



**Garnet Valley School District
Glen Mills, Pennsylvania
Delaware County**

Financial Statements
Year Ended June 30, 2015



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GARNET VALLEY SCHOOL DISTRICT

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
<i>Statement of Net Position (Deficit)</i>	14
<i>Statement of Activities</i>	15
Fund Financial Statements	
<i>Balance Sheet – Governmental Funds</i>	16
<i>Reconciliation of Governmental Funds Balance Sheet to Net Position (Deficit) of Governmental Activities on the Statement of Net Position (Deficit)</i>	17
<i>Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds</i>	18
<i>Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to Change in Net Position (Deficit) of Governmental Activities on the Statement of Activities</i>	19
<i>Statement of Net Position (Deficit) – Proprietary Funds</i>	20
<i>Statement of Revenues, Expenses and Changes in Net Position (Deficit) – Proprietary Funds</i>	21
<i>Statement of Cash Flows – Proprietary Funds</i>	22
<i>Statement of Net Position – Fiduciary Fund</i>	23
<i>Statement of Changes in Net Position – Fiduciary Fund</i>	24
Notes to Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule – General Fund</i>	45
<i>Other Post-Employment Benefits Schedule of Funding Progress</i>	46
<i>Schedule of the District's Proportionate Share of the Net Pension Liability</i>	47
<i>Schedule of the District's Pension Plan Contributions</i>	48
SINGLE AUDIT	
<i>Schedule of Expenditures of Federal Awards and Certain State Grants</i>	49
<i>Notes to Schedule of Expenditures of Federal Awards and Certain State Grants</i>	51
<i>Summary Schedule of Prior Audit Findings</i>	52
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	53
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	55
<i>Schedule of Findings and Questioned Costs</i>	57



INDEPENDENT AUDITOR'S REPORT

**Board of School Directors
Garnet Valley School District
Glen Mills, 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 Garnet Valley School District, Glen Mills, Pennsylvania as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Garnet Valley School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Report on Summarized Comparative Information

We have previously audited the Garnet Valley School District's 2014 financial statements, and our report dated November 26, 2014 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – General Fund and , other post-employment benefits schedule of funding progress, the schedules of the District's proportionate share of the net pension liability and pension plan contributions on pages 3 through 13 and 45 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards and certain state grants is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and certain state grants is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of the Garnet Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Garnet Valley School District's internal control over financial reporting and compliance.

BBD, LLP

**Philadelphia, Pennsylvania
December 21, 2015**

GARNET VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

Management's discussion and analysis ("**MD&A**") of the financial performance of the Garnet Valley School District (the "**District**") provides an overview of the District's financial performance for fiscal year ended June 30, 2015. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

DISTRICT PROFILE

The District consists of five schools – three elementary schools, a middle school and a high school consisting of approximately 4,818 students. The District encompasses several communities in southwestern Delaware County and covers an area of approximately 21.4 square miles. The District's boundaries are coterminous with those of the Borough of Chester Heights and the Townships of Bethel and Concord, all located in Delaware County, Pennsylvania. The central point of the District lies approximately 8 miles west of the City of Chester, Delaware County, Pennsylvania, 10 miles north of Wilmington, Delaware, 20 miles southeast of the City of Coatesville, Chester County, Pennsylvania, and 25 miles southwest of downtown Philadelphia. There are approximately 764 employees in the District, including 388 teachers, 28 administrators and 348 support personnel including confidential employees, secretaries, maintenance staff, custodial staff, cafeteria staff, transportation and teachers aides.

The mission of the District is to provide a stimulating learning environment, which provides quality educational opportunities for all students.

FINANCIAL HIGHLIGHTS

- Effective 2014-2015, the District was required to comply with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The major impact of GASB Statement No. 68 is to present, on the Statement of Financial Position, certain items related to the District's proportionate liability from its participation in the Commonwealth's Public School Employees Retirement System ("**PSERS**"), which was not required to be presented in the past. Consequently, the implementation of GASB Statement No. 68 resulted in a deficit in the District's unrestricted net position as of June 30, 2015. This will be the case with most, if not all, other school districts in the State. For consistency purposes, the June 30, 2014 Statement of Net Position (Deficit) has been restated in the financial statements as if GASB Statement No. 68 had been applied, retroactively.

Elements of GASB Statement No. 68 included within the Statement of Net Position (Deficit) include actuarially determined liability for PSERS of \$136,514,000 and deferred outflows of \$15,689,792 (primarily contributions by the District during 2014-2015 which were made after the measurement date of June 30, 2014 - an effective reduction of the liability) and deferred inflows of \$9,759,000 (Investment return on pension assets over projected returns, to be recognized as a future reduction in pension expense – an effective increase in the liability until fully recognized).

- On a government-wide basis including all governmental activities and the business type activities, the liabilities and deferred inflows of resources of the District exceeded the assets and deferred outflows of resources resulting in a deficit in total net position at the close of the 2014-2015 fiscal year of \$109,491,156. During the 2014-2015 fiscal year, the District had a decrease in total net position of \$360,936. The net position of governmental activities decreased by \$326,782 and the net position of the business-type activities decreased by \$34,154.
- The General Fund reported an decrease in fund balance of \$366,195, bringing the cumulative balance to \$9,568,984 at the conclusion of the 2014-2015 fiscal year.
- At June 30, 2015, the General Fund fund balance includes \$516,306 which is considered nonspendable, \$1,216,788 committed to long-term early retirement incentive, \$1,700,000 committed to retirement rate stabilization, \$1,160,582 committed to balance the 2015-2016 budget and unassigned amounts of \$4,975,308 or 5.16% of the \$96,452,132, 2015-2016 General Fund expenditure budget. Guidelines prescribed by the Pennsylvania Department of Education allow a district to maintain a maximum General Fund fund balance of 8% of the following year's expenditure budget.

GARNET VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

- Total General Fund revenues were \$566,189 or 0.63% less than budgeted amounts and total General Fund expenditures were \$5,786,633 or 6.22% less than budgeted amounts resulting in a net positive variance of \$5,220,444.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position (Deficit)* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position (deficit). Over time, increases or decreases in net position (deficit) may serve as a useful indicator of whether the financial condition of the District is improving or deteriorating. To assess the District's overall health, the reader will need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The *Statement of Activities* presents information showing how the District's net position (deficit) changed during the most recent fiscal year. All changes in net position (deficit) are reported as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish the functions of the District that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

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, support services, maintenance, transportation and administration.

Business-Type Activities

The District charges fees to cover the costs of its food services program.

The government-wide financial statements can be found on Pages 14 and 15 of this report.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

GARNET VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

Governmental Funds

Most of the District's activities are included in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the governmental near-term financing decisions. Both the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three individual governmental funds. Information is presented separately in the *Balance Sheet – Governmental Funds* and *Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds* for each of the three major funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on Pages 16 through 19 of this report.

Proprietary Funds

The District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Food Service Fund and After School Activities Fund are reported as enterprise funds of the proprietary fund type. Internal service funds are used to accumulate and allocate certain costs internally among the District's various functions. The District uses an internal service fund to account for its participation in a consortium with other participating school districts and educational agencies to provide self-insurance programs for health and prescription coverage. Because an internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The proprietary fund financial statements provide separate financial information for the Food Service, After School Activities and Internal Service Funds.

The proprietary fund financial statements can be found on Pages 20 through 22 of this report.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, consisting of scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose and by those to whom the assets belong. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The fiduciary fund financial statements can be found on Pages 23 and 24 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The notes to the financial statements can be found on Pages 25 through 44 of this report.

GARNET VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which consists of the budgetary comparison schedule for the General Fund and a schedule of the District's progress in funding its obligation to provide other post-employment benefits and schedules of net pension liability and District pension contributions.

The required supplementary information can be found on Pages 45 through 48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted above, net position (deficit) may serve over time as a useful indicator of the District's financial condition. At the close of the 2014-2015 fiscal year the District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$109,491,156. The following table presents condensed information for the *Statement of Net Position (Deficit)* of the District at June 30, 2015 and 2014.

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current assets	\$ 25,637,899	\$ 25,742,149	\$ 97,861	\$ 85,726	\$ 25,735,760	\$ 25,827,875
Noncurrent assets	114,981,122	117,714,941	73,563	86,666	115,054,685	117,801,607
Total assets	<u>140,619,021</u>	<u>143,457,090</u>	<u>171,424</u>	<u>172,392</u>	<u>140,790,445</u>	<u>143,629,482</u>
DEFERRED OUTFLOWS						
Deferred amounts on debt refunding	2,437,624	1,405,537	-	-	2,437,624	1,405,537
Deferred employer contributions – pensions	15,424,697	6,966,099	265,095	119,722	15,689,792	7,085,821
Total deferred outflows	<u>17,862,321</u>	<u>8,371,636</u>	<u>265,095</u>	<u>119,722</u>	<u>18,127,416</u>	<u>8,491,358</u>
LIABILITIES						
Current liabilities	13,770,647	12,713,983	79,420	114,021	13,850,067	12,828,004
Noncurrent liabilities	242,493,410	246,164,788	2,306,540	2,258,268	244,799,950	248,423,056
Total liabilities	<u>256,264,057</u>	<u>258,878,771</u>	<u>2,385,960</u>	<u>2,372,289</u>	<u>258,650,017</u>	<u>261,251,060</u>
DEFERRED INFLOWS						
Deferred investment earnings – pensions	9,594,112	-	164,888	-	9,759,000	-
NET POSITION (DEFICIT)						
Net investment in capital assets	14,640,594	11,702,407	73,563	86,666	14,714,157	11,789,073
Restricted	4,206,089	4,507,187	-	-	4,206,089	4,507,187
Unrestricted (deficit)	(126,223,510)	(123,259,639)	(2,187,892)	(2,166,841)	(128,411,402)	(125,426,480)
Total net position (deficit)	<u>\$(107,376,827)</u>	<u>\$(107,050,045)</u>	<u>\$(2,114,329)</u>	<u>\$(2,080,175)</u>	<u>\$(109,491,156)</u>	<u>\$(109,130,220)</u>

The District's total assets as of June 30, 2015 were \$140,790,445 of which \$20,192,471 or 12.71% consisted of cash and \$115,054,685 or 81.72% consisted of the District's investment in capital assets. The District's total liabilities as of June 30, 2015 were \$258,650,017 of which \$102,650,218 or 38.24% consisted of general obligation debt used to acquire and construct capital assets and \$136,514,000 or 50.86% consisted of the actuarially determined net pension liability.

The District had a deficit in unrestricted net position of \$128,411,402 at June 30, 2015. The District's unrestricted net position decreased by \$2,984,922 during 2014-2015 primarily due to the results of current operations and the change in the District's actuarially determined net pension liability and related pension items.

A portion of the District's net position reflects its restricted net position which totaled \$4,206,089 as of June 30, 2015. All of the District's restricted net position related to amounts restricted for student activities and capital expenditures.

GARNET VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

Another portion of the District's net position reflects its investment in capital assets net of accumulated depreciation less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. For the year ended June 30, 2015, the District's net investment in capital assets increased by \$2,925,084 because the debt used to acquire the capital assets was being repaid faster than the capital assets were being depreciated and capital assets were acquired with funding sources other than long-term debt.

The following table presents condensed information for the *Statement of Activities* of the District for 2015 and 2014:

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues						
Charges for services	\$ 2,106,629	\$ 1,783,039	\$1,910,176	\$2,084,447	\$ 4,016,805	\$ 3,867,486
Operating grants and contributions	10,946,815	11,768,114	350,771	338,485	11,297,586	12,106,599
Capital grants and contributions	-	-	-	-	-	-
General revenues and transfers						
Property taxes levied for general purposes	71,355,539	69,631,164	-	-	71,355,539	69,631,164
Other taxes levied for general purposes	1,157,339	1,173,802	-	-	1,157,339	1,173,802
Grants and entitlements not restricted to specific programs	5,242,653	5,248,799	-	-	5,242,653	5,248,799
Investment earnings	57,641	55,906	1,311	866	58,952	56,772
Transfers	(404,845)	-	404,845	-	-	-
Total revenues and transfers	<u>90,461,771</u>	<u>89,660,824</u>	<u>2,667,103</u>	<u>2,423,798</u>	<u>93,128,874</u>	<u>92,084,622</u>
EXPENSES						
Instruction	59,691,398	54,704,454	-	-	59,691,398	54,704,454
Instructional student support services	5,442,933	4,747,884	-	-	5,442,933	4,747,884
Administrative and financial support services	8,070,671	6,961,423	-	-	8,070,671	6,961,423
Operation and maintenance of plant services	8,205,237	7,069,466	-	-	8,205,237	7,069,466
Pupil transportation	3,964,333	4,138,616	-	-	3,964,333	4,138,616
Student activities	2,126,300	2,949,991	-	-	2,126,300	2,949,991
Community services	123,230	150,598	-	-	123,230	150,598
Interest and amortization expense related to noncurrent liabilities	3,164,451	4,431,507	-	-	3,164,451	4,431,507
Food service	-	-	2,701,257	2,453,725	2,701,257	2,453,725
Total expenses	<u>90,788,553</u>	<u>85,153,939</u>	<u>2,701,257</u>	<u>2,453,725</u>	<u>93,489,810</u>	<u>87,607,664</u>
CHANGE IN NET POSITION (DEFICIT)	<u>\$ (326,782)</u>	<u>\$ 4,506,885</u>	<u>\$ (34,154)</u>	<u>\$ (29,927)</u>	<u>\$ (360,936)</u>	<u>\$ 4,476,958</u>

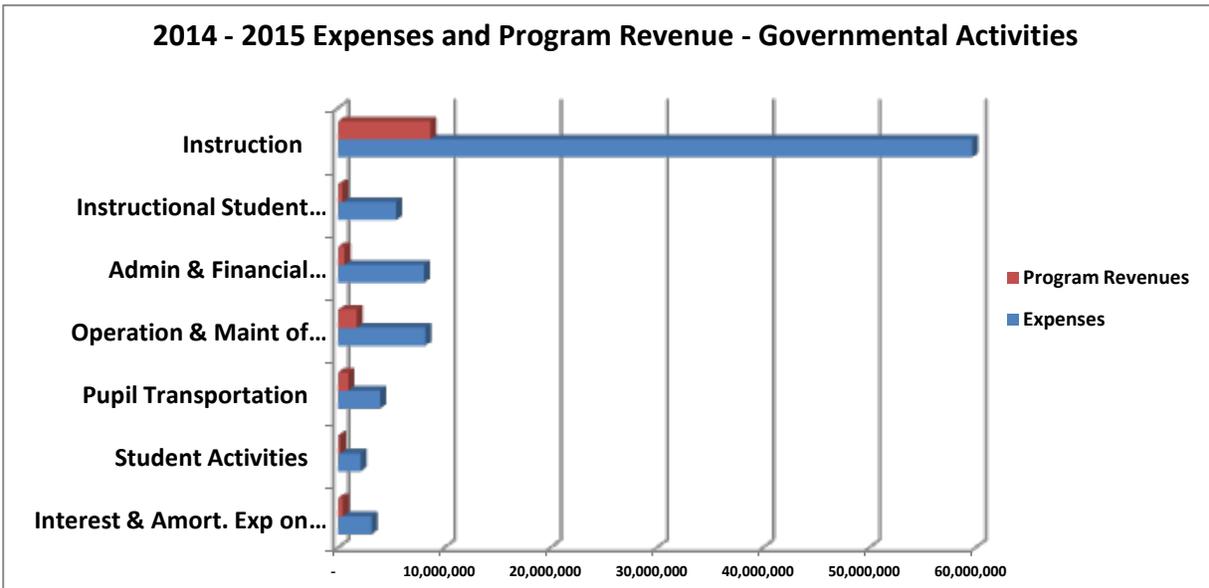
During 2014-2015 the District's net position decreased by \$360,936 in part due to increased medical costs, pension contributions, state-mandated programs and negotiated contracts. Management of the District continues to aggressively implement cost efficiencies and revenue-generating strategies to combat these factors. In the governmental activities, the District's assessed property tax base drives the majority of the revenue generated. A majority of the District's property tax base is in the form of residential housing whose growth has slowed in recent years. Although the District is primarily a residential community, the District also has a property tax base derived from commercial facilities located mostly in Concord Township.

GARNET VALLEY SCHOOL DISTRICT

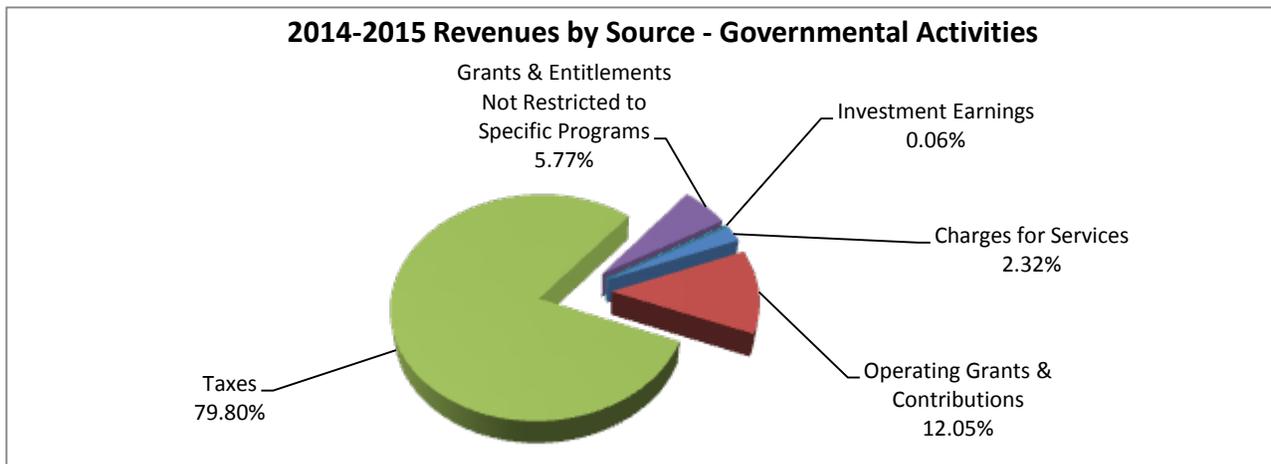
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

The *Statement of Activities* provides detail that focuses on how the District finances its services. The *Statement of Activities* compares the costs of the District functions and programs with the resources those functions and programs generate themselves in the form of program revenues. As demonstrated by the following graph, all of the District's governmental activities are not self-supporting.



To the degree that the District's functions or programs cost more than they raise, the *Statement of Activities* shows how the District chose to finance the difference through general revenues. The following chart shows that the District relies on tax revenues to finance its governmental activities.



GARNET VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

GOVERNMENTAL FUNDS

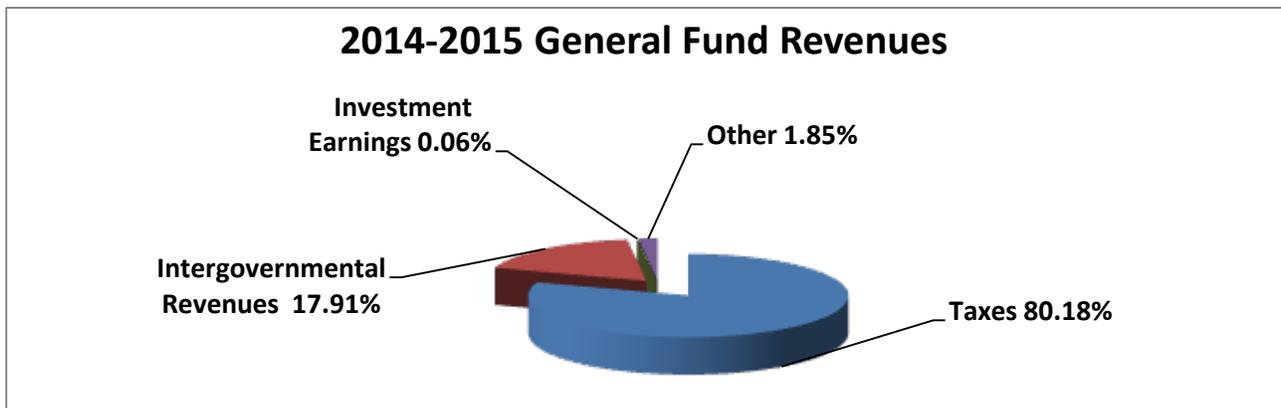
The governmental fund financial statements provide detailed information on the District's major funds. Some funds are required to be established by state statute while other funds are established by the District to manage monies restricted for a specific purpose. As of June 30, 2015, the District's governmental funds reported a combined fund balance of \$14,248,809 which is a decrease of \$844,498 from the prior year. The following table summarizes the District's total governmental fund balances as of June 30, 2015 and 2014 and the total 2015 change in governmental fund balances.

	<u>2015</u>	<u>2014</u>	<u>Change</u>
General Fund	\$ 9,568,984	\$ 9,935,179	\$(366,195)
Capital Projects Fund	4,679,825	5,158,128	(478,303)
Prison Fund	-	-	-
	<u>\$14,248,809</u>	<u>\$15,093,307</u>	<u>\$(844,498)</u>

GENERAL FUND

The General Fund is the District's primary operating fund. At the conclusion of the 2014-2015 fiscal year, the General Fund fund balance was \$9,568,984 representing an decrease of \$366,195 in relation to the prior year. The decrease in the District's General Fund fund balance is due to many factors. The following analysis has been provided to assist the reader in understanding the financial activities of the General Fund during the 2014-2015 fiscal year.

The District's reliance upon tax revenues is demonstrated by the graph below that indicates 80.18% of General Fund revenues are derived from local taxes.



General Fund Revenues

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Tax revenues	\$72,452,638	\$70,596,824	\$1,855,814	2.63
Intergovernmental revenues	16,189,469	16,166,847	22,622	0.14
Investment earnings	56,603	55,704	899	1.61
Other	<u>1,675,061</u>	<u>1,866,716</u>	<u>(191,655)</u>	<u>(10.27)</u>
	<u>\$90,373,771</u>	<u>\$88,686,091</u>	<u>\$1,687,680</u>	<u>1.90</u>

GARNET VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

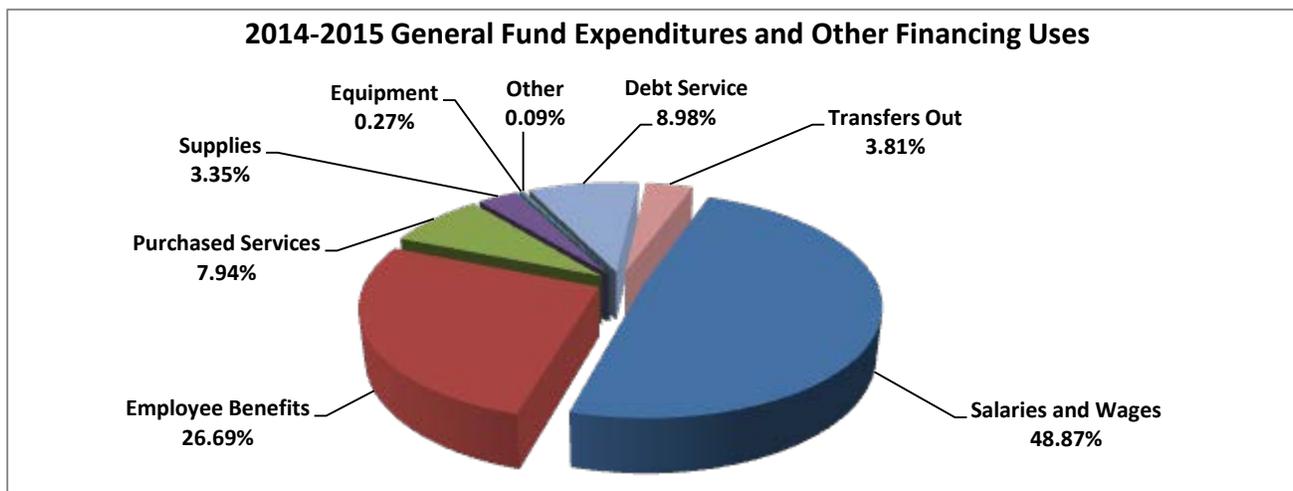
June 30, 2015

Net tax revenues increased by \$1,855,814 or 2.63% due to several factors. A millage increase of approximately 1.86% in 2014-2015 and tax assessment base growth primarily in Concord Township accounted for a majority of the current year increase in tax revenues. The following table summarizes changes in the District's tax revenues for 2015 compared to 2014:

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Real estate tax	\$69,635,895	\$67,642,376	\$1,993,519	2.95
Interim tax	360,953	432,057	(71,104)	(16.46)
PURTA tax	87,774	84,598	3,176	3.75
Transfer tax	1,069,565	1,089,204	(19,639)	(1.80)
Delinquent tax	<u>1,298,451</u>	<u>1,348,589</u>	<u>(50,138)</u>	<u>(3.72)</u>
	<u>\$72,452,638</u>	<u>\$70,596,824</u>	<u>\$1,855,814</u>	<u>2.63</u>

Intergovernmental revenues increased primarily due to additional funding received for rental and sinking fund reimbursements and the state retirement subsidy which increased commensurate with the employer annual contribution percentage.

As the graph below illustrates, the largest portion of General Fund expenditures are for salaries and benefits. The District is an educational service entity and as such is labor intensive.



General Fund Expenditures and Other Financing Uses

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Salaries and wages	\$44,348,621	\$44,108,677	\$ 239,944	0.54
Employee benefits	24,216,896	21,214,225	3,002,671	14.15
Purchased services	7,203,550	6,133,712	1,069,838	17.44
Supplies	3,041,602	3,635,778	(594,176)	(16.34)
Equipment	245,287	29,371	215,916	735.13
Other	79,882	62,166	17,716	28.50
Debt service	8,149,407	11,145,528	(2,996,121)	(26.88)
Transfers out	<u>3,454,721</u>	<u>1,250,000</u>	<u>2,204,721</u>	<u>176.38</u>
	<u>\$90,739,966</u>	<u>\$87,579,457</u>	<u>\$ 3,160,509</u>	<u>3.61</u>

GARNET VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

Employee benefits increased primarily due to an increase in the required annual retirement contribution to 21.40% from 16.93% which represents a 26.40% increase over the prior year.

Debt service expenditures decreased commensurate with principal and interest maturities due after current year debt refundings.

Transfers out for 2013-2014 and 2014-2015 represent transfers to the Capital Projects Fund to subsidize one-time expenditures for capital projects, technology purchases and accounting software and debt service expenditures associated with current year debt refundings.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for construction and renovation activity associated with the District's buildings and major equipment purchases. The Capital Projects Fund receives the majority of its revenues from the issuance of general obligation debt and transfers from the General Fund. At the conclusion of the 2014-2015 fiscal year, the Capital Projects Fund fund balance was \$4,679,825, representing a decrease of \$478,303 in relation to the prior year and is restricted for future capital expenditures.

PRISON FUND

The Prison Fund accounts for education services provided to juveniles detained at the Delaware County prison located in Concord Township. The District outsources the services to the Delaware County Intermediate Unit and is funded solely from State appropriations. An annual reconciliation of revenues received and costs incurred for services provided is performed and any excess or deficiency is accounted for resulting in a net breakeven at year end.

GENERAL FUND BUDGET INFORMATION

The District maintains its financial records and prepares its financial reports on the modified accrual basis of accounting. The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the School Board for approval prior to the beginning of the fiscal year on July 1 each year. The most significant budgeted fund is the General Fund.

Actual revenues and other financing uses were \$157,598 or 0.17% less than budgeted amounts and actual expenditures and other financing uses were \$2,331,912 or 2.51% less than budgeted amounts resulting in a net overall positive variance of \$2,174,314.

BUSINESS-TYPE ACTIVITIES AND FOOD SERVICE FUND

During 2014-2015, the net position of business-type activities and Food Service Fund decreased by \$34,154. As of June 30, 2015, the business-type activities and Food Service Fund had a deficit in net position of \$2,114,329.

CAPITAL ASSETS

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounted to \$115,054,685 net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements and furniture and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$2,746,922 or 2.33%. The decrease was the result of current year depreciation expense and disposals in excess of current year capital additions.

Current year capital additions were \$910,408 and depreciation expense and loss on disposals were \$3,657,330.

Major capital additions for the current fiscal year included the following:

- Construction in progress – Guaranteed Energy Savings Act project \$601,670
 - Vehicles and buses \$308,738
-

GARNET VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

NONCURRENT LIABILITIES

At the end of the current fiscal year, the District had total general obligation debt of \$102,650,218 consisting of \$81,091,546 in bonds payable and \$19,340,000 in notes payable, and net deferred credits of \$2,218,672. The entire amount is backed by the full faith and credit of the District. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior obligation debt. The District's general obligation debt increased by \$7,334,019 or 7.69% during the fiscal year.

During 2014-2015, the District issued general obligation notes Series of 2014 totaling \$1,250,000 the proceeds from which were used for the acquisition of equipment, computers and buses. The District also issued general obligation bonds, Series of 2014 and Series of 2015, in order to currently refund general obligation bonds, Series of 2005, 2006, and 2006A. The District currently refunded these general obligation bonds to reduce total future debt service payments by approximately \$4.6 million.

State statutes limit the amount of general obligation debt the District may issue up to 225% of its borrowing base capacity which is calculated as the annual arithmetic average of the total revenues for the preceding three fiscal years. The District's outstanding general obligation debt of \$102,650,218 is within the current debt limitation of the District which was \$200,718,769 as of June 30, 2015.

In 2014-2015, the District reported for the first time its allocated portion of its defined benefit unfunded benefit obligation related to its participation in PSERS. As noted earlier, this reporting is being required by GASB Statement No. 68 and has been reported retroactively in the accompanying financial statements. The District's allocated portion of the net pension liability is an actuarially determined estimate of the unfunded cost of the pension plan obligation which totaled \$136,514,000 as of June 30, 2015. The District's net pension liability increased by \$2,857,000 or 2.14% during the fiscal year.

The District maintains an AA rating from Standard and Poor's.

Other noncurrent liabilities consist of the District's liabilities for early retirement incentives, compensated absences and its net obligation for post-employment benefits, which totaled \$5,635,732 as of June 30, 2015. These liabilities decreased by \$604,125 or 9.68% during the fiscal year.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District experienced significant growth over the last 10 years, which has more recently leveled. If the student population distribution changes so that more students enter the District than currently are anticipated, adjustments will have to be made to current and future building utilizations which in turn will affect the District's future budget and financial model which assumptions have been made.
- The District's student enrollment is not expected to change significantly for the next three years.
- Additional tax and enrollment information is available on the District's website: (<http://www.garnetvalleyschools.com>).
- The District adopted a balanced 2015-2016 budget totaling \$96,452,132 which appropriated approximately \$1.16 million of General Fund fund balance as of June 30, 2015 and the real estate tax millage rate was increased by 1.90%.

GARNET VALLEY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED

June 30, 2015

- In 2006, Act 1 was passed which repealed Act 72, which provides taxpayer relief through gambling revenues generated at the State level. The intent of this legislation is to provide a mechanism to relieve the burden of funding public education from property owners. This new legislation has put a "ceiling" on the percentage increase of local real estate taxes that can be levied year-to-year in order to balance the school district budget. Pennsylvania school districts are now required to seek approval through back-end referendum to increase taxes higher than the approved index. This law puts an already increased burden on the District's revenue stream in future years. This legislation introduced certain new requirements on school districts which include the following:
 - ◆ That in the event a school district wishes to increase the property tax millage rate by more than an index annually prescribed by the state (1.90% for Garnet Valley School District for 2015-2016), the school district must seek voter approval (known commonly as a "back-end referendum") prior to implementing the millage rate increase. In the event voters do not approve the millage rate increase, the school district must limit its millage rate increase to the index.
 - ◆ Certain exceptions are provided under Act 1 that, if approved by the appropriate authority, may permit increases above the Act 1 index without the need for a back-end referendum. Typically, these exceptions relate to emergencies and cost increases in excess of the Act 1 index (e.g., retirement system contributions) over which the school district has no control.
 - ◆ Any revenues distributed under the provisions of Act 1 are to be used for the purpose of reducing property taxes for homesteaders and farmsteaders. (Act 1 permitted slot machine gambling in Pennsylvania.)
- On November 23, 2010, Governor Edward Rendell signed Pension Reform Legislation ("**House Bill 2497**") into law. The legislation is now known as Act 120 of 2010. House Bill 2497 includes a series of actuarial and funding changes to the public school employee's retirement system ("**PSERS**") and benefit reductions for individuals who become new members of PSERS on or after July 1, 2011. House Bill 2497 will not impact the pension benefits of current or retired PSERS members. As a result of the legislation the employer contribution rate for 2016-2017 is projected at 29.69%. Currently, the employer contribution rate for 2015-2016 is 25.84%, which is an increase of 20.75% from the 2014-2015 employer contribution rate of 21.40%. It is estimated that the increase in the employer contribution rate for 2015-2016 will increase the District's retirement expense by approximately \$2,000,000, of which the District's share is \$1,000,000.
- In August 2015, the District settled a new five year collective bargaining agreement with the Garnet Valley Education Association which was retroactive to 2014-2015 school year and expires at the conclusion of the 2018-2019 school year.

CONTACTING THE DISTRICT FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Business and Support Services, Garnet Valley School District, 80 Station Road, Glen Mills, Pennsylvania 19342-1558.

GARNET VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)

June 30, 2015 with summarized comparative totals for 2014

	Governmental Activities	Business-type Activities	Totals	
			2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash	\$ 19,891,174	\$ 301,297	\$ 20,192,471	\$ 20,294,499
Taxes receivable	1,686,775	-	1,686,775	1,582,788
Due from other governments	2,953,690	40,026	2,993,716	3,114,114
Internal balances	298,005	(298,005)	-	-
Other receivables	800,132	-	800,132	788,403
Inventories	-	54,543	54,543	48,071
Prepaid expenses	8,123	-	8,123	-
Total current assets	<u>25,637,899</u>	<u>97,861</u>	<u>25,735,760</u>	<u>25,827,875</u>
NONCURRENT ASSETS				
Capital assets, net	114,981,122	73,563	115,054,685	117,801,607
Total assets	<u>140,619,021</u>	<u>171,424</u>	<u>140,790,445</u>	<u>143,629,482</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts on debt refunding	2,437,624	-	2,437,624	1,405,537
Deferred employer contributions - pensions	15,424,697	265,095	15,689,792	7,085,821
Total deferred outflows	<u>17,862,321</u>	<u>265,095</u>	<u>18,127,416</u>	<u>8,491,358</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)				
CURRENT LIABILITIES				
Accounts payable	1,000,086	2,708	1,002,794	1,802,628
Accrued salaries, payroll withholdings and benefits	8,636,102	-	8,636,102	7,080,965
Accrued interest payable	4,134,459	-	4,134,459	3,889,921
Unearned revenue	-	76,712	76,712	54,490
Total current liabilities	<u>13,770,647</u>	<u>79,420</u>	<u>13,850,067</u>	<u>12,828,004</u>
NONCURRENT LIABILITIES				
Due within one year	5,213,673	-	5,213,673	7,812,234
Due in more than one year	237,279,737	2,306,540	239,586,277	240,610,822
Total noncurrent liabilities	<u>242,493,410</u>	<u>2,306,540</u>	<u>244,799,950</u>	<u>248,423,056</u>
Total liabilities	<u>256,264,057</u>	<u>2,385,960</u>	<u>258,650,017</u>	<u>261,251,060</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred investment earnings - pensions	9,594,112	164,888	9,759,000	-
NET POSITION (DEFICIT)				
Net investment in capital assets	14,640,594	73,563	14,714,157	11,789,073
Restricted	4,206,089	-	4,206,089	4,507,187
Unrestricted (deficit)	(126,223,510)	(2,187,892)	(128,411,402)	(125,426,480)
Total net position (deficit)	<u>\$(107,376,827)</u>	<u>\$(2,114,329)</u>	<u>\$(109,491,156)</u>	<u>\$(109,130,220)</u>

See accompanying notes

GARNET VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year ended June 30, 2015 with summarized comparative totals for 2014

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position (Deificit)</u>			
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	
							<u>2015</u>	<u>2014</u>
GOVERNMENTAL ACTIVITIES								
Instruction	\$ 59,691,398	\$ 1,000,696	\$ 7,676,962	\$ -	\$ (51,013,740)	\$ -	\$ (51,013,740)	\$ (46,035,992)
Instructional student support	5,442,933	-	404,957	-	(5,037,976)	-	(5,037,976)	(4,312,858)
Administrative and financial support services	8,070,671	-	600,462	-	(7,470,209)	-	(7,470,209)	(6,499,041)
Operation and maintenance of plant services	8,205,237	1,061,379	678,209	-	(6,465,649)	-	(6,465,649)	(6,728,820)
Pupil transportation	3,964,333	-	963,748	-	(3,000,585)	-	(3,000,585)	(3,151,109)
Student activities	2,126,300	44,554	158,198	-	(1,923,548)	-	(1,923,548)	(2,197,508)
Community services	123,230	-	-	-	(123,230)	-	(123,230)	(150,598)
Interest and amortization expense related to noncurrent liabilities	3,164,451	-	464,279	-	(2,700,172)	-	(2,700,172)	(2,526,860)
Total governmental activities	<u>90,788,553</u>	<u>2,106,629</u>	<u>10,946,815</u>	<u>-</u>	<u>(77,735,109)</u>	<u>-</u>	<u>(77,735,109)</u>	<u>(71,602,786)</u>
BUSINESS-TYPE ACTIVITIES								
Food service	<u>2,701,257</u>	<u>1,910,176</u>	<u>350,771</u>	<u>-</u>	<u>-</u>	<u>(440,310)</u>	<u>(440,310)</u>	<u>(30,793)</u>
Total primary government	<u>\$ 93,489,810</u>	<u>\$ 4,016,805</u>	<u>\$ 11,297,586</u>	<u>\$ -</u>	<u>(77,735,109)</u>	<u>(440,310)</u>	<u>(78,175,419)</u>	<u>(71,633,579)</u>
GENERAL REVENUES								
Property taxes levied for general purposes					71,355,539	-	71,355,539	69,631,164
Other taxes levied for general purposes					1,157,339	-	1,157,339	1,173,802
Grants and entitlements not restricted to specific programs					5,242,653	-	5,242,653	5,248,799
Investment earnings					57,641	1,311	58,952	56,772
TRANSFERS					<u>(404,845)</u>	<u>404,845</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>77,408,327</u>	<u>406,156</u>	<u>77,814,483</u>	<u>76,110,537</u>
CHANGE IN NET POSITION (DEFICIT)					<u>(326,782)</u>	<u>(34,154)</u>	<u>(360,936)</u>	<u>4,476,958</u>
NET POSITION (DEFICIT)								
Beginning of year, restated					<u>(107,050,045)</u>	<u>(2,080,175)</u>	<u>(109,130,220)</u>	<u>(113,607,178)</u>
End of year					<u>\$ (107,376,827)</u>	<u>\$ (2,114,329)</u>	<u>\$ (109,491,156)</u>	<u>\$ (109,130,220)</u>

See accompanying notes

GARNET VALLEY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2015 with summarized comparative totals for 2014

	Major Funds			Totals	
	General Fund	Capital Projects Fund	Prison Fund	2015	2014
ASSETS					
Cash	\$ 14,804,172	\$ 4,816,271	\$ -	\$ 19,620,443	\$ 19,199,111
Taxes receivable	1,686,775	-	-	1,686,775	1,582,788
Due from other governments	2,869,539	-	84,151	2,953,690	3,068,049
Due from other funds	-	-	-	-	1,141,697
Other receivables	800,132	-	-	800,132	788,403
Prepaid expenditures	8,123	-	-	8,123	-
Total assets	<u>\$ 20,168,741</u>	<u>\$ 4,816,271</u>	<u>\$ 84,151</u>	<u>\$ 25,069,163</u>	<u>\$ 25,780,048</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 632,415	\$ 136,446	\$ 84,151	\$ 853,012	\$ 1,743,097
Due to other funds	82,716	-	-	82,716	338,165
Accrued salaries, payroll withholdings and benefits	8,546,424	-	-	8,546,424	7,327,516
Total liabilities	<u>9,261,555</u>	<u>136,446</u>	<u>84,151</u>	<u>9,482,152</u>	<u>9,408,778</u>
DEFERRED INFLOW OF RESOURCES					
Unavailable revenues - property taxes	1,338,202	-	-	1,338,202	1,277,963
FUND BALANCES					
Nonspendable					
Prepaid expenditures	8,123	-	-	8,123	-
Long-term receivables	508,183	-	-	508,183	508,183
Restricted for					
Capital projects	-	4,679,825	-	4,679,825	5,158,128
Committed to					
Early retirement incentive	1,216,788	-	-	1,216,788	1,528,658
Retirement rate stabilization	1,700,000	-	-	1,700,000	1,700,000
Balance 2015-2016 budget	1,160,582	-	-	1,160,582	-
Unassigned	4,975,308	-	-	4,975,308	6,198,338
Total fund balances	<u>9,568,984</u>	<u>4,679,825</u>	<u>-</u>	<u>14,248,809</u>	<u>15,093,307</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 20,168,741</u>	<u>\$ 4,816,271</u>	<u>\$ 84,151</u>	<u>\$ 25,069,163</u>	<u>\$ 25,780,048</u>

See accompanying notes

GARNET VALLEY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

June 30, 2015

TOTAL GOVERNMENTAL FUND BALANCES	\$ 14,248,809
<p>Amounts reported for governmental activities in the statement of net position (deficit) are different because:</p>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	114,981,122
Deferred outflows of resources for deferred amounts on debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the government-wide statement of net position (deficit).	2,437,624
Deferred outflows of resources and deferred inflows of resources related to pensions are not reported as assets and liabilities in the governmental funds balance sheet.	5,830,585
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred inflows of resources on the governmental funds balance sheet.	1,338,202
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet.	(242,078,710)
Accrued interest payable on long-term liabilities is included in the government-wide statement of net position (deficit), but is excluded from the governmental funds balance sheet until due and payable	<u>(4,134,459)</u>
NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (107,376,827)</u>

See accompanying notes

GARNET VALLEY SCHOOL DISTRICT

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

Year ended June 30, 2015 with summarized comparative totals for 2014

	Major Funds			Totals	
	General	Capital	Prison	2015	2014
	Fund	Projects	Fund		
REVENUES					
Local sources	\$73,765,399	\$ 393	\$ -	\$ 73,765,792	\$72,519,446
State sources	14,977,573	-	840,159	15,817,732	15,881,264
Federal sources	1,222,208	-	-	1,222,208	1,135,650
Total revenues	<u>89,965,180</u>	<u>393</u>	<u>840,159</u>	<u>90,805,732</u>	<u>89,536,360</u>
EXPENDITURES					
Current					
Instruction	54,245,218	-	840,159	55,085,377	52,253,516
Support services	22,802,805	127,552	-	22,930,357	20,836,259
Operation of noninstructional services	2,087,815	-	-	2,087,815	2,949,032
Facilities acquisition, construction and improvement services	-	1,722,446	-	1,722,446	7,117,626
Debt service	8,149,407	-	-	8,149,407	11,145,882
Total expenditures	<u>87,285,245</u>	<u>1,849,998</u>	<u>840,159</u>	<u>89,975,402</u>	<u>94,302,315</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,679,935</u>	<u>(1,849,605)</u>	<u>-</u>	<u>830,330</u>	<u>(4,765,955)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	1,250,000	-	1,250,000	1,250,000
Issuance of debt - refunding	-	43,375,000	-	43,375,000	-
Payment of debt - refunding	-	(48,367,566)	-	(48,367,566)	-
Bond discounts	-	(76,126)	-	(76,126)	-
Bond premiums	-	2,140,118	-	2,140,118	-
Refund of prior year expenditures	408,591	-	-	408,591	-
Transfers in	-	3,049,876	-	3,049,876	1,250,000
Transfers out	(3,454,721)	-	-	(3,454,721)	(1,250,000)
Total other financing sources (uses)	<u>(3,046,130)</u>	<u>1,371,302</u>	<u>-</u>	<u>(1,674,828)</u>	<u>1,250,000</u>
NET CHANGE IN FUND BALANCES	<u>(366,195)</u>	<u>(478,303)</u>	<u>-</u>	<u>(844,498)</u>	<u>(3,515,955)</u>
FUND BALANCES					
Beginning of year, restated	<u>9,935,179</u>	<u>5,158,128</u>	<u>-</u>	<u>15,093,307</u>	<u>18,609,262</u>
End of year	<u>\$ 9,568,984</u>	<u>\$ 4,679,825</u>	<u>\$ -</u>	<u>\$ 14,248,809</u>	<u>\$15,093,307</u>

See accompanying notes

GARNET VALLEY SCHOOL DISTRICT

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF ACTIVITIES

Year ended June 30, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (844,498)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay expenditures	\$ 910,408	
Depreciation expense	<u>(3,644,227)</u>	(2,733,819)

Because some taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred inflows of resources increased by this amount this year.

Deferred inflows of resources June 30, 2014	(1,277,963)	
Deferred inflows of resources June 30, 2015	<u>1,338,202</u>	60,239

The Internal Service Fund is used by management to charge the cost of health insurance premiums and claims to the General Fund. The change in net position (deficit) of the Internal Service Fund is reported with the governmental activities.

(18,877)

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

Issuance of debt	(44,625,000)	
Repayment of bonds payable	36,955,000	
Repayment of notes payable	2,105,000	
Repayment of lease rental payable	13,210,000	
Discounts, premiums and deferred amounts on debt refunding	<u>(736,932)</u>	6,908,068

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

Change in net pension liability and related deferred outflows and inflows	(3,944,242)	
Current year change in accrued interest payable	(244,538)	
Current year change in long-term early retirement incentive	311,870	
Current year change in compensated absences	226,559	
Current year change in net post-employment benefit (OPEB) obligation	<u>(47,544)</u>	<u>(3,697,895)</u>

CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ (326,782)

See accompanying notes

GARNET VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) - PROPRIETARY FUNDS

June 30, 2015 with summarized comparative totals for 2014

	<u>Major Fund</u>	<u>After School Activities Fund</u>	<u>Internal Service Fund</u>	<u>Totals</u>	
	<u>Food Service Fund</u>			<u>2015</u>	<u>2014</u>
ASSETS AND DEFERRED OUTFLOW OF RESOURCES					
CURRENT ASSETS					
Cash	\$ 172,199	\$ 129,098	\$270,731	\$ 572,028	\$ 1,095,388
Due from other governments	40,026	-	-	40,026	46,065
Due from other funds	-	-	380,721	380,721	-
Inventories	54,543	-	-	54,543	48,071
Total current assets	<u>266,768</u>	<u>129,098</u>	<u>651,452</u>	<u>1,047,318</u>	<u>1,189,524</u>
NONCURRENT ASSETS					
Capital assets, net	73,563	-	-	73,563	86,666
Total assets	<u>340,331</u>	<u>129,098</u>	<u>651,452</u>	<u>1,120,881</u>	<u>1,276,190</u>
DEFERRED OUTFLOW OF RESOURCES					
Deferred employer contributions - pensions	265,095	-	-	265,095	119,722
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION (DEFICIT)					
CURRENT LIABILITIES					
Accounts payable	2,330	378	147,073	149,781	59,531
Insurance claims payable	-	-	504,379	504,379	281,389
Due to other funds	216,021	81,984	-	298,005	803,532
Unearned revenue	76,712	-	-	76,712	54,490
Total current liabilities	<u>295,063</u>	<u>82,362</u>	<u>651,452</u>	<u>1,028,877</u>	<u>1,198,942</u>
NONCURRENT LIABILITIES					
Net pension liability	2,306,540	-	-	2,306,540	2,258,268
Total liabilities	<u>2,601,603</u>	<u>82,362</u>	<u>651,452</u>	<u>3,335,417</u>	<u>3,457,210</u>
DEFERRED INFLOW OF RESOURCES					
Deferred investment earnings - pensions	164,888	-	-	164,888	-
NET POSITION (DEFICIT)					
Net investment in capital assets	73,563	-	-	73,563	86,666
Unrestricted (deficit)	(2,234,628)	46,736	-	(2,187,892)	(2,147,964)
Total net position (deficit)	<u>\$ (2,161,065)</u>	<u>\$ 46,736</u>	<u>\$ -</u>	<u>\$ (2,114,329)</u>	<u>\$ (2,061,298)</u>

See accompanying notes

GARNET VALLEY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (DEFICIT) - PROPRIETARY FUNDS

Year ended June 30, 2015 with summarized comparative totals for 2014

	<u>Major Fund</u>	<u>After School Activities Fund</u>	<u>Internal Service Fund</u>	<u>Totals</u>	
	<u>Food Service Fund</u>			<u>2015</u>	<u>2014</u>
OPERATING REVENUES					
Charges for services	\$ 1,774,541	\$ 135,635	\$ 7,059,092	\$ 8,969,268	\$ 9,484,187
OPERATING EXPENSES					
Salaries	796,652	77,764	-	874,416	756,614
Employee benefits	442,064	11,135	7,016,335	7,469,534	6,814,607
Purchased professional and technical services	299,073	-	62,279	361,352	817,826
Supplies	1,061,466	-	-	1,061,466	1,427,670
Depreciation	13,103	-	-	13,103	17,871
Total operating expenses	<u>2,612,358</u>	<u>88,899</u>	<u>7,078,614</u>	<u>9,779,871</u>	<u>9,834,588</u>
Operating income (loss)	<u>(837,817)</u>	<u>46,736</u>	<u>(19,522)</u>	<u>(810,603)</u>	<u>(350,401)</u>
NONOPERATING REVENUES					
Earnings on investments	1,311	-	645	1,956	866
State sources	34,943	-	-	34,943	32,331
Federal sources	315,828	-	-	315,828	306,154
Transfers in	404,845	-	-	404,845	-
Total nonoperating revenues	<u>756,927</u>	<u>-</u>	<u>645</u>	<u>757,572</u>	<u>339,351</u>
CHANGE IN NET POSITION (DEFICIT)	<u>(80,890)</u>	<u>46,736</u>	<u>(18,877)</u>	<u>(53,031)</u>	<u>(11,050)</u>
NET POSITION (DEFICIT)					
Beginning of year, restated	<u>(2,080,175)</u>	<u>-</u>	<u>18,877</u>	<u>(2,061,298)</u>	<u>(2,050,248)</u>
End of year	<u>\$ (2,161,065)</u>	<u>\$ 46,736</u>	<u>\$ -</u>	<u>\$ (2,114,329)</u>	<u>\$ (2,061,298)</u>

See accompanying notes

GARNET VALLEY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year ended June 30, 2015 with summarized comparative totals for 2014

	Major Fund	After School Activities Fund	Internal Service Fund	Totals	
	Food Service Fund			2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from charges for services	\$ 1,796,763	\$ 135,635	\$ -	\$ 1,932,398	\$ 2,096,638
Cash received for assessments made to other fund	-	-	6,678,371	6,678,371	7,399,740
Cash payments to suppliers for goods or services	(1,337,679)	-	-	(1,337,679)	(1,331,063)
Cash payments to insurance claims	-	-	(6,646,272)	(6,646,272)	(7,099,474)
Cash payments to employees for services	(1,758,440)	(6,537)	-	(1,764,977)	(226,067)
Cash payments for other operating expenses	-	-	(62,279)	(62,279)	-
Net cash provided by (used for) operating activities	<u>(1,299,356)</u>	<u>129,098</u>	<u>(30,180)</u>	<u>(1,200,438)</u>	<u>839,774</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
State sources	35,815	-	-	35,815	31,499
Federal sources	234,462	-	-	234,462	217,788
Transfers in	404,845	-	-	404,845	-
Net cash provided by noncapital financing activities	<u>675,122</u>	<u>-</u>	<u>-</u>	<u>675,122</u>	<u>249,287</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	-	-	-	(16,239)
CASH FLOWS FROM INVESTING ACTIVITIES					
Earnings on investments	1,311	-	645	1,956	866
Net increase (decrease) in cash	(622,923)	129,098	(29,535)	(523,360)	1,073,688
CASH					
Beginning of year	795,122	-	300,266	1,095,388	21,700
Ending of year	<u>\$ 172,199</u>	<u>\$ 129,098</u>	<u>\$ 270,731</u>	<u>\$ 572,028</u>	<u>\$ 1,095,388</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities:					
Operating income (loss)	\$ (837,817)	\$ 46,736	\$ (19,522)	\$ (810,603)	\$ (350,401)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities					
Depreciation	13,103	-	-	13,103	17,871
Donated commodities used	86,533	-	-	86,533	82,501
(Increase) decrease in					
Due from other funds	-	-	(380,721)	(380,721)	-
Inventories	(6,472)	-	-	(6,472)	3,826
Deferred outflows	(145,373)	-	-	(145,373)	-
Increase (decrease) in					
Accounts payable	(57,201)	378	147,073	90,250	291,669
Due to other funds	(587,511)	81,984	222,990	(282,537)	782,117
Unearned revenue	22,222	-	-	22,222	12,191
Net pension liability	48,272	-	-	48,272	-
Deferred inflows	164,888	-	-	164,888	-
Net cash provided by (used for) operating activities	<u>\$ (1,299,356)</u>	<u>\$ 129,098</u>	<u>\$ (30,180)</u>	<u>\$ (1,200,438)</u>	<u>\$ 839,774</u>
SUPPLEMENTAL DISCLOSURE					
Noncash noncapital financing activity					
USDA donated commodities	\$ 86,533	\$ -	\$ -	\$ 86,533	\$ 82,501

See accompanying notes

GARNET VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2015

	Private- Purpose Trust	Agency
ASSETS		
Cash	<u>\$216,816</u>	<u>\$483,412</u>
 LIABILITIES	 <u>-</u>	 <u>\$483,412</u>
 NET POSITION		
Net position held in trust for scholarships	<u>\$216,816</u>	

GARNET VALLEY SCHOOL DISTRICT

STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUND

Year ended June 30, 2015 with summarized comparative totals for 2014

	Private-Purpose Fund	
	<u>2015</u>	<u>2014</u>
ADDITIONS		
Local contributions	\$ 24,752	\$ 16,520
DEDUCTIONS		
Scholarships awarded and fees paid	<u>62,535</u>	<u>35,125</u>
CHANGE IN NET POSITION	(37,783)	(18,605)
NET POSITION		
Beginning of year	<u>254,599</u>	<u>273,204</u>
End of year	<u>\$216,816</u>	<u>\$254,599</u>

See accompanying notes

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Garnet Valley School District (the "**District**") operates three elementary schools, a middle school and a high school to provide education and related services to the residents in the Townships of Bethel and Concord and the Borough of Chester Heights. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member board form of government (the "**School Board**").

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("**GAAP**") as applied to governmental units. The Governmental Accounting Standards Board ("**GASB**") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

Reporting Entity

GASB has established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Government-Wide Financial Statements

The statement of net position (deficit) and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. These statements include the financial activities of the primary government except for fiduciary funds.

The government-wide financial statements are prepared 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 timing of related cash flow. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared as further defined below. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of net position (deficit) presents the financial position of the District which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources and is classified in one of three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing attributable to acquiring, constructing or improving those assets. The net position (deficit) of the District is reported as restricted when constraints placed on net position (deficit) use is either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position (deficit) is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position (deficit)."

The statement of net position (deficit) includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until that time. Deferred inflows of resources represent an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

The government-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental function. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Projects Fund accounts for financial resources restricted, committed or assigned to be used for capital expenditures or for the acquisition, construction of capital facilities, improvements and/or equipment.

The Prison Fund accounts for financial resources restricted to be used to provide education services to juveniles detained at the Delaware County Prison located in Concord Township.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Deferred inflows of resources are reported in connection with receivables for tax revenues that are not considered to be available to liquidate liabilities of the current period. Revenue from federal, state and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned. Other receipts are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, special termination benefits, other post-employment benefits and claims and judgments are recorded only when payment is due. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Proprietary Funds

Like the government-wide financial statements, proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District reports the following proprietary funds:

The Food Service Fund accounts for the revenues and costs of providing meals to students during the school year.

The After School Activities Fund accounts for the revenues and costs of providing after school programs to students.

The Internal Service Fund is used to account for the District's self-funded health insurance program.

These 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 the proprietary funds' principal ongoing operations. The principal operating revenues of the District's proprietary funds are charges for services. Operating expenses for the District's proprietary funds include payroll, employee benefits, supplies and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in a private-purpose trust fund. The private-purpose trust fund accounts for activities in various scholarship accounts, whose sole purpose is to provide annual scholarships to particular students as described by donor stipulations. The measurement focus and basis of accounting for the private-purpose trust is the same as for proprietary funds.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 – August 31	- Discount period, 2% of gross levy
September 1 – October 31	- Face period
November 1 to collection	- Penalty period, 10% of gross levy
February 28	- Lien date

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

The County Board of Assessments determines assessed valuations of property, and the District's taxes are billed and collected by local elected tax collectors. The tax on real estate for public school purposes for fiscal 2014-2015 was 29.7440 mills (\$29.74 for \$1,000 of assessed valuation) for Chester Heights Borough and Concord Township and 30.0940 mills (\$30.09 for \$1,000 of assessed valuation) for Bethel Township (includes additional levy for the sponsorship of the Delaware County Community College). The District experiences very small losses from uncollectible property taxes. Property taxes constitute a lien against real property and usually can be collected in full when title transfers. Only balances that remain after tax sales are written off each year. Accordingly, an allowance for doubtful accounts has not been established by the District for property taxes receivable.

Taxpayers within the District have the option of paying in three installments. These installments have the following due dates:

Installment One	-	October 31
Installment Two	-	November 30
Installment Three	-	December 31

The discount (two percent) is not applicable to installment payments; however, the penalty (10 percent) will be added if second and third installments are paid subsequent to the due dates.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Unearned Revenues

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment (net of salvage value) of the District is depreciated using the straight-line method over the following estimated useful lives: buildings and improvements – 20-50 years, land improvements – 20 years, and furniture and equipment – 5-20 years.

Impairment of Long-Lived Assets

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstances is outside the normal life cycle of the capital asset. If a capital asset is considered to be impaired, the amount of impairment is measured by the method that most reflects the decline in service utility of the capital asset at the lower of carrying value or fair value for impaired capital assets that will no longer be used by the District. No impairment losses were recognized in the year ended June 30, 2015.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, personal and sick days. The liability for these compensated absences is recorded as a noncurrent liability in the government-wide financial statements. A liability for these amounts is recorded in the governmental funds financial statements only to the extent they have matured, for example, as a result of employee resignations or retirements.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds. Deferred amounts on refunding are recorded as a deferred outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and uses. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures except for refundings paid from proceeds which are reported as other financing costs.

Fund Equity

As prescribed by GASB, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The District reports the following fund balance classifications:

Nonspendable

Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted

Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

Committed fund balances are amounts that can only be used for specific purposes determined by a formal action of the District's highest level of decision-making authority, the School Board. Committed amounts cannot be used for any other purpose unless the School Board removes those constraints by taking the same type of formal action (e.g., resolution).

Assigned

Assigned fund balances are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Business Administrator or (b) an appointed body (e.g., finance committee) or (c) an official to which the District has delegated the authority to assign, modify or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as non-spendable, restricted or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue fund or the capital projects fund are assigned for purposes in accordance with the nature of their fund type.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Unassigned

Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund fund balance that has not been assigned to other funds, and that has not been restricted, committed or assigned to specific purposes within the General Fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to use externally restricted resources first, then unrestricted resources—committed, assigned or unassigned—in order as needed.

The School Board has set a policy to maintain an unassigned General Fund fund balance of not less than 5% and a maximum General Fund fund balance of 8% of the following year's expenditure budget. Unassigned General Fund fund balance in excess of 8% of the following year's expenditure budget may be approved by the School Board for nonrecurring expenditures.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

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.

Implementation of New Accounting Pronouncements

Effective July 1, 2014, the District adopted the provisions of GASB Statement No. 68, "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*", GASB Statement No. 69, "*Government Combinations and Disposals of Government Operations*", GASB Statement No. 70, "*Accounting and Financial Reporting for Non-Exchange Financial Guarantees*" and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*".

GASB Statement No. 68 improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures and identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

GASB Statement No. 71 is required to be applied simultaneously with the provisions of GASB Statement No. 68 and addresses an issue regarding application of the transitions provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

GASB Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The implementation of GASB Statement No. 69 had no impact on the financial statements of the District for the year ended June 30, 2015.

GASB Statement No. 70 provides accounting and financial reporting guidance to a governmental financial reporting entity that offers nonexchange financial guarantees and for governmental entities that receive guarantees on their obligations. The implementation of GASB Statement No. 70 had no impact on the financial statements of the District for the year ended June 30, 2015.

New Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application* will be effective for the District for the year ended June 30, 2016. GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement No. 72 provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for the Capital Projects fund.

The District is required to publish notice by advertisement at least once in two newspapers of general circulation in the municipalities in which it is located, and within 20 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative offices of the District. Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least 10 days prior to when final action on adoption is taken by the School Board.

After the legal adoption of the budget, the School Board is required to file a copy of the budget with the Pennsylvania Department of Education by July 31. Additional copies of the budget also are required to be filed with the Housing Education Committee and the Senate Education Committee by September 15.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated in any particular item of expenditure by legislative action in accordance with Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without approval from the School Board. 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.

(3) DEPOSITS

State statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, state treasurer's investment pools or mutual funds.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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. At June 30, 2015, the carrying amount of the District's deposits was \$20,892,699 and the bank balance was \$21,147,452. The District is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$4,493,939 was collateralized by the District's depositories in accordance with Act 72 and the collateral was held by the depositories' agent in pooled public funds. The remaining cash deposits of the District 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, PSDLAF and PLGIT act like money market mutual funds in that their objective is to maintain a stable net assets value of \$1 per share, are rated by a nationally recognized statistical rating organization and are subject to independent annual audit. As of June 30, 2015, PSDLAF and PLGIT were rated as AAA by a nationally recognized statistical rating agency.

(4) CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,641,664	\$ -	\$ -	\$ 1,641,664
Construction in progress	<u>5,789,986</u>	<u>601,670</u>	<u>-</u>	<u>6,391,656</u>
Total capital assets not being depreciated	<u>7,431,650</u>	<u>601,670</u>	<u>-</u>	<u>8,033,320</u>
Capital assets being depreciated				
Buildings and improvements	144,601,132	-	-	144,601,132
Land improvements	8,353,212	-	-	8,353,212
Furniture and equipment	<u>9,026,616</u>	<u>308,738</u>	<u>142,510</u>	<u>9,192,844</u>
Total capital assets being depreciated	<u>161,980,960</u>	<u>308,738</u>	<u>142,510</u>	<u>162,147,188</u>
Less accumulated depreciation for				
Buildings and improvements	(40,785,730)	(2,851,235)	-	(43,636,965)
Land improvements	(3,891,129)	(350,394)	-	(4,241,523)
Furniture and equipment	<u>(7,020,810)</u>	<u>(442,598)</u>	<u>(142,510)</u>	<u>(7,320,898)</u>
Total accumulated depreciation	<u>(51,697,669)</u>	<u>(3,644,227)</u>	<u>(142,510)</u>	<u>(55,199,386)</u>
Total capital assets being depreciated, net	<u>110,283,291</u>	<u>(3,335,489)</u>	<u>-</u>	<u>106,947,802</u>
Governmental activities, net	<u>\$117,714,941</u>	<u>\$(2,733,819)</u>	<u>\$ -</u>	<u>\$114,981,122</u>
Business-type activities				
Machinery and equipment	\$ 330,609	\$ -	\$ -	\$ 330,609
Less accumulated depreciation	<u>(243,943)</u>	<u>(13,103)</u>	<u>-</u>	<u>(257,046)</u>
Business-type activities, net	<u>\$ 86,666</u>	<u>\$(13,103)</u>	<u>\$ -</u>	<u>\$ 73,563</u>

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

Governmental activities	
Instruction	\$2,459,367
Instructional student support	224,552
Administrative and financial support services	332,962
Operation and maintenance of plant services	376,073
Pupil transportation	163,551
Student activities	<u>87,722</u>
Total depreciation expense – governmental activities	<u>\$3,644,227</u>
Business-type activities	
Food service	<u>\$ 13,103</u>

As of June 30, 2015, the District had outstanding construction projects to be completed. Construction commitments and the amounts completed as of June 30, 2015 are as follows:

	<u>Project Amount</u>	<u>Completed Through June 30, 2015</u>	<u>Remaining Commitments</u>
Guaranteed Energy Savings Act project	<u>\$7,642,782</u>	<u>\$7,603,977</u>	<u>\$38,805</u>

(5) INTERNAL RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Receivable To</u>	<u>Amount</u>	<u>Payable From</u>	<u>Amount</u>
Internal Service Fund	\$ 380,721	General Fund	\$ 380,721
General Fund	81,984	After School Activities Fund	81,984
General Fund	<u>216,021</u>	Food Service Fund	<u>216,021</u>
	<u>\$ 678,726</u>		<u>\$ 678,726</u>

Interfund balances between funds represent temporary loans recorded at year-end as the result of a final allocation of expenses.

A summary of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfers In</u>	<u>Amount</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	\$3,049,876	General Fund	\$3,049,876
Food Service Fund	<u>404,845</u>	General Fund	<u>404,845</u>
	<u>\$3,454,721</u>		<u>\$3,454,721</u>

Transfers from General Fund to the Capital Projects Fund represents transfers to subsidize costs associated with the acquisition of capital assets and debt service expenditures, while transfers from the General Fund to the Food Service Fund represent transfers to subsidize costs associated with food service operations.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(6) NONCURRENT LIABILITIES

The following summarizes the changes in noncurrent liabilities for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>	<u>Amount Due Within One Year</u>
Governmental activities					
General obligation debt					
Bonds payable	\$ 74,671,546	\$43,375,000	\$36,955,000	\$ 81,091,546	\$2,370,000
Notes payable	20,195,000	1,250,000	2,105,000	19,340,000	2,134,000
Bond premiums	547,446	2,140,118	313,088	2,374,476	313,088
Bond discounts	(97,793)	(76,126)	(18,115)	(155,804)	(18,115)
Total general obligation debt	<u>95,316,199</u>	<u>46,688,992</u>	<u>39,354,973</u>	<u>102,650,218</u>	<u>4,798,973</u>
Other noncurrent liabilities					
Lease rental payable	13,210,000	-	13,210,000	-	-
Early retirement incentive	2,056,598	-	425,110	1,631,488	414,700
Compensated absences	3,031,906	-	226,559	2,805,347	-
OPEB obligation	1,151,353	374,409	326,865	1,198,897	-
Net pension liability (See Note 7)	<u>131,398,732</u>	<u>2,808,728</u>	<u>-</u>	<u>134,207,460</u>	<u>-</u>
Total other noncurrent liabilities	<u>150,848,589</u>	<u>3,183,137</u>	<u>14,188,534</u>	<u>139,843,192</u>	<u>414,700</u>
Business-type activities					
Net pension liability (See Note 7)	<u>2,258,268</u>	<u>48,272</u>	<u>-</u>	<u>2,306,540</u>	<u>-</u>
Total noncurrent liabilities	<u>\$248,423,056</u>	<u>\$49,920,401</u>	<u>\$53,543,507</u>	<u>\$244,799,950</u>	<u>\$5,213,673</u>

Noncurrent liabilities of governmental activities are generally liquidated by the General Fund, while noncurrent liabilities of the business-type activities are liquidated by the Food Service Fund.

General Obligation Debt

General obligation debt is a direct obligation of the District for which full faith and credit are pledged and is payable from unrestricted local sources. The District has not pledged any assets as collateral for general obligation debt. General obligation debt was issued to finance capital expenditures or to finance the retirement (refund) of prior general obligation debt.

General obligation debt outstanding as of June 30, 2015 consisted of the following:

<u>Description</u>	<u>Interest Rate(s)</u>	<u>Original Issue Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
General obligation bonds				
Series of 2001B	5.35% - 5.40%	\$2,646,546	02/15/2018	\$ 2,646,546
Series of 2007	3.55% - 5.00%	\$37,985,000	04/01/2028	35,070,000
Series of 2014	2.00% - 4.00%	\$18,510,000	02/01/2025	18,510,000
Series of 2015	0.45% - 4.00%	\$24,865,000	04/01/2032	<u>24,865,000</u>
Total general obligation bonds				<u>81,091,546</u>
General obligation notes				
Series of 2002	Variable	\$25,343,000	08/25/2027	9,714,000
Series of 2011	Variable	\$1,250,000	10/25/2015	317,000
Series of 2012A	1.437%	\$700,000	02/25/2023	569,000
Series of 2012B	Variable	\$550,000	02/25/2017	278,000
Series of 2013	2.071%	\$7,100,000	02/25/2028	6,270,000
Series of 2013A	Variable	\$1,250,000	12/25/2017	942,000
Series of 2014	Variable	\$1,250,000	12/25/2018	<u>1,250,000</u>
Total general obligation notes				<u>19,340,000</u>
Total general obligation debt				<u>\$100,431,546</u>

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

General obligation notes bear interest at a variable rate that is adjusted weekly based upon the Bond Market Association Municipal Swap Index.

Annual debt service requirements to maturity on these obligations are as follows:

<u>Year ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2016	\$ 4,504,000	\$ 3,567,288	\$ 8,071,288
2017	4,997,766	5,080,266	10,078,032
2018	5,260,780	4,712,243	9,973,023
2019	6,539,000	3,020,674	9,559,674
2020	6,461,000	2,793,856	9,254,856
2021-2025	37,723,000	10,004,669	47,727,669
2026-2030	28,176,000	3,326,006	31,502,006
2031-2032	<u>6,770,000</u>	<u>335,266</u>	<u>7,105,266</u>
	<u>\$100,431,546</u>	<u>\$32,840,268</u>	<u>\$133,271,814</u>

Series of 2014 General Obligation Note

On December 1, 2014, the District issued a \$1,250,000 general obligation note, the proceeds from which were used for (a) the acquisition of equipment, computers, furniture and buses and (b) pay for the costs of issuance.

Series of 2014 General Obligation Bonds

On October 21, 2014, the District issued \$18,510,000 of general obligation bonds, Series of 2014, the proceeds from which were used to currently refund the outstanding general obligation bonds, Series of 2006, currently refund the outstanding State Public School Building Authority Lease Revenue Bonds, Series of 2005 and to pay for the costs of issuance. The District currently refunded the general obligation and lease revenue bonds to reduce future debt service payments by \$2,699,834.

Series of 2015 General Obligation Bonds

On November 24, 2014, the District issued \$24,865,000 of general obligation bonds, Series of 2015, the proceeds from which were used to currently refund the outstanding general obligation bonds, Series of 2005, advance refund the outstanding general obligation bonds, Series A of 2006 and to pay for the costs of issuance. The District currently refunded the general obligation bonds to reduce future debt service payments by \$1,967,216.

Interest Rate Management Plan

The General Obligation Notes of the District have been issued to the Delaware Valley Regional Finance Authority ("**DVRFA**"). The DVRFA was formed by certain counties in Southeastern Pennsylvania to provide financing to local government units ("**participants**") for various projects. DVRFA obtained the funds used to finance these projects by issuing its Local Government Revenue Bonds. In order to reduce the interest costs of participants in its loan program and to enhance their ability to manage their interest rate risks, DVRFA and the participants in its loan program, including the District, have entered into an Interest Rate Management Plan, the provisions of which allow the participants to select fixed or variable rates of interest on their loans. In order to provide this option to participants, DVRFA has entered into interest rate swap agreements with financial institutions. In the event that the swap agreements between DVRFA and the financial institutions are terminated and the value of the swaps to DVRFA at the time of termination is a liability, the participants are required to pay their proportionate share of the liability. The value of the swap agreements relative to the General Obligation Notes at June 30, 2015 was an asset of \$3,297,379. The value of the swap agreements relative to the District's General Obligation Notes is not reflected on the District's statement of net position.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Lease Rental Payable

The District has entered into a long-term appropriation-based lease with the State Public School Building Authority (the "**SPSBA**") to finance the construction of the Bethel Springs Elementary School. The SPSBA was formed by the Commonwealth of Pennsylvania for the purpose of financing the construction and improvement of public school facilities under the jurisdiction of the Pennsylvania Department of Education. The SPSBA finances projects through the issuance of bonds, the principal and interest of which are paid by the annual lease rental payments from public schools. The SPSBA has no general liability with respect to these obligations and has no beneficial interest in the related assets. Acting solely in an agency capacity, the SPSBA serves as a financing conduit, bringing the ultimate borrower and lender together. The goal of the SPSBA is to make lower cost financings available to public schools.

The lease agreement between the District and the SPSBA provides that the SPSBA will lease to the District, for a term at least as long as the term of the bonds issued to finance the project, certain school facilities owned by the Authority known as the Bethel Springs Elementary School. The District is obligated to make rental payments under the lease from funds appropriated from the current fiscal year and constitutes a current expense. The lease and the obligations of the District under the lease do not constitute a lien or charge upon the funds of the District beyond the fiscal year for which the District has made appropriations for lease rental payments. Therefore, the lease and the obligations of the District under the lease do not constitute a debt or general obligation of the District.

This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The lease rental payable was refunded by general obligation bonds, Series of 2014, during the current year.

Early Retirement Incentive

The District from time to time offers additional retirement incentives known as early retirement incentive plans ("**ERIP**") to senior professional staff and administrators contemplating retirement. There is no contractual requirement for the District to offer ERIP incentives. An ERIP is formally approved by School Board action in the year an ERIP plan is implemented.

In order for an employee to retire and participate in a District sponsored ERIP, the District must first decide whether or not to offer an ERIP in the year the employee is retiring and a specified minimum number of employees must opt into the ERIP. The District's ERIP plans provide for the payment of specific annuity amounts to the participating retiree.

The District's liability for its ERIP plans has been reported at the discounted present value of expected future benefit payments in the government-wide financial statements. For the year ended June 30, 2015, 43 retirees received benefits under the District's ERIP plans and the District paid \$527,940 in ERIP benefits to retirees.

As of June 30, 2015, the District had three ERIP plans in effect. The number of participants and the present value of those benefits as of June 30, 2015 are summarized below:

<u>ERIP Began</u>	<u>Participants</u>	<u>Present Value of ERIP Benefits</u>
July 1, 2008	10	\$ 241,723
July 1, 2010	3	128,151
July 1, 2011	20	<u>1,261,614</u>
		<u>\$1,631,488</u>

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Other Post-Employment Benefits

The District's other post-employment benefits include a single-employer defined benefit plan that provides medical insurance to certain eligible retirees and their spouses. The School Board has the authority to establish and amend benefit provisions. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The District's contributions are funded on a pay-as-you-go basis. The contribution requirements of retirees are established and may be amended by the School Board.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("**ARC**"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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, 2015, 2014 and 2013 were as follows:

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$374,409	87.30%	\$1,198,897
2014	\$487,905	61.48%	\$1,151,353
2013	\$489,930	74.77%	\$ 963,458

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

Annual required contribution	\$ 545,819
Interest on net OPEB obligation	51,811
Adjustment to annual required contribution	<u>(223,221)</u>
Annual OPEB cost (expense)	374,409
Contributions made	<u>(326,865)</u>
Increase in net OPEB obligation	47,544
Net OPEB obligation – beginning of year	<u>1,151,353</u>
Net OPEB obligation – end of year	<u>\$1,198,897</u>

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation, the actuarial accrued liability for benefits was \$2,631,295, all of which was unfunded. The covered payroll (annual payroll of active employees receiving benefits) was \$800,646 and the ratio of the unfunded actuarial accrued liability ("**UAAL**") to the covered payroll was 328.65%.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Actuarial valuations 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 benefit cost trends. Amounts determined regarding the funded status and the annual required contribution of the District 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 whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the most recent actuarial valuation, the entry age normal method was used. The actuarial assumptions include a 4.50% discount rate and an annual healthcare cost trend rate of 6.50%, decreasing 0.50% per year to an ultimate rate of 5.50% in 2016 and later. The UAAL is being amortized based on the level dollar, 30-year open period.

(7) 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.

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the system include all full-time public 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.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year credited service; (b) age 60 with 30 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 membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

Contributions

Member Contributions

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

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

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

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

Employer Contributions

The school district's contractually required contribution rate for fiscal year ended June 30, 2015 was 20.50% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$9,446,684 for the year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$136,514,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.3449 percent, which was an increase of 0.0184 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$4,012,019. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$9,759,000
Changes in proportions	6,070,000	-
Difference between employer contributions and proportionate share of total contributions	173,108	-
Contributions subsequent to the measurement date	<u>9,446,684</u>	<u>-</u>
	<u>\$15,689,792</u>	<u>\$9,759,000</u>

\$9,446,684 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (935,287)
2017	(935,287)
2018	(935,287)
2019	(935,287)
2020	<u>225,256</u>
	<u>\$(3,515,892)</u>

Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50% includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real growth wage of 1% and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ended 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.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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

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

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

Discount Rate

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

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

The following represents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

	<u>1% Decrease 6.50%</u>	<u>Current Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
District's proportionate share of the net pension liability	\$170,282,000	\$136,514,000	\$107,685,000

Pension Plan Fiduciary Net Position

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

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

(8) JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATION

Delaware County Vocational Technical School and Delaware Vocational Technical School Authority

The District and the other fourteen Delaware County school districts participate in the Delaware County Vocational Technical School (the "**DCVTS**"). The DCVTS provides vocational-technical training and education to students of the participating school districts. The DCVTS is controlled by a joint Board comprised of representative school board members of the participating school districts. District oversight of the DCVTS operations is the responsibility of the joint board. The District's share of operating costs for the DCVTS fluctuates based on the District's percentage of enrollment. The District's share of operating costs for 2014-2015 was \$292,166.

The District and the other fourteen Delaware County school districts also participate in a joint venture for the operation of the Delaware County Vocational-Technical School Authority (the "**DCVTSA**"). The DCVTSA oversees acquiring holding, constructing, improving and maintaining the DCVTSA school buildings. The DCVTSA is controlled by a joint board comprised of representative school board members of the participating school districts in the DCVTS. During 2014-2015, the District did not have any financial transactions with the DCVTSA.

Both the DCVTS and the DCVTSA prepare financial statements that are available to the public from their administrative offices located at 200 Yale Avenue Morton, Pennsylvania 19070.

Delaware County Community College

The District and twelve other Delaware County schools sponsor the Delaware County Community College (the "**DCCC**"). Only residents of Bethel Township participate in this joint venture within the District. The DCCC provides higher education programs to the residents of southeastern Pennsylvania. Sponsoring school districts pay a share of the DCCC's operating and debt service costs which fluctuate based on each District's certified market values and in return residents of each of the sponsoring school districts pay a reduced cost to participate in DCCC higher education programs. The sponsoring school districts have entered into a long-term lease agreement with the DCCC to provide rental payments sufficient to retire the DCCC's outstanding debt obligations. The lease agreement expires in 2032-2033 unless the debt is retired earlier. The District's share of operating costs and rent expense for 2014-2015 was \$219,239.

The DCCC prepares financial statements that are available to the public from their administrative offices located at 901 South Media Line Road, Media, Pennsylvania 19063.

The District's future annual lease payments to the DCCC are as follows:

Year ending June 30,

2016	\$ 52,039
2017	51,555
2018	51,471
2019	51,448
2020	51,380
2021-2025	236,721
2026-2030	220,423
2031-2033	<u>163,133</u>
	<u>\$878,170</u>

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Delaware County Intermediate Unit

The District and the other Delaware County school districts are participating members of the Delaware County Intermediate Unit (the "**DCIU**"). The DCIU is a regional educational service agency, established by the Commonwealth of Pennsylvania, which is governed by a joint committee consisting of School Board members from each participating district. The School Board of each participating district must approve the annual operating budget of the DCIU but the participating districts have no ongoing fiduciary interest or responsibility to the DCIU. The DCIU is a self-sustaining organization that provides a broad array of services to participating districts which include: curriculum development and instructional improvement; educational planning services; instructional material; continuing professional development; pupil personnel services; management services and state and federal liaison services.

(9) OPERATING LEASE

The District leases a building to the DCIU under a lease agreement that expires on June 30, 2026. Rent is determined annually based upon an agreed-upon amount per square foot between the District and the DCIU. The lease may be cancelled on June 30, 2016 or June 30, 2021 at the option of the DCIU with proper notification to the District. The DCIU is responsible for its share of expenses associated with the building. Rental income recognized under this lease, including the proportionate share of expenses, was \$1,000,384 for 2014-2015.

(10) CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of 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.

Litigation

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

(11) 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 including workers compensation and employee health accident insurance. For insured programs, there were no significant reductions in insurance coverages during the 2014-2015 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District participates in a consortium with the Delaware County Intermediate Unit to provide a self-insurance program for health insurance and related expenses for eligible employees, spouses and dependents. Accordingly, benefit payments plus an administrative charge are made to a third party administrator, who approves and processes all claims.

GARNET VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

The District has recorded a liability in the Internal Service Fund for claims incurred through June 30, 2014. The following table presents the components of the self-insurance medical claims liability and the related changes in the claims liability for the year ended June 30, 2015:

Insurance claims liability – beginning of year	\$ 281,389
Current year insurance claims and changes in estimates	7,078,614
Insurance claims and fees paid	<u>(6,855,624)</u>
Insurance claims liability – end of year	<u>\$ 504,379</u>

(12) PRIOR PERIOD ADJUSTMENTS

The District implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment to GASB Statement No. 68". In addition, student activity accounts were segregated from the General Fund and recorded as an agency fund and the District recorded a long-term receivable which should have been recorded in prior years. These prior period adjustments and their effect on net position and fund balance as of June 30, 2013 are summarized in the following table:

	<u>Governmental Activities</u>	<u>Business-Type Activities Food Service Fund</u>	<u>Total Net Position</u>	<u>Governmental Fund Balances</u>
Net position (deficit)/fund balance at June 30, 2013, as previously stated	\$ 12,824,707	\$ 88,298	\$ 12,913,005	\$18,558,266
Long-term receivable	508,183	-	508,183	508,183
Student activities	(457,187)	-	(457,187)	(457,187)
Prior period adjustment – GASB Statement No. 68 and GASB Statement No. 71	<u>(124,432,633)</u>	<u>(2,138,546)</u>	<u>(126,571,179)</u>	<u>-</u>
Net position (deficit)/fund balance at June 30, 2013, as restated	<u>\$(111,556,930)</u>	<u>\$(2,050,248)</u>	<u>\$(113,607,178)</u>	<u>\$18,609,262</u>

(13) SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 2015, the date on which the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2015 that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

GARNET VALLEY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 74,353,887	\$ 74,353,887	\$ 73,765,399	\$ (588,488)
State sources	14,532,151	14,532,151	14,977,573	445,422
Federal sources	1,645,331	1,645,331	1,222,208	(423,123)
Total revenues	<u>90,531,369</u>	<u>90,531,369</u>	<u>89,965,180</u>	<u>(566,189)</u>
EXPENDITURES				
Instruction				
Regular programs	36,796,729	36,796,729	36,612,525	184,204
Special programs	15,139,438	15,139,438	15,225,709	(86,271)
Vocational programs	2,010,880	2,010,880	2,119,543	(108,663)
Other instructional programs	15,000	15,000	68,202	(53,202)
Higher education programs	237,258	237,258	219,239	18,019
Total instruction	<u>54,199,305</u>	<u>54,199,305</u>	<u>54,245,218</u>	<u>(45,913)</u>
Support services				
Pupil support services	2,746,528	2,746,528	2,621,255	125,273
Instructional staff services	1,718,538	1,718,538	1,752,804	(34,266)
Administrative services	6,131,500	6,131,500	5,189,564	941,936
Pupil health	578,097	578,097	655,504	(77,407)
Business services	814,617	814,617	877,794	(63,177)
Operation and maintenance of plant services	6,387,554	6,387,554	6,700,902	(313,348)
Student transportation services	4,301,387	4,301,387	3,663,488	637,899
Support services - central	1,054,097	1,054,097	1,262,824	(208,727)
Other support services	81,000	81,000	78,670	2,330
Total support services	<u>23,813,318</u>	<u>23,813,318</u>	<u>22,802,805</u>	<u>1,010,513</u>
Operation of noninstructional services				
Student activities	3,169,535	3,169,535	1,964,585	1,204,950
Community services	132,840	132,840	123,230	9,610
Total operation of noninstructional services	<u>3,302,375</u>	<u>3,302,375</u>	<u>2,087,815</u>	<u>1,214,560</u>
Facilities acquisition, construction and improvement services				
	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Debt service				
	<u>11,506,880</u>	<u>11,506,880</u>	<u>8,149,407</u>	<u>3,357,473</u>
Total expenditures	<u>93,071,878</u>	<u>93,071,878</u>	<u>87,285,245</u>	<u>5,786,633</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,540,509)</u>	<u>(2,540,509)</u>	<u>2,679,935</u>	<u>5,220,444</u>
OTHER FINANCING SOURCES (USES)				
Refund of prior year expenditures	-	-	408,591	408,591
Transfers out	-	-	(3,454,721)	(3,454,721)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(3,046,130)</u>	<u>(3,046,130)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,540,509)</u>	<u>\$ (2,540,509)</u>	<u>(366,195)</u>	<u>\$ 2,174,314</u>
FUND BALANCE				
Beginning of year, restated			9,935,179	
End of year			<u>\$ 9,568,984</u>	

GARNET VALLEY SCHOOL DISTRICT

OTHER POST-EMPLOYMENT BENEFITS SCHEDULE OF FUNDING PROGRESS

Year ended June 30, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
07/01/2014	\$ -	\$2,631,295	\$2,631,295	0.00%	\$ 800,646	328.65%
07/01/2011	\$ -	\$4,458,344	\$4,458,344	0.00%	\$4,674,463	95.38%
07/01/2008	\$ -	\$2,151,222	\$2,151,222	0.00%	\$4,703,003	45.74%

GARNET VALLEY SCHOOL DISTRICT

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

Year ended June 30, 2015

District's proportion of the net pension liability (asset)	0.3449%
District's proportionate share of the net pension liability (asset)	136,514,000
District's covered-employee payroll	44,012,338
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	310%
Plan fiduciary net position as a percentage of the total pension liability	57%

GARNET VALLEY SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PENSION PLAN CONTRIBUTIONS

Year ended June 30, 2015

Contractually required contribution	6,871,000
Contributions in relation to the contractually required contribution	<u>7,085,821</u>
Contribution deficiency (excess)	(214,821)
District's covered-employee payroll	44,012,338
Contributions as a percentage of covered-employee payroll	16%

SINGLE AUDIT

GARNET VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

Year ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grand Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2015</u>
<u>U.S. Department of Education</u>										
<u>Passed-Through the Pennsylvania Department of Education</u>										
Title I - Improving Basic Programs	I	84.010	013-140161	07/01/13 - 09/30/14	\$ 123,205	\$ 10,240	\$ 10,240	\$ -	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-150161	07/01/14 - 09/30/15	274,351	259,926	-	274,351	274,351	14,425
Title II - Improving Teacher Quality	I	84.367	020-150161	07/01/14 - 09/30/15	54,778	54,778	-	54,778	54,778	-
<u>Passed Through the Delaware County I.U.</u>										
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/13 - 06/30/14	873,578	869,578	869,578	-	-	-
I.D.E.A. - Part B, Section 611	I	84.027	N/A	07/01/14 - 06/30/15	886,457	4,000	-	886,457	886,457	882,457
I.D.E.A. - Part B, Section 619	I	84.173	N/A	07/01/13 - 06/30/14	1,524	1,524	1,524	-	-	-
I.D.E.A. - Part B, Section 619	I	84.173	N/A	07/01/14 - 06/30/15	3,830	-	-	3,830	3,830	3,830
Total U.S. Department of Education						<u>1,200,046</u>	<u>881,342</u>	<u>1,219,416</u>	<u>1,219,416</u>	<u>900,712</u>
<u>U.S. Department of Health and Social Services</u>										
<u>Passed-Through the Pennsylvania Department of Public Welfare</u>										
Medical Assistance Program	I	93.778	N/A	07/01/14 - 06/30/15	3,830	1,049	-	2,792	2,792	1,743
Total U.S. Department of Health and Social Services						<u>1,049</u>	<u>-</u>	<u>2,792</u>	<u>2,792</u>	<u>1,743</u>
<u>U.S. Department of Agriculture</u>										
<u>Passed-Through the Pennsylvania Department of Education</u>										
National School Lunch Program	I	10.555	N/A	07/01/13 - 06/30/14	N/A	36,026	36,026	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/14 - 06/30/15	N/A	180,630	-	212,650	212,650	32,020
Breakfast Program	I	10.553	N/A	07/01/13 - 06/30/14	N/A	4,020	4,020	-	-	-
Breakfast Program	I	10.553	N/A	07/01/14 - 06/30/15	N/A	13,786	-	16,645	16,645	2,859
State Matching Share	S	N/A	N/A	07/01/13 - 06/30/14	N/A	6,019	6,019	-	-	-
State Matching Share	S	N/A	N/A	07/01/14 - 06/30/15	N/A	29,796	-	34,943	34,943	5,147

Continued on next page

<u>Federal Grantor/Pass-Through Grantor/Project Title</u>	<u>Source Code</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Grand Period Beginning/Ending Dates</u>	<u>Grant Amount</u>	<u>Total Received for Year</u>	<u>Accrued (Deferred) Revenue July 1, 2014</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue June 30, 2015</u>
Passed-Through the Pennsylvania Department of Agriculture										
National School Lunch Program	I	10.555	N/A	07/01/14 - 06/30/15	N/A	<u>86,533</u>	<u>-</u>	<u>86,533</u>	<u>86,533</u>	<u>-</u>
Total U.S. Department of Agriculture						<u>356,810</u>	<u>46,065</u>	<u>350,771</u>	<u>350,771</u>	<u>40,026</u>
Total Federal Awards and Certain State Grants						<u>\$ 1,557,905</u>	<u>\$ 927,407</u>	<u>\$ 1,572,979</u>	<u>\$ 1,572,979</u>	<u>\$ 942,481</u>

Source Codes

- D - Direct Funding
- I - Indirect Funding
- S - State Share



GARNET VALLEY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND CERTAIN STATE GRANTS

June 30, 2015

(1) FEDERAL EXPENDITURES

The Schedule of Expenditures of Federal Awards and Certain State Grants reflects federal expenditures for all individual grants which were active during the fiscal year. Additionally, the Schedule reflects expenditures for certain state grants.

(2) BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note 3. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

(3) NONMONETARY FEDERAL AWARDS – DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals and prisons) and to the needy. Expenditures reported in the Schedule of Expenditures of Federal Awards and Certain State Grants under CFDA #10.555 USDA Commodities represent federal surplus food consumed by the District during the 2014-2015 fiscal year.

(4) ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The District had no ACCESS funding for the year ended June 30, 2015.

GARNET VALLEY SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2015

There were no audit findings for the year ended June 30, 2014.



**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**

**Board of School Directors
Garnet Valley School District
Glen Mills, Pennsylvania**

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

Internal Control Over Financial Reporting

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

Purpose of this Report

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

BBD, LLP

**Philadelphia, Pennsylvania
December 21, 2015**



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

**Board of School Directors
Garnet Valley School District
Glen Mills, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Garnet Valley School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Garnet Valley School District's major federal programs for the year ended June 30, 2015. Garnet 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Garnet 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Garnet 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 Garnet Valley School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Garnet 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, 2015.

Report on Internal Control over Compliance

Management of Garnet 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 Garnet 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 OMB Circular A-133, 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 Garnet 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BBD, LLP

**Philadelphia, Pennsylvania
December 21, 2015**

GARNET VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2015

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Garnet Valley School District.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements of the Garnet Valley School District are reported in the 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.
3. No instances of noncompliance material to the financial statements of the Garnet Valley School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over the major federal award programs are reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Garnet Valley School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:
 - Special Education Cluster:
 - I.D.E.A. – Part B, Section 611 – CFDA Number 84.027
 - I.D.E.A. – Part B, Section 619 – CFDA Number 84.173
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Garnet Valley School District did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None