



**GREAT VALLEY SCHOOL DISTRICT**

**FINANCIAL AND COMPLIANCE REPORT**

**Year Ended June 30, 2016**

## TABLE OF CONTENTS

	Pages
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	1 - 2
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	3 - 18
 <b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position .....	19
Statement of Activities.....	20
 <b>Fund Financial Statements</b>	
Balance Sheet - Governmental Funds.....	21
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities .....	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund.....	25
Statement of Net Position - Proprietary Funds .....	26
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds .....	27
Statement of Cash Flows - Proprietary Funds .....	28 - 29
Statement of Net Position - Fiduciary Funds .....	30
Statement of Changes in Net Position - Fiduciary Funds.....	31
Notes to Basic Financial Statements.....	32 - 70
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of District’s Proportionate Share of the Net Pension Liability and Related Ratios - Pension Plan .....	71
Schedule of District Contributions - Pension Plan .....	72
Schedule of Funding Progress and Employer Contributions Other Postemployment Benefits Plan.....	73

**SUPPLEMENTARY INFORMATION**

**Private Purpose Trust Funds**

Combining Statement of Net Position - Agency Funds ..... 74

**Single Audit**

Schedule of Expenditures of Federal Awards..... 75  
Notes to Schedule of Expenditures of Federal Awards ..... 76

**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*..... 77 - 78**

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE ..... 79 - 80**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... 81 - 82**

**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS ..... 83**



**Herbein + Company, Inc.**  
2763 Century Boulevard  
Reading, PA 19610  
P: 610.378.1175  
F: 610.378.0999  
[www.herbein.com](http://www.herbein.com)

## INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors  
Great Valley School District  
Malvern, Pennsylvania**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Great Valley School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the 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 Great Valley School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other postemployment benefit information on pages 71 through 73, 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.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Great Valley School District's basic financial statements. The combining statement of net position – agency funds is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statement of net position - agency funds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining statement of net position - agency funds and the schedule of expenditures of federal awards are 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 December 5, 2016, on our consideration of the 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 the District's internal control over financial reporting and compliance.

*Herbein + Company, Inc.*

Reading, Pennsylvania  
December 5, 2016



## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) June 30, 2016

The discussion and analysis of Great Valley School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016.

The intent of the discussion and analysis is to look at the District's financial performance as a whole. GASB Statement No. 34 issued June 1999 requires that certain comparative information between the current year and the prior year be presented in the MD&A.

This discussion and analysis should be read in conjunction with the District's accompanying financial statements. Readers should also review the basic financial statements and the notes thereof to enhance their understanding of the District's financial performance.

### FINANCIAL HIGHLIGHTS

- Effective July 1, 2014, the District adopted Government Accounting Standards Board Statements No 68, *Accounting and Financial Reporting for Pensions* and No 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*. The adoption of these standards resulted in the District restating beginning net position to (\$12,562,061). The District's total governmental entities net position at June 30, 2016 is (\$10,139,086). An increase from 2014-15 of \$1,185,421. Total net position of business activities of (\$323,292), a decrease over 2014-15 of (\$13,463).
- At the close of the current year, the District's governmental funds reported combined ending fund balances of \$26,631,766 which is \$2,674,926 a decrease from the prior year. This resulted in a \$1,310,810 decrease for the general fund and a \$1,364,108 decrease for the Capital Project Fund. This includes \$2,000,000 transfer from the General Fund at June 30, 2016.
- The trends of prior years' indicated that during the fiscal year 2014-15, Great Valley School District General Fund would experience another year of significant increases in the cost of special education instruction and health benefits for our employees, with the most cost being attributed to the District's 25.84% contribution to the Pennsylvania Public School Employees' Retirement System (PSERS). In the budgeting process, the Board of School Directors was able to balance the budget with a minimal increase in taxes to our taxpayers. The actual results of operation showed increases in benefits and special education expenditures as was anticipated. At the close of the year, the expenditures were under what was budgeted, which allowed the District to transfer funds to the capital project fund.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and the required supplementary information (RSI). The basic financial statements include two types of statements that present different *views* of the district.

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the district's *overall* financial status.

Great Valley School District  
Malvern, PA 19355

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
June 30, 2016  
(Continued)

The remaining statements are fund financial statements that focus on individual parts of the district, reporting the district's operation in more detail than the government-wide statements.

- The *governmental fund statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short* and *long-term* financial information about the activities the district operates like *businesses*, such as food services.
- *Fiduciary funds* statements provide information about the financial relationships in which the district acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with schedules of the District's proportionate share of pension liability and contributions. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

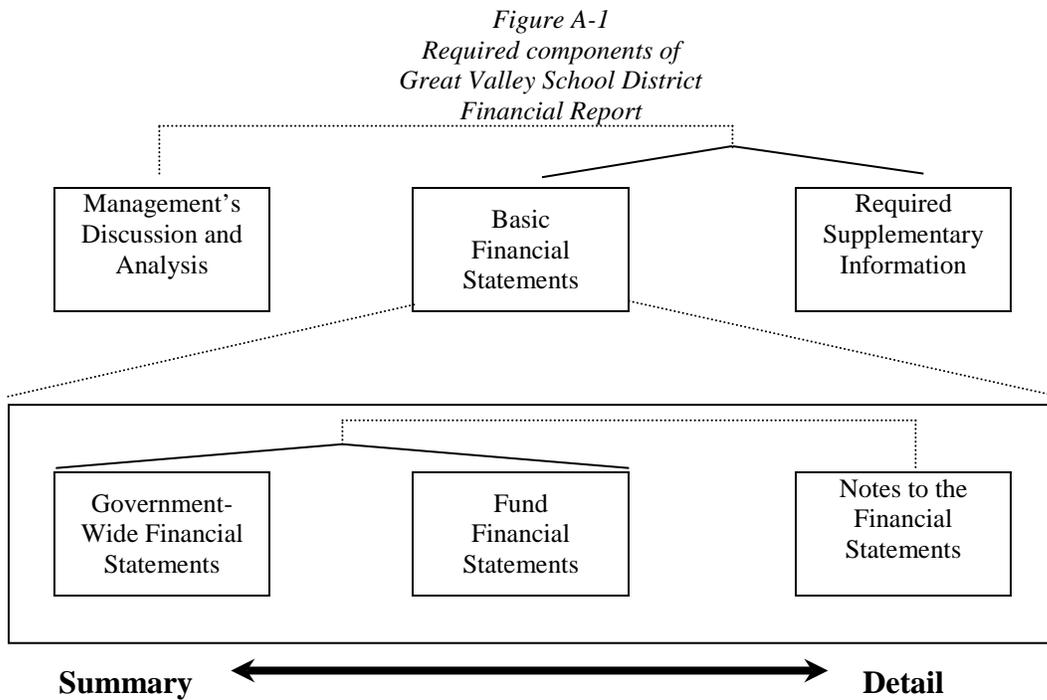


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the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

**Great Valley School District  
Malvern, PA 19355**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
June 30, 2016  
(Continued)**

<b>Figure A-2 Major Features of Great Valley School District Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Financial 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 service	Activities the district operates similar to private business – Food Services, other propriety-internal service fund	Instances in which the district is the trustee or agent to someone else's resources - Scholarship Funds
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of financial information	All assets and liabilities, both financial and capital, short-term and long-term and deferred inflows/outflows of resources	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term, deferred inflows/outflows of resources	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during the year, regardless of when cash is received or paid. Change reported as soon as underlying event related to change takes place.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid. Change reported as soon as underlying event related to change takes place.	All additions and deductions during the year, regardless of when cash is received or paid. Change reported as soon as underlying event related to change takes place.

**Great Valley School District  
Malvern, PA 19355**

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

**June 30, 2016**

**(Continued)**

## 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 district's assets, liabilities and deferred inflows/outflows of resources with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities as soon as underlying events giving rise to the change occurs.

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

- Over time, increases or decreases in the district's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the district you need to consider additional non-financial factors such as changes in the district's tax base and the condition of the school buildings and other facilities.

In the government-wide financial statements, the district's activities are divided into two categories:

- **Governmental activities:** Most of the district's basic services are included here, such as regular and special education, transportation, and administration. Property taxes, state and federal subsidies, and grants finance most of those activities.
- **Business-type activities:** The district operates a food service operation and charges fees to staff, students, and visitors to help cover costs of the food service operation.

### **Fund Financial Statements**

The District's fund financial statements provide more detailed information about the district funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes, such as repaying its long-term debts.

The District has three kinds of funds:

- **Governmental funds**-Most of the District's basic services are included in governmental funds, which focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional reconciliation information is provided behind all of the governmental funds statement that explains the relationship (or differences) between them.
- **Proprietary funds**-Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The District's *Enterprise funds* (one type of proprietary fund and one internal service fund) are the same as the business-type activities, but provide more detail and additional information, such as cash flows.

**Great Valley School District  
Malvern, PA 19355**

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

**June 30, 2016**

**(Continued)**

- *Fiduciary funds*-The District is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that because of a trust arrangement can be used only for trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The District excludes these activities from the District government-wide financial statements 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 (\$10,462,378) at June 30, 2016 which is an increase from June 30, 2015. The following table provides comparative financial information for the net assets of fiscal year 2015 to 2016.

Table A-1						
Comparative Statement of Net Position						
	Governmental Activities		Business-Type Activities		Total	
Assets	2016	2015	2016	2015	2016	2015
Current & other Assets	\$ 46,744,484	\$ 47,815,465	\$ 1,008,178	\$ 984,387	\$ 47,752,662	\$ 48,799,852
Capital Assets	116,056,296	117,674,822	94,828	111,268	116,151,124	117,786,090
<b>Total Assets</b>	<b>162,800,780</b>	<b>165,490,287</b>	<b>1,103,006</b>	<b>1,095,655</b>	<b>163,903,786</b>	<b>166,585,942</b>
<b>Deferred Outflows of Resources</b>						
Deferred charge on bond refunding	685,740	1,486,255	-	-	685,740	1,486,255
Pension Contributions made Subsequent to Measurement date/Deferred outflow for pension	13,011,105	7,493,240	-	90,513	13,011,105	7,583,753
<b>Resources</b>	<b>13,696,845</b>	<b>8,979,495</b>	<b>-</b>	<b>90,513</b>	<b>13,696,845</b>	<b>9,070,008</b>
<b>Liabilities</b>						
Current Liabilities	16,402,141	23,658,053	110,768	135,140	16,512,909	23,793,193
Long-term Liabilities	169,456,727	157,308,301	1,478,883	1,304,301	170,935,610	158,612,602
<b>Total Liabilities</b>	<b>185,858,868</b>	<b>180,966,354</b>	<b>1,589,651</b>	<b>1,439,441</b>	<b>187,448,519</b>	<b>182,405,795</b>
<b>Deferred Inflows of Resources</b>						
Deferred Inflows of Resources for Pension	777,843	4,827,935	6,877	56,556	784,720	4,884,491
<b>Net Position:</b>						
Net Investment in Capital Assets	74,179,104	69,471,064	94,828	111,268	74,273,932	69,582,332
Restricted for Capital project	6,024,577	5,947,026	-	-	6,024,577	5,947,026
Unrestricted (Deficit)	(90,342,767)	(86,742,597)	(418,120)	(421,097)	(90,760,887)	(87,163,694)
<b>Total Net Position (Deficit)</b>	<b>\$ (10,139,086)</b>	<b>\$ (11,324,507)</b>	<b>\$ (323,292)</b>	<b>\$ (309,829)</b>	<b>\$ (10,462,378)</b>	<b>\$ (11,634,336)</b>

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are 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 local taxes assessed to taxpayers, and grants and entitlements not restricted to specific programs, the majority of which is the basic education subsidy provided by the Commonwealth of Pennsylvania.

**Great Valley School District  
Malvern, PA 19355**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
June 30, 2016  
(Continued)**

Changes in net position. Table A-2 shows the changes in net position for fiscal year 2015 to 2016.

Table A-2						
Changes in Net Position from Operating Results						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b><u>Revenues</u></b>						
<b><u>Program revenues</u></b>						
Charges for services	\$ 632,322	\$ 611,701	\$ 1,851,364	\$ 2,025,729	\$ 2,483,686	\$ 2,637,430
Operating Grants and contributions	10,394,239	9,330,337	575,974	515,218	10,970,213	9,845,555
Capital grants and contributions	408,035	462,875	-	-	408,035	462,875
<b><u>General Revenues</u></b>						
Property taxes and other levied for general purpose	71,286,966	69,074,780	-	-	71,286,966	69,074,780
Other Taxes	2,997,754	2,696,271	-	-	2,997,754	2,696,271
Grants, subsidies, and contributions unrestricted	2,444,007	2,351,890	-	-	2,444,007	2,351,890
Other Revenue (Transfer)	222,910	130,575	2,338	1,808	225,248	132,383
<b>Total Revenues</b>	<b>\$ 88,386,233</b>	<b>\$ 84,658,429</b>	<b>\$ 2,429,676</b>	<b>\$ 2,542,755</b>	<b>\$ 90,815,909</b>	<b>\$ 87,201,184</b>
<b><u>Expenses</u></b>						
Instruction	\$ 54,674,948	\$ 51,849,232	\$ -	\$ -	\$ 54,674,948	\$ 51,849,232
Instructional student support	2,131,221	1,997,667	-	-	2,131,221	1,997,667
Pupil Services	3,278,715	3,095,346	-	-	3,278,715	3,095,346
Administrative and financial support services	9,812,883	9,934,461	-	-	9,812,883	9,934,461
Operation and maintenance of plant services	9,374,023	8,839,094	-	-	9,374,023	8,839,094
Pupil Transportation	4,395,903	4,220,431	-	-	4,395,903	4,220,431
Student Activities	1,685,845	1,632,136	-	-	1,685,845	1,632,136
Interest on Long-term debt	1,444,806	1,741,530	-	-	1,444,806	1,741,530
Unallocated Depreciation	402,468	402,468	-	-	402,468	402,468
Food Service	-	-	2,443,139	2,561,094	2,443,139	2,561,094
<b>Total Expenses</b>	<b>\$ 87,200,812</b>	<b>\$ 83,712,365</b>	<b>\$ 2,443,139</b>	<b>\$ 2,561,094</b>	<b>\$ 89,643,951</b>	<b>\$ 86,273,459</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 1,185,421</b>	<b>\$ 946,064</b>	<b>\$ (13,463)</b>	<b>\$ (18,339)</b>	<b>\$ 1,171,958</b>	<b>\$ 927,725</b>
<b>Net Position-Beginning</b>	<b>\$ (11,324,507)</b>	<b>\$ (12,270,571)</b>	<b>\$ 309,829</b>	<b>\$ (291,490)</b>	<b>\$ (11,634,336)</b>	<b>\$ (12,562,061)</b>
<b>Net Position-Ending</b>	<b>\$ (10,139,086)</b>	<b>\$ (11,324,507)</b>	<b>\$ 323,292</b>	<b>\$ (309,829)</b>	<b>\$ (10,462,378)</b>	<b>\$ (11,634,336)</b>

\*Net Position – beginning restated with implementation of GASB 68 and GASB 71.

**Great Valley School District**

**Malvern, PA 19355**

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

**June 30, 2016**

**(Continued)**

Total governmental activities expenses of \$87,200,812 include \$4,363,914 of depreciation expense. Total business-type activities (food service) expenses of \$2,443,139 include the costs necessary to operate the cafeterias in all schools and indirect expenses, such as utilities and cleaning costs.

Table A-3 represents the cost of the District's nine functions in governmental activities as well as each program's net cost (total cost less revenues generated by the activities). This table shows the net costs offset by the other unrestricted grants, subsidies and contributions, to show the financial burden placed on the district's taxpayers by each of these functions.

Table A-3				
Net Cost of Governmental Activities				
	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$ 54,674,948	\$ 51,849,118	\$ 47,089,731	\$ 45,207,188
Instructional Student Support	2,131,221	1,997,667	1,969,709	1,863,274
Pupil Services	3,278,715	3,095,346	2,945,793	2,782,149
Administrative & Financial Support Services	9,812,883	9,934,575	8,969,549	9,249,691
Operation & Maintenance of Plant Services	9,374,023	8,839,094	8,712,459	8,042,724
Transportation	4,395,903	4,220,431	3,458,802	3,324,516
Student Activities	1,685,845	1,632,136	1,180,934	1,156,787
Interest on long-term debt	1,444,806	1,741,530	1,036,771	1,278,655
Unallocated Depreciation	402,468	402,468	402,468	402,468
<b>Total Governmental Activities</b>	<b>\$ 87,200,812</b>	<b>\$ 83,712,365</b>	<b>\$ 75,766,216</b>	<b>\$ 73,307,452</b>
<i>Less: Unrestricted grants, subsidies</i>			\$ 2,444,007	\$ 2,351,890
<b>TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES</b>			<b>\$ 73,322,209</b>	<b>\$ 70,955,562</b>

The cost of all *governmental* activities this year was \$87,200,812.

- The state and federal government subsidized certain programs with grants and unrestricted contributions totaling \$2,444,007.

**Business-Type Activities**

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

Table A-4				
Net Cost of Business-Type Activities				
	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Functions/Programs				
Food Services	\$ 2,443,139	\$ 2,561,094	\$ 15,801	\$ 20,147

**Great Valley School District  
Malvern, PA 19355**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
June 30, 2016  
(Continued)**

The statement of revenues, expenses and changes in net position for this proprietary fund further details the actual results of operations.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At June 30, 2016, the District governmental funds reported a combined fund balance of \$26,631,766 which is a decrease of \$2,674,926. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2016 and 2015.

Table A-5				
Fund Balances				
	2016	2015	Difference	% of Inc (Dec)
General Fund	\$ 19,388,228	\$ 20,699,046	\$ (1,310,818)	-6.33%
Capital Projects	7,243,538	8,607,646	(1,364,108)	-15.85%
Debt Service	-	-	-	0.00%
<b>Total</b>	<b>\$ 26,631,766</b>	<b>\$ 29,306,692</b>	<b>\$ (2,674,926)</b>	<b>-9.13%</b>

The general fund had \$88,370,445 in revenues and \$78,210,096 in expenditures for 2016 plus net other financing sources (uses) of (\$11,471,167) and the other major governmental funds had more expenditures than revenues. Expenditures for the capital project were \$3,380,914 with revenues of \$16,806. The capital project fund had other financing sources of \$2,000,000 as a result of a transfer from the general fund

**REVENUES**

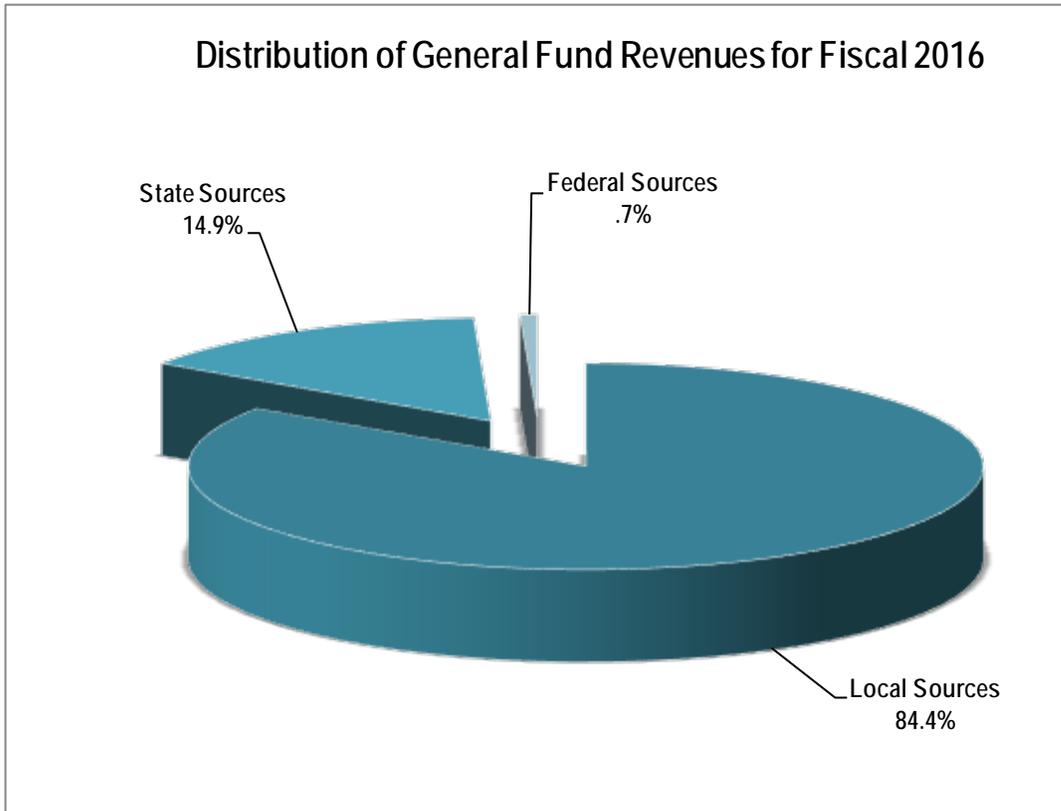
General Fund revenues totaling \$88,370,445 increased \$3,758,678 over the 2014-15 revenues. The following table reflects a comparison of current year revenues with the revenues recognized in the prior year.

Table A-6				
Comparison of Revenues-General Fund				
	2016	2015	Increase (Decrease) from 2014-15	% of Inc (Dec)
Local Sources	\$ 74,643,540	\$ 72,327,799	\$ 2,315,741	3.20%
State Sources	13,128,851	11,806,511	1,322,340	11.20%
Federal Sources	598,054	477,457	120,597	25.26%
<b>TOTAL REVENUES</b>	<b>\$ 88,370,445</b>	<b>\$ 84,611,767</b>	<b>\$ 3,758,678</b>	<b>4.44%</b>

**Great Valley School District  
Malvern, PA 19355**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
June 30, 2016  
(Continued)**

The district's general fund revenue distribution is demonstrated by the graph below that indicates 84.4% of total revenues come from local sources. Real estate tax is 90.6% of local sources and 76.5% of total revenues.



The district reliance upon tax revenue is indicated in the table below.

Real Estate Taxes				
	2016	2015	Difference	% of Inc (Dec)
Real Estate taxes	\$ 67,631,660	\$ 65,468,794	\$ 2,162,866	3.3%
Interim taxes	1,342,203	1,103,152	239,051	21.7%
Delinquent Tax	1,300,637	1,446,187	(145,550)	-10.1%
Real Estate Transfer Tax	2,921,569	2,614,240	307,329	11.8%
<b>Total</b>	<b>\$ 73,196,069</b>	<b>\$ 70,632,373</b>	<b>\$ 2,563,696</b>	<b>3.6%</b>

**Great Valley School District  
Malvern, PA 19355**

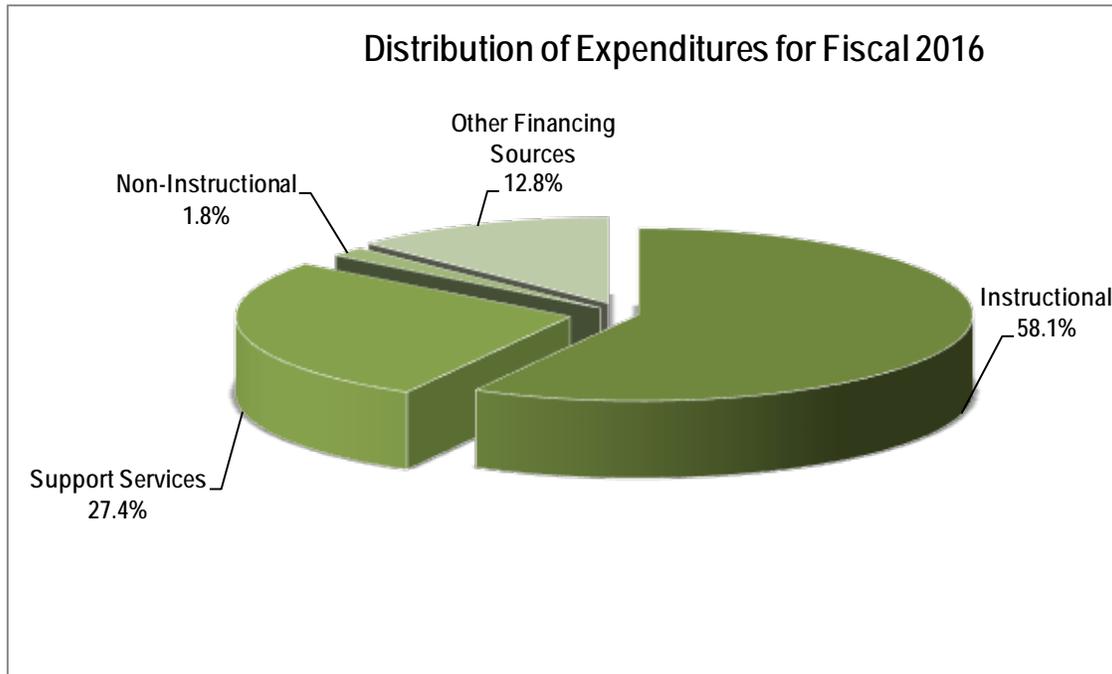
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
June 30, 2016  
(Continued)**

EXPENDITURES

General fund expenditures and other financing uses totaling \$89,681,263 increased \$5,808,809 or 5.5% over 2014-15 expenses. These expenditures were segregated into various programs depending on the functions of the activity. The following table shows these programs and the costs associated with each, as well as comparison to the costs incurred in the prior year.

Table A-7					
Comparison of Expenditures-General Fund					
	2016	2015	Increase (Decrease) from 2014-15	% of Inc (Dec)	
<b>Current:</b>					
Instruction	\$ 52,094,941	\$ 48,804,186	\$ 3,290,755	6.7%	
Supporting Services	24,529,250	23,079,485	1,449,765	6.3%	
Non-Instructional Services	1,585,905	1,517,426	68,479	4.5%	
Other Financing Sources (Uses)	11,471,167	10,471,297	999,870	9.5%	
<b>TOTAL EXPENDITURES</b>	<b>\$ 89,681,263</b>	<b>\$ 83,872,394</b>	<b>\$ 5,808,869</b>	<b>6.9%</b>	

The chart below shows the percentage in each of the areas to the total expenditures.



**Great Valley School District  
Malvern, PA 19355**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
June 30, 2016  
(Continued)**

As the following schedule illustrates, the largest portions of General Fund expenditures are for salaries and fringe benefits. The district is a service entity and as such is labor intensive.

Expenditures by Object-General Fund				
	2016	2015	Difference	% of Inc (Dec)
Salaries & Wages	\$ 38,410,621	\$ 36,560,957	\$ 1,849,664	5.1%
Fringe Benefits	20,318,415	18,750,313	1,568,102	8.4%
Purchased & Technical Services	7,616,567	6,758,800	857,767	12.7%
Purchased Property Services	1,643,160	1,452,719	190,441	13.1%
Other Purchased Services	8,194,598	7,745,577	449,021	5.8%
Supplies	1,705,967	1,831,026	(125,059)	-6.8%
Property	113,006	108,999	4,007	3.7%
Other Objects	207,762	192,819	14,943	7.7%
Debt Services Transfers	11,482,614	10,473,953	1,008,661	9.6%
<b>Total</b>	<b>\$ 89,692,710</b>	<b>83,875,163</b>	<b>\$ 5,817,547</b>	<b>6.9%</b>

Salaries and benefits are 66% of the total expenditures and 34% are from other expenditures such as other purchased services, supplies and debt service transfer. A large portion of increase is due to pension expense.

**General Fund Budgetary Highlights**

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. This is after the end of the fiscal year, which is not prohibited by law. A schedule showing the District's original and final budget amounts compared with actual revenues and expenditures is provided. The local economy is improving which is why we have a positive variance in our tax revenue.

The final budget was adjusted for expenditures that required functional category changes in Special Education. The Special Education cost increased to cover increased staffing needs due to enrollment. Special Education expenditures for professional educational and technical services increased due to legal settlements and legal fees. The Physical Plant budget was less than originally budgeted due partly to a mild winter therefore reducing energy cost. Savings in Pupil Services and Instructional Staff Services occurred as more staff resources were applied directly to program costs. Final budget comparison to actual results. A table of the most significant differences between estimated revenues/expenditures and actual revenue/expenditures is as follows:

**Great Valley School District**  
**Malvern, PA 19355**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**June 30, 2016**  
**(Continued)**

2015-16				Comments
	Budget	Actual	Variance	
Revenues	\$ 87,100,000	\$ 88,370,445	\$ 1,270,445	Due to increase in Tax Revenue, which allowed for a transfer to be made to Capital Project in the amount of \$2,000,000
Expenses	78,617,379	78,210,096	407,283	
Other Financing Sources/Uses	11,482,621	11,471,167	11,454	
Net	\$ (3,000,000)	\$ (1,310,818)	\$ 1,689,182	
<b>Contributing Line Items:</b>				
<b>Revenues:</b>				
Local Revenue				
Current Real Estate Taxes	69,783,226	68,973,863	(809,363)	Due to assessment reductions.
RE Transfer Tax	1,350,000	2,921,569	1,571,569	Several huge Commerical Properties Sold
Delinquent Tax	1,250,000	1,300,637	50,637	Increase in Delinquent tax collections.
<b>Expenditures and Other Financing Uses:</b>				
Salaries	38,470,437	38,410,621	59,816	Savings with use of consultants/outside services
Benefits	20,407,490	20,318,415	89,075	Self Insurance Savings
Professional Educational Services	7,736,624	7,616,567	120,057	Increase in educational and operational professional services.
Other Prof. Services	1,654,411	1,643,160	11,251	Major repairs being paid from Capital Project Fund
Other Purchased Services	8,216,025	8,194,598	21,427	
Supplies	1,737,976	1,705,967	32,009	Supplies ordered on "as needed basis" resulting in savings.
Property	175,250	113,006	62,244	Miscellaneous-Technology related
Other Objects	219,171	207,762	11,409	Dues & Fees for Professional Organizations
Debt Service-Other Transfers	11,482,616	11,482,614	2	Transfers; Debt service and transfer to capital project fund.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2016, the district had invested \$116,151,124 in a broad range of capital assets, including buildings, sites, library books, and equipment (See Table A-8). More detail information can be found in Note 6 to the financial statements. Total accumulated depreciation on these assets was \$63,907,575 for governmental activities and \$299,944 for business-type activities.

Table A-8						
Capital Assets( <i>net depreciation</i> )						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land & improvements	\$ 10,717,119	\$ 12,837,272	\$ -	\$ -	\$ 10,717,119	\$ 12,837,272
Construction in progress	2,763,036	3,110,310	-	-	2,763,036	3,110,310
Building & Improvements	94,966,344	93,063,145	-	-	94,966,344	93,063,145
Equipment & furniture	7,554,824	8,135,022	94,828	111,268	7,649,652	8,246,290
Vehicles	44,746	56,409	-	-	44,746	56,409
Library Books	10,227	14,225	-	-	10,227	14,225
<b>Total</b>	<b>\$ 116,056,296</b>	<b>\$ 117,216,383</b>	<b>\$ 94,828</b>	<b>\$ 111,268</b>	<b>\$ 116,151,124</b>	<b>\$ 117,327,651</b>

**Great Valley School District**

**Malvern, PA 19355**

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

**June 30, 2016**

**(Continued)**

**Long-Term Debt**

At year-end, the district had \$45,349,399 for governmental activities in general obligation bonds and other long-term liabilities outstanding. More detailed information about the district's long-term liabilities is presented in Note 7 of the financial statements.

	2016	2015
General Obligation Debt & Long-Term Liabilities	\$ 45,349,399	\$ 54,099,025

- The district continued to pay down its debt.
- Other obligations include accrued vacation pay and sick leave for District employees and early retirement incentive payments

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of the following two circumstances that will have a major impact on its future economic position.

Special Session Act 1 of 2006, known as the Taxpayer Relief Act. The law intends to ease the financial burden of home ownership by providing school districts the means to lower property taxes to homeowners, especially senior citizens. The legislation is complex, setting rules for gaming revenue allocations, requiring front-end voter referenda on tax shifting, mandating new school district budget restrictions, and requiring back-end voter referenda on future real estate tax increases above an "index".

Below is a table of - The Index-Special Session Act 1 of 2006 comparison:

	Base Index
2006-07	3.9%
2007-08	3.4%
2008-09	4.4%
2009-10	4.1%
2010-11	2.9%
2011-12	1.4%
2012-13	1.7%
2013-14	1.7%
2014-15	2.1%
2015-16	1.9%

**Great Valley School District**

**Malvern, PA 19355**

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

**June 30, 2016**

**(Continued)**

School districts cannot increase the real estate tax rate above an inflationary index percentage as determined by the state with an adjustment provided for less wealthy schools. School Districts that wish to increase millage beyond the index to maintain or improve existing programs must either apply for exceptions from the Department of Education or receive voter approval for an increase via a tax increase referendum question during the May primary election.

There are referendum exceptions built into Act 1 should a district need to raise taxes beyond the new inflationary index cap. The exception categories provide partial relief for increase in the cost of special education, retirement and health care expenses, emergencies and disasters and some school construction projects. It is anticipated that most school districts will be requesting relief through some of the exceptions.

Act I is an amalgamation to its predecessors Acts 50 and 72. The key difference is that Act 1 is mandatory and provides very few school board options. Act 1 will have many collateral consequences for school districts, including negative education program impacts, possible bond downgrade and related borrowing expense, substantial implementation expense, and many diverse required actions.

**About the Pennsylvania Public School Employees' Retirement System**

- PSERS is the 18th largest state-sponsored defined benefit pension fund in the nation and has a membership of more than 267,000 active members and over 209,000 annuitants and beneficiaries receiving benefits. For more information visit PSERS' website at [www.psers.state.pa.us](http://www.psers.state.pa.us).
- The Public School Employees' Retirement System (PSERS) is a defined benefit plan. PSERS is funded through three sources: contributions from employees (members), the employer contribution rate which is contributions from employers (generally school districts) and the Commonwealth, and investment returns from the System.
- Employee (Member) contributions range from 5.25% to 10.30% of payroll depending on the class of membership of the employee and when they joined PSERS
- As of July 1, 2011 new members bear some of the investment risk via the shared risk provisions of Act 120 of 2010. With a "shared risk" program new members since July 1, 2011 benefit when investments of the fund are doing well and share some of the risk when investments underperform.
- Both the employer and the Commonwealth are responsible for paying a portion of the employer contribution rate. Employers are divided into two groups: school entities and non-school entities. School entities are responsible for paying 100 percent of the employer share of contributions to PSERS. The Commonwealth reimburses school entities for one-half the payment for employees hired on or before June 30, 1994. School entities are reimbursed by the Commonwealth based on a statutory formula for employees hired after June 30, 1994, but not less than one-half of the payment. Non-school entities and the Commonwealth each contribute one-half of the total employer rate.

**Great Valley School District**

**Malvern, PA 19355**

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

**June 30, 2016**

**(Continued)**

The chart below shows the employer contribution rate history over the past 10 years.

<b>HISTORY OF EMPLOYER CONTRIBUTION RATES</b>				
<b>Fiscal Year</b>	<b>Employer Normal Cost %</b>	<b>Preliminary Employer Pension Rate %</b>	<b>Health Care Contributions %</b>	<b>Total Employer Contribution %</b>
2006-07	6.62	5.72	0.74	6.46
2007-08	6.68	6.44	0.69	7.13
2008-09	6.68	4.00	0.76	4.76
2009-10	7.35	4.00	0.78	4.78
2010-11	8.08	5.00	0.64	5.64
2011-12	8.12	8.00	0.65	8.65
2012-13	8.66	11.50	0.86	12.36
2013-14	8.57	16.00	0.93	16.93
2014-15	8.46	20.50	0.90	21.40
<b>2015-16</b>	<b>8.38</b>	<b>25.00</b>	<b>.84</b>	<b>25.84</b>

- The chart below shows the 10-year projected employer contribution rates using the June 30, 2016 valuation. Total employer contributions increased from \$2.7 billion in FY 2015 to \$3.3 billion in FY 2016. This increase was primarily attributable to an increase in the total employer contribution rate from 21.40% in FY 2015 to 25.84% in FY 2016 in accordance with Act 120 of 2010.

**Great Valley School District**

**Malvern, PA 19355**

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

**June 30, 2016**

**(Continued)**

<b>10-YEAR PROJECTED EMPLOYER CONTRIBUTION RATES</b>		
<b>(Presumes an 7.5% rate of return)</b>		
<b>Fiscal Year Ending June</b>	<b>Total Employer Contribution Rate %</b>	<b>Projected Total Employer Contribution (thousands) \$</b>
14/15	21.40	2,596,731
15/16	25.84	3,576,651
16/17	30.03	4,160,639
17/18	32.57	4,420,687
18/19	31.28	4,700,859
19/20	32.08	4,961,364
20/21	32.02	5,095,726
21/22	32.01	5,242,734
22/23	32.22	5,431,740
23/24	32.30	5,603,787

**Investment Returns**

- PSERS' rate of return for fiscal year ended June 30, 2016 was 7.50% and the Fund had plan net assets of \$49.3 billion at June 30, 2016
- Longer term employer contributions (over 30 years) are expected to be nearly \$1.4 billion less than previously projected despite the higher employer contribution rates.
- The employer normal cost continues to decrease as the impact of the benefit reductions in Act 120 is realized.
- The decrease in school payroll in fiscal year 2015 also contributed to the smaller than projected growth in unfunded liability at June 30, 2016 (from \$32.9 billion to \$32.6 billion).

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Great Valley School District, at 47 Church Road, Malvern, PA 19355

GREAT VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 42,439,304	\$ 828,394	\$ 43,267,698
Taxes Receivable, Net	1,176,530	-	1,176,530
Internal Balances	(939)	939	-
Intergovernmental Receivables	3,129,589	74,953	3,204,542
Other Receivables	-	53,775	53,775
Inventories	-	50,117	50,117
Capital Assets Not Being Depreciated:			
Land	9,726,962	-	9,726,962
Construction in Progress	990,157	-	990,157
Capital Assets, Net of Accumulated Depreciation:			
Building and Building Improvements	94,966,344	-	94,966,344
Site Improvements	2,763,036	-	2,763,036
Fixtures and Equipment	7,554,824	94,828	7,649,652
Library Books	10,227	-	10,227
Vehicles	44,746	-	44,746
<b>TOTAL ASSETS</b>	<b>162,800,780</b>	<b>1,103,006</b>	<b>163,903,786</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Bond Refunding	685,740	-	685,740
Deferred Outflows of Resources for Pension	3,474,758	66,147	3,540,905
Pension Contributions Made Subsequent to the Measurement Date	9,536,347	104,083	9,640,430
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>13,696,845</b>	<b>170,230</b>	<b>13,867,075</b>
<b>LIABILITIES</b>			
Accounts Payable	4,732,851	21,430	4,754,281
Accrued Salaries and Benefits	6,426,517	17,320	6,443,837
Payroll Deductions and Withholdings	1,668,579	-	1,668,579
Accrued Interest	396,647	-	396,647
Unearned Revenue	2,577,247	74,018	2,651,265
Other Liabilities	600,300	-	600,300
Noncurrent Liabilities:			
Due Within One Year	9,273,150	-	9,273,150
Bonds and Note Payable, Net	35,551,517	-	35,551,517
Long-Term Portion of Compensated Absences	524,732	6,816	531,548
Net Pension Liability	122,064,933	1,470,067	123,535,000
Other Postemployment Benefits Obligation	2,042,395	-	2,042,395
<b>TOTAL LIABILITIES</b>	<b>185,858,868</b>	<b>1,589,651</b>	<b>187,448,519</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources for Pension	777,843	6,877	784,720
<b>NET POSITION</b>			
Net Investment in Capital Assets	74,179,104	94,828	74,273,932
Restricted for Capital Projects	6,024,577	-	6,024,577
Unrestricted (Deficit)	(90,342,767)	(418,120)	(90,760,887)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (10,139,086)</b>	<b>\$ (323,292)</b>	<b>\$ (10,462,378)</b>

See accompanying notes.

GREAT VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
<b>Instructional Services:</b>							
Regular	\$ 37,936,986	\$ 24,120	\$ 4,280,481	\$ -	\$ (33,632,385)	\$ -	\$ (33,632,385)
Special	15,916,645	-	3,274,504	-	(12,642,141)	-	(12,642,141)
Vocational	750,141	-	-	-	(750,141)	-	(750,141)
Other Instructional Programs	71,176	-	6,112	-	(65,064)	-	(65,064)
Total Instructional Services	54,674,948	24,120	7,561,097	-	(47,089,731)	-	(47,089,731)
<b>Support Services:</b>							
Pupil Personnel	3,278,715	-	332,922	-	(2,945,793)	-	(2,945,793)
Instructional Staff	2,131,221	-	161,512	-	(1,969,709)	-	(1,969,709)
Administration	5,194,096	-	453,251	-	(4,740,845)	-	(4,740,845)
Pupil Health	929,213	-	187,344	-	(741,869)	-	(741,869)
Business Services	1,162,377	-	110,819	-	(1,051,558)	-	(1,051,558)
Operation of Plant and Maintenance Services	9,374,023	263,256	398,308	-	(8,712,459)	-	(8,712,459)
Student Transportation Services	4,395,903	-	937,101	-	(3,458,802)	-	(3,458,802)
Central	2,485,598	-	91,920	-	(2,393,678)	-	(2,393,678)
Other Support Services	41,599	-	-	-	(41,599)	-	(41,599)
Total Support Services	28,992,745	263,256	2,673,177	-	(26,056,312)	-	(26,056,312)
<b>Noninstructional Services:</b>							
Student Activities	1,685,845	344,946	159,965	-	(1,180,934)	-	(1,180,934)
Interest on Long-Term Debt	1,444,806	-	-	408,035	(1,036,771)	-	(1,036,771)
Unallocated Depreciation, Excludes Direct Depreciation	402,468	-	-	-	(402,468)	-	(402,468)
Total Noninstructional Services	3,533,119	344,946	159,965	408,035	(2,620,173)	-	(2,620,173)
<b>Total Governmental Activities</b>	87,200,812	632,322	10,394,239	408,035	(75,766,216)	-	(75,766,216)
<b>Business-Type Activities:</b>							
Food Service	2,443,139	1,851,364	575,974	-	-	(15,801)	(15,801)
<b>Total Primary Government</b>	<u>\$ 89,643,951</u>	<u>\$ 2,483,686</u>	<u>\$ 10,970,213</u>	<u>\$ 408,035</u>	(75,766,216)	(15,801)	(75,782,017)
<b>General Revenues:</b>							
Taxes:							
Property Taxes					71,286,966	-	71,286,966
Public Utility Realty, Earned Income, and Mercantile Taxes					2,997,754	-	2,997,754
Grants, Subsidies, and Contributions Not Restricted to a Specific Program					2,444,007	-	2,444,007
Investment Earnings					169,822	1,399	171,221
Miscellaneous					54,027	-	54,027
Transfers					(939)	939	-
<b>Total General Revenues and Transfers</b>					<u>76,951,637</u>	<u>2,338</u>	<u>76,953,975</u>
<b>Change in Net Position</b>					1,185,421	(13,463)	1,171,958
<b>Net Position (Deficit) - Beginning of Year</b>					<u>(11,324,507)</u>	<u>(309,829)</u>	<u>(11,634,336)</u>
<b>Net Position (Deficit) - End of Year</b>					<u>\$ (10,139,086)</u>	<u>\$ (323,292)</u>	<u>\$ (10,462,378)</u>

**GREAT VALLEY SCHOOL DISTRICT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2016**

	General	Capital Projects	Debt Service	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 32,157,470	\$ 6,288,984	\$ -	\$ 38,446,454
Taxes Receivable	1,200,541	-	-	1,200,541
Interfund Receivables	-	1,825,475	-	1,825,475
Intergovernmental Receivables	3,129,589	-	-	3,129,589
<b>TOTAL ASSETS</b>	<b>\$ 36,487,600</b>	<b>\$ 8,114,459</b>	<b>\$ -</b>	<b>\$ 44,602,059</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Interfund Payables	\$ 2,008,124	\$ -	\$ -	\$ 2,008,124
Accounts Payable	1,916,143	861,331	-	2,777,474
Accrued Salaries and Benefits	6,426,517	-	-	6,426,517
Payroll Deductions and Withholdings	1,668,579	-	-	1,668,579
Current Portion of Compensated Absences	1,042,774	-	-	1,042,774
Unearned Revenue	2,567,657	9,590	-	2,577,247
Other Current Liabilities	600,300	-	-	600,300
<b>TOTAL LIABILITIES</b>	<b>16,230,094</b>	<b>870,921</b>	<b>-</b>	<b>17,101,015</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	869,278	-	-	869,278
<b>FUND BALANCES</b>				
Restricted	-	7,243,538	-	7,243,538
Committed Fund Balance:				
Future PSERS Contributions	2,942,747	-	-	2,942,747
Future OPEB Costs	6,312,179	-	-	6,312,179
Assigned Fund Balance:				
Appropriation for 16/17 Budget	3,496,162	-	-	3,496,162
Future Devereux Tuition Charges	351,295	-	-	351,295
Unassigned Fund Balance	6,285,845	-	-	6,285,845
<b>TOTAL FUND BALANCES</b>	<b>19,388,228</b>	<b>7,243,538</b>	<b>-</b>	<b>26,631,766</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, OF RESOURCES AND FUND BALANCES</b>	<b>\$ 36,487,600</b>	<b>\$ 8,114,459</b>	<b>\$ -</b>	<b>\$ 44,602,059</b>

See accompanying notes.

**GREAT VALLEY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION**

**June 30, 2016**

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

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** \$ 26,631,766

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$179,963,871 and the accumulated depreciation is \$63,907,575. 116,056,296

Property and other taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts. 845,267

An internal service fund is used by the District to charge the cost of health insurance claims to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities. 2,219,183

The net pension liability and other postemployment benefit obligation are not reflected on the fund financial statements. (124,107,328)

Deferred outflows and inflows of resources for pensions are recorded and amortized in the statement of net position. 12,233,262

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

Bonds and Note Payable	\$ (41,827,731)	
Accrued Interest on Bonds	(396,647)	
Unamortized Bond Discount	89,657	
Unamortized Bond Premium	(2,043,819)	
Deferred Charge on Bond Refunding	685,740	
Long-Term Portion of Compensated Absences	(524,732)	(44,017,532)

**TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES** \$ (10,139,086)

**GREAT VALLEY SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2016**

	General	Capital Projects	Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Local Sources	\$ 74,643,540	\$ 16,806	\$ 10,019	\$ 74,670,365
State Sources	13,128,851	-	-	13,128,851
Federal Sources	598,054	-	-	598,054
<b>TOTAL REVENUES</b>	<b>88,370,445</b>	<b>16,806</b>	<b>10,019</b>	<b>88,397,270</b>
<b>EXPENDITURES</b>				
Current:				
Instructional Services	52,094,941	205,303	-	52,300,244
Support Services	24,529,250	1,888,539	57,008	26,474,797
Operation of Noninstructional Services	1,585,905	37,782	-	1,623,687
Capital Outlay	-	1,249,290	-	1,249,290
Debt Service:				
Principal	-	-	7,640,376	7,640,376
Interest	-	-	1,854,408	1,854,408
<b>TOTAL EXPENDITURES</b>	<b>78,210,096</b>	<b>3,380,914</b>	<b>9,551,792</b>	<b>91,142,802</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>10,160,349</b>	<b>(3,364,108)</b>	<b>(9,541,773)</b>	<b>(2,745,532)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Refunding Notes	-	-	12,380,000	12,380,000
Payment to Refunded Debt Escrow Agent	-	-	(12,310,000)	(12,310,000)
Sale of Capital Assets	1,545	-	-	1,545
Transfers In	9,902	2,000,000	9,481,675	11,491,577
Transfers Out	(11,482,614)	-	(9,902)	(11,492,516)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(11,471,167)</b>	<b>2,000,000</b>	<b>9,541,773</b>	<b>70,606</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,310,818)</b>	<b>(1,364,108)</b>	<b>-</b>	<b>(2,674,926)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>20,699,046</b>	<b>8,607,646</b>	<b>-</b>	<b>29,306,692</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 19,388,228</b>	<b>\$ 7,243,538</b>	<b>\$ -</b>	<b>\$ 26,631,766</b>

See accompanying notes.

**GREAT VALLEY SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2016**

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

**NET CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS** \$ (2,674,926)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlays	\$ 2,745,388	
Less: Depreciation Expense	<u>(4,363,914)</u>	(1,618,526)

Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds. (11,643)

Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Repayment of Bond and Note Principal	7,640,376	
Issuance of Refunding Notes	(12,380,000)	
Payment to Refunded Debt Escrow Agent	12,310,000	
Amortization of Deferred Charge on Bond Refunding	(126,383)	
Amortization of Bond Discount	(18,854)	
Amortization of Bond Premium	<u>340,982</u>	7,766,121

Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. 213,857

In the statement of activities, certain operating expenses (compensated absences (vacations and sick days) are measured by the amounts earned during the year. 47,432

An internal service fund is used by the District to charge the costs of health insurance claims to the individual funds. The excess revenue (expense) is reported with governmental activities. (25,507)

The change in net pension liability and other postemployment benefit obligation and related deferred outflows and inflows of resources are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements. (2,511,387)

**CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** \$ 1,185,421

GREAT VALLEY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2016

	Budgeted Amount		Actual (GAAP Basis)	Variances Final to Actual
	Original	Final		
<b>REVENUES</b>				
Local Sources	\$ 73,759,226	\$ 73,759,226	\$ 74,643,540	\$ 884,314
State Sources	12,774,716	12,774,716	13,128,851	354,135
Federal Sources	566,058	566,058	598,054	31,996
<b>TOTAL REVENUES</b>	<b>87,100,000</b>	<b>87,100,000</b>	<b>88,370,445</b>	<b>1,270,445</b>
<b>EXPENDITURES</b>				
<b>INSTRUCTION</b>				
Regular Programs - Elementary/Secondary	38,772,953	35,741,530	35,714,322	27,208
Special Programs - Elementary/Secondary	13,464,152	15,563,077	15,558,074	5,003
Vocational Education Programs	739,452	752,212	750,141	2,071
Other Instructional Programs - Elementary/Secondary	99,127	99,127	72,404	26,723
<b>TOTAL INSTRUCTION</b>	<b>53,075,684</b>	<b>52,155,946</b>	<b>52,094,941</b>	<b>61,005</b>
<b>SUPPORT SERVICES</b>				
Pupil Personnel	3,073,256	3,073,256	3,067,104	6,152
Instructional Staff	2,268,008	2,207,008	2,074,248	132,760
Administration	4,796,400	4,987,684	4,982,671	5,013
Pupil Health	1,022,755	902,996	892,748	10,248
Business	1,052,496	1,117,091	1,116,337	754
Operation and Maintenance of Plant Services	6,253,538	6,372,738	6,371,006	1,732
Student Transportation Services	4,695,016	4,399,316	4,382,027	17,289
Central	1,738,647	1,713,604	1,601,510	112,094
Other Support Services	41,978	41,978	41,599	379
<b>TOTAL SUPPORT SERVICES</b>	<b>24,942,094</b>	<b>24,815,671</b>	<b>24,529,250</b>	<b>286,421</b>
<b>OPERATION OF NONINSTRUCTIONAL SERVICES</b>				
Student Activities	1,931,960	1,645,762	1,585,905	59,857
<b>TOTAL EXPENDITURES</b>	<b>79,949,738</b>	<b>78,617,379</b>	<b>78,210,096</b>	<b>407,283</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>7,150,262</b>	<b>8,482,621</b>	<b>10,160,349</b>	<b>1,677,728</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	-	-	1,545	1,545
Transfers In	-	-	9,902	9,902
Transfers Out	(9,850,262)	(11,482,621)	(11,482,614)	7
Budgetary Reserve	(300,000)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(10,150,262)</b>	<b>(11,482,621)</b>	<b>(11,471,167)</b>	<b>11,454</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (3,000,000)</b>	<b>\$ (3,000,000)</b>	<b>(1,310,818)</b>	<b>\$ 1,689,182</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>20,699,046</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 19,388,228</b>	

See accompanying notes.

GREAT VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS

June 30, 2016

	Enterprise Fund Food Service	Internal Service Fund
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 828,394	\$ 3,992,850
Interfund Receivables	939	181,710
Intergovernmental Receivables	74,953	-
Other Receivables	53,775	-
Inventories	50,117	-
	<u>1,008,178</u>	<u>4,174,560</u>
<b>TOTAL CURRENT ASSETS</b>	<b>1,008,178</b>	<b>4,174,560</b>
<b>NONCURRENT ASSETS</b>		
Machinery and Equipment, Net	94,828	-
	<u>94,828</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>1,103,006</b>	<b>4,174,560</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows of Resources for Pension	66,147	-
Pension Contributions Made Subsequent to the Measurement Date	104,083	-
	<u>170,230</u>	<u>-</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>170,230</b>	<b>-</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	21,430	1,955,377
Accrued Salaries and Benefits	17,320	-
Unearned Revenue	74,018	-
	<u>112,768</u>	<u>1,955,377</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>112,768</b>	<b>1,955,377</b>
<b>NONCURRENT LIABILITIES</b>		
Compensated Absences	6,816	-
Net Pension Liability	1,470,067	-
	<u>1,476,883</u>	<u>-</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>1,476,883</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1,589,651</b>	<b>1,955,377</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows of Resources for Pension	6,877	-
	<u>6,877</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	94,828	-
Unrestricted (Deficit)	(418,120)	2,219,183
	<u>(323,292)</u>	<u>2,219,183</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ (323,292)</b>	<b>\$ 2,219,183</b>

See accompanying notes.

**GREAT VALLEY SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS**

**For the Year Ended June 30, 2016**

	Enterprise Fund Food Service	Internal Service Fund
<b>OPERATING REVENUES</b>		
Food Service Revenue	\$ 1,851,364	\$ -
Charges for Services	-	6,473,043
	-	-
<b>TOTAL OPERATING REVENUES</b>	1,851,364	6,473,043
<b>OPERATING EXPENSES</b>		
Salaries	845,573	-
Employee Benefits	306,280	-
Other Operating Expenses	113,924	-
Supplies	1,159,484	-
Depreciation	17,878	-
Payment for Health Claims and Administrative Services	-	6,504,898
	-	6,504,898
<b>TOTAL OPERATING EXPENSES</b>	2,443,139	6,504,898
<b>OPERATING LOSS</b>	(591,775)	(31,855)
<b>NONOPERATING REVENUES</b>		
Local Sources - Earnings on Investments	1,399	6,348
State Sources	41,551	-
Federal Sources	534,423	-
	577,373	6,348
<b>TOTAL NONOPERATING REVENUES</b>	577,373	6,348
<b>LOSS BEFORE TRANSFERS</b>	(14,402)	(25,507)
<b>TRANSFERS IN</b>	939	-
	(13,463)	(25,507)
<b>CHANGE IN NET POSITION</b>	(13,463)	(25,507)
<b>NET POSITION (DEFICIT) - BEGINNING OF YEAR</b>	(309,829)	2,244,690
<b>NET POSITION (DEFICIT) - END OF YEAR</b>	\$ (323,292)	\$ 2,219,183

See accompanying notes.

**GREAT VALLEY SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**For the Year Ended June 30, 2016**

	Enterprise Fund Food Service	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Users	\$ 1,846,176	\$ 5,765,935
Cash Payments to Employees for Services	(1,098,528)	-
Cash Payments to Suppliers for Goods and Services	(1,084,096)	-
Cash Payments for Other Operating Expenses	(112,062)	-
Cash Payments for Health Claims and Administrative Services	-	(6,390,528)
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<b>(448,510)</b>	<b>(624,593)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers In	939	-
State Sources	41,941	-
Federal Sources	433,923	-
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>476,803</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of Capital Assets	(1,438)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Earnings on Investments	1,399	6,348
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>28,254</b>	<b>(618,245)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>800,140</b>	<b>4,611,095</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 828,394</b>	<b>\$ 3,992,850</b>

See accompanying notes.

**GREAT VALLEY SCHOOL DISTRICT**

**STATEMENT OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS**

**For the Year Ended June 30, 2016**

	Enterprise Fund Food Service	Internal Service Fund
<b><u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u></b>		
Operating Loss	\$ (591,775)	\$ (31,855)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) for Operating Activities:		
Depreciation	17,878	-
Donated Commodities Used	106,693	-
Changes in Assets, Deferred Inflows of Resources, Liabilities, and Deferred Outflows of Resources:		
Interfund Receivables/Payables	1,862	(707,108)
Other Receivables	(5,585)	-
Inventories	1,603	-
Deferred Outflows of Resources for Pension	(66,147)	-
Pension Contributions Made Subsequent to the Measurement Date	(13,570)	-
Accounts Payable	(32,908)	114,370
Accrued Salaries and Benefits	8,139	-
Unearned Revenue	397	-
Compensated Absences	3,273	-
Net Pension Liability	171,309	-
Deferred Inflows of Resources for Pension	(49,679)	-
Total Adjustments	143,265	(592,738)
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<b>\$ (448,510)</b>	<b>\$ (624,593)</b>

**NONCASH NONCAPITAL FINANCING ACTIVITIES**

During the year, the District used \$106,693 of food commodities from the Department of Agriculture.

GREAT VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION  
FIDUCIARY FUNDS

June 30, 2016

---

	Private Purpose Trust Funds	Agency Funds
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Investments	\$ 698,435	\$ 1,080,569
<b>TOTAL ASSETS</b>	698,435	<u>\$ 1,080,569</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Other Current Liabilities	25,350	\$ 1,080,569
<b>TOTAL LIABILITIES</b>	25,350	<u>\$ 1,080,569</u>
<b>NET POSITION HELD IN TRUST FOR SCHOLARSHIPS</b>	<u>\$ 673,085</u>	

**GREAT VALLEY SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**

**For the Year Ended June 30, 2016**

	Private Purpose Trust Funds
<b>ADDITIONS</b>	
Contributions	\$ 14,000
Earnings on Investments	5,778
<b>TOTAL ADDITIONS</b>	19,778
<b>DEDUCTIONS</b>	
Scholarships	34,856
<b>TOTAL DEDUCTIONS</b>	34,856
<b>CHANGE IN NET POSITION</b>	(15,078)
<b>NET POSITION - BEGINNING OF YEAR</b>	688,163
<b>NET POSITION - END OF YEAR</b>	\$ 673,085

## GREAT VALLEY SCHOOL DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

Great Valley School District ("School District" or the "District") is located in Chester County, Pennsylvania. The District tax base consists of the Townships of Charlestown, East Whiteland, Willistown, and the Borough of Malvern.

The District is governed by a board of nine school directors who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term.

The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of six and 21 years, who may attend.

In order to establish, enlarge, equip, furnish, operate, and maintain any school herein provided, or to pay any school indebtedness which the District is required to pay, or to pay an indebtedness that may at any time hereafter be created by the District, the board of school directors are vested with all the necessary authority and power annually to levy and collect the necessary taxes required and granted by the legislature, in addition to the annual state appropriation, and are vested with all necessary power and authority to comply with and carry out any or all of the provisions of the Public School Code of 1949.

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

---

##### A. Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (the primary government) and its component units.

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, etc.) within its reporting entity. The criteria used by the District for inclusion are financial accountability and the nature and significance of the relationships. In determining financial accountability in a given case, the District reviews the applicability of the following criteria. The District is financially accountable for:

- Organizations that make up the legal District entity.
- Legally separate organizations if District officials appoint a voting majority of the organization's governing body and the District is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District as defined below.

**Impose its will** - If the District can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

A. Reporting Entity - continued

**Financial benefit or burden** - exists if the District (1) is entitled to the organization's resources; (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to the organization; or (3) is obligated in some manner for the debt of the organization.

- Organizations that are fiscally dependent on the District. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the District.

Based on the foregoing criteria, the District has determined it has no component units.

Governments commonly enter into special arrangements with each other to provide or obtain needed services. A common type of such an arrangement is a joint venture. In addition to joint ventures, governments also enter into contracts to plan for and address certain activities for their mutual benefits; i.e., a jointly governed organization. The District has one of each of these relationships:

**Joint Venture:** The District participates in a joint venture which is not a component unit of the District. See Note 12 for details of involvement and financial information of the joint venture.

**Jointly Governed Organizations:** The District is a participating member of the Chester County Intermediate Unit (CCIU). The CCIU is run by a joint committee consisting of members from each participating district. No participating district appoints a majority of the joint committee. The board of directors of each participating district must approve CCIU's annual operating budget.

The CCIU is a self-sustaining organization that provides services for fees to participating districts. As such, the District has no ongoing financial interest or responsibility in the CCIU. The CCIU contracts with participating districts to supply special education services, computer services, and to act as a conduit for certain federal programs.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

**B. Basis of Presentation - Government-Wide Financial Statements**

Government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting entity, except for its fiduciary activities. All fiduciary activities are reported only in the fund financial statements. The government-wide statements include separate columns for the governmental and business-type activities of the primary government, as well as any discretely presented component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities which rely to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function to the District are offset by the program revenues related to that function. Direct expenses are those that are directly related to and clearly identified with a function. Program revenues include 1) charges to customers or others who purchase, use, or directly benefit from services or goods provided by a given function, or 2) grants and contributions that are restricted to meet the operational or capital requirements of a function. Taxes and other items properly not included in program revenues are reported as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the contributions made to any component unit from the District's governmental funds and transfers between governmental funds and business-type and fiduciary funds. Elimination of these contributions would distort the direct costs and program revenues reported for the various functions concerned.

**C. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

**The District Reports the Following Major Governmental Funds:**

**General Fund:** This fund is established to account for resources devoted to financing the general services that the District performs. Intergovernmental revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

C. Basis of Presentation - Fund Financial Statements - continued

**Capital Projects Fund:** This fund is established to account for financial resources to be used for the acquisition or construction of major capital equipment and facilities (other than those financed by proprietary funds).

**Debt Service Fund:** This fund accounts for the financial resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**The District has the Following Major Enterprise Fund:**

**Food Service Fund:** This fund accounts for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is a major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

**Additionally, the District Reports the Following Fund Types:**

**Internal Service Fund:** This fund accounts for the financing of services provided by one department or agency to the other governmental units. The District's internal service fund is a major proprietary fund used to account for the activity related to the District's self-insured medical and prescription drug plan. Since this fund supports largely governmental activities, its activity is included in governmental activities in the government-wide statements.

**Fiduciary Funds:** The District's fiduciary funds are trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and, therefore, are not available to support the District's own programs. The District's only trust funds are the private-purpose trusts (scholarships). Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds include its student activities funds and its retiree medical claims fund.

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

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

**C. Basis of Presentation - Fund Financial Statements - continued**

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

**D. Measurement Focus and Basis of Accounting**

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

The government-wide financial statements are reported using the *economic resources measurement focus*, and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes and interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. If time eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the government.

For the year ended June 30, 2016, the District recognized revenue related to rental subsidies due from the Commonwealth of Pennsylvania. The District believes that the authorization of borrowing to fund the rental subsidy through PA Act 25 of 2016 and the subsequent bond resolution in July 2016 by the Commonwealth Financing Authority meets the available criteria under generally accepted accounting principles for governmental fund revenue recognition.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

**D. Measurement Focus and Basis of Accounting - continued**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The trust fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting their assets and liabilities.

**E. Budgetary Process**

An operating budget is adopted prior to the beginning of each year for the General Fund on the modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

In accordance with Act 1 of 2006, the board shall annually, but not later than 110 days before the primary election, decide the budget option to be used for the following fiscal year. The board shall approve either the Accelerated Budget Process Option or the Board Resolution Option.

**Accelerated Budget Process Option**

Under this option, a preliminary budget must be adopted 90 days prior to the primary election. Under this option, the preliminary budget must be available for public inspection at least 20 days prior to the budget adoption. The board shall give public notice of its intent to adopt the preliminary budget at least 10 days prior to the adoption.

If the primary budget exceeds the increase authorized by the Index, an application for an exception may be filed with either a Court of Common Pleas with jurisdiction of PDE and made available for public inspection. The board may opt to forego applying for an exception by submitting a referendum question seeking voter approval for a tax increase in accordance with Act 1.

The final budget shall include any necessary changes from the adopted preliminary budget. Any reduction required as the result of the failure of referendum shall be clearly stated. The final budget shall be made available for public inspection at least 20 days prior to final adoption. The board shall annually adopt the final budget by a majority vote of all members of the board prior to June 30.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

**E. Budgetary Process - continued**

**Board Resolution Option**

Under the Board Resolution Option, the board shall adopt a resolution that it will not raise the rate of any tax for the following fiscal year by more than the Index. Such resolution shall be adopted no later than 110 days prior to the primary election. At least 30 days prior to adoption of the final budget the board shall prepare a proposed budget. The proposed budget shall be available for public inspection at least 20 days prior to adoption of the budget. The board shall give public notice of its intent to adopt at least 10 days prior to adoption of the proposed budget. The board shall annually adopt the final budget by a majority vote of all members of the board by June 30.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the school board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2015/16 budget transfers.

**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance**

**1. Cash and Investments**

For purposes of the statement of cash flows, the proprietary fund type considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are valued at fair value in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*, except for investments in external investment pools, which are valued at amortized costs if required criteria are met as outlined in Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

2. Receivables/Payables

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

3. Inventories

On government-wide financial statements, inventories are presented at cost using the first-in, first-out basis and are expensed when consumed.

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, are not valued since it is the policy of the District to charge these items to expense upon acquisition.

Inventories of the Enterprise Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2016, consist of the following:

Purchased food	\$ 15,248
Supplies	23,507
Donated commodities	<u>11,362</u>
	<u>\$ 50,117</u>

4. Capital Assets, Depreciation, and Amortization

The District's property, plant, and equipment, with useful lives of more than one year, are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective financial statements. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

4. Capital Assets, Depreciation, and Amortization - continued

The District generally capitalizes assets with costs of \$2,500 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than \$2,500 as composite groups for financial reporting purposes. Assets purchased or constructed with long-term debt may be capitalized regardless of the threshold established. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Building and building improvements	50
Site improvements	20
Fixtures and equipment	3-20
Library books	10
Vehicles	8

Interest costs incurred during the construction phase of capital assets are capitalized when incurred by proprietary funds where debt proceeds were used to finance the construction of assets.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category, which are a deferred charge on bond refunding, a deferred pension contribution, and deferred outflows of resources for pension which are reported in the government-wide statement of net position. A deferred charge on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred pension contribution results from contributions made to the pension plan subsequent to the measurement date and prior to the District's year end. The contributions will be recognized as a reduction in net pension liability in the following year. Deferred outflows of resources for pension relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, differences between employer contributions and the proportionate share of total contributions reported by the pension plan, or changes in the internal allocation of the net pension liability between governmental and business-type activities. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items that qualify for reporting in this category. The first item, *deferred inflows of resources for pension*, relates to the District's net pension liability and pension expense and arises from changes in assumptions, actual versus expected results, changes in benefits, variances in expected versus actual investment earnings, changes in the employer's proportion, or differences between employer contributions and the proportionate share of total contributions reported by the pension plan. These amounts are deferred and amortized over either a closed five-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow. The second item, *unavailable revenue*, arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source - property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**6. Unearned Revenues**

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental and enterprise funds financial statements. Unearned revenues arise when resources are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed from the respective financial statement and revenue is recognized.

**7. Net Position**

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in the capital assets component of net position is comprised 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. In addition, any deferred outflows of resources and/or deferred inflows of resources related to such capital assets or liabilities associated with the capital assets should also be added to or deducted from the overall net investment in capital assets. The restricted component of net position is used when there are limitations imposed on their use either through the enabling legislation adopted by a higher governmental authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining component of net position is unrestricted.

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

**8. Fund Balance Policies and Flow Assumptions**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

**F. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance - continued**

**8. Fund Balance Policies and Flow Assumptions - continued**

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board of directors may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or review a commitment.

The unassigned fund balance of the general fund at the end of each fiscal year end shall not be less than five percent of the following year's projected budgeted expenditures. In any fiscal year where the District is unable to maintain this minimum reservation of fund balance as required in this section, the District shall not budget any amount of unassigned fund balance for the purpose of balancing the general fund budget until this level is achieved. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. The District's policy is to decide at the time an expenditure is incurred for a purpose in which unrestricted fund balance amounts are available under committed, assigned or unassigned fund balance. The decision will be at the discretion of the business manager or designee.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions (including special assessments) that are restricted to meeting the operations or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

---

**G. Revenues and Expenditures/Expenses - continued**

**2. Compensated Absences**

The District accounts for compensated absences by recording a liability for certain compensated absences as the benefits are earned by employees instead of when they are paid.

Vested or accumulated vacation, sick leave, or sabbatical leave that is expected to be liquidated with expendable available financial resources and that has matured is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation, sick leave, or sabbatical leave that are not expected to be liquidated with expendable available financial resources and that have not matured are reported as long-term liabilities in the government-wide statements. Vested or accumulated vacation or sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits; however, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement. The liability for compensated absences includes salary related benefits, where applicable.

**Full Time Employees**

Vacation days are earned at various rates and are required to be utilized annually, except that five days may be carried forward.

Sick pay is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons. Eligible employees are vested at the completion of 10 to 15 years of service to the District and are then eligible for payment for each sick day accumulated. Payment amount ranges from \$50 to \$100 per day based on a graduated scale. Eligible employees must retire from service to receive this benefit.

Sabbatical leave is granted in accordance with the provisions of the School Code. Sabbaticals are granted for travel, study or the restoration of health. A sabbatical leave may not exceed one year and is, therefore, included with accrued salaries and benefits in the general fund.

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service fund are charges to customers for meals and services provided. Operating revenues for the internal service fund are fees charged for insurance coverage. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

---

**H. Other Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

---

**A. Compliance with Finance Related Legal and Contractual Provisions**

The District has no material violations of finance related legal and contractual provisions.

**B. Deficit Fund Balance or Net Position of Individual Funds**

**Deficit Fund Balance - Proprietary Fund (Food Service Fund)**

For the year ended June 30, 2016, the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, created a deficiency in net position at year end of \$323,292. The District will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at a rate required by the PSERS.

**C. Excess of Expenditures Over Appropriations in Individual Funds**

No individual fund, which had a legally adopted budget, had an excess of expenditures over appropriations.

**D. Budgetary Compliance**

The District's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2016. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis does not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 3 - CASH AND INVESTMENTS**

---

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

The breakdown of total cash and investments at June 30, 2016, is as follows:

Cash	\$ 928,631
Pooled cash and investments	<u>44,118,071</u>
	<u>\$ 45,046,702</u>

**Deposits**

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk on deposits. As of June 30, 2016, the carrying amount of the District's deposits was \$928,631 and the bank balance was \$928,981. Of the bank balance, \$68,371 was covered by federal depository insurance, \$250,000 was covered by National Credit Union Administration share insurance and \$610,610 was exposed to custodial credit risk, but covered under collateralization requirements in accordance with Act 72.

**Investments**

Under Section 440.1 of the Public School Code of 1949, as amended, the District is permitted to invest funds in the following types of investments:

Obligations of (a) 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, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provided by law, therefore, shall be pledged by the depository.

Pennsylvania Act 10 of 2016 became effective May 25, 2016, and expanded the permitted investment types to include commercial paper, bankers' acceptances, negotiable certificates of deposit, and insured bank deposit reciprocals as long as certain safeguards related to credit quality and maturity are met.

**GREAT VALLEY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS - CONTINUED**

As of June 30, 2016, the district had the following investments:

	Maturities	Fair Value	Carrying Value
PA School District Liquid Asset Fund:			
Full Flex Pool	< 1 year	\$ 23,900,000	\$ 23,900,000
Certificates of Deposit	< 1 year	7,926,630	7,926,630
Certificates of Deposit	1 - 2 years	245,000	245,000
MAX Account Balance		11,038,812	11,038,812
US Treasury Securities		495,993	495,993
PA Local Government Investment Trust:			
Money Market Funds		72	72
	Total		43,606,507
	Reconciling Items		511,564
	Total Investments		\$ 44,118,071

A portion of the District’s deposits are in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the funds act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized statistical rating organization, and is subject to an independent annual audit.

The District’s cash equivalent investments in PSDLAF and PLGIT cannot be classified by risk category because they are not evidenced by securities that exist in physical or book entry form. The exception is the District’s U.S. Treasury Security Investments which are valued as Level 2 investments. The fair value of the District’s position in the external investment pool is the same as the value of the pool shares. All investments in external investment pools that are not registered with the Securities and Exchange Commission are subject to oversight by the Commonwealth of Pennsylvania.

As of June 30, 2016, the entire PSDLAF and PLGIT book balance of \$44,118,071 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

**Interest Rate Risk**

The District does 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.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

---

**Credit Risk**

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2016, the District’s investments were rated as:

Investment	Standard & Poor's
PA School District Liquid Asset Fund	AAA
PA Local Government Investment Trust	AAA

**Concentration of Credit Risk**

The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2016, the District did not have any investments subject to concentration of credit risk.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 District has no investment subject to custodial credit risk.

NOTE 4 - REAL ESTATE TAXES RECEIVABLE AND UNAVAILABLE REVENUE

---

The District has four independently elected tax collectors who have relinquished responsibility for the collection of taxes. The business administrator has been appointed as tax collector for the District. Real estate taxes for the District are collected from the Townships of Charlestown, East Whiteland, Willistown, and the Borough of Malvern. The business administrator has also entered into an agreement with an independent agent to collect taxes via a lock box account on behalf of the District. Assessed values are established by the Chester County Board of Assessment. All taxable real property was assessed at \$3,518,241,347. In accordance with Act 1 of 2006, the District received \$1,024,109 in property tax reduction funds for the 2015/2016 fiscal year. The District tax rate for the year ended June 30, 2016, was 20.32 mills (\$20.32 per \$1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for each fiscal year is as follows:

July 1	Levy date
July 1 - August 31	2% discount period
September 1 - October 31	Face payment period
November 1 - January 14	10% penalty period
January 15	Lien date

**GREAT VALLEY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 4 - REAL ESTATE TAXES RECEIVABLE AND UNAVAILABLE REVENUE - CONTINUED**

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by administration. A portion of the net amount estimated to be collectible, which was measurable and available within 60 days, was recognized as revenue and the balance unavailable in the fund financial statements.

The balances at June 30, 2016, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue - Taxes
Real estate	\$ 1,200,541	\$ 24,011	\$ 1,176,530	\$ 307,252	\$ 869,278

**NOTE 5 - INTERGOVERNMENTAL RECEIVABLES**

The following schedule represents net intergovernmental receivables at June 30, 2016:

<u>Receivable</u>	General Fund	Proprietary Fund - Food Service
Chester County - Transfer Taxes	\$ 426,522	\$ -
Chester County IU - Special Education - Grants to States	129,323	-
Commonwealth of PA - Retirement	1,837,060	-
Commonwealth of PA - Social Security	345,069	-
Commonwealth of PA - Transportation Subsidy	15,279	-
Commonwealth of PA - Rental Subsidy	344,788	-
Federal Subsidies - Title I Grants to Local Educational Agencies	23,261	-
Federal Subsidies - Supporting Effective Instruction State Grant	8,287	-
Federal and State subsidies - Food Programs	-	74,953
	\$ 3,129,589	\$ 74,953

The intergovernmental receivables are all expected to be collected within one year.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 6 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

**Governmental Activities**

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 9,726,962	\$ -	\$ -	\$ 9,726,962
Construction in progress	3,568,749	873,042	(3,451,634)	990,157
Total not being depreciated	13,295,711	873,042	(3,451,634)	10,717,119
Capital assets being depreciated:				
Buildings	53,037,907	-	-	53,037,907
Building improvements	76,247,882	4,478,713	-	80,726,595
Site improvements	7,132,333	-	-	7,132,333
Furniture and fixtures	25,650,747	842,268	(147,675)	26,345,340
Library books	1,762,802	2,999	-	1,765,801
Vehicles	238,776	-	-	238,776
Total being depreciated	164,070,447	5,323,980	(147,675)	169,246,752
Less accumulated depreciation for:				
Buildings	20,827,884	905,516	-	21,733,400
Building improvements	15,394,760	1,669,998	-	17,064,758
Site improvements	4,022,023	347,274	-	4,369,297
Furniture and fixtures	17,515,725	1,422,466	(147,675)	18,790,516
Library books	1,748,577	6,997	-	1,755,574
Vehicles	182,367	11,663	-	194,030
Total accumulated depreciation	59,691,336	4,363,914	(147,675)	63,907,575
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET</b>	<b>104,379,111</b>	<b>960,066</b>	<b>-</b>	<b>105,339,177</b>
<b>GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET</b>	<b>\$ 117,674,822</b>	<b>\$ 1,833,108</b>	<b>\$ (3,451,634)</b>	<b>\$ 116,056,296</b>

**Business-Type Activities**

	Ending Balance	Increase	Decrease	Ending Balance
Capital assets being depreciated:				
Equipment	\$ 393,334	\$ 1,438	\$ -	\$ 394,772
Accumulated depreciation for:				
Equipment	282,066	17,878	-	299,944
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<b>\$ 111,268</b>	<b>\$ (16,440)</b>	<b>\$ -</b>	<b>\$ 94,828</b>

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 6 - CHANGES IN CAPITAL ASSETS - CONTINUED**

---

Depreciation expense was charged to functions/program of the governmental activities of primary government as follows:

Instruction:	
Regular	\$ 777,002
Special	22,466
Other Instructional Programs	<u>215</u>
	799,683
Support Services:	
Instructional	15,725
Administration	51,829
Business	379
Operation of Plant and Maintenance Services	2,664,649
Student Transportation Services	2,976
Central	<u>416,014</u>
	3,151,572
Noninstructional Services	10,191
Unallocated Depreciation Expense	<u>402,468</u>
<b>TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 4,363,914</u></b>

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 7 - LONG-TERM LIABILITIES

---

Bonds and note payable are as follows:

<p><u>SPSBA, Qualified School Construction Bonds - Series of 2010A:</u> On October 6, 2010, the District entered into a loan agreement with the State Public School Building Authority for \$999,000 of Federally Taxable Revenue Bonds Series A of 2010 Qualified School Construction Bonds. The Bonds provide a federal subsidy to the District for interest paid on the Bonds. The Bonds mature in equal amounts from September 1, 2011, to September 1, 2027. Interest is payable semiannually on March 1 and September 1 beginning March 1, 2011. The stated interest rate for the District is 5.00%. The District is then receiving a federal subsidy at a rate of 4.83% leaving an effective interest rate of 0.17%. The District received a subsidy of \$44,416 for the year ended June 30, 2016. Proceeds from these bonds were used for renovations at the Charlestown Elementary School.</p>	\$ 705,175
<p><u>SPSBA, Qualified School Construction Bonds - Series of 2011C:</u> On November 1, 2011, the District entered into a loan agreement with the State Public School Building Authority for \$389,000 of Federally Taxable Revenue Bonds Series C of 2011 Qualified School Construction Bonds. The Bonds provide a federal subsidy to the District for interest paid on the Bonds. The Bonds mature in equal amounts from September 1, 2012, to September 1, 2029. Interest is payable semiannually on March 1 and September 1 beginning March 1, 2012. The stated interest rate for the District is 5.09%. The District is then receiving a federal subsidy at a rate of 5.09% leaving an effective interest rate of 0%. The District received a subsidy of \$18,219 for the year ended June 30, 2016. Proceeds from these bonds were used for renovations at the Charlestown Elementary School.</p>	302,556
<p><u>General Obligation Bonds, Series of 2012:</u> On June 26, 2012, the District issued \$16,415,000 of General Obligation Bonds, Series of 2012. The Bonds mature in varying amounts from February 15, 2013, to February 15, 2025. Interest is payable semiannually on February 15 and August 15 beginning August 15, 2012, at rates ranging from 0.5% to 5.0%. The Bonds maturing on or after February 15, 2021, are subject to redemption prior to maturity at the option of the District on or after August 15, 2020. Proceeds of the Bonds were used to advance refund a portion of the Great Valley School District's General Obligation Bonds, Series 2004 and Series of 2009, and pay the costs of issuance. The refunding resulted in a net cash flow savings of \$2,231,876 with a corresponding net present value savings of \$2,004,163.</p>	12,950,000

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 7 - LONG-TERM LIABILITIES - CONTINUED

---

Bonds and note payable are as follows - continued:

General Obligation Bonds, Series of 2013: On February 14, 2013, the District issued \$9,645,000 of General Obligation Bonds, Series of 2013. The Bonds mature in varying amounts from February 15, 2013, to February 15, 2023. Interest is payable semiannually on February 15 and August 15 beginning August 15, 2013, at rates ranging from 1.0% to 3.0%. The Bonds maturing on or after February 15, 2019, are subject to redemption prior to maturity at the option of the District on or after February 15, 2018. Proceeds of the Bonds were used to currently refund a portion of the Great Valley School District's General Obligation Bonds, Series 2005, advance refund a portion of the Great Valley School District's General Obligation Bonds, Series of 2009, and pay the costs of issuance. The refunding resulted in a net cash flow savings of \$1,055,562 with a corresponding net present value savings of \$984,593. 7,790,000

General Obligation Bonds, Series of 2014: On July 9, 2014, the District issued \$9,640,000 of General Obligation Bonds, Series of 2014. The Bonds mature in varying amounts from November 1, 2014, to November 1, 2023. Interest is payable semiannually on May 1 and November 1 beginning November 1, 2014, at rates ranging from 1.0% to 4.0%. The Bonds maturing on or after November 1, 2020, are subject to redemption prior to maturity at the option of the District on or after November 1, 2019. Proceeds from these bonds were used fund capital replacements, renovations, and improvements to six school buildings and the administrative offices and technology throughout the District. 7,700,000

General Obligation Notes, Series of 2016: On February 16, 2016, the District issued \$12,380,000 of General Obligation Notes, Series of 2016. The Bonds mature in varying amounts from August 1, 2016, to August 1, 2020. Interest is payable semiannually on February 1 and August 1 beginning August 1, 2016, at a fixed interest rate of 1.6%. Proceeds from these bonds were used to currently refund the Great Valley School District's General Obligation Bonds, Series 2006 and pay the costs of issuance. The refunding resulted in a net cash flow savings of \$718,134 with a corresponding net present value savings of \$592,359. 12,380,000

Total Bonds and Note Payable \$ 41,827,731

**GREAT VALLEY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

The future annual payments required to amortize all bonds and note payable for the years ending June 30 are as follows:

	SPSBA Qualified School Construction Bonds, Series of 2010A	SPSBA Qualified School Construction Bonds, Series of 2011C	General Obligation Bonds, Series of 2012	General Obligation Bonds, Series of 2013	General Obligation Bonds, Series of 2014
2017	\$ 58,765	\$ 21,611	\$ 1,305,000	\$ 665,000	\$ 960,000
2018	58,765	21,611	1,375,000	625,000	405,000
2019	58,765	21,611	1,435,000	625,000	1,010,000
2020	58,765	21,611	1,510,000	1,265,000	1,050,000
2021	58,765	21,611	1,565,000	1,310,000	1,070,000
2022 - 2026	293,825	108,055	5,760,000	3,300,000	3,205,000
2027 - 2030	117,525	86,446	-	-	-
<b>Total</b>	<b><u>\$ 705,175</u></b>	<b><u>\$ 302,556</u></b>	<b><u>\$ 12,950,000</u></b>	<b><u>\$ 7,790,000</u></b>	<b><u>\$ 7,700,000</u></b>

	General Obligation Notes, Series of 2016	Total Bonds/Note Payable	Total Interest *
2017	\$ 5,220,000	\$ 8,230,376	\$ 1,063,970
2018	5,295,000	7,780,376	887,053
2019	615,000	3,765,376	717,723
2020	620,000	4,525,376	561,943
2021	630,000	4,655,376	443,643
2022 - 2026	-	12,666,880	681,789
2027 - 2030	-	203,971	2,547
<b>Total</b>	<b><u>\$ 12,380,000</u></b>	<b><u>\$ 41,827,731</u></b>	<b><u>\$ 4,358,668</u></b>

\* Net of federal subsidy from SPSBA Qualified School Construction Bond.

**GREAT VALLEY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 7 - LONG-TERM LIABILITIES - CONTINUED**

Long-term liability balance and activity, except for net pension liability and other postemployment benefit obligation, for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increased	Decreased	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
General Obligation Debt:					
Bonds and Note Payable	\$ 49,398,107	\$ 12,380,000	\$ 19,950,376	\$ 41,827,731	\$ 8,230,376
Less Deferred Amounts:					
Bond Discounts	(108,511)	-	(18,854)	(89,657)	-
Bond Premiums	3,058,933	-	1,015,114	2,043,819	-
Subtotal	52,348,529	12,380,000	20,946,636	43,781,893	8,230,376
Other Liabilities:					
Compensated Absences	1,750,496	125,675	308,665	1,567,506	1,042,774
<b>Total Governmental Long-Term Liabilities</b>	<b>\$ 54,099,025</b>	<b>\$ 12,505,675</b>	<b>\$ 21,255,301</b>	<b>\$ 45,349,399</b>	<b>\$ 9,273,150</b>
<b>Business-Type Activities</b>					
Other Liabilities:					
Compensated Absences	\$ 5,543	\$ 3,273	\$ -	\$ 8,816	\$ 2,000

Payments on bonds and note payable are made by the General Fund via transfers to the Debt Service Fund. The compensated absence liabilities will be fulfilled by the General Fund. Total interest paid during the year ended June 30, 2016, was \$1,854,408. \$63,247 of the cost was recovered by the receipt of a federal subsidy recorded in federal revenues.

**Legal Debt Margin**

The District is subject to a debt limit that is 225 percent of borrowing base (the average total revenues for three years). At June 30, 2016, that amount is \$188,224,009. As of June 30, 2016, the total outstanding debt applicable to the limit is \$43,781,893.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 8 - EMPLOYEE RETIREMENT PLANS**

---

**Employee Defined Benefit Pension Plan**

***Summary of Significant Accounting Policies***

Pension Plan

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

***General Information about the Pension Plan***

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24 Part IV of the Pennsylvania General Assembly. 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 one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three 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 2.0 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

---

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2.0 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (10 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

The contribution policy is set by the state statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania.

Member Contributions:

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

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

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

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

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

---

Employer Contributions:

The District's contractually required contribution rate for fiscal year ended June 30, 2015, was 25.00 percent 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. The rate was certified by the PSERS Board of Trustees. Contributions to the pension plan from the District were \$9,640,430 for the year ended June 30, 2016.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. For the year ended June 30, 2016, the contribution rate was 0.84 percent of covered payroll and the District contributed \$323,918.

Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net position liabilities and related pension expense represent 100 percent of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2016, was \$5,011,447.

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

At June 30, 2016, the District reported a liability of \$123,535,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2014, to June 30, 2015. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was 0.2852 percent, which was an increase of 0.0029 percent from its proportion measured as of June 30, 2014.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

For the year ended June 30, 2016, the District recognized pension expense of \$11,742,077. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Net difference between projected and actual investment earnings	\$ -	\$ 250,000
Difference between expected and actual experience	-	510,000
Changes in proportions - plan level	3,388,000	-
Changes in proportions - internal	24,720	24,720
Difference between employer contributions and proportionate share of total contributions	128,185	-
Contributions made subsequent to the measurement date	9,640,430	-
	<u>\$ 13,181,335</u>	<u>\$ 784,720</u>

The \$9,640,430 reported as deferred outflows of resources resulting from District pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2017	\$ (343,077)
2018	(343,077)
2019	(343,078)
2020	<u>(1,726,953)</u>
	<u>\$ (2,756,185)</u>

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

---

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level percent of pay
- Investment return - 7.50 percent, includes inflation at 3.00 percent
- Salary increases - Effective average of 5.50 percent, which reflects an allowance for inflation of 3.00 percent, real wage growth of 1 percent, and merit or seniority increases of 1.50 percent
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the board at its March 11, 2011 board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

**GREAT VALLEY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED**

---

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	-14.0%	1.1%
	100%	

The above was the board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

Discount Rate

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

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 8 - EMPLOYEE RETIREMENT PLANS - CONTINUED

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

The following presents the net pension liability, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	\$ 152,269,000	\$ 123,535,000	\$ 99,384,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2016, the District had an accrued balance due to PSERS of \$3,674,120. This amount represents the District’s contractually obligated contributions for wages earned in April 2016 through June 2016. The balance will be paid in September 2016.

**403(b) Tax Shelter Plan**

The District has established a 403(b) tax shelter plan permitting the establishment of accounts for school employees to voluntarily set aside monies to supplement their retirement income. All school employees are eligible to participate. The District does not contribute to the plan.

NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLANS

**Health Reimbursement Arrangement for Retirees Plan**

Plan Description:

During 2011, the District established a voluntary single-employer defined contribution plan (the Health Reimbursement Arrangement for Retirees) under the Internal Revenue Service Code Section 105. The plan enables former employees and their dependents to be reimbursed tax-free for eligible medical and dental expenses. During 2012, a third party took over the account established for the retirees under the plan.

**GREAT VALLEY SCHOOL DISTRICT**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2016**

**NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLANS - CONTINUED**

---

**Retiree Health Plan**

Plan Description:

The District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the District's health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiation with the District and the unions representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report and the District is implementing GASB Statement 45 prospectively.

Funding Policy:

Contribution requirements also are negotiated between the District and union representatives. The required contribution is based on pay-as-you-go financing. For administrators with 25 years of service in the Pennsylvania Public School Employees' Retirement System (PSERS), the District pays full medical and prescription drug coverage for a number of years (ranging from 5 to 10 years) based on years of service with the District for the retired plan member and their spouse. For senior administrative management with 25 years of service in PSERS, the District pays full medical and prescription drug coverage for a period of 12 years for the retired plan member and their spouse. The District will contribute 50 percent of the cost of a 12-year term life insurance policy in the amount of three times their salary at the time of retirement.

For teachers retiring during the 08/09 school year with 25 years of service in PSERS and 15 years of service with the District, the District pays full medical coverage for a period of five years and full prescription drug coverage for a period of three years post retirement for retired plan member and their spouse. The retired plan member may purchase prescription drug coverage for an additional two years after the fully paid period. For teachers retiring after the 08/09 school year with 25 years of service in PSERS and 15 years of service with the District, the District pays full medical coverage for a period of three years for the retired plan member and their spouse. The retired plan member may continue prescription drug coverage at their own expense for a period of three years. For teachers who retired previous to the 08/09 school year, premium share information was subject to the provisions available at the time of retirement.

For 12-month support staff and 10-month cafeteria support staff retiring during the 08/09 school year with PSERS superannuation retirement and 15 years of service with the District, the District pays full medical coverage for a period of five years and full prescription drug coverage for a period of three years for the retired plan member and their spouse. The retired plan member may continue prescription drug coverage at their own expense for an additional two years after the fully paid period. For 12-month support staff and 10-month cafeteria support staff retiring after the 08/09 school year with PSERS superannuation retirement and 15 years of service with the District, the District pays full medical coverage for a period of three years for the retired plan member only. The retired plan member may continue prescription drug coverage at their own expense for a period of three years. The retired plan member may elect to continue coverage for their spouse at their own expense. For support staff who retired previous to the 08/09 school year, premium share information was subject to the provisions available at the time of retirement.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLANS - CONTINUED

---

**Retiree Health Plan - continued**

For 10-month noncafeteria support staff retiring during the 08/09 school year with PSERS superannuation retirement and 15 years of service with the District, the District pays full medical coverage for a period of five years for the retired plan member only. The retired plan member may elect to continue coverage for their spouse at their own expense. For 10-month noncafeteria support staff retiring after the 08/09 school year with 30 years of service in PSERS or superannuation retirement, the retired plan member must provide payment equal to the premium determined for the purpose of COBRA for continued coverage under the District's health plan for the retired plan member and their spouse.

For the fiscal year ended June 30, 2016, the District contributed \$711,830 to the plan related to retirees.

Annual OPEB Cost and Net OPEB Obligation:

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

Annual required contribution	\$ 1,189,558
Interest on net OPEB obligation	71,583
Adjustment to annual required contribution	<u>(97,658)</u>
Annual OPEB Cost	1,163,483
Contributions made	<u>(711,830)</u>
Increase in net OPEB obligation	451,653
Net OPEB obligation - beginning of year	<u>1,590,742</u>
Net OPEB obligation - end of year	<u><u>\$ 2,042,395</u></u>

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLANS - CONTINUED

---

**Retiree Health Plan - continued**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2016	\$ 1,163,483	61.2%	\$ 2,042,395
6/30/2015	1,168,989	71.3%	1,590,742
6/30/2014	1,202,192	89.3%	1,254,827

Funded Status and Funding Progress:

As of July 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$9,819,700, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,819,700. The covered payroll (annual payroll of active employees covered by the plan) was \$33,395,880, and the ratio of the UAAL to the covered payroll was 29.40 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents information about actuarial value of plan assets and actuarial accrued liabilities for benefits.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE 9 - POSTEMPLOYMENT HEALTH CARE PLANS - CONTINUED

---

**Retiree Health Plan - continued**

Actuarial Methods and Assumptions:

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

In the July 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 6.5 percent initially, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent in 2016. Rates gradually decrease from 5.3 percent in 2017 to 4.2 percent in 2089 and later. The unfunded actuarial accrued liability is being amortized at the end of the year based on level dollar and a thirty-year open amortization period.

NOTE 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

---

The following is a summary of interfund receivables and payables at June 30, 2016:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ -	\$ 2,008,124
Capital Projects Fund	1,825,475	-
Enterprise Fund - Food Service	939	-
Internal Service Fund	181,710	-
	<u>\$ 2,008,124</u>	<u>\$ 2,008,124</u>

Interfund receivables and payables exist as a result of a time lag between dates when goods and services are provided and payments between funds are made. All will be paid within one year.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 10 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - CONTINUED**

---

Interfund transfers are summarized as follows:

	Transfers In	Transfers Out
	<u>          </u>	<u>          </u>
General Fund	\$ 9,902	\$ 11,482,614
Capital Projects Fund	2,000,000	-
Debt Service Fund	9,481,675	9,902
Enterprise Fund - Food Service	939	-
	<u>\$ 11,492,516</u>	<u>\$ 11,492,516</u>

Transfers are made to satisfy debt service needs, reserve for future capital needs, and to cover negative student balances in food service fund.

**NOTE 11 - FUND BALANCE**

---

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2016, are as follows:

**General Fund**

The general fund has committed funds of \$2,942,747 for future PSERS contributions and \$6,312,179 for future OPEB costs, assigned funds of \$3,496,162 for balancing the 2016/2017 budget and \$351,295 for future Devereux tuition charges, and unassigned fund balance of \$6,285,845. The commitments and assignments were authorized by the board of school directors' resolution to set aside resources for specific purposes.

**Capital Projects**

The capital projects fund has restricted funds of \$7,243,538 consisting of \$3,378,165 of unspent bond funds and \$3,865,373 comprised of surplus moneys transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 12 - JOINT VENTURE**

---

The District is one of four member school districts of the Technical College High School - Pickering Campus. TCHS-Pickering is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of TCHS-Pickering operations is the responsibility of the joint board. The District is not responsible for deficits, nor is the District entitled to operating surplus. The District is a guarantor of outstanding debt, but the amount is immaterial. The District's share of annual operating and capital costs for TCHS-Pickering fluctuates based on the percentage of enrollment and is reflected as intergovernmental expenditures of the General Fund. Since there is no clear residual equity, no asset has been reflected in the District's financial statements. Summary financial information as of June 30, 2015 (the most recent information available) is as follows:

<u>Technical College High School (Governmental Activities)</u>	
Total Assets and Deferred Outflows of Resources	\$ 9,694,325
Total Liabilities and Deferred Inflows of Resources	<u>36,680,186</u>
Total Net Position (Deficit)	<u><u>\$ (26,985,861)</u></u>

Separate financial statements of the Technical College High School have been prepared and are available.

**NOTE 13 - RISK MANAGEMENT**

---

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverage of the 2015/2016 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District is a member of the School Districts Insurance Consortium (SDIC) for workers' compensation coverage. SDIC is comprised of 80 member school districts which jointly self-assume their workers' compensation liabilities. Even though the member school districts contribute to SDIC's insurance fund, they remain individually liable for their own workers' compensation claims. The members of SDIC are required to participate in any deficiencies of SDIC and are subject to periodic assessments, as required. At June 30, 2016, there was no unfunded liability.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 13 - RISK MANAGEMENT - CONTINUED**

---

Currently, the District is self-insured for medical and prescription insurance for employees and their dependents. Effective June 30, 2011, the District established an internal service fund to administer self-insurance benefits for medical and prescription insurance to all District employees. The District uses a third-party administrator to provide consulting and administrative services to process claims within the self-insurance fund. For the year ended June 30, 2016, the District has coverage for claims in excess of \$250,000 per person and an unlimited lifetime benefit.

The following table presents the components of the self-insurance benefit obligation and the related changes in the funds benefit obligation at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Claims payable	<u>\$ 1,955,377</u>	<u>\$ 1,841,007</u>
Changes in benefit obligations are as follows for the year ended June 30, 2016:		
Claims payable, beginning of year	\$ 1,841,007	\$ 1,668,043
Benefits earned	7,511,552	7,694,450
Claims paid	<u>(7,397,182)</u>	<u>(7,521,486)</u>
Claims payable, end of year	<u>\$ 1,955,377</u>	<u>\$ 1,841,007</u>

**NOTE 14 - CONTINGENCIES AND COMMITMENTS**

---

The District is a defendant in various matters of litigation and claims. These matters result in the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters.

The District receives federal, state, and local funding through a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. District officials do not expect any significant adjustments as a result of these examinations.

At June 30, 2016, the District has a commitment for a roofing project contract awarded in the amount of \$4,102,520. The District plans to use existing funds in the capital projects fund to fulfill the commitment.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

**NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS**

---

The Government Accounting Standards Board (GASB) has issued the following standards which have not yet been implemented:

- Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans* - The objective of this statement is to improve the usefulness of information about other postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for the year ending June 30, 2017.
- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for the year ending June 30, 2018.
- Statement No. 77, *Tax Abatement Disclosures* - The requirements enhances the disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations, and (2) the impact those abatements have on a government's financial position and economic condition. This statement is effective for the year ending June 30, 2017.
- Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73* - This statement addresses certain issues that have been raised with respect to GASB Statements No. 67, No. 68, and No. 73 related to (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions of the treatment of deviations from the guidance in Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for the year ending June 30, 2017.

The District has not yet completed the analysis necessary to determine the actual financial statement impact of these new pronouncements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GREAT VALLEY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS -  
PENSION PLAN**

**June 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.2852%	0.2823%	0.2727%
District's proportionate share of the net pension liability	\$ 123,535,000	\$ 111,736,000	\$ 111,634,000
District's covered employee payroll	\$ 36,700,194	\$ 36,028,907	\$ 34,999,676
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	336.61%	310.13%	310.13%
Plan fiduciary net position as a percentage of the total pension liability	54.36%	57.24%	54.50%

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2015, 2014, and 2013).

Note: This schedule is to present the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for only those years for which information is available is shown.

GREAT VALLEY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN

LAST 10 FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 9,640,430	\$ 7,583,753	\$ 5,544,636	\$ 3,983,402	\$ 2,913,478	\$ 1,889,764	\$ 1,587,299	\$ 1,404,265	\$ 1,988,876	\$ 1,806,951
Contributions in relation to the contractually required contribution	9,640,430	7,583,753	5,544,636	3,983,402	2,913,478	1,889,764	1,587,299	1,404,265	1,988,876	1,806,951
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 38,525,345	\$ 36,700,194	\$ 36,028,907	\$ 34,999,676						
Contributions as a percentage of covered employee payroll	25.02%	20.66%	15.39%	11.38%						

**NOTE:**

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

GREAT VALLEY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS -  
OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF FUNDING PROGRESS

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
Total	7/1/14	\$ -	\$ 9,819,700	\$ 9,819,700	0.00%	\$ 33,395,880	29.40%
	7/1/12	-	10,617,545	10,617,545	0.00%	30,816,957	34.45%
	7/1/10	-	10,806,780	10,806,780	0.00%	32,762,819	32.98%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Fiscal Year-End	Annual Required Contribution(ARC)	% of ARC Contributed
Total	2016	\$ 1,189,558	59.84%
	2015	1,189,558	70.30%
	2014	1,220,652	87.95%
	2013	1,220,652	81.89%
	2012	1,286,730	89.73%

**SUPPLEMENTARY INFORMATION**

**GREAT VALLEY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF NET POSITION -**  
**AGENCY FUNDS**

**June 30, 2016**

	Retiree Medical Claims	Student Activities	Total Agency Funds
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Investments	\$ 860,610	\$ 219,959	\$ 1,080,569
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Other Current Liabilities	\$ 860,610	\$ 219,959	\$ 1,080,569

**GREAT VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2016**

Grantor/Program Title	Source Code	Federal CFDA Number	Federal Pass-Through Grantor's Number	Grant Period Beginning/Ending Date	Program or Award Amount	Total Received for Year	Accrued or (Unearned) Revenue at June 30, 2015	Revenue Recognized	Expenditures	Accrued or (Unearned) Revenue at June 30, 2016
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>										
<b>Passed through the PA Department of Education:</b>										
Title I Grants to Local Educational Agencies	I	84.010	013-16-0168	08/19/15-09/30/16	\$ 243,886	\$ 191,522	\$ -	\$ 178,040	\$ 178,040	\$ (13,482)
Title I Grants to Local Educational Agencies	I	84.010	013-15-0168	09/17/14-09/30/15	239,830	55,115	69,154	22,704	22,704	36,743
						<u>246,637</u>	<u>69,154</u>	<u>200,744</u>	<u>200,744</u>	<u>23,261</u>
Supporting Effective Instruction State Grant	I	84.367	020-16-0168	08/19/15-09/30/16	92,342	79,186	-	87,473	87,473	8,287
Supporting Effective Instruction State Grant	I	84.367	020-15-0168	09/17/14-09/30/15	92,628	7,085	6,649	436	436	-
						<u>86,271</u>	<u>6,649</u>	<u>87,909</u>	<u>87,909</u>	<u>8,287</u>
English Language Acquisition Grants	I	84.365	010-16-0168	08/19/15-09/30/16	39,386	24,502	-	19,816	19,816	(4,686)
English Language Acquisition Grants	I	84.365	010-15-0168	09/17/14-09/30/15	25,093	13,512	(3,856)	17,368	17,368	-
						<u>38,014</u>	<u>(3,856)</u>	<u>37,184</u>	<u>37,184</u>	<u>(4,686)</u>
<b>Passed through the Chester County Intermediate Unit:</b>										
Special Education Cluster (IDEA)										
Special Education - Preschool Grants	I	84.173	131-150024B	07/01/15-06/30/16	628	628	-	628	628	-
Special Education - Grants to States	I	84.027	062-15-0024	07/01/15-09/30/16	484,960	355,637	-	484,960	484,960	129,323
Special Education - Grants to States	I	84.027	062-14-0024	07/01/14-06/30/15	475,827	95,165	95,165	-	-	-
Total Special Education Cluster (IDEA)						<u>451,430</u>	<u>95,165</u>	<u>485,588</u>	<u>485,588</u>	<u>129,323</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>						<b>822,352</b>	<b>167,112</b>	<b>811,425</b>	<b>811,425</b>	<b>156,185</b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>										
<b>Passed through the PA Department of Human Services:</b>										
Medical Assistance Program	I	93.778	N/A	N/A	N/A	8,970	-	8,970	8,970	-
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>										
Child Nutrition Cluster										
<b>Passed through the PA Department of Education:</b>										
Summer Food Service Program for Children	I	10.559	N/A	07/01/15-06/30/16	N/A	60,546	-	63,975	63,975	3,429
Summer Food Service Program for Children	I	10.559	N/A	07/01/14-06/30/15	N/A	14,309	14,309	-	-	-
School Breakfast Program	I	10.553	N/A	07/01/15-06/30/16	N/A	45,973	-	56,910	56,910	10,937
School Breakfast Program	I	10.553	N/A	07/01/14-06/30/15	N/A	9,617	9,617	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/15-06/30/16	N/A	253,404	-	306,845	306,845	53,441
National School Lunch Program	I	10.555	N/A	07/01/14-06/30/15	N/A	50,074	50,074	-	-	-
<b>Passed through the PA Department of Agriculture:</b>										
National School Lunch Program	I	10.555	N/A	07/01/15-06/30/16	N/A	102,937	(15,118)	106,693	106,693	(11,362)
<b>TOTAL CHILD NUTRITION CLUSTER AND U. S. DEPARTMENT OF AGRICULTURE</b>						<b>536,860</b>	<b>58,882</b>	<b>534,423</b>	<b>534,423</b>	<b>56,445</b>
<b>TOTAL FEDERAL AWARDS</b>						<b>\$ 1,368,182</b>	<b>\$ 225,994</b>	<b>\$ 1,354,818</b>	<b>\$ 1,354,818</b>	<b>\$ 212,630</b>

See notes to schedule of expenditures of federal awards.

**GREAT VALLEY SCHOOL DISTRICT**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2016**

**NOTE 1 - BASIS OF PRESENTATION**

---

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

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

---

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to the reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business amounts reported as expenditures in prior years.

**NOTE 3 - DE MINIMUS RATE FOR INDIRECT COSTS**

---

The District did not elect to use the De Minimus rate for indirect costs.

**NOTE 4 - FOOD COMMODITIES**

---

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2016, the District has \$11,362 of food commodity inventory.



Herbein + Company, Inc.  
2763 Century Boulevard  
Reading, PA 19610  
P: 610.378.1175  
F: 610.378.0999  
[www.herbein.com](http://www.herbein.com)

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

**To the Board of School Directors  
Great Valley School District  
Malvern, Pennsylvania**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Great Valley School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Great Valley School District's basic financial statements, and have issued our report thereon dated December 5, 2016.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
December 5, 2016**



**Herbein + Company, Inc.**  
2763 Century Boulevard  
Reading, PA 19610  
P: 610.378.1175  
F: 610.378.0999  
[www.herbein.com](http://www.herbein.com)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of School Directors  
Great Valley School District  
Malvern, Pennsylvania**

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

We have audited the Great Valley School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Great Valley School District's major federal programs for the year ended June 30, 2016. The Great Valley School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Great Valley School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Great Valley 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 the Great Valley School District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Great Valley School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of the Great Valley 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 the Great Valley School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Great Valley School District's internal control over compliance.

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

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

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

*Herbein + Company, Inc.*

**Reading, Pennsylvania  
December, 5, 2016**

GREAT VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

---

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of Auditor's Report Issued: Unmodified  
Internal Control Over Financial Reporting:  
Material weakness(es) identified?      yes   X   no  
Significant deficiency(ies) identified not considered to be  
material weaknesses?      yes   X   none reported  
Noncompliance material to financial statements noted?      yes   X   no

**Federal Awards**

Internal Control Over Major Programs:  
Material weakness(es) identified?      yes   X   no  
Significant deficiency(ies) identified not considered to be  
material weaknesses?      yes   X   none reported  
Type of Auditor's Report Issued On Compliance  
for Major Programs: Unmodified  
Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR Section 200.516(a)?      yes   X   no

**Identification of Major Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>Special Education Cluster (IDEA)</u>	
84.173	Special Education – Section 619
84.027	Special Education – Grants to States

Dollar Threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee?   X   yes      no

**GREAT VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Year Ended June 30, 2016**

---

**Section II - Financial Statement Findings**

There were no financial statements findings reported.

**Section III - Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs reported.

GREAT VALLEY SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

---

**Section II - Financial Statement Findings**

**2015-001 - Internal Controls over Decentralized Funds - Student Activities**

Criteria

An important aspect of effective internal control over decentralized activities is to maintain adequate controls and verify that they are working properly. To test compliance with policies and procedures established at the District and State levels, we randomly select cash receipts and cash disbursements to test for existence of controls stated.

Condition/Cause

During our audit procedures, we noticed that there were activities and expenditures as a part of student activities that were not true student activities funds. In addition, we observed that deposits and disbursements from the student activity accounts were being made without appropriate levels of approval and student verification.

Effect

As a result of incomplete controls, it poses a risk to the District's ability to accurately report its financial information and increases the District's susceptibility to misappropriation of assets.

Recommendation

We recommend that the student activities that are not truly student activity funds be diminished. We also recommend that the District review its current internal controls and at a minimum begin having students approve all transactions initiating deposits and disbursements of the student activity account.

Benefit

Eliminating those funds that are not truly student activities and maintaining working internal controls over student activities with appropriate levels of approval and student involvement will reduce the risk of misappropriation of assets.

Current Status of corrective Action Plan

The recommendation was adopted and no similar findings were noted in the current year.

**Section III - Federal Award Findings and Questioned Costs**

There were no federal award findings or questioned costs reported.