEB liability</b>	
Service cost	\$ 172,527
Interest	130,765
Differences between expected and actual experience	316,082
Changes of assumptions	1,374,856
Benefit payments	<u>(160,881)</u>
<b>Net change in total OPEB liability</b>	1,833,349
<b>Total OPEB Liability - beginning</b>	<u>3,177,045</u>
<b>Total OPEB Liability - ending</b>	<u><u>\$ 5,010,394</u></u>
<b>District's covered payroll</b>	<u><u>\$ 4,733,762</u></u>
<b>Total OPEB Liability as a percentage of covered payroll</b>	105.84%

**Notes to Schedule:**

Changes of Assumptions: The discount rate changed from 4.00% to 3.00%. The trend assumption was updated. The salary rate-of-increase changed from 0.00% to 2.50%.

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is shown.

**SOUTHERN FULTON SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY -  
PSERS COST-SHARING PLAN**

**Year Ended June 30, 2018**

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District's proportion of the net OPEB liability	0.0376%
District's proportionate share of the net OPEB liability	<u>\$ 766,000</u>
District's covered payroll	<u>\$ 5,008,775</u>
District's proportionate share of net OPEB liability as a percentage of its covered payroll	15.29%
Plan fiduciary-net position as a percentage of the total OPEB liability	5.73%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is shown.

**SOUTHERN FULTON SCHOOL DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS - PSERS COST-SHARING PLAN  
Year Ended June 30, 2018**

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Contractually required contribution	\$	41,063
Contributions in relation to the contractually required contribution		(41,063)
Contribution deficiency (excess)	\$	-
		<hr/> <hr/>
District's covered payroll	\$	5,132,722
		<hr/> <hr/>
Contributions as a percentage of covered payroll		0.80%

The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which information is available is shown.

**SUPPLEMENTARY INFORMATION**

**SOUTHERN FULTON SCHOOL DISTRICT**

**STATEMENT OF RECEIPTS AND DISBURSEMENTS - ACTIVITY FUNDS**

**Year Ended June 30, 2018**

	High School Activity	Elementary Activity	Totals
Balances - July 1, 2017	\$ 82,091	\$ 19,581	\$ 101,672
Receipts	121,556	21,531	143,087
Disbursements	(117,987)	(30,184)	(148,171)
Balances - June 30, 2018	<u>\$ 85,660</u>	<u>\$ 10,928</u>	<u>\$ 96,588</u>
Balance consists of:			
Cash	\$ 86,689	\$ 10,928	\$ 97,617
Accounts payable	(1,029)	-	(1,029)
Due to student groups	<u>\$ 85,660</u>	<u>\$ 10,928</u>	<u>\$ 96,588</u>