

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**HOOKSTOWN, PENNSYLVANIA**  
**JUNE 30, 2015**

**AUDIT REPORT**

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**HOOKSTOWN, PENNSYLVANIA**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
South Side Area School District  
4949 State Route 151  
Hookstown, Pennsylvania 15050

### **Report on the Financial Statements**

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the South Side Area School District as of June 30, 2015, the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter – Change in Accounting Principle**

As discussed in Note 2 to the financial statements, for the period ending June 30, 2015, the School District adopted new accounting guidance GASB 68, *Accounting and Financial Reporting for Pensions*. The adoption of the new guidance resulted in a prior period adjustment to the beginning net position. Our opinion is not modified with respect to this matter.

### **Emphasis of Matter – Correction of an Accounting Error**

As discussed in Note 14 to the financial statements, for the period ending June 30, 2015, the School District recognized new additions to fixed assets that had been expensed in the prior year. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, postemployment benefits other than pension benefits (OPEB) information, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, and notes to the Required Supplementary Information on pages i-xi, 44-45, 46, 47, and 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Side Area School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2016 on our consideration of the South Side Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering South Side Area School District's internal control over financial reporting and compliance.

*Cattnill, Arbutina and Assoc*

Beaver, PA 15009  
January 21, 2016

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**JUNE 30, 2015**

**Required Supplementary Information (RSI)**

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

The Management's Discussion and 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 and Analysis -- for State and Local Governments*, issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

The trends of prior years indicated that during the fiscal year 2014-2015, the South Side Area School District would experience another year of significant costs for special education instruction, cyber charter school tuition, student transportation, health benefits, and pension costs for our employees. In the budgeting process, the Board of School Directors was able to balance the budget with a 1.4 millage increase to our taxpayers and \$346,960 use of fund balance. The District is required to report both the Capital Reserve and General Fund expenditures and revenues under the General Fund in the financial statements. However, the District only budgets for the General Fund. Therefore, excluding the Capital Reserve expenditures of \$14,977, the actual results of operations showed General Fund expenditures under budget by \$288,034. Revenues were lower than expected (\$164,247). Actual use of Fund balance for the 2014-2015 fiscal year was 94,403.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The District's basic financial statements contain three components:

- (1) Government-wide financial statements,
- (2) Fund financial statements, and
- (3) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements. Management's Discussion and Analysis provides a comparative analysis of the District's financial position.

The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how general District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like a business. For this District, this is

**SOUTH SIDE AREA SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**JUNE 30, 2015**

our Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

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

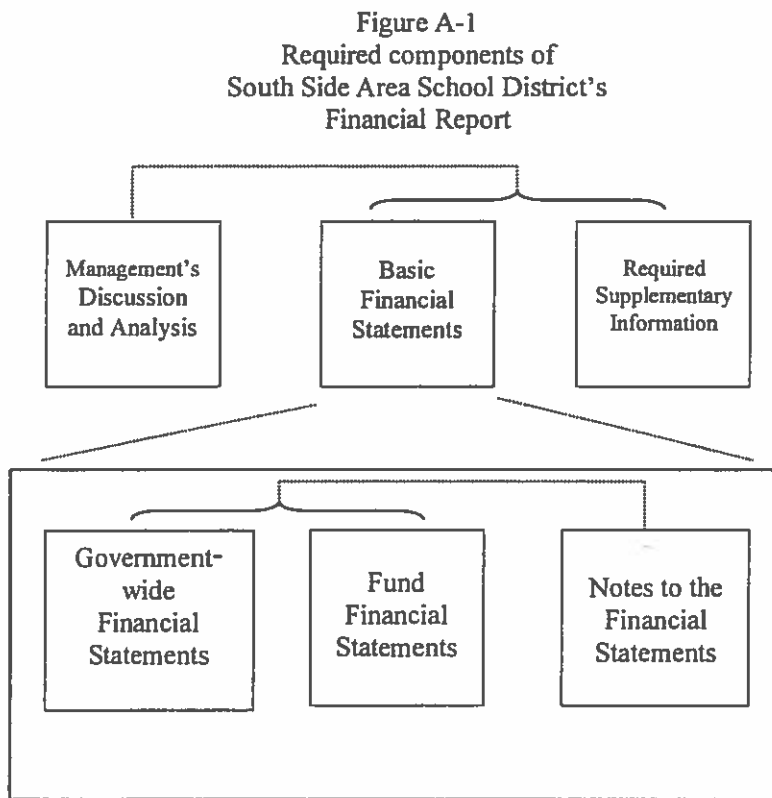


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

**SOUTH SIDE AREA SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**JUNE 30, 2015**

Figure A-2 Major Features of South Side Area School District's Government-wide and Fund Financial Statements				
		Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business – Food Services	Instances in which the District is the trustee or agent to someone else's resources – Scholarship and Student Activities Funds
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during 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 year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**JUNE 30, 2015**

**OVERVIEW OF FINANCIAL STATEMENTS**

**Government-wide Statements**

The government-wide statements report information about the 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 assets and liabilities, 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, one needs to consider additional non-financial factors, such as changes in the District's property tax base and the performance of the students.

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

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

**Fund Financial Statements**

The District's fund financial statements, which begin on Page 6, provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and 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 an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the 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 activities that are similar to business operations in the private sector or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

JUNE 30, 2015

through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District’s proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provides more detail and additional information, such as cash flows.

Fiduciary funds - The District is the trustee, or fiduciary, for scholarship and student activities funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on Page 13. We exclude these activities from the District's other financial statement because the District cannot use these assets to finance its operations.

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

The District's total net position was (\$16,716,788) at June 30, 2015.

Table A-1 Net Position

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 10,089,572	\$ 27,263	\$ 10,116,835	\$ 8,672,581	\$ 15,548	\$ 8,688,129
Capital Assets *	<u>21,445,629</u>	<u>5,061</u>	<u>21,450,690</u>	<u>20,614,026</u>	<u>10,856</u>	<u>20,624,882</u>
Total Assets	<u>\$ 31,535,201</u>	<u>\$ 32,324</u>	<u>\$ 31,567,525</u>	<u>\$ 29,286,607</u>	<u>\$ 26,404</u>	<u>\$ 29,313,011</u>
Deferred Outflows of Resources	<u>\$ 2,762,224</u>	<u>\$ 50,049</u>	<u>\$ 2,812,273</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Current & Other Liabilities	\$ 6,070,480	\$ 52,628	\$ 6,123,108	\$ 4,536,681	\$ 3,738	\$ 4,540,419
Long-term Liabilities	<u>42,221,386</u>	<u>528,092</u>	<u>42,749,478</u>	<u>10,947,699</u>	<u>12,215</u>	<u>10,959,914</u>
Total Liabilities	<u>\$ 48,291,866</u>	<u>\$ 580,720</u>	<u>\$ 48,872,586</u>	<u>\$ 15,484,380</u>	<u>\$ 15,953</u>	<u>\$ 15,500,333</u>
Deferred Inflows of Resources	<u>\$ 2,184,420</u>	<u>\$ 39,580</u>	<u>\$ 2,224,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Investment in Capital Assets	\$ 10,068,833	\$ 5,061	\$ 10,073,894	\$ 9,474,137	\$ 10,856	\$ 9,484,993
Restricted For:						
Capital Projects	1,396,143	0	1,396,143	(138,865)	0	(138,865)
Capital Reserve	107,017	0	107,017	107,008	0	107,008
Unrestricted	<u>(27,750,854)</u>	<u>(542,988)</u>	<u>(28,293,842)</u>	<u>4,359,947</u>	<u>(405)</u>	<u>4,359,542</u>
Total Net Position	<u>\$ (16,178,861)</u>	<u>\$ (537,927)</u>	<u>\$ (16,716,788)</u>	<u>\$ 13,802,227</u>	<u>\$ 10,451</u>	<u>\$ 13,812,678</u>

\*Net of amortization and depreciation

Most of the District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is a combination of designated and undesignated amounts. The

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**JUNE 30, 2015**

designated balances are amounts set-aside to fund future purchases or capital projects as planned by the District.

The results of this year's operations as a whole are reported in the Statement of Activities on Page 5. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania and the local taxes assessed to community taxpayers.

Table A-2 takes the information from that Statement and rearranges it slightly so that one can see our total revenues for the year.

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

	<u>2015</u>			<u>2014</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>REVENUES</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 68,760	\$ 275,776	\$ 344,536	\$ 55,968	\$ 308,253	\$ 364,221
Operating Grants & Contributions	3,899,355	288,295	4,187,650	3,568,239	274,184	3,842,423
Capital Grants & Contributions	18,880	0	18,880	72,733	0	72,733
<b>General Revenues:</b>						
Property Taxes	6,809,416	0	6,809,416	6,582,238	0	6,582,238
Other Taxes	923,148	0	923,148	989,268	0	989,268
Grants, Subsidies & Contributions, Not Restricted	10,065,512	0	10,065,512	10,065,668	0	10,065,668
Investment Earnings	9,145	1	9,146	9,599	6	9,605
Refunds of prior year receipts	(6,253)	0	(6,253)	8	0	8
Miscellaneous Income	23,414	0	23,414	23,598	0	23,598
<b>TOTAL REVENUES</b>	<b>\$ 21,811,377</b>	<b>\$ 564,072</b>	<b>\$ 22,375,449</b>	<b>\$ 21,367,319</b>	<b>\$ 582,443</b>	<b>\$ 21,949,762</b>
<b>EXPENDITURES</b>						
Instructional	\$ 13,432,456	\$ 0	\$ 13,432,456	\$ 12,935,646	\$ 0	\$ 12,935,646
Student Support	1,826,682	0	1,826,682	1,598,995	0	1,598,995
Admin. & Financial Support	2,000,550	0	2,000,550	1,926,334	0	1,926,334
Operation & Maint. Of Plant	2,457,552	0	2,457,552	2,266,974	0	2,266,974
Pupil Transportation	1,684,221	0	1,684,221	1,716,870	0	1,716,870
Student Activities	663,739	0	663,739	670,593	0	670,593
Interest on Long-Term Debt	618,812	0	618,812	385,887	0	385,887
Community Services	3,000	0	3,000	13,938	0	13,938
Cap. Outlay (Not Subj. to Capitalization)	53,333	0	53,333	410,380	0	410,380
Food Services	0	581,541	581,541	0	643,162	643,162
<b>TOTAL EXPENDITURES</b>	<b>\$ 22,740,345</b>	<b>\$ 581,541</b>	<b>\$ 23,321,886</b>	<b>\$ 21,925,617</b>	<b>\$ 643,162</b>	<b>\$ 22,568,779</b>
Increase (Decrease) in net position	\$ (928,968)	\$ (17,469)	\$ (946,437)	\$ (558,298)	\$ (60,719)	\$ (619,017)
Transfers	0	0	0	0	0	0
Net Position July 1st	13,802,227	10,451	13,812,678	14,360,525	71,170	14,431,695
Prior Period Adjustment	(29,052,120)	(530,909)	(29,583,029)	0	0	0
<b>Net Position June 30th</b>	<b>\$ (16,178,861)</b>	<b>\$ (537,927)</b>	<b>\$ (16,716,788)</b>	<b>\$ 13,802,227</b>	<b>\$ 10,451</b>	<b>\$ 13,812,678</b>

**SOUTH SIDE AREA SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**JUNE 30, 2015**

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

**Table A-3  
Governmental Activities**

<u>FUNCTIONS/PROGRAMS</u>	<u>2015</u>		<u>2014</u>	
	<u>TOTAL COST OF SERVICE</u>	<u>NET COST OF SERVICE</u>	<u>TOTAL COST OF SERVICE</u>	<u>NET COST OF SERVICE</u>
Instruction	\$ 13,432,456	\$ 10,653,851	\$ 12,935,646	\$ 10,387,349
Instructional Student Support	1,826,682	1,714,356	1,598,995	1,510,729
Administrative and Financial Support	2,000,550	1,825,019	1,926,334	1,784,467
Operation and Maintenance of Plant	2,457,552	2,283,185	2,266,974	2,137,244
Pupil Transportation	1,684,221	1,077,797	1,716,870	1,099,807
Student Activities	663,739	542,877	670,593	571,609
Community Services	3,000	3,000	13,938	13,938
Interest on Long-Term Debt	618,812	599,932	385,887	313,154
Capital Outlay (Not subject to capitalization)	53,333	53,333	410,380	410,380
<b>Total Governmental Activities</b>	<b>\$ 22,740,345</b>	<b>\$ 18,753,350</b>	<b>\$ 21,925,617</b>	<b>\$ 18,228,677</b>
Less:				
Unrestricted Grants, Subsidies & Contributions				
Not Restricted		10,065,512		10,065,668
<b>Total Needs from Local Taxes and Other Revenues</b>		<b>\$ 8,687,838</b>		<b>\$ 8,163,009</b>

Table A-4 reflects the activities of the Food Service program, the only Business-type activity of the District.

**Table A-4  
Business-type Activities**

<u>FUNCTIONS/PROGRAMS</u>	<u>2015</u>		<u>2014</u>	
	<u>TOTAL COST OF SERVICE</u>	<u>NET COST OF SERVICE</u>	<u>TOTAL COST OF SERVICE</u>	<u>NET COST OF SERVICE</u>
Food Service	\$ 581,541	\$ 17,470	\$ 643,162	\$ 60,725
Less:				
Investment Earnings		(1)		(6)
<b>Total Business - Type Activities</b>		<b>\$ 17,469</b>		<b>\$ 60,719</b>

SOUTH SIDE AREA SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

The Statement of Revenues, Expenses and Changes in Fund Net Position for this proprietary fund will further detail the actual results of operations.

THE DISTRICT FUNDS

At June 30, 2015, the District funds reported a combined fund balance of \$6,687,445, which is an increase of \$1,440,605 from June 30, 2014. The fund balance is comprised of a decrease in the General Fund \$94,403 and an increase of \$1,535,008 in the Capital Projects Fund. The increase was due to the District issuing refunding bonds in order to complete various capital projects.

General Fund Budget

During the fiscal year, the Board of School Directors (the Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year, which is not prohibited by state law. Transfers between specific categories of expenditures/financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on Page 15.

The Budgetary Reserve includes amounts that will be funded by designated fund balance for planned opportunities of expenditures for improvements/enhancements to the District's operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2015, the District had \$21,450,690 invested in a broad range of capital assets, including land, buildings and furniture, and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$825,808, or 4.00% from last year.

Table A-5  
Governmental and Business-Type Activities  
Capital assets - net of depreciation

	<u>2014-2015</u>	<u>2013-2014</u>
Land & Land Improvements	\$ 669,305	\$ 611,099
Buildings & Building Improvements	20,473,729	19,428,651
Furniture & Equipment	<u>307,656</u>	<u>585,132</u>
Total Capital Assets	<u>\$ 21,450,690</u>	<u>\$ 20,624,882</u>

**SOUTH SIDE AREA SCHOOL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**JUNE 30, 2015**

**DEBT ADMINISTRATION**

As of July 1, 2014, the District had total outstanding bond principal of \$11,250,000. During 2014-2015 the District issued refunding general obligation bonds, series A and B, totaling \$10,000,000. The District refunded a \$6,410,000 of the 2010 series general obligation bonds and made payments against principal of \$1,095,000. Additionally, the District recognized its net pension liability beginning in the 2014-2015 fiscal year of \$30,557,331. These transactions resulted in the Governmental Activities ending outstanding debt as of June 30, 2015 of \$13,745,000:

Table A-6  
Outstanding Debt

	<u>2015</u>	<u>2014</u>
<b>General Obligation Bonds:</b>		
Bond, Series 2010	\$ 3,550,000	\$ 9,960,000
Bond, Series A 2010	195,000	1,290,000
Bond, Series A/B 2014	<u>10,000,000</u>	<u>0</u>
<b>Total General Obligation Bonds</b>	<b>\$ <u>13,745,000</u></b>	<b>\$ <u>11,250,000</u></b>
Net Pension Liability	\$ <u>30,557,331</u>	\$ <u>0</u>
<b>Total Outstanding Debt</b>	<b>\$ <u>44,302,331</u></b>	<b>\$ <u>11,250,000</u></b>

Other obligations include accrued vacation pay and sick leave for specific employees of the District. More detailed information about our long-term liabilities is included in Notes 7 and 8 to the financial statements.

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

The District's general obligation bond rating is a Standard and Poor's AA- rating. The AA- rating is based upon the additional security for bonds provided by the Commonwealth of Pennsylvania Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default. Standard and Poor's AA- rating reflects their assessment of the likelihood of repayment of principal and interest based on the bond insurance policy the District is providing.

The 2015-2016 academic year brings several new and exciting initiatives and continues on-going ones:

**Facilities**

- The District is finalizing the High School/Middle School renovation project, which included reconfiguring and resurfacing the High School/Middle School parking lots.
- The South Side Area School District has a long history, 25+ years, of providing inclusive programs for students with disabilities.
- District partnerships: Japan, First Energy, Challenge Program, Robert Morris, Pitt, Moon HS, Chevron, PTO, Fatherhood of Beaver County, Czech Republic
- The South Side Area School District is in Year 4 of its 1:1 technology initiative that provides iPads for all students K-5 and laptops to all students in grades 6-12.

## SOUTH SIDE AREA SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

JUNE 30, 2015

- The district offers various on-line learning opportunities for students and utilizes various online curriculum packages while operating a district operated cyber school program.
- The South Side Area School District has targeted school attendance and truancy through a partnership with our local district magistrate. In doing so, parents are invited in with their child to meet with the magistrate on campus rather than the courtroom in an effort to increase school attendance and decrease truancy.
- The District is in its third year of employing a Chief of Police who leads and directs their comprehensive security and safety program that is respected both on the county and state levels.
- K-12 District STEM program via the Project Lead the Way curriculum.
- South Side Middle School has been re-designated as a School to Watch as per the PA Middle Level Education guidelines. The middle school was first recognized for being an exemplary place for teaching and learning during the 2013-2016 school years. This new recognition will be in effect for the 2016-2019 school years.
- College Board's Advanced Placement District Honor Roll (twelve AP courses offered in the high school)
- Most Positive High School (2015) (2013) as per the Pittsburgh Positive Athlete Program
- Emphasis on the Arts: First time All State Choir qualifier (2015), two Henry Mancini Musical Theatre nominations out of 31 schools (2015), FBLA state qualifier (2015: only student in the region to score in the Top 50)
- South Side Elementary School has been home to a district-funded 4-year-old preschool program for the past 7 years.

This is an exciting time to be at South Side. Our new programs and initiatives will certainly translate to student success.

#### THE 2015-2016 BUDGET

The revenue budget for the 2015-2016 year is \$1,185,935 more than the original budget for 2014-2015. This represents a 5.32% increase in budgeted revenues. The expenditure budget for the 2015-2016 year is \$962,778 more than the original budget for 2014-2015, or a 4.39% increase. The increase in budgeted expenditures is primarily due to increases in the PSERS employer contribution rate and health insurance increases.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

**JUNE 30, 2015**

Table A-7

The comparison of revenue and expenditure categories is as follows:

**BUDGETED REVENUES**

	<u>2015-2016</u>	<u>2014-2015</u>
Local	36.37%	42.00%
State	62.13%	56.56%
Federal/Other	1.50%	1.44%

**BUDGETED EXPENDITURES**

	<u>2015-2016</u>	<u>2014-2015</u>
Instruction	56.57%	56.91%
Support Services	34.38%	32.32%
Non-Instruction/Community	2.65%	2.55%
Fund Transfers/Debt	6.40%	8.22%

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors 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 John Sepe, Business Manager at South Side Area School District, 4949 State Route 151, Hookstown, PA 15050, (724) 573-9581, Ext. 3103.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2015**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 8,431,025	\$ 76,820	\$ 8,507,845
Taxes Receivable, net			
Property Taxes	628,941	0	628,941
Earned Income Taxes	88,302	0	88,302
Internal Balances	62,744	(62,744)	0
Due From Other Governments	637,067	4,620	641,687
Other Accounts Receivable	17,799	0	17,799
Inventories	0	8,567	8,567
Prepaid Expenses	223,694	0	223,694
<b>Total Current Assets</b>	<b>\$ 10,089,572</b>	<b>\$ 27,263</b>	<b>\$ 10,116,835</b>
<b>Noncurrent Assets</b>			
Land	\$ 40,736	\$ 0	\$ 40,736
Site Improvements (net of depreciation)	628,569	0	628,569
Building & Building Improvements (net of depreciation)	20,473,729	0	20,473,729
Furniture & Equipment (net of depreciation)	302,595	5,061	307,656
<b>Total Noncurrent Assets</b>	<b>\$ 21,445,629</b>	<b>\$ 5,061</b>	<b>\$ 21,450,690</b>
<b>TOTAL ASSETS</b>	<b>\$ 31,535,201</b>	<b>\$ 32,324</b>	<b>\$ 31,567,525</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to Pensions	\$ 2,762,224	\$ 50,049	\$ 2,812,273
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 2,762,224</b>	<b>\$ 50,049</b>	<b>\$ 2,812,273</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$ 764,051	\$ 6,258	\$ 770,309
Short-Term Payables	49,931	0	49,931
Unearned Revenue	15,082	7,480	22,562
Accrued Salaries and Benefits	2,085,034	0	2,085,034
Current Portion of LT Debt	1,010,000	0	1,010,000
Current Portion of Net Pension Liability	2,146,382	38,890	2,185,272
<b>Total Current Liabilities</b>	<b>\$ 6,070,480</b>	<b>\$ 52,628</b>	<b>\$ 6,123,108</b>
<b>Noncurrent Liabilities</b>			
Long-Term Portion of Debt	\$ 12,735,000	\$ 0	\$ 12,735,000
Unamortized bond discount/premium	(14,597)	0	(14,597)
LT Portion of Other Post-Employment Benefits	784,533	0	784,533
LT Portion of Compensated Absences	305,501	13,312	318,813
LT Portion of Net Pension Liability	28,410,949	514,780	28,925,729
<b>Total Noncurrent Liabilities</b>	<b>\$ 42,221,386</b>	<b>\$ 528,092</b>	<b>\$ 42,749,478</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 48,291,866</b>	<b>\$ 580,720</b>	<b>\$ 48,872,586</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pensions	2,184,420	39,580	2,224,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,184,420</b>	<b>39,580</b>	<b>2,224,000</b>
<b>NET POSITION</b>			
Net Investment in capital assets	\$ 10,068,833	\$ 5,061	\$ 10,073,894
Restricted for:			
Capital Projects	1,396,143	0	1,396,143
Capital Reserve	107,017	0	107,017
Unrestricted (deficit)	(27,750,854)	(542,988)	(28,293,842)
<b>TOTAL NET POSITION</b>	<b>\$ (16,178,861)</b>	<b>\$ (537,927)</b>	<b>\$ (16,716,788)</b>

**SOUTH SIDE AREA SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular Instruction	\$ 10,773,413	\$ 0	\$ 1,565,601	\$ 0	\$ (9,207,812)	\$ 0	\$ (9,207,812)
Special Instruction	2,435,356	0	1,015,900	0	(1,419,456)	0	(1,419,456)
Vocational Instruction	155,821	0	37	0	(155,784)	0	(155,784)
Other Instructional Programs	67,866	0	197,067	0	129,201	0	129,201
<b>Total Instructional Services</b>	<b>\$ 13,432,456</b>	<b>\$ 0</b>	<b>\$ 2,778,605</b>	<b>\$ 0</b>	<b>\$ (10,653,851)</b>	<b>\$ 0</b>	<b>\$ (10,653,851)</b>
<b>Support Services:</b>							
Pupil Personnel	\$ 618,065	\$ 0	\$ 49,047	\$ 0	\$ (569,018)	\$ 0	\$ (569,018)
Instructional Staff	1,009,522	0	45,488	0	(964,034)	0	(964,034)
Administration	1,566,740	0	135,525	0	(1,431,215)	0	(1,431,215)
Pupil Health	199,095	0	17,791	0	(181,304)	0	(181,304)
Business Services	394,104	0	40,006	0	(354,098)	0	(354,098)
Operation of Plant and Maintenance Services	2,457,552	0	174,367	0	(2,283,185)	0	(2,283,185)
Student Transportation Services	1,684,221	0	606,424	0	(1,077,797)	0	(1,077,797)
Central and Other Support Services	39,706	0	0	0	(39,706)	0	(39,706)
<b>Total Support Services</b>	<b>\$ 7,969,005</b>	<b>\$ 0</b>	<b>\$ 1,068,648</b>	<b>\$ 0</b>	<b>\$ (6,900,357)</b>	<b>\$ 0</b>	<b>\$ (6,900,357)</b>
<b>Non-Instructional Services:</b>							
Student Activities	\$ 663,739	\$ 68,760	\$ 52,102	\$ 0	\$ (542,877)	\$ 0	\$ (542,877)
Community Services	3,000	0	0	0	(3,000)	0	(3,000)
Interest on Long-Term Debt	618,812	0	0	18,880	(599,932)	0	(599,932)
Capital Outlay (Not subject to capitalization)	53,333	0	0	0	(53,333)	0	(53,333)
<b>Total Non-Instructional Services</b>	<b>\$ 1,338,884</b>	<b>\$ 68,760</b>	<b>\$ 52,102</b>	<b>\$ 18,880</b>	<b>\$ (1,199,142)</b>	<b>\$ 0</b>	<b>\$ (1,199,142)</b>
<b>Total Governmental Activities</b>	<b>\$ 22,740,345</b>	<b>\$ 68,760</b>	<b>\$ 3,899,355</b>	<b>\$ 18,880</b>	<b>\$ (18,753,350)</b>	<b>\$ 0</b>	<b>\$ (18,753,350)</b>
<b>Business-Type Activities:</b>							
Food Services	581,541	275,776	288,295	0	0	(17,470)	(17,470)
<b>Total Primary Government</b>	<b>\$ 23,321,886</b>	<b>\$ 344,536</b>	<b>\$ 4,187,650</b>	<b>\$ 18,880</b>	<b>\$ (18,753,350)</b>	<b>\$ (17,470)</b>	<b>\$ (18,770,820)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purposes, net				\$ 6,809,416	\$ 0	\$ 6,809,416	
Other taxes levied for general purposes, net				923,148	0	923,148	
Refunds of prior year receipts				(6,253)	0	(6,253)	
Grants, subsidies & contributions not restricted				10,065,512	0	10,065,512	
Investment earnings				9,145	1	9,146	
Miscellaneous income				23,414	0	23,414	
Transfers				0	0	0	
<b>Total general revenues and transfers</b>				<b>\$ 17,824,382</b>	<b>\$ 1</b>	<b>\$ 17,824,383</b>	
<b>Change in Net Position</b>				<b>\$ (928,968)</b>	<b>\$ (17,469)</b>	<b>\$ (946,437)</b>	
<b>Net Position - Beginning of Year</b>				<b>13,802,227</b>	<b>10,451</b>	<b>13,812,678</b>	
<b>Prior Period Adjustment - Change in Accounting Principle (Note 14)</b>				<b>(29,301,091)</b>	<b>(530,909)</b>	<b>(29,832,000)</b>	
<b>Prior Period Adjustment - Correction of an Accounting Error (Note 14)</b>				<b>248,971</b>	<b>0</b>	<b>248,971</b>	
<b>Net Position - Beginning of Year - Restated</b>				<b>(15,249,893)</b>	<b>(520,458)</b>	<b>(15,770,351)</b>	
<b>Net Position - ending</b>				<b>\$ (16,178,861)</b>	<b>\$ (537,927)</b>	<b>\$ (16,716,788)</b>	

**SOUTHSIDE AREA SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2015**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,062,821	\$ 2,368,204	\$ 8,431,025
Taxes Receivable:			
Property Taxes	628,941	0	628,941
Earned Income Taxes	88,302	0	88,302
Interfund Receivables	969,637	0	969,637
Intergovernmental Receivables	637,067	0	637,067
Prepaid Expenditures	223,694	0	223,694
Other Receivables	17,799	0	17,799
<b>TOTAL ASSETS</b>	<u>\$ 8,628,261</u>	<u>\$ 2,368,204</u>	<u>\$ 10,996,465</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 698,883	\$ 65,168	\$ 764,051
Unearned Revenue	15,082	0	15,082
Accrued Salaries & Benefits	2,085,034	0	2,085,034
Interfund Payables	0	906,893	906,893
<b>TOTAL LIABILITIES</b>	<u>\$ 2,798,999</u>	<u>\$ 972,061</u>	<u>\$ 3,771,060</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	\$ 537,960	\$ 0	\$ 537,960
<b>FUND BALANCES</b>			
Restricted for:			
Capital Projects	\$ 0	\$ 1,396,143	\$ 1,396,143
Assigned for:			
Capital Reserve	107,017	0	107,017
PSERS Rate Increases	4,000,000	0	4,000,000
Next Year's Budget	570,117	0	570,117
Unassigned	614,168	0	614,168
<b>TOTAL FUND BALANCES</b>	<u>\$ 5,291,302</u>	<u>\$ 1,396,143</u>	<u>\$ 6,687,445</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 8,628,261</u>	<u>\$ 2,368,204</u>	<u>\$ 10,996,465</u>

**SOUTH SIDE AREA SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2015**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 6,687,445**

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

Capital assets used in governmental activities that are not financial and therefore are not reported as assets in governmental funds.

Add: Capital Assets	34,502,007
Deduct: Accumulated Depreciation	(13,056,378)

Certain tax revenues are recognized in the period for which levied than when "available." A portion of the certain deferred tax revenues are not available.

Add: Property Taxes	537,960
---------------------	---------

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

Deduct: Net Pension Liability	(30,557,331)
-------------------------------	--------------

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in governmental funds

Add: Deferred Outflows of Resources Related to Pensions	\$ 2,762,224	
Deduct: Deferred Inflows of Resources Related to Pensions	<u>(2,184,420)</u>	
		577,804

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Deduct: Notes Payable	\$ (13,745,000)	
Deduct: Unamortized Bond Premium/Discount	14,597	
Deduct: Accrued Interest on Debt	(49,931)	
Deduct: Compensated Absences and Other Post-Employment Benefit	<u>(1,090,034)</u>	
		<u>(14,870,368)</u>

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES** **\$ (16,178,861)**

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local Sources	\$ 7,945,510	\$ 306	\$ 7,945,816
State Sources	13,599,793	0	13,599,793
Federal Sources	<u>231,112</u>	<u>0</u>	<u>231,112</u>
<b>TOTAL REVENUES</b>	<u>\$ 21,776,415</u>	<u>\$ 306</u>	<u>\$ 21,776,721</u>
<b>EXPENDITURES</b>			
Instruction	\$ 12,308,663	\$ 0	\$ 12,308,663
Support Services	7,655,266	130,277	7,785,543
Non-Instructional Services	627,104	0	627,104
Capital Outlay	14,977	1,464,820	1,479,797
Debt Services	<u>1,258,555</u>	<u>460,201</u>	<u>1,718,756</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 21,864,565</u>	<u>\$ 2,055,298</u>	<u>\$ 23,919,863</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>\$ (88,150)</u>	<u>\$ (2,054,992)</u>	<u>\$ (2,143,142)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding Bond Proceeds	\$ 0	\$ 10,000,000	\$ 10,000,000
Refunding Bond Principal Payments	0	(6,410,000)	(6,410,000)
Refund of Prior Year Receipts	<u>(6,253)</u>	<u>0</u>	<u>(6,253)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ (6,253)</u>	<u>\$ 3,590,000</u>	<u>\$ 3,583,747</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ (94,403)	\$ 1,535,008	\$ 1,440,605
<b>FUND BALANCE - JUNE 30, 2014</b>	<u>5,385,705</u>	<u>(138,865)</u>	<u>5,246,840</u>
<b>FUND BALANCE - JUNE 30, 2015</b>	<u>\$ 5,291,302</u>	<u>\$ 1,396,143</u>	<u>\$ 6,687,445</u>

See Accompanying Notes to Financial Statements.

SOUTH SIDE AREA SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,440,605

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

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

	Capital Outlays	\$ 1,541,537	
	Less: Depreciation Expense	<u>(958,905)</u>	582,632

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

40,907

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

	District Pension Contributions	2,146,382	
	Less: Cost of Benefits Earned Net of Employee Contributions	<u>(2,824,817)</u>	(678,435)

The governmental funds report proceeds from debt as an other financing source, while the repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of bonds and leases is as follows:

	Repayment of Bond Principal	\$ 1,095,000	
	Refunding Bond Proceeds	(10,000,000)	
	Refunding Bond Payments	6,410,000	
	Repayment of Lease Principal	298,117	
	Interest Expense	4,944	
	Amortization of Bond Premiums/Discounts	<u>18,636</u>	
	Total		(2,173,303)

In the Statement of Activities, certain operating expenses-compensated absences and other post-employment benefits-are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, the total amount of the liability decreased by this amount.

(141,374)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (928,968)

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND TYPES**  
**AS OF JUNE 30, 2015**

	<b>Food Service</b>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 76,820
Intergovernmental Receivable	4,620
Inventories	8,567
<b>Total Current Assets</b>	<b>\$ 90,007</b>
<b>Noncurrent Assets:</b>	
Machinery & Equipment (net)	\$ 5,061
<b>Total Noncurrent Assets</b>	<b>\$ 5,061</b>
<b>TOTAL ASSETS</b>	<b>\$ 95,068</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to Pensions	\$ 50,049
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Due to Other Funds	\$ 62,744
Current Portion of Net Pension Liability	38,890
Unearned Revenue	7,480
Accounts Payable	6,258
<b>Total Current Liabilities</b>	<b>\$ 115,372</b>
<b>Noncurrent Liabilities:</b>	
Compensated Absences Payable	\$ 13,312
Net Pension Liability	514,780
<b>Total Noncurrent Liabilities</b>	<b>\$ 528,092</b>
<b>TOTAL LIABILITES</b>	<b>\$ 643,464</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to Pensions	\$ 39,580
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 5,061
Unrestricted	(542,988)
<b>TOTAL NET POSITION</b>	<b>\$ (537,927)</b>

See Accompanying Notes to Financial Statements.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Food Service</b>
<b>OPERATING REVENUES:</b>	
Food Service Revenue	\$ <u>275,776</u>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ <u>275,776</u></b>
<b>OPERATING EXPENSES:</b>	
Salaries	\$ 181,784
Employee Benefits	128,211
Professional Services	61
Repairs and Maintenance	2,307
Supplies	259,589
Depreciation	5,795
Other Operating expenditures	<u>3,794</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ <u>581,541</u></b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ <u>(305,765)</u></b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Earnings on Investments	\$ 1
State Sources	43,392
Federal Sources	<u>244,903</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>\$ <u>288,296</u></b>
<b>CHANGE IN NET POSITION</b>	<b>\$ <u>(17,469)</u></b>
<b>TOTAL NET POSITION - JUNE 30, 2014</b>	<b>10,451</b>
<b>PRIOR PERIOD ADJUSTMENT (NOTE 14)</b>	<b><u>(530,909)</u></b>
<b>TOTAL NET POSITION - JUNE 30, 2014 - RESTATED</b>	<b><u>(520,458)</u></b>
<b>TOTAL NET POSITION - JUNE 30, 2015</b>	<b>\$ <u>(537,927)</u></b>

See Accompanying Notes to Financial Statements.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND TYPES**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Food Service</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Users	\$ 283,256
Cash Payments to Employees for Services	(294,086)
Cash Payments to Suppliers for Goods and Services	<u>(256,925)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (267,755)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State Sources	\$ 43,063
Federal Sources	<u>240,612</u>
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>\$ 283,675</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Earnings on Investments	<u>\$ 1</u>
<b>NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES</b>	<u>\$ 1</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ 15,921
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>60,899</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 76,820</u>
 <b><u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u></b>	
Operating Income (Loss)	<u>\$ (305,765)</u>
Depreciation and Net Amortization	\$ 5,795
<b>Change in Assets and Liabilities</b>	
(Increase) Decrease in Inventories	(4,411)
(Increase) Decrease in Deferred Outflows of Resources	(50,049)
Increase (Decrease) in Interfund Payable	2,520
Increase (Decrease) in Accounts Payable	13,237
Increase (Decrease) in Unearned Revenues	7,480
Increase (Decrease) in Deferred Inflows of Resources	39,580
Increase (Decrease) in Net Pension Liability	22,761
Increase (Decrease) in Compensated Absences Payable	<u>1,097</u>
<b>Total Adjustments</b>	<u>\$ 38,010</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (267,755)</u>

See Accompanying Notes to Financial Statements.

**SOUTH SIDE AREA SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2015**

	<b>Private Purpose Trust Fund</b>	<b>Student Activities Fund</b>
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,343	\$ 51,850
<b>TOTAL ASSETS</b>	<u>\$ 2,343</u>	<u>\$ 51,850</u>
 <b>LIABILITIES</b>		
Due to Student Groups	\$ 0	\$ 51,850
<b>TOTAL LIABILITIES</b>	<u>\$ 0</u>	<u>\$ 51,850</u>
 <b>TOTAL NET POSITION</b>	<u>\$ 2,343</u>	<u>\$ 0</u>
 <b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 2,343</u>	<u>\$ 51,850</u>

See Accompanying Notes to Financial Statements.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS</b>	
Interfund Transfers	\$ <u>0</u>
<b>TOTAL ADDITIONS</b>	<b>\$ <u>0</u></b>
<b>DEDUCTIONS</b>	
Scholarships & Other Deductions	\$ <u>0</u>
<b>TOTAL DEDUCTIONS</b>	<b>\$ <u>0</u></b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 0</b>
<b>NET POSITION BEGINNING OF YEAR</b>	<u>2,343</u>
<b>NET POSITION END OF YEAR</b>	<b>\$ <u>2,343</u></b>

See Accompanying Notes to Financial Statements.

SOUTH SIDE AREA SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with and Positive (Negative)	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
<b>REVENUES</b>						
Local revenues	\$ 7,980,130	\$ 7,980,130	\$ 7,945,510	\$ (34,620)	\$ 0	\$ 7,945,510
State program revenues	13,631,209	13,631,209	13,599,793	(31,416)	0	13,599,793
Federal program revenues	329,323	329,323	231,112	(98,211)	0	231,112
<b>TOTAL REVENUES</b>	<b>\$ 21,940,662</b>	<b>\$ 21,940,662</b>	<b>\$ 21,776,415</b>	<b>\$ (164,247)</b>	<b>\$ 0</b>	<b>\$ 21,776,415</b>
<b>EXPENDITURES</b>						
Regular Programs	\$ 10,187,924	\$ 10,187,924	\$ 9,793,040	\$ 394,884	\$ 0	\$ 9,793,040
Special Programs	2,062,037	2,062,037	2,294,585	(232,548)	0	2,294,585
Vocational Programs	260,000	260,000	155,821	104,179	0	155,821
Other Instructional Programs	98,287	98,287	33,070	65,217	0	65,217
Pupil Personnel Services	650,682	650,682	598,887	51,795	0	598,887
Instructional Staff Services	1,052,012	1,052,012	1,060,555	(8,543)	0	1,060,555
Administrative Services	1,399,065	1,399,065	1,400,498	(1,433)	0	1,400,498
Pupil Health	243,168	243,168	191,677	51,491	0	191,677
Business Services	390,343	390,343	377,525	12,818	0	377,525
Operation & Maintenance of Plant Services	2,235,118	2,235,118	2,302,774	(67,656)	0	2,302,774
Student Transportation Services	1,646,316	1,646,316	1,683,644	(37,328)	0	1,683,644
Central & Other Support Services	46,200	46,200	39,706	6,494	0	39,706
Student Activities	584,178	584,178	624,104	(39,926)	0	624,104
Community Services	6,000	6,000	3,000	3,000	0	3,000
Facilities Acquisition, Construction and Improvement Services	0	0	14,977	(14,977)	0	14,977
Debt Services	1,276,292	1,276,292	1,258,555	17,737	0	1,258,555
<b>TOTAL EXPENDITURES</b>	<b>\$ 22,137,622</b>	<b>\$ 22,137,622</b>	<b>\$ 21,864,565</b>	<b>\$ 273,057</b>	<b>\$ 0</b>	<b>\$ 21,864,565</b>
Excess (deficiency) of revenues over expenditures						
	\$ (196,960)	\$ (196,960)	\$ (88,150)	\$ 108,810	\$ 0	\$ (88,150)
<b>OTHER FINANCING SOURCES (USES)</b>						
Refund of Prior Year Receipts	\$ 0	\$ 0	\$ (6,253)	\$ (6,253)	\$ 0	\$ (6,253)
Budgetary Reserve	(150,000)	(150,000)	0	150,000	0	0
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ (150,000)</b>	<b>\$ (150,000)</b>	<b>\$ (6,253)</b>	<b>\$ 143,747</b>	<b>\$ 0</b>	<b>\$ (6,253)</b>
Net change in fund balances	\$ (346,960)	\$ (346,960)	\$ (94,403)	\$ 252,557	\$ 0	\$ (94,403)
<b>FUND BALANCE - JUNE 30, 2014</b>	<b>(430,369)</b>	<b>(430,369)</b>	<b>5,385,705</b>	<b>5,816,074</b>	<b>0</b>	<b>5,385,705</b>
<b>FUND BALANCE - JUNE 30, 2015</b>	<b>(777,329)</b>	<b>(777,329)</b>	<b>5,291,302</b>	<b>6,068,631</b>	<b>0</b>	<b>5,291,302</b>

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 1 - REPORTING ENTITY**

The South Side Area School District (the "School District") is organized under Title 24 of the Pennsylvania Statutes. The School District provides educational services as authorized by state statute and/or federal guidelines.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the South Side Area School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The South Side Area School District does not have any component units.

The Beaver Valley Intermediate Unit and the Beaver County Career and Technology Center were considered as possible component units but were excluded based on the above criteria.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the South Side Area School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989 to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The more significant accounting policies of the School District are described below.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide financial statements*—The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

distinguish between those activities of the School District that are governmental and those that are considered business-type activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the School District.

*Fund financial statements*—During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds, if applicable, are aggregated and presented in a single column. The fiduciary funds are reported by type.

**B. Measurement Focus/Basis of Accounting**

*Fund Accounting*

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits are recorded only when payment is due. Property taxes and interest associated with past and current fiscal periods are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if they are collected within 60 days of the end of the current fiscal period. All other property taxes

**SOUTH SIDE AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDING JUNE 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

associated with past and current fiscal periods are deferred in the Governmental fund financial statements.

The School District reports the following major governmental funds:

**General Fund**—The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Projects Fund** —The Capital Projects Fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the School District.

Proprietary funds may be used to account for any activity for which a fee is charged to external users for goods or services. Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. All proprietary funds are shown on the government-wide statements as business type activities.

The School District reports the following major proprietary fund:

**Food Service Fund**—This fund accounts for the financial transactions related to the food service operations of the School District.

**Fiduciary Funds**—Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include private-purpose trust and agency funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement and are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial and, thus, do not involve measurement of results of operations. Major fund reporting does not apply to Fiduciary Funds.

The School District reports the following fiduciary funds:

**Student Activity Fund**—This fund is used to account for net position held in a purely custodial capacity for specific other persons or organizations or governments.

**Private Purpose Trust Fund** – This fund is used to account for a trust fund established to issue scholarships according to stated guidelines.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Government-wide Accounting*

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

**C. Budgetary Process**

The School District passed an appropriated budget for the fiscal year ending June 30, 2015 with revenues totaling \$21,940,662 and expenditures totaling \$22,287,662.

The School District is required by state law to adopt an annual budget for the General Fund only. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles ("GAAP").

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

*Preliminary Budget:* The preliminary budget for each year must be adopted (via Board vote) 90 days prior to the Primary Election unless the School District adopts a Resolution indicating that it will not raise the rate of any tax by more than its index. The Resolution must be adopted 110 days prior to the Primary Election and the School District must adopt a Resolution that follows traditional budget guidelines.

A *proposed* version must be prepared at least 20 days before adoption; this work-in-progress budget, defined as the *proposed preliminary budget*, must be made available for public inspection no later than 110 days prior to the Primary Election. Public notice of the intent to adopt the preliminary budget must be published no later than 10 days before adoption of the preliminary budget (100 days before Primary Election).

*Final Budget:* The final budget for each year must be adopted (via Board vote) by June 30 of the preceding school fiscal year.

A *proposed* version must be prepared and adopted (via Board vote) no later than May 30 of the preceding school fiscal year (at least 30 days before adoption); this work-in-progress budget, defined as the *proposed final budget*, must be made available for public inspection no later than June 10 of the preceding school fiscal year (20 days before adoption on June 30). Public notice of the intent to adopt the final budget must be published no later than June 20 of the preceding school fiscal year (10 days before adoption on June 30).

*Note:* For the adopted preliminary budget to become the proposed final budget, the school board must take action.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board of Directors. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Directors. All budget appropriations lapse at year-end, unless the School District chooses to utilize encumbrance accounting. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

**D. Cash, Cash Equivalents and Investments**

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF).

The School District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

**E. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are offset against each other in the governmental and business-type activities columns of the statement of net position, except for amounts due to/from other funds, which are not presented in the statement of net position.

**F. Inventories**

On government-wide financial statements, inventories are stated at cost using the purchase method. The purchase method means that food products, materials, and supplies are charged as expenditures when acquired. Inventory on hand at the end of the period is then recorded as an asset by offsetting the appropriate expense account. Due to a change in inventory controls and purchasing at the School District, the inventory for Governmental Activities at June 30, 2015 was insignificant and not recorded. Inventory is currently ordered when needed.

**SOUTH SIDE AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDING JUNE 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The inventory for Business-type Activities at June 30, 2015 is \$8,567.

On fund financial statements, inventories are stated at cost using the purchase method for proprietary funds. Inventories are not maintained in governmental funds for fund financial statement reporting.

**G. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000 per single item. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Site Improvements	20 years	N/A
Buildings and Improvements	20-50 years	20-50 years
Furniture and Equipment	5-15 years	5-15 years

**H. Compensated Absences/Retirement Incentives**

District employees accrue sick days annually to an unlimited maximum. The liability recorded for compensated absences for governmental activities is based on the employee's contract rate and accumulated days as of the end of the year. The School District's governmental liability is as follows:

Compensated absence liability at June 30, 2014	\$ 284,020
Increase (decrease) in liability	<u>21,481</u>
Compensated absence liability at June 30, 2015	<u>\$ 305,501</u>

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Business-type District employees also accrue sick days annually to an unlimited maximum. The liability recorded for compensated absences for the business-type activities is based on the employee's contract rate and accumulated days as of the end of the year. The School District's liability is as follows:

Compensated absence liability at June 30, 2014	\$ 12,215
Increase (decrease) in liability	<u>1,097</u>
Compensated absence liability at June 30, 2015	<u>\$ 13,312</u>

The liabilities for the above items are reported on the government-wide financial statements. For governmental funds, the current portion of the liabilities is the amount that is normally expected to be paid using expendable financial resources. In proprietary funds, the entire amount of the liabilities is reported as a fund liability.

**I. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

**J. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**K. Fund Balance Items**

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), effective for reporting periods after June 15, 2010. The School adopted GASB 54 as part of its 2010-11 fiscal year reporting. The intention of the GASB Statement is to

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the School's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and inventories.

In addition to the non-spendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances based on a hierarchy of spending constraints.

*Restricted* – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

*Committed* – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority, the South Side School District Board of Directors through board action to commit funds.

*Assigned* – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The Board of Directors has given authority to assign portions of the fund balance to either the Finance Committee or Business Manager.

*Unassigned* – Fund balance of the general fund that is not constrained for any particular purpose.

The School District considers the use of funds in the order of the most restrictive to the least restrictive based on the fund balance hierarchy.

According to School District policy, the School District will strive to maintain an unassigned fund balance of not less than five percent and no more than eight percent of budgeted expenses for that fiscal year.

**L. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**M. Unamortized Bond Premiums and Discounts**

Bond discounts and premiums are deferred and accreted over the term of the bonds. Bond discounts and premiums are presented as a reduction or an addition to the face of amount of the bonds.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reported \$2,762,224 in the Government Activities and \$50,049 in the Business-type Activities as deferred outflows of resources related to pension.

In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District reported \$2,184,420 in the Government Activities and \$39,580 in the Business-type Activities as deferred inflows of resources related to pension. The School District also had \$537,960 of deferred inflow of resources from unavailable property tax revenue reported on the Governmental Funds Balance Sheet as of June 30, 2015.

**O. Pensions**

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

**P. Impact of Recently Issued Accounting Principles**

*Recently Issued and Adopted Accounting Pronouncements*

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements in which:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 3 – CASH / INVESTMENTS**

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2015, \$315,655 of the School District's bank balance of \$565,655 was exposed to custodial credit risk.

Uninsured and uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution	\$	0
Uninsured and collateral held by the pledging bank's trust department not in the School District's name	\$	315,655

*Other Deposits*

As of June 30, 2015, the School District had the following other deposits in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) which were established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools, and municipalities. The purpose of the funds is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. These funds have the characteristics of open-end mutual funds and are not subject to credit risk classification. PSDLAF and PLGIT are governed by an elected board of trustees who are responsible for the overall management of them. The trustees are elected from the several classes of local governments participating in them. Each fund is audited annually by independent auditors. The Funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net assets to compute share prices. The Funds maintain net asset value of \$1 per share. Accordingly, the fair value of the position in PSDLAF and PLGIT is the same as the value of PSDLAF and PLGIT shares.

*Credit Risk*

The value of the funds as of June 30, 2015 is as follows:

<u>Type</u>	<u>Fair Value</u>	<u>Standard &amp; Poor's</u>
PA Local Government Investment Trust	\$ 2,399,128	AAAm
PA School District Liquid Asset Fund	<u>5,621,044</u>	AAAm
Total	<u>\$ 8,020,172</u>	

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 3 – CASH / INVESTMENTS – CONTINUED**

*Reconciliation to Financial Statements*

Uncollateralized Amount Above	\$	315,655
Collateralized Amount Above		250,000
Other Deposits Above		<u>8,020,172</u>
Carrying Amount - Bank Balances	\$	8,585,827
Less: Outstanding Items		(23,789)
Less: Fiduciary Funds		<u>(54,193)</u>
Total	\$	<u>8,507,845</u>

*Interest Rate Risk*

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

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The School District has no investments subject to custodial credit risk.

*Statutory Authority*

School Districts are to adopt local investment policies. The local investment policy must be written; primarily emphasize the safety of principal and liquidity; and address investment diversification, yield, maturity, and the quality and capability of investment management. Each District should customize its policies to meet board and administrative objectives as defined. Districts should review their investment policies and investment strategies annually.

Section 440.1(c) of the Pennsylvania School Code authorizes the types of investments school districts may have are as follows:

- United States Treasury bills
- Short-term obligations of the United States Government or its agencies or instrumentalities. *Short-term obligations* usually refer to investments of less than 13 months
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
  - The Federal Deposit Insurance Corporation (FDIC),
  - The Federal Savings and Loan Insurance Corporation, or
  - The National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and for any amounts above maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository

**SOUTH SIDE AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDING JUNE 30, 2015**

**NOTE 3 – CASH / INVESTMENTS – CONTINUED**

- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities. *Full faith and credit* means the obligation is backed by the government's ability to levy taxes to repay debt. These investments include any bonds issued by the Commonwealth of Pennsylvania or any municipality or school district carrying the backing of the taxation powers of the governmental unit issuing the debt. Some investments of the Federal government do not have full faith and credit backing. Fannie-Mae (FNMA) and Freddy-Mach (FNMC) bonds do not. Ginnie-Mae (GNMA) bonds do have full faith and credit backing
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the following are met:
  - Only investments of that company are in the authorized investments for school district funds listed in the categories above and repurchase agreements fully collateralized by such investments
  - The investment company is managed so as to maintain its shares as a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds)
  - The investment company is rated in the highest category by a nationally recognized rating agency. This classification includes pooled investments such as the Pennsylvania School District Liquid Asset Fund, Pennsylvania Local Government Investment Trust, and the Pennsylvania State Treasurer's Invest Program

**NOTE 4 - TAXES**

**Property Taxes**

Based upon assessed valuations provided by the County, the municipal tax collector bills and collects property taxes on behalf of the School District.

The schedule for property taxes levied for 2014-2015 is as follows:

July 1, 2014 - tax levy date  
Through August 31, 2014 - 2% discount period  
Through October 31, 2014 - face payment period  
Beginning November 1, 2014 - 10% penalty period  
January 10, 2015 - lien date

The School District tax rate for all purposes in 2014-2015 was 52.4 mills (\$52.4 per \$1,000 assessed valuation). Collections for the 2014-2015 year were \$6,419,361.

As of June 30, 2015, property taxes receivable by the School District includes uncollected taxes assessed as of July 1, 2014 or earlier. It is estimated that 90% of all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected; therefore, property taxes receivable reflect this estimate. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

**SOUTH SIDE AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDING JUNE 30, 2015**

**NOTE 4 – TAXES – CONTINUED**

**Income Taxes**

The School District levies a voted continuing tax of 0.50% for general operations on the income of residents. Employers within the School District who employ School District residents are required to withhold income tax on compensation and remit the tax to the local tax collector. Taxpayers are required to file an annual return. The collector makes periodic distributions to the School District after withholding amounts for administrative fees. Income tax receipts are credited to the general fund.

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 40,736	\$ 0	\$ 0	\$ 40,736
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Capital assets, not being depreciated	<u>\$ 40,736</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 40,736</u>
Capital assets, being depreciated:				
Site Improvements	\$ 1,293,032	\$ 97,061	\$ 0	\$ 1,390,093
Building and Building Improvements	28,641,089	1,597,742	0	30,238,831
Furniture and Equipment	<u>2,736,642</u>	<u>95,705</u>	<u>0</u>	<u>2,832,347</u>
Total capital assets, being depreciated	<u>\$ 32,670,763</u>	<u>\$ 1,790,508</u>	<u>\$ 0</u>	<u>\$ 34,461,271</u>
Accumulated depreciation for:				
Site Improvements	\$ (722,669)	\$ (38,855)	\$ 0	\$ (761,524)
Building and Building Improvements	(9,212,438)	(552,664)	0	(9,765,102)
Furniture and Equipment	<u>(2,162,366)</u>	<u>(367,386)</u>	<u>0</u>	<u>(2,529,752)</u>
Total accumulated depreciation	<u>\$ (12,097,473)</u>	<u>\$ (958,905)</u>	<u>\$ 0</u>	<u>\$ (13,056,378)</u>
Total capital assets, being depreciated, net	<u>\$ 20,573,290</u>	<u>\$ 831,603</u>	<u>\$ 0</u>	<u>\$ 21,404,893</u>
Governmental activities capital assets, net:	<u>\$ 20,614,026</u>	<u>\$ 831,603</u>	<u>\$ 0</u>	<u>\$ 21,445,629</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Furniture and Equipment	\$ 103,031	\$ 0	\$ 0	\$ 103,031
Total capital assets, being depreciated	<u>\$ 103,031</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 103,031</u>
Accumulated depreciation for:				
Furniture and Equipment	\$ (92,175)	\$ (5,795)	\$ 0	\$ (97,970)
Total accumulated depreciation	<u>\$ (92,175)</u>	<u>\$ (5,795)</u>	<u>\$ 0</u>	<u>\$ (97,970)</u>
Total capital assets, being depreciated, net	<u>\$ 10,856</u>	<u>\$ (5,795)</u>	<u>\$ 0</u>	<u>\$ 5,061</u>
Business-type activities capital assets, net:	<u>\$ 10,856</u>	<u>\$ (5,795)</u>	<u>\$ 0</u>	<u>\$ 5,061</u>
<b>Total Governmental and Business-type activities, net</b>	<u><b>\$ 20,624,882</b></u>	<u><b>\$ 825,808</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 21,450,690</b></u>

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 5 – CAPITAL ASSETS – CONTINUED**

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

**Governmental Activities:**

Instruction:	
Regular Instruction	\$ 565,754
Support Services:	
Instructional Staff	230,137
Operation of Plant and Maintenance Services	95,891
Non-Instructional Services:	
Student Activities	28,767
Facilities Acquisition, Construction and Improvement Services:	
Existing Building Improvement Services	<u>38,356</u>
Total Depreciation expense, Governmental Activities:	<u>\$ 958,905</u>

**Business-Type Activities:**

Food Services	<u>\$ 5,795</u>
Total Depreciation expense, Business-Type Activities:	<u>\$ 5,795</u>

**NOTE 6 – RISK MANAGEMENT**

South Side Area School District is a member district to the Beaver County School Health Care Insurance Consortium (the Consortium) which was formed on July 1, 2003. The Consortium is a cooperative joint venture to provide hospitalization, medical and surgical services, professional services, and drug benefits to its member districts on a pooled risk basis. The South Side Area School District pays an annual premium to the Consortium for its health and medical insurance coverage, and this rate is adjusted annually based on amounts required to fund anticipated benefits and claims as well as other administrative costs.

The formation agreement of the Consortium provides that the Consortium will be self-sustaining through annually determined member premiums and will reinsure through commercial companies for excess claims of amounts as defined in the insurance contract. The agreement permits participating districts to withdraw from the Consortium. If South Side Area School District would withdraw, the Articles of Agreement state that the School District would be entitled to their respective share of the Consortium's net position. This is calculated by multiplying net position by the fraction of dividing the withdrawing member's total contributions over the last three years by the total of the all member district contribution over that same time period. The distribution would be required to be paid within one year of the date of withdrawal.

The following chart illustrates the published Consortium Net Positions as well as South Side Area School District's Annual Contributions over the past three years.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 6 – RISK MANAGEMENT - CONTINUED**

Fiscal Year Ended June 30,	Total Consortium Net Assets*	South Side Area School District Annual Contributions*	Total Consortium Contributions*
2015	\$4,242,114	\$2,362,780	\$31,592,352
2014	\$4,569,005	\$2,433,242	\$32,278,282
2013	\$4,848,700	\$2,373,254	\$33,329,717

\*Net position for the fiscal years ended 2013, 2014 and 2015 are recorded on the full accrual basis of accounting. The Consortium's financial statements are on file with the South Side Area School District.

**NOTE 7 – PENSION PLAN**

**Public School Employees' Retirement System (PSERS)**

*General Information about the Pension Plan*

Plan Description: The Public School Employees' Retirement System (PSERS) is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Benefits Provided: PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year 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 Members Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service; a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 7 – PENSION PLAN – CONTINUED**

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

*Contributions*

Member Contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the qualifying compensation.

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

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

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

Employer Contributions:

The School District's contribution rate for the year ended June 30, 2015 was 21.40% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$2,185,272 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$31,111,001 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.0786%, which was an increase (decrease) of 0.0019% from its proportion measured as of June 30, 2013.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 7 – PENSION PLAN – CONTINUED**

For the year ended June 30, 2015, the District recognized pension expense of \$2,876,001. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 0
Changes in assumptions	0	0
Net difference between projected and actual investment earnings	0	2,224,000
Changes in proportions	627,000	0
Difference between employer contributions and proportionate share of total contributions	0	0
District contributions subsequent to the measurement date	<u>2,185,273</u>	<u>0</u>
<b>Total</b>	<b><u>\$ 2,812,273</u></b>	<b><u>\$ 2,224,000</u></b>

The District reported \$2,812,273 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date and was recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended June 30:

2016	\$ (405,000)
2017	(405,000)
2018	(405,000)
2019	23,000

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

Actuarial cost method	Entry Age Normal – level % of pay
Inflation	3.00 %
Salary Increases	Effective average of 5.50% (Reflects allowance for inflation, real wage growth of 1.00%, and merit or seniority increases of 1.50%)
Investment Rate of Return	7.50 % including inflation

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 7 – PENSION PLAN – CONTINUED**

Mortality rates are based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/Infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	-9%	1.1%
	<u>100%</u>	

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

**Discount Rate:** The discount rate used to measure the total pension liability was 7.50 %. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension

**SOUTH SIDE AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDING JUNE 30, 2015**

**NOTE 7 – PENSION PLAN – CONTINUED**

plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's proportionate share of the Net Pension Liability: The following presents the School District's proportionate share of the net pension liability, calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1 % Increase 8.50%
School District's proportionate share of net pension liability	\$ 38,806,000	\$ 31,110,001	\$ 24,541,000

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

**NOTE 8 – LONG-TERM DEBT**

Long-term liability for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
<b>Bonds Payable:</b>					
General obligation bonds	\$ 11,250,000	\$ 10,000,000	\$ (7,505,000)	\$ 13,745,000	\$ 1,010,000
Capital Leases	298,117	0	(298,117)	0	0
Deferred amounts for issuance premium/(discount)	4,038	0	(18,635)	(14,597)	0
<b>Total bonds payable, net</b>	<b>\$ 11,552,155</b>	<b>\$ 10,000,000</b>	<b>\$ (7,821,752)</b>	<b>\$ 13,730,403</b>	<b>\$ 1,010,000</b>
Net Pension Liability	\$ 0	\$ 30,557,331	\$ 0	30,557,331	\$ 2,146,382
Compensated Absences Payable	284,020	21,481	0	305,501	0
Other Post Emp Benefit Obligation payable	664,640	119,893	0	784,533	0
<b>Total governmental activity long-term liabilities</b>	<b>\$ 12,500,815</b>	<b>\$ 40,698,705</b>	<b>\$ (7,821,752)</b>	<b>\$ 45,377,768</b>	<b>\$ 3,156,382</b>
<b>Business-type Activities:</b>					
Net Pension Liability	\$ 0	\$ 553,670	\$ 0	\$ 553,670	\$ 38,890
Compensated Absences Payable	12,215	1,097	0	13,312	0
<b>Total business-type activity long-term liabilities</b>	<b>\$ 12,215</b>	<b>\$ 554,767</b>	<b>\$ 0</b>	<b>\$ 566,982</b>	<b>\$ 38,890</b>

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 8 – LONG-TERM DEBT - CONTINUED**

Payments on general obligation bonds are made by the General Fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2015, including interest payments, are as follows:

Year ending	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$	1,010,000	\$ 356,145	\$ 1,366,145
2017		1,075,000	327,723	1,402,723
2018		1,110,000	295,022	1,405,022
2019		1,140,000	262,386	1,402,386
2020		1,175,000	229,830	1,404,830
2021-2025		6,125,000	712,468	6,837,468
2026-2030		2,110,000	60,300	2,170,300
Total		<u>\$ 13,745,000</u>	<u>\$ 2,243,874</u>	<u>\$ 15,988,874</u>

On July 21, 2014, the South Side Area School District issued \$10,000,000 in General Obligation Bonds, Refunding Series A and B of 2014. Total interest and principal payments over the scheduled life of the Bond is \$8,054,711, with interest rates between 0.40% and 2.75%. The bonds are scheduled to mature on November 1, 2024.

The proceeds of the bond were used to refund a portion of the School District's General Obligation Bonds, Series 2010, and to pay the cost of issuing the bonds. As a result, \$6,410,000 of the 2010 Bonds are considered to be defeased, and the liability for these bonds has been removed from the balance of bonds payable. The bonds were originally scheduled to mature on November 1, 2021. The total remaining interest and principal payments of the 2010 Series was \$3,757,126 at the time of refunding, with interest rates between 2.35% and 3.25% and a maturity date of November 1, 2019.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 8 – LONG-TERM DEBT - CONTINUED**

General Obligation Bonds—General obligation bonds payable at June 30, 2015, with their outstanding balance are as follows:

\$10,165,000 2010 general obligation refunding bonds, due in annual installments of \$5,000 to \$1,625,000, beginning November 1, 2010, through November 1, 2021, interest from 2.00 to 3.75%	\$ 3,550,000
\$5,265,000 2010 general obligation refunding bonds, due in annual installments of \$195,000 to \$1,095,000, beginning Dec 1, 2010 thru June 30, 2016, interest from 2% to 3%	195,000
\$6,865,000 2014 series A general obligation refunding bonds, due in annual installments of \$5,000 to \$1,290,000, beginning November 1, 2015 thru November 1, 2014, interest from 0.40% to 2.75%	6,865,000
\$3,135,000 2014 series B general obligation refunding bonds, due in annual installments of \$955,000 to \$1,155,000, beginning November 1, 2024 thru November 1, 2026, interest from 2.85% to 3.00%	3,135,000
	<u>\$ 13,745,000</u>

For the year ended June 30, 2015, total interest and debt fees incurred of \$176,404 were charged to expense; no interest costs were capitalized during the period.

**NOTE 9 – INTERFUND BALANCES**

Interfund balances at June 30, 2015 consisted of the following fund receivables and payables:

	Receivables	Payables
General Fund: Food Service Fund	\$ 62,744	\$ 0
Food Service Fund: General Fund	0	62,744
General Fund: Capital Projects	906,893	0
Capital Projects: General Fund	<u>0</u>	<u>906,893</u>
Totals	<u>\$ 969,637</u>	<u>\$ 969,637</u>

The interfund balance of \$62,744 was a result of outstanding salary and benefit amounts between the General Fund and the Food Service Fund. This interfund balance will not be repaid during fiscal year 2015-16. The interfund balance of \$906,893 was a result of the Capital Projects Fund owing the General Fund for capital expenses. This interfund is expected to be repaid during the 2015-2016 fiscal year.

There were no interfund transfers during the current year.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 10 - CONTINGENCIES**

**Litigation**

The School District is potentially liable for any expenditure that may be disallowed pursuant to the terms of grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2015.

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS**

**Post-retirement Benefits**

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs rather than in the future year when it will be paid. With regards to GASB No. 45, the School District recognizes the cost of post-employment healthcare in the year when the employee services are received and reports the accumulated liability from prior years along with providing information useful in assessing potential demands on the School District's future cash flows. Recognition of the liability accumulated from prior years will be phased in over twenty years, commencing with the June 30, 2009 liability.

**Plan Description**

The School District provides post-retirement benefits for certain employees for current and future health, cash payments, and pharmacy benefit expenses through a single-employer defined benefit plan. A triennial actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2014. The post-retirement plan does not issue stand-alone financial reports.

**Funding Policy**

The School District has not advanced-funded or established a funding methodology for the annual Other Post-Employment Benefit (OPEB) costs or the net OPEB obligation. For the 2014-2015 year, the obligations were based on July 1, 2014 census, which included 174 retirees, beneficiaries receiving benefits, and active members that had an implicit subsidy. The School District provided estimated contributions of \$428,500 toward annual OPEB costs comprised of benefit payments made on behalf of retirees for claims expenses, retention costs, and net of retiree contributions totaling \$249,438. Estimated contributions are based on projected pay-as-you-go financing.

The contribution requirements of plan members and the School District are established and may be amended by the School District. The School District determines the required contribution using the Projected Unit Credit Method.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED**

Membership in the plan consisted of the following at July 1, 2014, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	44
Active plan members	<u>130</u>
<b>Total</b>	<u><b>174</b></u>

Annual OPEB Cost and Net OPEB Obligations

The following table shows the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's net OPEB obligation:

<u>Description</u>	<u>June 30, 2015</u>
Annual OPEB Cost, year ended June 30, 2015	\$ 548,393
Estimated contributions for fiscal year ended June 30, 2015	<u>(428,500)</u>
Increase in Net OPEB Obligation	\$ 119,893
Net OPEB Obligation as of June 30, 2014	<u>664,640</u>
Net OPEB Obligation as of June 30, 2015	<u><u>\$ 784,533</u></u>

The School District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The actuarial accrued liability as of July 1, 2014 is estimated to be \$4,594,000. The School District's contributions represent payments made for premiums for insured individuals.

Schedule of Funding Progress (\$000's)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered UAAL as a Percentage of Payroll (Total)</u>
7/1/2014	\$ 0	\$ 4,594	\$ 4,594	0%	<i>to be determined</i>

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

GASB45 Schedule of Employer Contributions (\$000's)				
Fiscal Year Ending	Annual OPEB Cost	Percentage of Cost Contributed	Annual OPEB Net OPEB Obligation	
June 30, 2015	\$ 548	78.1%	\$	785
June 30, 2014	\$ 525	77.7%	\$	665
June 30, 2013	\$ 515	89.1%	\$	548
June 30, 2012	\$ 503	78.7%	\$	492
June 30, 2011	\$ 350	48.5%	\$	385
June 30, 2010	\$ 335	40.2%	\$	205

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The annual OPEB cost was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

Valuation Date:	July 1, 2011
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Market Value
Amortization Method:	Closed level dollar amortization
Remaining Amortization Period	Fourteen Years
Actuarial Assumptions:	
Investment rate of return	3.25%
Inflation rate	None

**SOUTH SIDE AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDING JUNE 30, 2015**

**NOTE 12 – SUBSEQUENT EVENTS**

The School District evaluated its June 30, 2015 financial statements for subsequent events through January 21, 2016. The School District is not aware of additional subsequent events that would require recognition or disclosure in the financial statements.

**NOTE 13 – FUTURE GASB PRONOUNCEMENTS**

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objectives of this Statement are to address issues regarding the measurement of fair value and the applicability of fair value guidance. This Statement will be effective for fiscal year 2015-2016.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The primary objectives of this Statement are to establish requirements for pensions and pension plans not administered through trusts and to amend certain provisions of GASB Statements 67 and 68. This Statement will be effective for fiscal year 2016-2017.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The primary objectives of this Statement are to address the financial reports of defined benefit OPEB plans administered through a trust and to address certain disclosure requirements for such plans. This Statement will be effective for fiscal year 2016-2017.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to address the reporting requirements for OPEB liabilities and the related disclosure requirements. This Statement will be effective for fiscal year 2017-2018.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The primary objectives of this Statement are to reduce the GAAP hierarchy to two categories of authoritative GAAP, to provide implementation guidance, and to address the use of authoritative and non-authoritative literature. This Statement will be effective for fiscal year 2015-2016.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement defines tax abatements and provides disclosure guidance for governments that have granted tax abatements. This Statement will be effective for fiscal year 2016-2017.

The effects of implementing GASB Statements No. 72 through 77 on the School District's financial statements have not yet been determined.

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS**

During the year ended June 30, 2015, the School District implemented GASB No. 67, *Financial Reporting for Pension Plans*, and GASB No. 68, *Accounting and Financial Reporting for Pensions*. Reporting under the above GASB standards, which requires new reporting requirements

**SOUTH SIDE AREA SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDING JUNE 30, 2015**

**NOTE 14 – PRIOR PERIOD ADJUSTMENTS - CONTINUED**

for state and local governments that provide their employees with pension benefits, was not reflected in the Governmental Activities, Business-Type Activities, or Food Service Fund for the year ended June 30, 2014. Net positions at July 1, 2014 have been restated to include implementation of GASB No. 67 and 68.

Additionally, during the year ended June 30, 2015, the School District reported fixed asset new additions of \$248,971 that were expensed in 2013-2014 but were not added in 2013-2014. Therefore, the District made a prior period adjustment to the Governmental Activities in order to recognize the increase in fixed assets.

	<u>Governmental Activities</u>	<u>Business-Type Activities (Proprietary Fund)</u>	<u>Total</u>
Net Position at June 30, 2014	\$ 13,802,227	\$ 10,451	\$ 13,812,678
Correction of an Accounting Error:			
Add: New Additions for Fixed Assets	248,971	0	248,971
Change in Accounting Principle:			
Less: Net Pension Liability	<u>(29,301,091)</u>	<u>(530,909)</u>	<u>(29,832,000)</u>
Total Prior Period Adjustments	<u>\$ (29,052,120)</u>	<u>\$ (530,909)</u>	<u>\$ (29,583,029)</u>
Restated Net Position at July 1, 2014	<u>\$ (15,249,893)</u>	<u>\$ (520,458)</u>	<u>\$ (15,770,351)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTH SIDE AREA SCHOOL DISTRICT**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs)  
SCHEDULE OF FUNDING PROGRESS**

**YEAR ENDING JUNE 30, 2015**

The schedule below reports the funding progress made by the School District.

Schedule of Funding Progress (\$000's)						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll
7/1/2014	\$ 0	\$ 4,594	\$ 4,594	0%	TBD	TBD
7/1/2011	\$ 0	\$ 4,360	\$ 4,360	0%	TBD	TBD
7/1/2007	\$ 0	\$ 1,306	\$ 1,306	0%	TBD	TBD

**SOUTH SIDE AREA SCHOOL DISTRICT**

**POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs)  
FACTORS AND TRENDS USED IN ACTUARIAL VALUATION**

**YEAR ENDING JUNE 30, 2015**

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the School District. The actuarial methods and assumptions stated below remained the same for both the July 1, 2011 and July 1, 2014 actuarial reports, except for the fact that an incentive was offered to the Support Staff in 2013-14.

Valuation Date:	July 1, 2014
Actuarial Cost Method:	Projected Unit Credit
Asset Valuation Method:	Market Value
Amortization Method:	Closed level dollar amortization
Remaining Amortization Period	Fourteen Years
Actuarial Assumptions:	
Investment rate of return	3.25%
Inflation rate	None
Health cost trend rates	Medical and pharmacy costs and premium rates are assumed to increase as shown in the following table (selected years shown):

<u>Fiscal Year Ending June 30</u>	<u>Increase in Health Cost over Prior Year</u>
2016	7.50%
2017	7.10%
2018	6.40%
2019	5.80%
2020	5.40%
2025	5.40%
2030	7.00%
2035	6.80%
2040	6.30%
2045	6.00%
2055	5.60%
2080 and later	4.50%

**SOUTH SIDE AREA SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
OF THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

**YEAR ENDING JUNE 30, 2015**

The schedule below reports the School District's proportionate share of the net pension liability.  
The Public School Employees' Retirement System  
Last 10 Fiscal Years (As of years ended 6/30)

	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0786%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 31,111,001
District's Covered-Employee Payroll	\$ 10,030,852
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	310.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.24%

The amounts presented for each fiscal year are determined as of the calendar year-end that occurred within the fiscal year. This schedule is presented to illustrate the requirement to disclose information for 10 years; however, until a full 10-year trend is compiled, governments are required to present information for those years for which information is available.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT CONTRIBUTIONS TO**  
**THE PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)**

**YEAR ENDING JUNE 30, 2015**

The schedule below reports the School District's annual contributions to the Public School Employees' Retirement System as of the 6/30 year end.

	2015
Contractually Required Contribution	\$ 2,185,272
Contributions in Relation to	
Contractually Required Contribution	(2,185,272)
Contribution Deficiency (Excess)	\$ 0
District's Covered Employee Payroll	\$ 10,171,240
Contribution as a Percentage	
of Covered Employee Payroll	-21.48%

This schedule is presented to illustrate the requirement to disclose information for 10 years; however, until a full 10-year trend is compiled, governments are required to present information for those years for which information is available

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDING JUNE 30, 2015**

**NOTE 1 – CHANGES OF BENEFIT TERMS/ASSUMPTIONS**

**Changes of benefit terms**

There were no changes of benefit terms for the year ended June 30, 2015.

**Changes of assumptions**

There were no changes of benefit assumptions for the year ended June 30, 2015.

**SINGLE AUDIT SUPPLEMENTARY REPORTS**

**SOUTH SIDE AREA SCHOOL DISTRICT**

**LIST OF REPORT DISTRIBUTION**

<b>1 copy</b>	Bureau of Audits Special Audit Services Division Forum Place – Eighth Floor 555 Walnut Street Harrisburg, PA 17101 Online Submission
<b>1 copy</b>	Beaver County Court House Prothonotary 810 Third Street Beaver, PA 15009
<b>20 copies</b>	South Side Area School District 4949 State Route 151 Hookstown, Pennsylvania 15050
<b>1 copy</b>	Cottrill, Arbutina & Associates, P.C. 525 Third Street Beaver, PA 15009

SOUTH SIDE AREA SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Project Title U.S. Department of Education Passed through the PA Department of Education:	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period From-To	Program or Award Amount	Total Received For Year	Accrued (Deferred) Revenue @ 7/1/14	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue @ 6/30/15
<b>Title I Improving Basic Programs</b>	I	84 010	013-140399	07/01/13-09/30/14	\$ 204,104	\$ 67,644	\$ 67,644	\$ 0	\$ 0	\$ 0
<b>Title I Improving Basic Programs</b>	I	84 010	013-150399	07/01/14-09/30/15	195,521	48,880	0	195,521	195,521	146,641
<b>Total Title I Cluster</b>					<u>\$ 399,625</u>	<u>\$ 116,524</u>	<u>\$ 67,644</u>	<u>\$ 195,521</u>	<u>\$ 195,521</u>	<u>\$ 146,641</u>
<b>Title IIA - Improving Teacher Quality</b>	I	84 367	020-140399	07/01/13-09/30/14	\$ 51,533	\$ 884	\$ 884	\$ 0	\$ 0	\$ 0
<b>Title IIA - Improving Teacher Quality</b>	I	84 367	020-150399	07/01/14-09/30/15	51,544	22,339	0	33,987	33,987	11,648
<b>Total Title IIA Cluster</b>					<u>\$ 103,077</u>	<u>\$ 23,223</u>	<u>\$ 884</u>	<u>\$ 33,987</u>	<u>\$ 33,987</u>	<u>\$ 11,648</u>
<b>Total PA Department of Education</b>					<u>\$ 502,702</u>	<u>\$ 139,747</u>	<u>\$ 68,528</u>	<u>\$ 229,508</u>	<u>\$ 229,508</u>	<u>\$ 158,289</u>
<b>Passed through the Beaver Valley Intermediate Unit #27</b>										
<b>Unit:</b>										
<b>IDEA</b>	I	84 027	N/A	07/01/14-06/30/15	\$ 110,521	\$ 110,521	\$ 0	\$ 110,521	\$ 110,521	\$ 0
<b>IDEA 619B</b>	I	84 173	N/A	07/01/14-06/30/15	446	0	0	446	446	446
<b>IDEA-ESY</b>	I	84 027	N/A	07/01/14-06/30/15	519	519	0	519	519	0
<b>Total IDEA Cluster</b>					<u>\$ 111,486</u>	<u>\$ 111,040</u>	<u>\$ 0</u>	<u>\$ 111,486</u>	<u>\$ 111,486</u>	<u>\$ 446</u>
<b>Total US Department of Education</b>					<u>\$ 614,188</u>	<u>\$ 250,787</u>	<u>\$ 68,528</u>	<u>\$ 340,994</u>	<u>\$ 340,994</u>	<u>\$ 158,735</u>
<b>U.S. Department of Agriculture:</b>										
<b>Passed through the PA Department</b>										
<b>of Education:</b>										
<b>National School Lunch Program</b>	I	10 555	N/A	07/01/13-06/30/14	N/A	\$ 22,987	\$ 22,987	\$ 0	\$ 0	\$ 0
<b>National School Lunch Program</b>	I	10 555	N/A	07/01/14-06/30/15	N/A	163,679	0	167,970	167,970	4,291
<b>School Breakfast Program</b>	I	10 553	N/A	07/01/14-06/30/15	N/A	40,635	0	40,635	40,635	0
<b>Total US Department of Agriculture</b>						<u>\$ 263,600</u>	<u>\$ 22,987</u>	<u>\$ 244,904</u>	<u>\$ 244,904</u>	<u>\$ 4,291</u>
<b>Passed through the PA Department</b>										
<b>of Agriculture:</b>										
<b>National School Lunch Program</b>	I	10 555	N/A	07/01/14-06/30/15	N/A	36,299	0	36,299	36,299	0
<b>Total Child Nutrition Cluster</b>						<u>\$ 263,600</u>	<u>\$ 22,987</u>	<u>\$ 244,904</u>	<u>\$ 244,904</u>	<u>\$ 4,291</u>
<b>Total US Department of Agriculture</b>						<u>\$ 263,600</u>	<u>\$ 22,987</u>	<u>\$ 244,904</u>	<u>\$ 244,904</u>	<u>\$ 4,291</u>
<b>Total Federal Assistance</b>					<u>\$ 614,188</u>	<u>\$ 514,387</u>	<u>\$ 91,515</u>	<u>\$ 585,898</u>	<u>\$ 585,898</u>	<u>\$ 158,735</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

SOUTH SIDE AREA SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

Source Codes:  
 I=Indirect Funding

- Footnotes:  
 a) Total amount of commodities received from Department of Agriculture  
 b) Beginning inventory at July 1  
 c) Total amount of commodities used  
 d) Ending inventory at June 30  
 \* Selected for testing

Test of 50% rule:  
 Total Expenditures per above

\$ 585,898

IDEA Cluster, Cafeteria Cluster  
 Total Federal Expenditures

\$ 356,390 = 60.83% (High risk auditee 50% required)  
 \$ 585,898

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF**  
**EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1 - BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the South Side Area School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 - BUDGETARY DATA**

The School District passed and had approved by the appropriate agency budgets for the fiscal year ending June 30, 2015 for all federal programs.

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

To the Board of Directors  
South Side Area School District  
4949 State Route 151  
Hookstown, Pennsylvania 15050

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of South Side Area School District as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise South Side Area School District's basic financial statements and have issued our report thereon dated January 21, 2016.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses 2015-1 through 2015-3.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We identified item 2015-4 as a weakness and considered it to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether South Side Area School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **South Side Area School District's Response to Findings**

South Side Area School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. South Side Area School District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Cattrill, Arbutina and Assoc*

Beaver, PA 15009  
January 21, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors  
South Side Area School District  
4949 State Route 151  
Hookstown, Pennsylvania 15050

**Report on Compliance for Each Major Federal Program**

We have audited South Side Area School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Side Area School District's major federal programs for the year ended June 30, 2015. South Side Area School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of South Side Area School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Side Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, South Side Area School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of South Side Area School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Side Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Side Area School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. The one item we identified in internal control over compliance that we considered to be a significant deficiency was item 2014-5.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Cattrill, Arbutina and Assoc*

Beaver, PA 15009  
January 21, 2016

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2015**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the South Side Area School District.
2. Four significant deficiencies were disclosed during the audit of the financial statements and these are reported in this schedule. Three deficiencies were reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of the South Side Area School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One deficiency was identified in internal control over major federal award programs and disclosed during the audit. The one deficiency was not reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for the South Side Area School District expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Part C of this Schedule.
7. The programs tested as major programs include:
  - Cafeteria Cluster – CFDA 10.553, 10.555
  - IDEA Cluster – CFDA 84.027, 84.173
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. South Side Area School District was determined to be a high-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**Material Weakness**

*2015-1 Segregation of Duties*

Condition: The School District has a limited staff responsible for or access to:

a. receipts	e. posting to the general ledger
b. check writing	f. fixed asset records
c. bank reconciliations	g. inventory records
d. account coding	

Because of limited staff, we realize segregation of the above duties is not practical, if not impossible. Because of this internal control situation, the responsibility of the Business Manager is greatly increased because the Board must rely on his knowledge of the everyday operations to discover any material changes in the School District's financial position.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2015**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT - CONTINUED**

Criteria: The small size of the School District's office staff limits the extent of separation of duties. The basic premise in an ideal accounting office is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Some examples of lack of segregation of duties at the School District are as follows:

The individual who receives checks on a routine basis also prepares the deposit, makes the deposit, posts the journal entries, and reconciles the bank statements. This individual also reviews the receivables aging trial balance, investigates receivable discrepancies, maintains or authorizes receivables adjustments, as well as investigates discrepancies or issues related to revenue. Another individual performs each of these functions as well in the cafeteria. Neither of these employees have a segregation of duties.

One employee initiates checks for expenditures, edits the vendor master file, investigates discrepancies or issues related to expenditures, as well as maintains the access to and custody of the business administration's inventory.

One employee is currently initiating payroll checks, preparing payroll checks, disbursing payroll checks, resolving employee pay inquiries, and editing the payroll master file.

The individual who records and maintains the subsidiary ledger for fixed assets also has access to general ledger, cash, and capital expenditure functions. In addition, this individual also is able to make deletions to the fixed assets and is the only individual who reconciles the fixed assets.

One employee involved in the cafeteria fund is currently responsible for opening mail, preparing deposits, reconciling the bank account, posting journal entries to the general ledger, and investigating discrepancies or issues regarding cash.

Effect: Misappropriation of District assets could occur and go undetected.

*2015-2 Preparation of Financial Statements*

Condition: During the audit, the School District did not present financial statements reported in compliance with accounting principles generally accepted in the United States of America.

Criteria: The School District's annual financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The School District relies on Cottrill, Arbutina & Associates, P.C., as its auditors to prepare its annual financial statements in order to conform to accounting principles generally accepted in the United States of America. We realize that additional staffing costs would be needed to acquire the internal expertise to perform this function, which could significantly outweigh the benefits derived. We, as your auditors, can propose adjustments and assist the School District in assembling or drafting of the financial statements; however, we cannot establish or maintain the School District's controls over preventing or detecting material misstatements in the preparation of financial statements. We proposed and you approved 41 various adjusting journal entries to properly report on the modified accrual basis of accounting and 14 journal entries to convert District books from modified accrual to full accrual in order to properly

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2015**

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT - CONTINUED**

report in accordance with GASB 34. All of these journal entries were presented to the School District along with the letter of representation, in which you took responsibility and approved each of these entries. Also, a correction of an accounting error was reported on the June 30, 2015 statement of activities because the District did not include some new additions to fixed assets that had been expensed in the 2013-2014 fiscal year. See Note 14 for more information.

Effect: District Financial Statements could be materially misstated according to accounting principles generally accepted in the United States of America.

*2015-3 Service Organization Control Report*

Condition: During the audit we noted that the District was unable to obtain a Service Organization Control (SOC) report from its accounting system provider.

Criteria: The American Institute of CPAs recently released a new series of reporting options called Service Organization Control reports that enable CPAs to provide assurance on internal controls over subject matter other than financial reporting while filling the marketplace's need to demonstrate reliability and mitigation of risk. The accounting system company was unable to provide a SOC report to the District in order to testify to the security of their system and implementation of proper internal controls.

Effect: The District's accounting system could be inaccurate or could be compromised.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the following deficiencies in South Side Area School District's internal control to be significant deficiencies:

*2015-4 Cafeteria Manual Adjustments*

Condition: The School District does not generate or review a POS report identifying manual adjustments to the POS system in order to detect questionable or inappropriate entries.

Criteria: During our fieldwork, we noted that the School District does not generate a report that would show manual adjustments made to the POS system. We recommend the School District generate reports looking for manual adjustments. The advantage of a report showing manual adjustments is the School District can identify any activity that appears to be questionable or inappropriate and follow up with the appropriate employees. In addition to generating and reviewing the aforementioned reports, we also recommend that the School District sign off on the report, indicating that management has performed the proper review procedures.

Effect: Manual adjustments could indicate inappropriate activity or misallocation of District assets.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2015**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD AUDIT**

**Significant Deficiencies**

*2015-5 System Award Management*

Condition: During our audit, we noted that the School District does not have a process for checking the System Award Management (SAM) web site for covered transactions to verify if vendors or other persons/entities have been suspended or debarred.

Criteria: We recommend that the School District institute a policy where, for any persons/entities to which the School District expends more than \$25,000 in a fiscal year, the School District verifies that the person/entity is not listed on SAM. Verification may be accomplished by checking the web site at <http://www.sam.gov>. A copy of the search results should be maintained by the School District and filed with corresponding documents.

Effects: The School District could be doing business with a suspended or debarred entity, which would mean they are out of compliance with federal program regulations.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2015**

**A. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**Material Weakness**

*2014-1 Segregation of Duties*

Condition: The School District has a limited staff responsible for or access to:

a. receipts		e. posting to the general ledger
b. check writing		f. fixed asset records
c. bank reconciliations		g. inventory records
d. account coding		

Because of limited staff, we realize segregation of the above duties is not practical, if not impossible. Because of this internal control situation, the responsibility of the Business Manager is greatly increased because the Board must rely on his knowledge of the everyday operations to discover any material changes in the School District's financial position.

Criteria: The small size of the School District's office staff limits the extent of separation of duties. The basic premise in an ideal accounting office is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. Some examples of lack of segregation of duties at the School District are as follows:

The individual who receives checks on a routine basis also prepares the deposit, makes the deposit, posts the journal entries and reconciles the bank statements. This individual also reviews the receivables aging trial balance, investigates receivable discrepancies, maintains or authorizes receivables adjustments, as well as investigates discrepancies or issues related to revenue. Another individual performs each of these functions as well in the cafeteria. Neither of these employees have a segregation of duties.

One employee initiates checks for expenditures, edits the vendor master file, investigates discrepancies or issues related to expenditures, as well as maintains the access to and custody of the business administration's inventory.

One employee is currently initiating payroll checks, preparing payroll checks, disbursing payroll checks, resolving employee pay inquiries, and editing the payroll master file.

The individual who records and maintains the subsidiary ledger for fixed assets also has access to general ledger, cash, and capital expenditure functions. In addition, this individual also is able to make deletions to the fixed assets and is the only individual who reconciles the fixed assets.

One employee involved in the cafeteria fund is currently responsible for opening mail, preparing deposits, reconciling the bank account, posting journal entries to the general ledger, and investigating discrepancies or issues regarding cash.

Current Status: This finding continues at the School District.

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2015**

**A. FINDINGS – FINANCIAL STATEMENTS AUDIT - CONTINUED**

*2014-2 Preparation of Financial Statements*

Condition: During the audit, the School District did not present financial statements reported in compliance with accounting principles generally accepted in the United States of America.

Criteria: The School District's annual financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The School District relies on Cottrill, Arbutina & Associates, P.C., as its auditors, to prepare its annual financial statements in order to conform to accounting principles generally accepted in the United States of America. We realize that additional staffing costs would be needed to acquire the internal expertise to perform this function, which could significantly outweigh the benefits derived. We, as your auditors, can propose adjustments and assist the School District in assembling or drafting of the financial statements; however, we cannot establish or maintain the School District's controls over preventing or detecting material misstatements in the preparation of financial statements. We proposed and you approved 28 various adjusting journal entries to properly report on the modified accrual basis of accounting and 12 journal entries to convert District books from modified accrual to full accrual in order to properly report in accordance with GASB 34. All of these journal entries were presented to the School District along with the letter of representation, in which you took responsibility and approved each of these entries.

Current Status: This finding continues at the School District.

**Significant Deficiencies**

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the following deficiencies in South Side Area School's internal control to be significant deficiencies:

*2014-3 High School Activity Fund*

Condition: During testing of the High School Activity Fund disbursements, we noted some items did not have the proper supporting documentation and/or there was a missing signature on the request voucher.

Criteria: It is imperative that the School District obtain proper supporting documentation prior to disbursing funds. Whether it is an order form, invoice, receipt, receiving report, or some other form of documentation, we recommend the School District not disburse funds unless there is adequate support as to the amount, reason, and payee for which the request is made. Additionally, it is normal District procedure to have two or three individuals sign each request voucher. We recommend the School District not deviate from this procedure. By having at least two individuals review each disbursement and sign each voucher, the School District is employing proper internal controls.

Current Status: The District has implemented procedures to ensure the proper supporting documentation accompanies each disbursement request.

SOUTH SIDE AREA SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2015

**A. FINDINGS – FINANCIAL STATEMENTS AUDIT - CONTINUED**

*2014-4 Cafeteria Manual Adjustments*

Condition: The School District does not generate or review a POS report identifying manual adjustments to the POS system in order to detect questionable or inappropriate entries.

Criteria: During our fieldwork, we noted that the School District does not generate a report that would show manual adjustments made to the POS system. We recommend the School District generate reports looking for manual adjustments. The advantage of a report showing manual adjustments is the School District can identify any activity that appears to be questionable or inappropriate and follow up with the appropriate employees. In addition to generating and reviewing the aforementioned reports, we also recommend that the School District sign off on the report indicating that management has performed the proper review procedures.

Current Status: This finding continues at the School District.

**B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD AUDIT**

**Significant Deficiencies**

*2014-5 Free and Reduced Verifications*

Condition: The verifications of free and reduced lunch applications were not properly approved and signed.

Criteria: The School District is required to verify a certain percentage of the free and reduced lunch applications. Upon verifying the application, the verification should have three signatures: determination officer, confirming officer, and employee. It is allowable that the employee can be the same person as either the determination officer or the confirming officer. We noted that the verifications did not have the proper signatures. Therefore, we encourage the School District to set up a procedure whereby designated individuals are reviewing and signing the verification of applications.

Current Status: The District has implemented procedures to ensure all free and reduced lunch applications are properly approved.

*2014-6 Excluded Parties List System*

Condition: During our audit, we noted that the School District does not have a process for checking the Excluded Parties List System (EPLS) for covered transactions to verify if vendors or other persons/entities are suspended or debarred.

Criteria: We recommend that the School District institute a policy where, for any persons/entities to which the School District expends more than \$25,000 in a fiscal year, the School District verifies that the person/entity is not listed on the EPLS. Verification may be accomplished by checking the EPLS

**SOUTH SIDE AREA SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2015**

**B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD AUDIT –  
CONTINUED**

at <http://www.sam.gov>. A copy of the search results should be maintained by the School District and filed with corresponding documents.

Current Status: This finding continues at the School District.

**SOUTH SIDE AREA SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**JUNE 30, 2015**

**Pennsylvania Department of Education**

The South Side Area School District respectfully submits the following corrective action plan for the year ended June 30, 2015.

Name and address of independent public accounting firm:

Cottrill, Arbutina & Associates, P.C.  
525 Third Street  
Beaver, PA 15009

Audit Period: July 1, 2014 through June 30, 2015

*2015-1 Segregation of Duties*

Condition: The School District has a limited staff responsible for or access to:

- |                         |                                  |
|-------------------------|----------------------------------|
| a. receipts             | e. posting to the general ledger |
| b. check writing        | f. fixed asset records           |
| c. bank reconciliations | g. inventory records             |
| d. account coding       |                                  |

Because of limited staff, we realize segregation of the above duties is not practical, if not impossible. Because of this internal control situation, the responsibility of the Business Manager is greatly increased because the Board must rely on his knowledge of the everyday operations to discover any material changes in the School District's financial position.

Action Taken: The School District has no plans to hire additional business office staff at this time. This condition will continue to be an ongoing issue without resolution for the foreseeable future. However, we re-evaluate District processes as well as the abilities and duties of the current staff on an ongoing basis and modify the various processes to allow for more segregation of duties as opportunities present.

*2015-2 Preparation of Financial Statements*

Condition: During the audit, the School District did not present financial statements reported in compliance with accounting principles generally accepted in the United States of America.

Action Taken: For the School District to compile GASB 34 financial statements, the additional staffing cost needed to perform these functions would not be cost effective. In their words, "...could significantly outweigh the benefits derived..." We rely on Cottrill, Arbutina & Associates, P.C. to prepare annual financial statements. The School District approves GASB 34 entries. Cottrill, Arbutina & Associates, P.C. will continue to do so.

**SOUTH SIDE AREA SCHOOL DISTRICT**

**CORRECTIVE ACTION PLAN**

**JUNE 30, 2015**

*2015-3 Service Organization Control Report*

Condition: During the audit, we noted that the District was unable to obtain a Service Organization Control (SOC) report from its accounting system provider.

Action Taken: The District will continue to pursue obtaining a SOC report from the accounting system provider.

*2015-4 Cafeteria Manual Adjustments*

Condition: The School District does not generate or review a POS report identifying manual adjustments to the POS system in order to detect questionable or inappropriate entries.

Action Taken: The School District will implement a new review procedure. A report of manual adjustments will be generated and reviewed by the Business Manager.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD AUDIT**

**SIGNIFICANT DEFICIENCIES**

*2015-5 System Award Management*

Condition: During our audit, we noted that the School District does not have a process for checking the Excluded Parties List System (EPLS) for covered transactions to verify if vendors or other persons/entities are suspended or debarred.

Action Taken: The School District has set an account with the Federal Government Agency (SAM) to review vendor status.

If the Pennsylvania Department of Education has questions regarding this plan, please call John Sepe, Business Manager of the South Side Area School District at 724-573-9581, ext. 3103.

John Sepe, Business Manager  
South Side Area School District