



SCHUYLKILL VALLEY
SCHOOL DISTRICT

SCHUYLKILL VALLEY SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2017

TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 12
 BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	13
Statement of Activities.....	14
 Fund Financial Statements	
Balance Sheet - Governmental Funds.....	15
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities.....	18
Statement of Net Position - Proprietary Fund	19
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund.....	20
Statement of Cash Flows - Proprietary Fund	21 - 22
Statement of Net Position - Fiduciary Fund.....	23
Statement of Changes in Net Position - Fiduciary Fund.....	24
Notes to Basic Financial Statements.....	25 - 60
 REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule for the General Fund	61
Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios - Pension Plan	62
Schedule of District Contributions - Pension Plan.....	63
Schedule of Funding Progress - Other Postemployment Benefits Plan	64
Note to Required Supplementary Information	65

SUPPLEMENTARY INFORMATION

General Fund

Schedule of Revenues and Other Financing Sources - Budget and Actual	66 - 67
Schedule of Expenditures and Other Financing Uses - Budget and Actual	68

Capital Projects Fund

Combining Balance Sheet	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	70

Private Purpose Trust Funds

Combining Statement of Net Position	71
Combining Statement of Changes in Net Position	72

Single Audit

Schedule of Expenditures of Federal Awards	73
Notes to Schedule of Expenditures of Federal Awards	74

**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***

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

INDEPENDENT AUDITOR'S REPORT

**To the Board of School Directors
Schuylkill Valley School District
Leesport, 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 Schuylkill Valley School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Schuylkill Valley School District as of June 30, 2017, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, and pension and other postemployment benefit information on pages 62 through 64, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schuylkill Valley School District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

**Reading, Pennsylvania
September 13, 2017**



SCHUYLKILL VALLEY SCHOOL DISTRICT
ADMINISTRATION CENTER
929 LAKESHORE DRIVE
LEESPORT, PENNSYLVANIA 19533-8631
www.schuylkillvalley.org



OFFICE OF THE SUPERINTENDENT
610-916-0957
FAX 610-926-3960

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
(UNAUDITED)
For the Fiscal Year Ended June 30, 2017

The following is a discussion and analysis of the Schuylkill Valley School District's annual financial performance during the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Highlights

- The net position for governmental activities that include the general fund, the capital project fund, and the debt service funds decreased by \$1,168,623 or -194.9%. The main reason for the decrease is the district's pension liability increased by over \$7.9 million.
- The net position for business-type activities (food services) increased by \$3,544 or +.006%.
- General revenues accounted for \$30,203,664 or 80.37% of all governmental and business-type activities. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$7,379,259 or 19.63% of total revenues of \$37,582,923.
- The District had \$37,852,223 in expenses related to governmental activities; only \$6,481,829 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily property taxes, earned income tax, and unrestricted grants and subsidies) of \$30,201,771 were adequate to provide for these programs.
- The District had \$895,779 in expenses related to business-type activities (food service). All of these expenses were covered by charges for services and grants totaling \$897,430.
- As of June 30, 2017, the General Fund ending fund balance decreased by \$389,843 to \$4,512,442. The major reason for this decrease is due to transferring out \$411,827 to the Technology Reserve Fund.
- Effective July 1, 2014, the district adopted Governmental Accounting Standards Board Statements (GASB) No. 68 and No. 71. As of June 30, 2017 the net pension liability in governmental activities was \$60,052,714 and the food service fund was \$1,001,286, an increase of over \$7.9 million from the prior year.

**SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis**

Overview of the Financial Statements

This annual report consists of the Management Discussion and Analysis, the basic financial statements, and required supplementary information. These statements are organized so that the reader can understand Schuylkill Valley School District as an entire entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

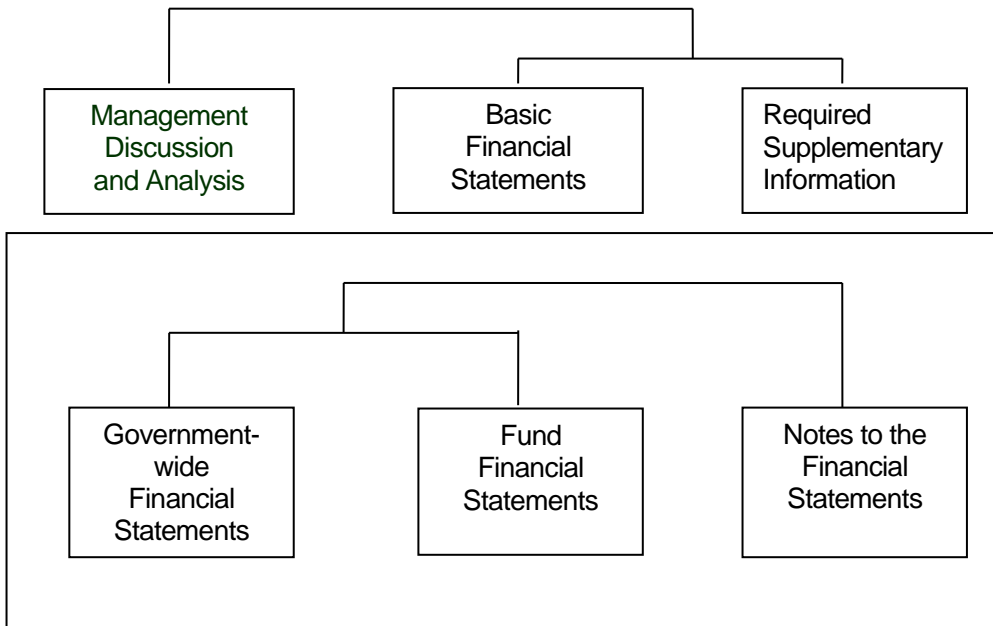
The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the District operates like a business. The only proprietary fund is Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and scholarship funds.

The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data. The statements also include a statement that further explains and supports the general fund with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of the annual report are arranged and related to the other.

**Figure A-1
Required Components of
Schuylkill Valley School District's
Financial Report**



**SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis**

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

**Figure A-2
Major Features of Schuylkill Valley
School District's Government-Wide and Fund Financial Statements**

	FUND STATEMENTS			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community services	Activities the District operates similar to private business - Food Services	Instances in which the District is the trustee or agent to someone else's resources – Private Purpose Trust and Activity Funds
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, and deferred outflows and inflows of resources, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, and deferred outflows and inflows of resources, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

SCHUYLKILL VALLEY SCHOOL DISTRICT Management's Discussion and Analysis

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities using the accrual basis of accounting. Current year revenue and expenditures are therefore taken into account regardless of when the cash is received or paid.

The statement of net position presents all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases and decreases in net position are one way to measure the District's financial health or position; and whether that position is improving or deteriorating.

To assess the overall health of the District, you also need to consider additional non-financial factors such as changes in the District's property tax base and the performance of the students.

The statement of activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some events that will result in cash flows in future periods, such as uncollected taxes, and unused vacation leave.

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

- *Governmental activities* – All of the District's basic services such as instruction, maintenance and operation of plant services, and administration are reported under this category. Taxes, state and federal subsidies, and grants finance most of these activities.
- *Business-type activities* – the only business-type activity in the District is food service operations. The sources of funding for operations consist of charges for meal purchases and federal and state subsidies.

Fund Financial Statements

The District's fund financial statements provide more detailed information about the major individual funds of the District, not the District as a whole. A fund is a fiscal and accounting entity with a self-balancing set of accounts used to keep track of specific sources of funding and spending for particular programs. The District's funds are divided into three categories – (1) governmental, (2) proprietary, and (3) fiduciary.

- *Governmental Funds* – Most of the District's activities are reported in governmental funds that focus on how money flows into and out of these funds and the balances left at the year end. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental Fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- *Proprietary Funds* – These funds are used to account for the District activities that are similar to business operations in the private sector and utilize the accrual accounting method. The Food Service Fund is the District's only proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis

- *Fiduciary Funds* – The District acts as a trustee or fiduciary for assets that belong to others such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for the intended purposes and by those to whom the assets belong. These activities are excluded from the District-wide financial statements since these assets cannot be used to finance the District's operations.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports financial statements.

Financial Analysis of the District as a Whole

The District's total net position was (\$15,866,440) at June 30, 2017.

Table A-3
Fiscal Year Ended June 30
Net Position

	<u>2017</u>			<u>2016</u>		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
Current and other assets	\$ 14,083,885	\$ 154,946	\$ 14,238,831	\$ 11,958,499	\$ 141,410	\$ 12,099,909
Non-Current Assets	47,759,739	103,789	47,863,528	48,270,022	105,790	48,375,812
Deferred Outflow of Resources	11,455,781	186,487	11,642,268	5,217,831	68,003	5,285,834
Total Assets & Deferred Outflow of Resources	\$ 73,299,405	\$ 445,222	\$ 73,744,627	\$ 65,446,352	\$ 315,203	\$ 65,761,555
Current and other liabilities	6,085,502	28,413	6,113,915	5,808,035	28,976	5,837,011
Long-term liabilities	21,455,002	8,147	21,463,149	20,380,083	10,904	20,390,987
Net Pension Liability	60,052,714	1,001,286	61,054,000	52,413,648	690,352	53,104,000
Deferred Inflow of Resources	965,406	14,597	980,003	935,182	195,736	1,130,918
Total Liabilities & Deferred Inflow of Resources	\$ 88,558,624	\$ 1,052,443	\$ 89,611,067	\$ 79,536,948	\$ 925,968	\$ 80,462,916
Net Position						
Net Investment in Capital Assets	\$ 27,478,158	\$ 103,789	\$ 27,581,947	\$ 29,043,053	\$ 105,790	\$ 29,148,843
Restricted	4,051,996	-	4,051,996	3,690,476	-	3,690,476
Unrestricted	(46,789,373)	(711,010)	(47,500,383)	(46,824,125)	(716,555)	(47,540,680)
Total Net Position	\$ (15,259,219)	\$ (607,221)	\$ (15,866,440)	\$ (14,090,596)	\$ (610,765)	\$ (14,701,361)

Most of the District's net position are invested in capital assets (building, lands, and equipment). The remaining net position is a combination of restricted and unrestricted amounts.

The restricted balances are amounts set aside to fund future purchases for capital projects and technology as planned by the District. Over the past few years the Board of Directors and Administration have prudently followed a strategy of transferring funds from the general fund into the capital project fund and technology reserve fund in order to fund capital projects, improvements and technology. During the 2016/2017 fiscal year, \$411,827 was transferred to technology reserve fund.

SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis

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

Table A-4 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues for the year.

Table A-4
Fiscal Year Ended June 30
Changes in Net Position

	<u>2017</u>			<u>2016</u>		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
<u>REVENUES</u>						
<i>Program Revenues</i>						
Charges for services	\$ 590,035	\$ 439,349	1,029,384	\$ 563,804	\$ 395,816	\$ 959,620
Operating grants and contributions	5,695,213	458,081	6,153,294	5,251,491	396,552	5,648,043
Capital grants and contributions	196,581	-	196,581	190,188	-	190,188
<i>General Revenues</i>						
Property taxes	24,907,026	-	24,907,026	24,356,091	-	24,356,091
Other taxes	2,438,087	-	2,438,087	2,324,878	-	2,324,878
Grants, subsidies, and contributions	2,763,343	-	2,763,343	2,634,390	-	2,634,390
Other	93,315	1,893	95,208	36,065	207	36,272
TOTAL REVENUES	\$ 36,683,600	\$ 899,323	\$ 37,582,923	\$ 35,356,907	\$ 792,575	\$ 36,149,482
<u>EXPENSES</u>						
Instruction	23,897,562	-	23,897,562	22,595,332	-	22,595,332
Instructional student support	2,172,977	-	2,172,977	1,912,056	-	1,912,056
Administrative and financial support	2,952,275	-	2,952,275	2,554,813	-	2,554,813
Operation & maintenance						
of plant services	2,375,733	-	2,375,733	1,970,191	-	1,970,191
Pupil transportation	2,037,580	-	2,037,580	1,845,076	-	1,845,076
Central	561,524	-	561,524	435,458	-	435,458
Other Support Services	30,899	-	30,899	29,787	-	29,787
Student activities	1,258,814	-	1,258,814	1,096,928	-	1,096,928
Community services	21,201	-	21,201	20,153	-	20,153
Interest on long-term debt	671,646	-	671,646	723,199	-	723,199
Unallocated depreciation	1,872,012	-	1,872,012	1,777,686	-	1,777,686
Food services	-	895,779	895,779	-	784,354	784,354
TOTAL EXPENSES	37,852,223	895,779	38,748,002	34,960,679	784,354	35,745,033
Increase (decrease) in Net Position	(1,168,623)	3,544	(1,165,079)	396,228	8,221	404,449
Net Position - Beginning of Year	(14,090,596)	(610,765)	(14,701,361)	(14,486,824)	(618,986)	(15,105,810)
Net Position - End of Year	\$ (15,259,219)	\$ (607,221)	\$ (15,866,440)	\$ (14,090,596)	\$ (610,765)	\$ (14,701,361)

SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis

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

Tables A-5 and A-6 show the cost of the District's functions – instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, interest, depreciation, and food service as well as each program's net cost (total cost less revenues generated by the functions). These tables also show the net costs offset by the other unrestricted grants, subsidies, and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

Table A-5
Fiscal Year Ended June 30
Governmental Activities

Functions/Programs	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 23,897,562	\$ 19,466,104	\$ 22,595,332	\$ 18,469,943
Instructional student support	2,172,977	1,935,159	1,912,056	1,702,054
Administrative	2,952,275	2,697,417	2,554,813	2,330,632
Operation and maintenance	2,375,733	2,195,287	1,970,191	1,818,146
Pupil transportation	2,037,580	1,141,289	1,845,076	966,621
Central	561,524	517,540	435,458	404,476
Other Support Services	30,899	30,899	29,787	29,787
Student activities	1,258,814	1,044,223	1,096,928	934,320
Community services	21,201	(4,601)	20,153	(11,480)
Interest-long-term debt	671,646	475,065	723,199	533,011
Unallocated depreciation	1,872,012	1,872,012	1,777,686	1,777,686
Total governmental activities	\$ 37,852,223	31,370,394	\$ 34,960,679	28,955,196
Less: Unrestricted grants, subsidies		2,763,343		2,634,390
Total needs from local taxes and other revenues		\$ 28,607,051		\$ 26,320,806

Table A-6 reflects the activities of the Food Service program, the only Business-type activity of the District.

Table A-6
Fiscal Year ended June 30
Business-type Activities

Functions/Programs	2017		2016	
	Total Cost of Services	Net Cost (Contribution) of Services	Total Cost of Services	Net Cost (Contribution) of Services
Food services	\$ 895,779	\$ (1,651)	\$ 784,354	\$ (8,014)
Investment earnings		(143)		(207)
Loss on sale of Capital Assets		(1,750)		-
Total business-type activities		\$ (3,544)		\$ (8,221)

SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis

The District Funds

At June 30, 2017, the District governmental funds reported a combined fund balance of \$9,961,980, which is an increase of \$1,880,504, or 23.3%, from the prior fiscal year. This increase reflects the district proceeds of the general obligation notes in the amount of \$3,600,000 during the 2016-2017 fiscal year. This note will be used to pay for the stadium project as well as pay the costs of issuing the note.

General Fund Budget

The District's budget for fiscal year 2016-2017 anticipated that expenditures would exceed anticipated revenues by \$1,073,094 and reduce the existing fund balance by that amount; the actual results show expenditure exceeding revenues by \$389,843. A statement showing a budget to actual comparison is provided as part of the required supplementary information.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2017, the District had investments of \$47,863,528 in capital investments after depreciation costs. Capital investments include land, buildings and building improvements, furniture and equipment, site improvements, and construction in progress. Total depreciation expense for the year amounted to \$1,883,812.

Table A-7
Fiscal Year ended June 30
Capital Assets-net of depreciation

	<u>2017</u>			<u>2016</u>		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
Land	\$ 286,722	\$ -	\$ 286,722	\$ 286,722	\$ -	\$ 286,722
Site improvements	1,157,288	-	1,157,288	1,090,151	-	1,090,151
Building and building improv.	43,670,723	-	43,670,723	45,223,675	-	45,223,675
Furniture and equipment	2,001,664	103,789	2,105,453	1,619,154	105,790	1,724,944
Construction in progress	643,342	-	643,342	50,320	-	50,320
TOTAL	<u>\$ 47,759,739</u>	<u>\$ 103,789</u>	<u>\$ 47,863,528</u>	<u>\$ 48,270,022</u>	<u>\$ 105,790</u>	<u>\$ 48,375,812</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis

Debt Administration

At June 30, 2017, the District had \$20,960,000 in general obligation bonds. This represents an increase of \$1,270,000 from the prior year.

Table A-8
Outstanding Debt

	2017	2016
General Obligation Bonds		
Series - October, 2014	17,360,000	19,690,000
Series - March, 2017	<u>3,600,000</u>	<u>-</u>
TOTAL	<u>\$ 20,960,000</u>	<u>\$ 19,690,000</u>

Other long-term obligations include accrued retirement benefits and the long term portion of compensated absences.

Factors bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that may affect its future growth.

- The local property tax continues to bear a disproportionate responsibility to fund public education. With the enactment of Act 1, the legislature has attempted to address this issue. The Act calls for a reduction in property taxes through an allocation of gaming revenue to each School District. Schuylkill Valley's share for the 2016-17 year is \$588,364 which gave all approved homestead taxpayers a reduction of \$153.46 on their real estate property taxes. The amount for 2017-2018 is estimated at \$591,058, which will provide all approved homestead taxpayers a reduction of \$154.65 on their real estate property taxes.
- Another major provision of Act 1 is that all School Districts are limited in their ability to raise real estate millage rates. All Districts will have to seek voter approval through a referendum for any tax increase that exceeds an annually determined "index". This index is the average of the State-wide Average Weekly Wage (SAWW) and the Employment Cost Index for Elementary and Secondary Education (ECI), with some adjustments made based on each District's aid ratio. Schuylkill Valley's adjusted index for 2016-17 was 2.9%. The adjusted index for 2017-2018 is 3.0%.
- The District anticipates rising health premiums in the ensuing fiscal year as industry indicators report increases in the 5 -10% range.
- The Pennsylvania School Employees Retirement System (PSERS) continues to reset the percentage of payroll that school districts must pay as the actuarial projections based on required investment returns are analyzed. The rate for 2016-2017 was 30.03% with rates projected to continue to climb into the future. The projected rate for 2017-2018 is 32.57%; 2018-2019 is 34.18%; and 2019-2020 is 35.53%.
- The District experienced an overall increase of 9,199,975 in property tax assessment values for tax year 2017. The District did not increase real estate tax millage. Total increased projected revenue of approximately \$844,643 was estimated due to the increased assessments and increased PSERS employer contribution rate.

**SCHUYLKILL VALLEY SCHOOL DISTRICT
Management's Discussion and Analysis**

2017-2018 Budget

The revenue budget for the 2017-2018 year is \$725,974 more than the 2016-2017 budget which represents a 2.01% increase. The expenditure budget for the 2017-2018 year is \$885,626 more than the budget for 2016-2017, or a 2.39% increase. The District is anticipating a budget deficit of \$1,232,746 which is funded from the unassigned fund balance to balance the 2017-2018 budget.

The comparison of revenue and expenditure categories is as follows:

**Table A-9
Budgeted Revenues**

	2017-18	2016-17
Local	75.3%	75.6%
State	24.0%	23.7%
Federal/other	0.7%	0.7%

Budgeted Expenditures

	2017-18	2016-17
Instruction	61.0%	61.7%
Support Services	26.3%	26.1%
Non-Instruction/community	3.3%	3.4%
Fund transfers/Debt service	9.4%	8.8%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board's accountability for the money it receives. If you have any questions about this report or wish to request additional financial information, please contact Wendy Boarder, Business Manager at Schuylkill Valley School District, 929 Lakeshore Drive, Leesport, PA, 19533-8631 (610-916-0957).

SCHUYLKILL VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and Investments	\$ 8,331,826	\$ 115,452	\$ 8,447,278
Internal Balances	130	(130)	-
Taxes Receivable, Net	792,597	-	792,597
Intergovernmental Receivables	1,266,096	7,748	1,273,844
Other Receivables	3,667,309	1,731	3,669,040
Prepaid Expenses	11,187	-	11,187
Inventories	14,740	30,145	44,885
Capital Assets Not Being Depreciated:			
Land	286,722	-	286,722
Construction in Progress	643,342	-	643,342
Capital Assets, Net of Accumulated Depreciation:			
Building and Building Improvements	43,670,723	-	43,670,723
Site Improvements	1,157,288	-	1,157,288
Furniture and Equipment	2,001,664	103,789	2,105,453
TOTAL ASSETS	61,843,624	258,735	62,102,359
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Bond Refunding	794,240	-	794,240
Deferred Outflows of Resources for Pension	5,912,564	103,055	6,015,619
Pension Contributions Made Subsequent to the Measurement Date	4,748,977	83,432	4,832,409
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,455,781	186,487	11,642,268
LIABILITIES			
Accounts Payable	523,604	1,203	524,807
Accrued Salaries and Benefits	2,986,750	-	2,986,750
Unearned Revenues	-	27,210	27,210
Accrued Interest	170,148	-	170,148
Bonds and Notes Due Within One Year	2,405,000	-	2,405,000
Noncurrent Liabilities:			
Bonds and Notes Payable, Net	20,090,867	-	20,090,867
Long-Term Portion of Compensated Absences	596,954	645	597,599
Long-Term Portion of Retirement Severance	157,800	-	157,800
Net Pension Liability	60,052,714	1,001,286	61,054,000
Other Postemployment Benefit Obligation	609,381	7,502	616,883
TOTAL LIABILITIES	87,593,218	1,037,846	88,631,064
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources for Pension	965,406	14,597	980,003
NET POSITION			
Net Investment in Capital Assets	27,478,158	103,789	27,581,947
Restricted for Capital Projects	4,051,996	-	4,051,996
Unrestricted (Deficit)	(46,789,373)	(711,010)	(47,500,383)
TOTAL NET POSITION (DEFICIT)	\$ (15,259,219)	\$ (607,221)	\$ (15,866,440)

See accompanying notes.

SCHUYLKILL VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instructional Services:							
Regular	\$ 17,906,925	\$ -	\$ 2,336,301	\$ -	\$ (15,570,624)	\$ -	\$ (15,570,624)
Special	4,855,087	436,845	1,655,047	-	(2,763,195)	-	(2,763,195)
Vocational	621,624	-	-	-	(621,624)	-	(621,624)
Other Instructional Programs	511,278	-	617	-	(510,661)	-	(510,661)
Nonpublic	2,648	-	2,648	-	-	-	-
Total Instructional Services	23,897,562	436,845	3,994,613	-	(19,466,104)	-	(19,466,104)
Support Services:							
Pupil Personnel	1,187,006	-	123,018	-	(1,063,988)	-	(1,063,988)
Instructional Staff	627,686	-	48,257	-	(579,429)	-	(579,429)
Administration	2,292,919	-	187,144	-	(2,105,775)	-	(2,105,775)
Pupil Health	358,285	-	66,543	-	(291,742)	-	(291,742)
Business Services	659,356	-	67,714	-	(591,642)	-	(591,642)
Operation of Plant and Maintenance Services	2,375,733	29,359	151,087	-	(2,195,287)	-	(2,195,287)
Student Transportation Services	2,037,580	-	896,291	-	(1,141,289)	-	(1,141,289)
Central	561,524	-	43,984	-	(517,540)	-	(517,540)
Other Support Services	30,899	-	-	-	(30,899)	-	(30,899)
Total Support Services	10,130,988	29,359	1,584,038	-	(8,517,591)	-	(8,517,591)
Noninstructional Services:							
Student Activities	1,258,814	100,940	113,651	-	(1,044,223)	-	(1,044,223)
Community Services	21,201	22,891	2,911	-	4,601	-	4,601
Interest on Long-Term Debt	671,646	-	-	196,581	(475,065)	-	(475,065)
Unallocated Depreciation Expense	1,872,012	-	-	-	(1,872,012)	-	(1,872,012)
Total Noninstructional Services	3,823,673	123,831	116,562	196,581	(3,386,699)	-	(3,386,699)
Total Governmental Activities	37,852,223	590,035	5,695,213	196,581	(31,370,394)	-	(31,370,394)
Business-Type Activities:							
Food Services	895,779	439,349	458,081	-	-	1,651	1,651
Total Primary Government	<u>\$ 38,748,002</u>	<u>\$ 1,029,384</u>	<u>\$ 6,153,294</u>	<u>\$ 196,581</u>	(31,370,394)	1,651	(31,368,743)
General Revenues							
Taxes:							
Property Taxes					24,907,026	-	24,907,026
Public Utility Realty, Earned Income, and Mercantile Tax					2,438,087	-	2,438,087
Grants, Subsidies, and Contributions Not Restricted for a Specific Program					2,763,343	-	2,763,343
Investment Earnings					68,281	143	68,424
Miscellaneous Revenue					25,034	1,750	26,784
Total General Revenues					30,201,771	1,893	30,203,664
Change in Net Position					(1,168,623)	3,544	(1,165,079)
Net Position (Deficit) - Beginning of Year					(14,090,596)	(610,765)	(14,701,361)
Net Position (Deficit) - End of Year					<u>\$ (15,259,219)</u>	<u>\$ (607,221)</u>	<u>\$ (15,866,440)</u>

See accompanying notes.

SCHUYLKILL VALLEY SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2017

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 6,638,087	\$ 1,693,739	\$ 8,331,826
Interfund Receivable	130	411,827	411,957
Taxes Receivable	879,497	-	879,497
Intergovernmental Receivables	1,266,096	-	1,266,096
Other Receivables	113,259	3,554,050	3,667,309
Prepaid Expenditures	11,187	-	11,187
TOTAL ASSETS	\$ 8,908,256	\$ 5,659,616	\$ 14,567,872
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Interfund Payable	\$ 411,827	\$ -	411,827
Accounts Payable	313,526	210,078	523,604
Accrued Salaries and Benefits	2,986,750	-	2,986,750
TOTAL LIABILITIES	3,712,103	210,078	3,922,181
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property and Per Capita Taxes	683,711	-	683,711
FUND BALANCES			
Nonspendable	11,187	-	11,187
Restricted	22,504	5,449,538	5,472,042
Committed for:			
Retirement	412,345	-	412,345
Insurance Deductible	50,000	-	50,000
Assigned	1,232,746	-	1,232,746
Unassigned	2,783,660	-	2,783,660
TOTAL FUND BALANCES	4,512,442	5,449,538	9,961,980
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 8,908,256	\$ 5,659,616	\$ 14,567,872

SCHUYLKILL VALLEY SCHOOL DISTRICT

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

June 30, 2017

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	9,961,980
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$75,126,457 and the accumulated depreciation is \$27,366,718.		47,759,739
Property and other taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the funds adjusted for allowance for doubtful accounts.		596,811
The governmental funds follow the purchase method of inventory; therefore, no inventory is reflected on the balance sheet. However, the statement of net position uses the consumption method of inventory.		14,740
The net pension and other postemployment benefit obligations are not reflected on the fund financial statements.		(60,662,095)
Deferred outflows and inflows of resources for pensions are recorded and amortized in the statement of net position.		9,696,135
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds and Notes Payable	\$ (20,960,000)	
Accrued Interest on Bonds	(170,148)	
Unamortized Bond Premium	(1,535,867)	
Deferred Charge on Bond Refunding	794,240	
Long-Term Portion of Compensated Absences	(596,954)	
Retirement Severance	(157,800)	(22,626,529)
TOTAL NET POSITION (DEFICIT) - GOVERNMENTAL ACTIVITIES	\$	<u><u>(15,259,219)</u></u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

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

For the Year Ended June 30, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources	\$ 27,757,064	\$ 7,215	\$ 27,764,279
State Sources	8,586,793	-	8,586,793
Federal Sources	281,514	-	281,514
	<u>36,625,371</u>	<u>7,215</u>	<u>36,632,586</u>
EXPENDITURES			
Current:			
Instructional Services	22,644,632	369,492	23,014,124
Support Services	9,663,736	921,986	10,585,722
Operation of Noninstructional Services	1,240,953	-	1,240,953
Capital Outlay	-	457,217	457,217
Debt Service:			
Principal	2,330,000	-	2,330,000
Interest	749,100	-	749,100
	<u>36,628,421</u>	<u>1,748,695</u>	<u>38,377,116</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,050)	(1,741,480)	(1,744,530)
OTHER FINANCING SOURCES (USES)			
Insurance Recoveries	2,530	-	2,530
Transfers In	22,504	411,827	434,331
Transfers Out	(411,827)	-	(411,827)
Issuance of Note	-	3,600,000	3,600,000
	<u>(386,793)</u>	<u>4,011,827</u>	<u>3,625,034</u>
NET CHANGE IN FUND BALANCES	(389,843)	2,270,347	1,880,504
FUND BALANCES - BEGINNING OF YEAR	<u>4,902,285</u>	<u>3,179,191</u>	<u>8,081,476</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,512,442</u>	<u>\$ 5,449,538</u>	<u>\$ 9,961,980</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

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

For the Year Ended June 30, 2017

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 1,880,504
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlays	\$ 1,361,729	
Less: Depreciation Expense	<u>(1,872,012)</u>	(510,283)
<p>Because some property taxes will not be collected for several months after the District's year end, they are not considered as "available" revenues in the governmental funds.</p>		
		25,980
<p>Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.</p>		
Issuance of Note	(3,600,000)	
Repayment of Bond Principal	2,330,000	
Amortization of Bond Premium	227,535	
Amortization of Deferred Charge on Bond Refunding	<u>(167,208)</u>	(1,209,673)
<p>Interest expense incurred on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources.</p>		
		17,127
<p>In the statement of activities, certain operating expenses - compensated absences (vacations and sick days) and retirement severance are measured by the amounts earned during the year.</p>		
		3,616
<p>In the statement of activities, inventory is reflected on the consumption method.</p>		
		(692)
<p>The change in net pension liability and other postemployment benefit obligation and related deferred outflows and inflows of resources are reflected as an adjustment to expense on the statement of activities, but not included in the fund statements.</p>		
		<u>(1,375,202)</u>
CHANGE IN NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES		<u>\$ (1,168,623)</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

June 30, 2017

	Enterprise Fund Food Service
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 115,452
Intergovernmental Receivables	7,748
Other Receivables	1,731
Inventories	30,145
TOTAL CURRENT ASSETS	155,076
NONCURRENT ASSETS	
Furniture and Equipment, Net	103,789
TOTAL ASSETS	258,865
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources for Pension	103,055
Pension Contributions Made Subsequent to the Measurement Date	83,432
TOTAL DEFERRED OUTFLOWS OF RESOURCES	186,487
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	1,203
Interfund Payables	130
Unearned Revenues	27,210
TOTAL CURRENT LIABILITIES	28,543
NONCURRENT LIABILITIES	
Compensated Absences	645
Net Pension Liability	1,001,286
Other Postemployment Benefit Obligation	7,502
TOTAL LIABILITIES	1,037,976
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources for Pension	14,597
NET POSITION	
Net Investment in Capital Assets	103,789
Unrestricted (Deficit)	(711,010)
TOTAL NET POSITION (DEFICIT)	\$ (607,221)

See accompanying notes.

SCHUYLKILL VALLEY SCHOOL DISTRICT

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

For the Year Ended June 30, 2017

	Enterprise Fund Food Service
OPERATING REVENUES	
Food Service Revenue	\$ 439,349
TOTAL OPERATING REVENUES	439,349
OPERATING EXPENSES	
Salaries	292,006
Employee Benefits	216,392
Other Purchased Services	1,710
Supplies	357,395
Depreciation	11,800
Other Operating Expenses	16,476
TOTAL OPERATING EXPENSES	895,779
OPERATING LOSS	(456,430)
NONOPERATING REVENUES (EXPENSES)	
Local Sources - Earnings on Investments	143
State Sources	77,214
Federal Sources	380,867
Sales of Equipment	1,750
TOTAL NONOPERATING REVENUES (EXPENSES)	459,974
CHANGE IN NET POSITION	3,544
NET POSITION (DEFICIT) - BEGINNING OF YEAR	(610,765)
NET POSITION (DEFICIT) - END OF YEAR	\$ (607,221)

SCHUYLKILL VALLEY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

For the Year Ended June 30, 2017

	<u>Enterprise Fund Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from Users	\$ 436,091
Payments to Employees for Services	(499,714)
Payments to Suppliers for Goods and Services	(307,889)
Payments for Other Operating Expenses	<u>(16,476)</u>
NET CASH USED FOR OPERATING ACTIVITIES	(387,988)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Sources	79,990
Federal Sources	<u>360,991</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	440,981
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Sales of Equipment	1,750
Purchases of Equipment	<u>(9,799)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(8,049)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on Investments	<u>143</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	45,087
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>70,365</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 115,452</u></u>

SCHUYLKILL VALLEY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUND

For the Year Ended June 30, 2017

	Enterprise Fund Food Service
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Used For Operating Activities:</u>	
Operating Loss	\$ (456,430)
Adjustments to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	11,800
Donated Commodities Used	55,045
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:	
Other Receivables	(1,492)
Inventories	(5,032)
Deferred Outflows of Resources for Pension	(101,150)
Pension Contributions Made Subsequent to the Measurement Date	(17,334)
Accounts Payable	1,203
Interfund Payables	130
Other Current Liabilities	(1,766)
Compensated Absences	(2,555)
Net Pension Liability	310,934
Other Postemployment Benefit Obligation	(202)
Deferred Inflows of Resources for Pension	(181,139)
	68,442
Total Adjustments	68,442
NET CASH USED FOR OPERATING ACTIVITIES	\$ (387,988)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$55,045 of commodities from the U.S. Department of Agriculture.

SCHUYLKILL VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION
FIDUCIARY FUND

June 30, 2017

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds (Student Activities)</u>
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 113,045	\$ 101,752
TOTAL ASSETS	113,045	<u>\$ 101,752</u>
LIABILITIES		
CURRENT LIABILITIES		
Other Current Liabilities	-	\$ 101,752
TOTAL LIABILITIES	-	<u>\$ 101,752</u>
NET POSITION HELD IN TRUST	<u>\$ 113,045</u>	

SCHUYLKILL VALLEY SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND

For the Year Ended June 30, 2017

	Private Purpose Trust Funds
ADDITIONS	
Contributions	\$ 298
DEDUCTIONS	
Instructional Services	300
Operation of Noninstructional Services	2,200
TOTAL DEDUCTIONS	2,500
CHANGE IN NET POSITION	(2,202)
NET POSITION - BEGINNING OF YEAR	115,247
NET POSITION - END OF YEAR	\$ 113,045

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

Schuylkill Valley School District ("School District" or the "District") is located in Berks County, Pennsylvania. The District tax base consists of Bern Township, Centre Township, Ontelaunee Township, Centerport Borough, and Leesport Borough.

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

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

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

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

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

Joint Venture: The District is a participating member of the Berks Career and Technology Center. See Note 12 for details of involvement and financial information of the joint venture.

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

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Government-Wide Financial Statements

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

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

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

C. Basis of Presentation - Fund Financial Statements

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

The District Reports the Following Major Governmental Funds:

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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

The District has the following Capital Projects Funds:

Capital Reserve Fund - This fund was created in accordance with Section 1432 of the Municipal Code. The Municipal Code restricts how the resources are spent within this fund.

Technology Fund - This fund was established to receive resources from the General Fund to pay for future technological advances in computer hardware and software.

2006 Construction Fund - The District established the 2006 Construction Fund with the series 2006 A&B bond issues, which provided resources to fund various capital projects of the District.

The District has the Following Major Enterprise Fund:

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

Additionally, the District Reports the Following Fund Type:

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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

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

D. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 30 days of the end of the current fiscal period. Property taxes and interest associated with the current fiscal period is considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. If time-eligibility requirements are not met, deferred inflows of resources would be recorded. All other revenue items are considered to be measurable and available only when cash is received by the government.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

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

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The trust fund is reported using the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

E. Budgetary Process

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

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

Accelerated Budget Process Option

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

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

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

Board Resolution Option

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

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2016/2017 budget transfers.

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

1. Cash and Investments

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

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

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

2. Receivables/Payables

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

3. Inventories and Prepaid Items

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Inventories of the governmental funds, consisting principally of textbooks and instructional supplies, utilize the purchase method; that is, they are charged to expenditures when purchased.

Inventories of the enterprise fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2017, consist of the following:

<u>Governmental Activities</u>	
Classroom and office supplies	\$ 14,740
	<u> </u>
<u>Enterprise Fund</u>	
Purchased food	\$ 14,951
Supplies	7,565
Donated commodities	7,629
	<u> </u>
Total Enterprise Fund	\$ 30,145
	<u> </u>

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

4. Capital Assets, Depreciation, and Amortization

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

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

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

Assets	Years
Building and building improvements	20 - 50
Site improvements	20 - 50
Furniture and equipment	5 - 20

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

5. Deferred Outflows/Inflows of Resources

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

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

6. Unearned Revenues

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

7. Net Position

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

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

8. Fund Balance Policies and Flow Assumptions

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

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

8. Fund Balance Policies and Flow Assumptions - continued

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

The District will strive to maintain an unassigned general fund balance not more than eight percent of the budgeted expenditures for that fiscal year set by board resolution.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. The District's policy states that committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts for unrestricted fund balances used.

G. Revenues and Expenditures/Expense

1. Program Revenues

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

2. Compensated Absences

Sick Pay

Under the District's various bargaining agreements and plans, professional employees and administrators accumulate unused sick days. These unused sick days may be accumulated for future illnesses and are not vested. Upon retirement, employees are paid for unused sick days at varying rates based on position.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Revenues and Expenditures/Expense - continued

2. Compensated Absences - continued

Vacation Leave

Unused vacation can be accumulated by administrators and support staff within certain limits. Upon retirement or termination, unused vacation days are paid out based on an agreed-upon formula with cumulative days over 40 paid out at \$75 per day. The District maintains records of all employees' accumulated vacation and personal days.

Retirement Severance

Professional employees of the District with a minimum of 15 years of services with the District are entitled to retirement severance as follows:

15 years of service in the District	\$ 1,800
20 years of service in the District	2,400
25 years of service in the District	3,000
30+ years of service in the District	3,600

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

H. Other Use of Estimates

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

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

B. Deficit Fund Balance or Net Position of Individual Funds

Deficit Fund Balance - Proprietary Fund (Food Service Fund)

For the year ended June 30, 2017, the accounting under GASB No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* created a deficiency in net position at year end of \$607,221. The District will fund this deficiency in future years through contributions to the Pennsylvania Public School Employees' Retirement Plan (PSERS) at a rate required by the PSERS.

C. Excess of Expenditures Over Appropriations in Individual Funds

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

D. Budgetary Compliance

The District's only legally adopted budget is for the general fund. All budgetary transfers were made within the last nine months of the fiscal year. The District cancels all purchase orders open at year end; therefore, it does not have any outstanding encumbrances at June 30, 2017. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis do not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 - CASH AND INVESTMENTS

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

The breakdown of total cash and investments at June 30, 2017, is as follows:

Petty cash	\$	24
Demand deposit accounts		2,169,381
Bank certificates of deposit		106,270
Pooled cash and investments		<u>6,386,400</u>
	\$	<u>8,662,075</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does have a policy for custodial credit risk on deposits. At June 30, 2017, the carrying amount of the District's deposits was \$2,169,381 and the bank balance was \$2,516,135. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$2,266,135 was exposed to custodial credit risk but covered by collateralization requirements in accordance with Act 72 of the 1971 Session of the General Assembly.

Bank certificates of deposit are considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

Investments

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

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

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

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

As of June 30, 2017, the District had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>	<u>Carrying Value</u>
PA School District Liquid Asset Fund (PSDLAF):			
Full Flex Pool	< 1 year	\$ 2,700,000	\$ 2,700,000
Collateralized Pool	< 1 year	3,490,000	3,490,000
MAX Account Balance		<u>196,400</u>	<u>196,400</u>
	Total Investments		<u>\$ 6,386,400</u>

Certain external investments held by the District, based on portfolio maturity, quality, diversification, and liquidity measures, qualify for measurement at amortized cost at both the pool and participating government level consistent with GASB Statement No. 79. The District measures those investments, which include \$6,386,400 (PSDLAF) at amortized cost. There are no limitations or restrictions on withdrawals from these accounts.

A portion of the District's deposits were in the Pennsylvania School District Liquid Asset Fund. PSDLAF acts like a money market mutual fund in that the objective is to maintain a stable net asset value of \$1 per share, is rated by nationally recognized statistical rating organization, and is subject to an independent annual audit.

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

As of June 30, 2017, the entire PSDLAF book balance of \$6,386,400 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2017, the District's investment in certificates and securities of U.S. agencies had maturity dates of less than one year.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2017, the District's investments were rated as:

Investments	Standard & Poor's
PA School District Liquid Asset Fund	AAA

Concentration of Credit Risk

The District does not have a policy that would limit the amount they may invest in any one issue. The fiduciary funds investments are in certificates of deposit at one local bank.

Custodial Credit Risk

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

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District has five independently elected tax collectors who are responsible for the collection of real estate taxes. Assessed values are established by the County Board of Assessment. All taxable real property was assessed at \$921,870,400. In accordance with Act 1 of 2006, the District received \$588,554 in property tax reduction funds for the 2016/2017 fiscal year. The District tax rate for the year ended June 30, 2017, was 27.07 mills (\$27.07 per \$1,000 of assessed valuation) as levied by the board of school directors. The schedule for real estate taxes levied for each fiscal year is as follows:

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

The District, in accordance with generally accepted accounting principles, recognized the delinquent and unpaid taxes receivable reduced by an allowance for uncollectible taxes as determined by administration. A portion of the net amount estimated to be collectible which was measurable and available within 30 days was recognized as revenue and the balance unavailable in the fund financial statements.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 4 - TAXES RECEIVABLE AND UNAVAILABLE REVENUE - CONTINUED

The balances at June 30, 2017, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate tax	\$ 637,072	\$ 12,741	\$ 624,331	\$ 45,343	\$ 591,729
Transfer tax	53,012	-	53,012	53,012	-
Per capita tax	94,109	74,159	19,950	2,127	91,982
Earned income tax	95,304	-	95,304	95,304	-
	<u>\$ 879,497</u>	<u>\$ 86,900</u>	<u>\$ 792,597</u>	<u>\$ 195,786</u>	<u>\$ 683,711</u>

NOTE 5 - TAX ABATEMENTS

The District negotiates property tax abatement agreements on an individual basis. The District has one Local Economic Revitalization Tax Assistance Act (LERTA) agreement as of June 30, 2017. The LERTA program authorized local taxing authorities to exempt property taxes of new construction in deteriorated areas of economically depressed communities and improvements to certain deteriorated individual, commercial, and other business property. The LERTA was negotiated in accordance with Pennsylvania Assembly Act No. 76 of 1977, as amended, and exempts from real property taxation the assessed valuation of improvements to deteriorated properties and the assessed valuation of new construction within the Township of Bern's designated deteriorated area. Any property owner undertaking improvements within a deteriorated area may apply and receive from the District an exemption from School District real property taxes due to the increased or additional assessed valuation attributable to those improvements.

The exemption is limited to a period of seven years using the following schedule:

Year	% of Eligible Assessment Abated
1	100%
2	95%
3	90%
4	85%
5	60%
6	60%
7	60%

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - TAX ABATEMENTS - CONTINUED

As of June 30, 2017, the District has a memorandum of understanding with one entity under the LERTA program. The purpose of the abatement was to enhance the economic use of the tax parcel and create other positive impacts on the business prosperity and economic welfare of the District, such as business expansion, economic development, and stimulated employment. For the year ended June 30, 2017, the foregone real estate tax revenue as a result of the LERTA tax abatement was \$158,581.

The District has not made any commitments as part of the agreement other than to reduce taxes.

NOTE 6 - INTERGOVERNMENTAL RECEIVABLES

The following schedule represents intergovernmental receivables at June 30, 2017:

<u>Name of Government Unit</u>	<u>General Fund</u>	<u>Enterprise Food Service</u>
Comm. of PA - Food Service Program	\$ -	\$ 516
Comm. of PA - Retirement	850,514	-
Comm. of PA - Social Security	209,997	-
Comm. of PA - Transportation Subsidy	40,446	-
Berks County Intermediate Unit - Special Education	143,638	-
Federal Subsidies - Title I Grants to Local Education Agencies	17,927	-
Federal Subsidies - Supporting Effective Instruction State Grant	3,574	-
Federal Subsidies - School Lunch Program	-	7,232
TOTAL	<u>\$ 1,266,096</u>	<u>\$ 7,748</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 7 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017, were as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Reclass/ Decrease</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 286,722	\$ -	\$ -	\$ 286,722
Construction in progress	50,320	675,256	(82,234)	643,342
Totals not being depreciated	<u>337,042</u>	<u>675,256</u>	<u>(82,234)</u>	<u>930,064</u>
Capital assets being depreciated:				
Buildings and building improvements	66,524,832	64,043	-	66,588,875
Site improvements	4,099,637	63,848	82,234	4,245,719
Furniture and equipment	2,803,217	558,582	-	3,361,799
Totals being depreciated	<u>73,427,686</u>	<u>686,473</u>	<u>82,234</u>	<u>74,196,393</u>
Less accumulated depreciation for:				
Buildings and building improvements	21,301,157	1,616,995	-	22,918,152
Site improvements	3,009,486	78,945	-	3,088,431
Furniture and equipment	1,184,063	176,072	-	1,360,135
Total accumulated depreciation	<u>25,494,706</u>	<u>1,872,012</u>	<u>-</u>	<u>27,366,718</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>47,932,980</u>	<u>(1,185,539)</u>	<u>82,234</u>	<u>46,829,675</u>
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 48,270,022</u>	<u>\$ (510,283)</u>	<u>\$ -</u>	<u>\$ 47,759,739</u>
Business-Type Activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 311,267	\$ 9,799	\$ -	\$ 321,066
Less accumulated depreciation for:				
Furniture and equipment	<u>205,477</u>	<u>11,800</u>	<u>-</u>	<u>217,277</u>
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	<u>\$ 105,790</u>	<u>\$ (2,001)</u>	<u>\$ -</u>	<u>\$ 103,789</u>

Depreciation expense of \$1,872,012 in governmental activities was unallocated for the year ended June 30, 2017.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - LONG-TERM LIABILITIES

Bonds and notes payable are as follows at June 30, 2017:

General Obligation Note - Series of 2017:

The District is liable for general obligation notes dated March 7, 2017. The bank is making advances of proceeds of the note to the District upon request, with an aggregate amount of advances not to exceed \$3,600,000. Interest is payable semi-annually on April 1 and October 1. The note bears interest at a fixed rate of 2.27%. The balance matures on April 1, 2025. At June 30, 2017, the total advanced on the note was \$45,950, with the balance included in other receivables. The proceeds of this note will be used to pay stadium renovation and other capital project costs as well as pay the costs of issuing the note.

\$ 3,600,000

General Obligation Bonds - Series of 2014:

The District is liable for general obligation bonds dated October 1, 2014, in the original principal amount of \$22,530,000. Principal maturities occur on April 1 through the year 2024. Interest is payable semi-annually on October 1 and April 1. Interest rates vary from 1.0% to 5.0%. Proceeds from these bonds were used to advance refund General Obligation Bonds - Series of 2006A and 2006B, as well as to pay debt issuance costs. The District realized a net present value savings of \$1,289,763 as a result of the refunding.

17,360,000

Total Bonds and Notes Payable

\$ 20,960,000

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

	General Obligation Bonds, Series of 2014	General Obligation Notes, Series of 2017	Total Principal	Total Interest
2018	\$ 2,400,000	\$ 5,000	\$ 2,405,000	\$ 760,920
2019	2,490,000	5,000	2,495,000	676,807
2020	2,570,000	5,000	2,575,000	601,093
2021	2,645,000	5,000	2,650,000	518,180
2022	2,765,000	5,000	2,770,000	399,116
2023 - 2025	4,490,000	3,575,000	8,065,000	455,872
	<u>\$ 17,360,000</u>	<u>\$ 3,600,000</u>	<u>\$ 20,960,000</u>	<u>\$ 3,411,988</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Compensated Absences

Sick-Pay

Under the District's various bargaining agreements and plans, professional employees accumulate unused sick days without limitation. These unused sick days may be accumulated for future illnesses and are vested upon retirement.

The District maintains records of each employee's accumulated sick days that are vested with eligible employees. The sick leave termination benefit of \$395,464 is recorded as a long-term liability in the governmental activities column of the government-wide financial statements. The liability recorded in the Food Service Fund and in the business-type activity column of the government-wide financial statements is \$645 at June 30, 2017.

Vacation Leave

Unused vacation leave is paid upon an employee's termination. The District maintains records of each employee's accumulated vacation days. Vacation leave earned of \$201,490 is recorded as a long-term liability in the governmental activities column of the government-wide statement of net position. The liability recorded in the Food Service Fund and in the business-type activity column of the government-wide financial statements is \$0 at June 30, 2017.

Retirement Severance

As described in Note 1, all professional employees of the District are entitled at retirement, with a minimum of 15 years of service with the District, to a retirement severance based on years of service with the District. An accrual of the expense has been made to the government-wide financial statements at June 30, 2017, for \$157,800.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balance and activity, except for net pension liability and other postemployment benefit obligation, for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation Debt:					
Bonds and Notes Payable	\$ 19,690,000	\$ 3,600,000	\$ 2,330,000	\$ 20,960,000	\$ 2,405,000
Less Deferred Amounts:					
Issuance Premiums	1,763,402	-	227,535	1,535,867	-
Subtotal	21,453,402	3,600,000	2,557,535	22,495,867	2,405,000
Other Liabilities:					
Compensated Absences	590,970	5,984	-	596,954	-
Retirement Severance	167,400	-	9,600	157,800	-
Total Governmental Long-Term Liabilities	<u>\$ 22,211,772</u>	<u>\$ 3,605,984</u>	<u>\$ 2,567,135</u>	<u>\$ 23,250,621</u>	<u>\$ 2,405,000</u>
Business-Type Activities					
Other Liabilities:					
Compensated Liabilities	<u>\$ 3,200</u>	<u>\$ -</u>	<u>\$ 2,555</u>	<u>\$ 645</u>	<u>\$ -</u>

Payments on bonds and notes payable are made by the general fund. The compensated absence liabilities will be liquidated by the general fund. Total interest paid during the year ended June 30, 2017, was \$749,100.

NOTE 9 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pension Plan

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania under Title 24 Part IV of the Pennsylvania General Assembly. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2.0 percent or 2.5 percent, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

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

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information about the Pension Plan - continued

Contributions

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

Member Contributions

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

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

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

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

Employer Contributions

The District's contractually required contribution rate for fiscal year ended June 30, 2017, was 29.20 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The rate was certified by the PSERS board of trustees. Contributions to the pension plan from the District were \$4,832,409 for the year ended June 30, 2017.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. For the year ended June 30, 2017, the contribution rate was 0.83 percent of covered payroll and the District contributed \$137,360.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information about the Pension Plan - continued

Employer Contributions - continued

Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including both contributions related to pension and to healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB standards. Therefore, the net pension liabilities and related pension expense represent 100 percent of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2017, was \$2,482,052.

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

At June 30, 2017, the District reported a liability of \$61,054,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2015 to June 30, 2016. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was 0.1232 percent, which was an increase of 0.0006 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$6,107,852. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ 3,403,000	\$ -
Difference between expected and actual experience	-	508,000
Changes in proportions - Plan Level	209,000	452,000
Changes in assumptions	2,204,000	-
Changes in proportions - Internal	20,003	20,003
Difference between employer contributions and proportionate share of total contributions	179,616	-
Contributions made subsequent to the measurement date	4,832,409	-
	\$ 10,848,028	\$ 980,003

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

The \$4,832,409 reported as deferred outflows of resources resulting from District pension contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

2018	\$ 905,852
2019	905,854
2020	1,868,592
2021	<u>1,355,318</u>
	<u>\$ 5,035,616</u>

Actuarial Assumptions

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

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

- The investment rate of return was adjusted from 7.50% to 7.25%.
- The inflation assumption was decreased from 3.0% to 2.75%.
- Salary growth changed from an effective average of 5.50%, which was comprised of inflation of 3.00%, real wage growth and for merit or seniority increases of 2.50%, to an effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females to the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the experience study that was performed for the five-year period ending June 30, 2015. The recommended assumption changes based on this experience study were adopted by the PSERS Board at its June 10, 2016 Board meeting, and were effective beginning with the June 30, 2016 actuarial valuation.

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

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

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

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, 2016.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

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

Discount Rate

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

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

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

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 74,685,000	\$ 61,054,000	\$ 49,600,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2017, the District had an accrued balance due to PSERS of \$1,314,124. This amount represents the District's contractually obligated contributions for wages earned in April 2017 through June 2017. The balance will be paid in September 2017.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

403(b) Tax Shelter Plan

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Schuylkill Valley School District administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The Plan provides healthcare insurance for eligible retirees and their spouses through the District's health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the District and the unions representing the District's employees. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy

Contribution requirements also are negotiated between the District and union representatives. The required contribution is based on pay as you go financing. The District currently provides employees who have reached 30 years of PSERS service and 10 years of service with the District and their spouses with medical, prescription drug, and dental coverage with the retiree paying 100 percent of the cost.

For the fiscal year ended June 30, 2017, the District contributed \$62,956 to the Plan related to retirees.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$	182,119
Interest on net OPEB obligation		22,770
Adjustment to annual required contribution		<u>(31,065)</u>
Annual OPEB Cost		<u>173,824</u>
Contributions made (estimated)		<u>(62,956)</u>
Estimated increase in net OPEB obligation		<u>110,868</u>
Net OPEB obligation - beginning of year		<u>506,015</u>
Net OPEB obligation - end of year	\$	<u><u>616,883</u></u>

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 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 173,824	36.2%	\$ 616,883
6/30/2016	191,519	55.2%	506,015
6/30/2015	192,803	59.4%	420,297

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the Plan was unfunded. The actuarial accrued liability for benefits was \$1,417,986, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,417,986. The covered payroll (annual payroll of active employees covered by the Plan) was \$14,709,398, and the ratio of the UAAL to the covered payroll was 9.64 percent.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

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

Actuarial Methods and Assumptions

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

In the July 1, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent initially, decreasing 0.5 percent per year to an ultimate rate of 5.5 percent in 2018 through 2020. Rates gradually decrease from 5.4 percent in 2021 to 3.8 percent in 2075 and later. The unfunded actuarial accrued liability is being amortized using single period amortization as of the end of the year based on level dollar, 30 year open period.

NOTE 11 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2017:

	Interfund Receivables	Interfund Payables
General Fund	\$ 130	\$ 411,827
Capital Projects	411,827	-
Food Service Fund	-	130
	<u>\$ 411,957</u>	<u>\$ 411,957</u>

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 11 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS - CONTINUED

Interfund transfers are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 22,504	\$ 411,827
Capital Projects	411,827	-
Student Activities	-	22,504
	<u>\$ 434,331</u>	<u>\$ 434,331</u>

Transfers were made to fund current and future capital needs and to close out a student activity fund.

NOTE 12 - JOINT VENTURE

The District is a participating member of the Berks Career & Technology Center. The Berks Career & Technology Center is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of Berks Career & Technology Center operations is the responsibility of the joint board. The District's share of annual operating and capital costs for Berks Career & Technology Center fluctuates based on the percentage of enrollment. The District's share for the 2016/2017 year was \$500,820.

During the year ended June 30, 1998, Berks Career Vocational Technical School Authority issued \$34,850,000 of General Obligation Bonds and lent the proceeds to Berks Career & Technology Center. The proceeds were used to renovate and build an addition to Berks Career & Technology Center's facilities. Each member district adopted a resolution approving the project and the project's maximum cost. Under the amended Articles of Agreement, each member district is required to pay from current revenues its annual share of the sublease rental based on the District's share of taxable real estate to the total market valuation of the taxable real estate of all participating school districts. The District's share for the 2016/2017 year was \$120,803.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 12 - JOINT VENTURE - CONTINUED

Summary financial information as of June 30, 2016 (the most recent information available) is as follows:

<u>Berks Career & Technology Center (Governmental Activities)</u>	
Total Assets and Deferred Outflows of Resources	\$ 31,220,549
Total Liabilities and Deferred Inflows of Resources	<u>30,687,936</u>
Total Net Position	<u><u>\$ 532,613</u></u>

Separate financial statements of the Berks Career & Technology Center have been prepared and are available.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. The District's Workmen's Compensation policy is a retrospectively rated policy; the final total premium is based on the actual payroll for the policy year and is determined by the insurance carrier. For insured programs, there were no significant reductions in insurance coverages for the 2016/2017 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 - CONTINGENT LIABILITIES AND COMMITMENTS

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 14 - CONTINGENT LIABILITIES AND COMMITMENTS - CONTINUED

The District has awarded contracts for a stadium renovation project. As of June 30, 2017, the following balances remain on awarded contracts:

Contractor	Total Contract	Commitment Remaining
Grace Industries, Inc.	\$ 2,749,351	\$ 2,578,376
Pagoda Electrical	539,743	521,875
	<u>\$ 3,289,094</u>	<u>\$ 3,100,251</u>

These commitments will be liquidated by the capital projects fund using drawdowns from the General Obligation Note, Series of 2017.

NOTE 15 - FUND BALANCE

Details of the District's governmental fund balance reporting and policy can be found in Note 1, *Summary of Significant Accounting Policies*. Fund balance classifications for the year ended June 30, 2017, were as follows:

General Fund

The general fund has nonspendable funds of \$11,187, restricted funds of \$22,504 for elementary activities, committed funds of \$412,345 for retirement rate increases, \$50,000 for insurance deductibles, assigned funds of \$1,232,746 for the purpose of balancing the 2017/2018 budget, and unassigned fund balance of \$2,783,660. The commitments were authorized by the board of school directors' motion to set aside resources to fund anticipated increases in PSERS contributions and insurance deductibles.

Capital Projects Fund

The capital projects fund has restricted funds of \$5,449,538 consisting of \$3,554,050 of unspent bond funds and \$1,895,488 comprised of surplus monies transferred from the general fund for the acquisition or construction of capital facilities and qualifying capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS

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

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement is effective for the District's fiscal year ending June 30, 2018.
- Statement No. 84, *Fiduciary Activities* - This statement establishes criteria for identifying fiduciary activities and describes four types of fiduciary funds, as well as provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. This statement is effective for the District's fiscal year ending June 30, 2020.
- Statement No. 87, *Leases* - This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement is effective for the District's fiscal year ending June 30, 2021.

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHUYLKILL VALLEY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND

For the Year Ended June 30, 2017

	BUDGET		ACTUAL (GAAP Basis)	VARIANCE Final to Actual
	Original	Final		
REVENUES				
Local Sources	\$ 27,233,565	\$ 27,233,565	\$ 27,757,064	\$ 523,499
State Sources	8,542,989	8,542,989	8,586,793	43,804
Federal Sources	265,818	265,818	281,514	15,696
TOTAL REVENUES	36,042,372	36,042,372	36,625,371	582,999
EXPENDITURES				
INSTRUCTIONAL SERVICES				
Regular Programs - Elementary/Secondary	17,007,735	16,939,998	16,802,118	137,880
Special Programs - Elementary/Secondary	4,731,215	4,669,696	4,708,779	(39,083)
Vocational Education Programs - Elementary/Secondary	621,624	621,624	621,624	-
Other Instructional Programs - Elementary/Secondary	520,297	520,462	509,463	10,999
Nonpublic School Programs	-	2,648	2,648	-
TOTAL INSTRUCTIONAL SERVICES	22,880,871	22,754,428	22,644,632	109,796
SUPPORT SERVICES				
Pupil Services	1,089,084	1,103,194	1,139,494	(36,300)
Instructional Staff Services	535,535	642,367	606,423	35,944
General Administration Services	2,136,566	2,108,383	2,067,996	40,387
Pupil Health Services	370,818	366,552	345,967	20,585
Business Services	650,872	657,451	639,326	18,125
Operation and Maintenance of Plant Services	2,364,734	2,364,734	2,240,565	124,169
Pupil Transportation Services	1,949,132	1,949,132	2,035,250	(86,118)
Central Services	573,023	593,048	557,816	35,232
Other Support Services	30,353	30,899	30,899	-
TOTAL SUPPORT SERVICES	9,700,117	9,815,760	9,663,736	152,024
OPERATION OF NONINSTRUCTIONAL SERVICES				
Student Activities	1,225,842	1,236,642	1,221,242	15,400
Community Services	29,536	29,536	19,711	9,825
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES	1,255,378	1,266,178	1,240,953	25,225
DEBT SERVICE PAYMENTS	3,079,100	3,079,100	3,079,100	-
TOTAL EXPENDITURES	36,915,466	36,915,466	36,628,421	287,045
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(873,094)	(873,094)	(3,050)	870,044
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	-	-	2,530	2,530
Transfers In	-	-	22,504	22,504
Transfers Out	-	-	(411,827)	(411,827)
Budgetary Reserve	(200,000)	(200,000)	-	200,000
TOTAL OTHER FINANCING SOURCES (USES)	(200,000)	(200,000)	(386,793)	(186,793)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (1,073,094)	\$ (1,073,094)	(389,843)	\$ 683,251
FUND BALANCE - BEGINNING OF YEAR			4,902,285	
FUND BALANCE - END OF YEAR			\$ 4,512,442	

See note to required supplementary information.

SCHUYLKILL VALLEY SCHOOL DISTRICT

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

	June 30, 2017			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the collective net pension liability	0.1232%	0.1226%	0.1233%	0.1249%
District's proportionate share of the collective net pension liability	\$ 61,054,000	\$ 53,104,000	\$ 48,804,000	\$ 51,130,000
District's covered employee payroll	\$ 15,954,462	\$ 15,779,846	\$ 15,729,185	\$ 16,033,919
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	382.68%	336.53%	310.28%	318.89%
Plan fiduciary net position as a percentage of the total pension liability	50.14%	54.36%	57.24%	54.50%

The District's covered employee payroll noted above is as of the measurement date of the net pension liability (June 30, 2016, 2015, 2014, and 2013).

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

SCHUYLKILL VALLEY SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION PLAN

LAST 10 FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 4,832,409	\$ 4,021,594	\$ 3,272,361	\$ 2,542,490	\$ 1,867,624	\$ 1,250,899	\$ 771,309	\$ 612,413	\$ 593,085	\$ 895,880
Contributions in relation to the contractually required contribution	<u>4,832,409</u>	<u>4,021,594</u>	<u>3,272,361</u>	<u>2,542,490</u>	<u>1,867,624</u>	<u>1,250,899</u>	<u>771,309</u>	<u>612,413</u>	<u>593,085</u>	<u>895,880</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 16,516,423	\$ 15,954,462	\$ 15,779,846	\$ 15,729,185	\$ 16,033,919					
Contributions as a percentage of covered employee payroll	29.26%	25.21%	20.74%	16.16%	11.65%					

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

SCHUYLKILL VALLEY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2016	\$ -	\$ 1,417,986	\$ 1,417,986	0.00%	\$ 14,709,398	9.64%
4/1/2014	-	1,649,263	1,649,263	0.00%	14,562,497	11.33%
4/1/2012	-	1,460,814	1,460,814	0.00%	14,746,701	9.91%

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

BUDGETARY DATA

The budget for the general fund is adopted on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

SUPPLEMENTARY INFORMATION

SCHUYLKILL VALLEY SCHOOL DISTRICT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2017

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
6000 REVENUES FROM LOCAL SOURCES				
<u>Taxes</u>				
6111	Taxes, Current Real Estate	\$ 23,215,838	\$ 23,430,045	\$ 214,207
6112	Taxes, Interim Real Estate	116,500	164,740	48,240
6113	Public Utility Realty Tax	30,000	29,227	(773)
6114	Taxes, Current, Payments in Lieu of Taxes	448	448	-
6120	Current Per Capita Taxes, Section 679	39,900	39,614	(286)
6141	Current Act 511 Per Capita Taxes	39,900	39,614	(286)
6151	Current Act 511 Earned Income Taxes	1,850,000	1,973,483	123,483
6153	Current Act 511 Real Estate Transfer Taxes	300,000	347,257	47,257
6400	Delinquent Taxes (All Levies)	761,050	706,151	(54,899)
	Total	26,353,636	26,730,579	376,943
<u>Other</u>				
6510	Earnings from Temporary Deposits and Investments	30,000	61,066	31,066
6700	Admissions and Fees	77,500	100,940	23,440
6830	Revenue from I.U. - Federal	271,429	301,187	29,758
6910	Rent from School and Other Facilities	22,000	29,359	7,359
6920	Contributions	3,000	10,400	7,400
6940	Receipts Other LEA's in PA - Education	455,000	436,845	(18,155)
6990	Miscellaneous Revenue	21,000	86,688	65,688
	Total	879,929	1,026,485	146,556
	TOTAL REVENUES FROM LOCAL SOURCES	27,233,565	27,757,064	523,499
7000 REVENUES FROM STATE SOURCES				
7110	Basic Instructional Subsidy	2,633,656	2,714,384	80,728
7160	Tuition/Court Placed Institutions	75,000	42,309	(32,691)
7270	Special Education of Exceptional Pupils	928,961	929,737	776
7310	Transportation	780,000	835,193	55,193
7320	Rentals and Sinking Fund Payments	189,000	196,581	7,581
7330	Medical and Dental Services	35,000	36,673	1,673
7340	Property Tax Relief	588,554	588,554	-
7505	Ready to Learn Block Grant	197,972	197,972	-
7599	Other State Revenue	-	7,057	7,057
7810	Social Security	632,393	598,980	(33,413)
7820	Retirement	2,482,453	2,439,353	(43,100)
	TOTAL REVENUES FROM STATE SOURCES	8,542,989	8,586,793	43,804

SCHUYLKILL VALLEY SCHOOL DISTRICT

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED**

For the Year Ended June 30, 2017

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
8000 REVENUES FROM FEDERAL SOURCES				
8514	Title I	213,640	229,170	15,530
8515	Title II	52,178	50,700	(1,478)
8516	Title III	-	496	496
8820	Medical Assistance Reimbursement for Administrative Claiming Program	-	1,148	1,148
TOTAL REVENUES FROM FEDERAL SOURCES		<u>265,818</u>	<u>281,514</u>	<u>15,696</u>
9000 OTHER FINANCING SOURCES				
9380	Activity Fund Transfers	-	22,504	22,504
9900	Insurance Recoveries	-	2,530	2,530
TOTAL OTHER FINANCING SOURCES		<u>-</u>	<u>25,034</u>	<u>25,034</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES		<u>\$ 36,042,372</u>	<u>\$ 36,650,405</u>	<u>\$ 608,033</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended June 30, 2017

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
1000 INSTRUCTIONAL SERVICES				
1100	Regular Programs	\$ 16,939,998	\$ 16,802,118	\$ 137,880
1200	Special Programs	4,669,696	4,708,779	(39,083)
1300	Vocational Education Programs	621,624	621,624	-
1400	Other Instructional Programs	520,462	509,463	10,999
1500	Nonpublic School Programs	2,648	2,648	-
TOTAL INSTRUCTIONAL SERVICES		<u>22,754,428</u>	<u>22,644,632</u>	<u>109,796</u>
2000 SUPPORT SERVICES				
2100	Pupil Personnel	1,103,194	1,139,494	(36,300)
2200	Instructional Staff	642,367	606,423	35,944
2300	Administration	2,108,383	2,067,996	40,387
2400	Pupil Health	366,552	345,967	20,585
2500	Business	657,451	639,326	18,125
2600	Operation and Maintenance of Plant Services	2,364,734	2,240,565	124,169
2700	Student Transportation Services	1,949,132	2,035,250	(86,118)
2800	Central	593,048	557,816	35,232
2900	Other Support Services	30,899	30,899	-
TOTAL SUPPORT SERVICES		<u>9,815,760</u>	<u>9,663,736</u>	<u>152,024</u>
3000 OPERATION OF NONINSTRUCTIONAL SERVICES				
3200	Student Activities	1,236,642	1,221,242	15,400
3300	Community Services	29,536	19,711	9,825
TOTAL OPERATION OF NONINSTRUCTIONAL SERVICES		<u>1,266,178</u>	<u>1,240,953</u>	<u>25,225</u>
5000 OTHER EXPENDITURES AND FINANCING USES				
5110	Debt Service -			
	Principal Payments	2,330,000	2,330,000	-
	Interest Payments	749,100	749,100	-
5230	Transfers to Capital Projects	-	411,827	(411,827)
5990	Budgetary Reserve	200,000	-	200,000
TOTAL OTHER FINANCING USES		<u>3,279,100</u>	<u>3,490,927</u>	<u>(211,827)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES		<u>\$ 37,115,466</u>	<u>\$ 37,040,248</u>	<u>\$ 75,218</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND

June 30, 2017

	Capital Projects Fund	Technology Reserve Fund	2006 Construction Fund	Total Capital Projects Fund
ASSETS				
Cash and Investments	\$ 1,687,642	\$ 6,097	\$ -	\$ 1,693,739
Interfund Receivables	-	411,827	-	411,827
Other Receivables	3,554,050	-	-	3,554,050
TOTAL ASSETS	<u>\$ 5,241,692</u>	<u>\$ 417,924</u>	<u>\$ -</u>	<u>\$ 5,659,616</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 210,078	\$ -	\$ -	\$ 210,078
TOTAL LIABILITIES	210,078	-	-	210,078
FUND BALANCES				
Restricted Fund Balance	5,031,614	417,924	-	5,449,538
TOTAL FUND BALANCES	<u>5,031,614</u>	<u>417,924</u>	<u>-</u>	<u>5,449,538</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,241,692</u>	<u>\$ 417,924</u>	<u>\$ -</u>	<u>\$ 5,659,616</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
CAPITAL PROJECTS FUND**

For the Year Ended June 30, 2017

	Capital Projects Fund	Technology Reserve Fund	2006 Construction Fund	Total Capital Projects Fund
REVENUES				
Local Sources	\$ 5,697	\$ 900	\$ 618	\$ 7,215
TOTAL REVENUES	5,697	900	618	7,215
EXPENDITURES				
Current:				
Instructional Services	-	369,492	-	369,492
Support Services	656,841	3,400	261,745	921,986
Capital Outlay	35,912	421,305	-	457,217
TOTAL EXPENDITURES	692,753	794,197	261,745	1,748,695
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(687,056)	(793,297)	(261,127)	(1,741,480)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	411,827	-	411,827
Issuance of note	3,600,000	-	-	3,600,000
TOTAL OTHER FINANCING SOURCES (USES)	3,600,000	411,827	-	4,011,827
NET CHANGE IN FUND BALANCES	2,912,944	(381,470)	(261,127)	2,270,347
FUND BALANCES - BEGINNING OF YEAR	2,118,670	799,394	261,127	3,179,191
FUND BALANCES - END OF YEAR	<u>\$ 5,031,614</u>	<u>\$ 417,924</u>	<u>\$ -</u>	<u>\$ 5,449,538</u>

SCHUYLKILL VALLEY SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION -
PRIVATE PURPOSE TRUST FUNDS

June 30, 2017

ASSETS	<u>Rieser Scholarship</u>	<u>Wisniewski Scholarship</u>	<u>Flammer Scholarship</u>	<u>Scholastico Scholarship</u>	<u>Kennedy Scholarship</u>	<u>Rotary Club Scholarship</u>	<u>Education Trust Fund</u>	<u>Total Private Purpose Trust Funds</u>
CURRENT ASSETS								
Cash and Investments	\$ 4,802	\$ 18,956	\$ 21,732	\$ 8,407	\$ 21,601	\$ 21,780	\$ 15,767	\$ 113,045
TOTAL ASSETS	<u>4,802</u>	<u>18,956</u>	<u>21,732</u>	<u>8,407</u>	<u>21,601</u>	<u>21,780</u>	<u>15,767</u>	<u>113,045</u>
NET POSITION HELD IN TRUST	<u>\$ 4,802</u>	<u>\$ 18,956</u>	<u>\$ 21,732</u>	<u>\$ 8,407</u>	<u>\$ 21,601</u>	<u>\$ 21,780</u>	<u>\$ 15,767</u>	<u>\$ 113,045</u>

See accompanying notes.

SCHUYLKILL VALLEY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN NET POSITION -
PRIVATE PURPOSE TRUST FUNDS

For the Year Ended June 30, 2017

	<u>Rieser Scholarship</u>	<u>Wisniewski Scholarship</u>	<u>Flammer Scholarship</u>	<u>Scolastico Scholarship</u>	<u>Kennedy Scholarship</u>	<u>Rotary Club Scholarship</u>	<u>Education Trust Fund</u>	<u>Total Private Purpose Trust Funds</u>
ADDITIONS								
Contributions	\$ 15	\$ 59	\$ 69	\$ 27	\$ 61	\$ 67	\$ -	\$ 298
DEDUCTIONS								
Instructional Services	-	-	-	-	-	-	300	300
Operation of Noninstructional Services	200	600	700	100	100	500	-	2,200
TOTAL DEDUCTIONS	<u>200</u>	<u>600</u>	<u>700</u>	<u>100</u>	<u>100</u>	<u>500</u>	<u>300</u>	<u>2,500</u>
CHANGE IN NET POSITION	(185)	(541)	(631)	(73)	(39)	(433)	(300)	(2,202)
NET POSITION - BEGINNING OF YEAR	<u>4,987</u>	<u>19,497</u>	<u>22,363</u>	<u>8,480</u>	<u>21,640</u>	<u>22,213</u>	<u>16,067</u>	<u>115,247</u>
NET POSITION - END OF YEAR	<u>\$ 4,802</u>	<u>\$ 18,956</u>	<u>\$ 21,732</u>	<u>\$ 8,407</u>	<u>\$ 21,601</u>	<u>\$ 21,780</u>	<u>\$ 15,767</u>	<u>\$ 113,045</u>

See accompanying notes.

SCHUYLKILL VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Source Code	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Receipts for the Year	Accrued/ (Unearned) Revenue at June 30, 2016	Revenue Recognized	Expenditures	Accrued/ (Unearned) Revenue at June 30, 2017
U.S. Department of Education										
Passed through Commonwealth of Pennsylvania Department of Education:										
Title I Grants to Local Education Agencies	I	84.010	013-16-0375A	07/01/15-09/30/16	\$ 220,718	\$ 47,736	\$ 47,736	\$ -	\$ -	\$ -
Title I Grants to Local Education Agencies	I	84.010	013-17-0375A	07/01/16-09/30/17	229,170	211,243	-	229,170	229,170	17,927
Subtotal						258,979	47,736	229,170	229,170	17,927
Supporting Effective Instruction State Grant	I	84.367	020-16-0375A	07/01/15-09/30/16	51,986	11,077	11,077	-	-	-
Supporting Effective Instruction State Grant	I	84.367	020-17-0375A	07/01/16-09/30/17	50,700	47,126	-	50,700	50,700	3,574
Subtotal						58,203	11,077	50,700	50,700	3,574
Passed through Exeter Township School District										
English Language Acquisition State Grants	I	84.365	N/A	07/01/15-06/30/16	1,398	1,398	902	496	496	-
Passed through Berks County Intermediate Unit:										
Special Education Cluster (IDEA)										
Special Education - Grants to States	I	84.027	N/A	07/01/15-06/30/16	271,429	121,221	121,221	-	-	-
Special Education - Grants to States	I	84.027	N/A	07/01/16-06/30/17	299,714	156,076	-	299,714	299,714	143,638
Special Education - Preschool Grants	I	84.173	N/A	07/01/15-06/30/16	1,074	1,074	1,074	-	-	-
Special Education - Preschool Grants	I	84.173	N/A	07/01/16-06/30/17	1,473	1,473	-	1,473	1,473	-
Total Special Education Cluster (IDEA)						279,844	122,295	301,187	301,187	143,638
TOTAL U.S. DEPARTMENT OF EDUCATION						598,424	182,010	581,553	581,553	165,139
U.S. Department of Health and Human Services										
Passed through Pennsylvania Department of Health & Human Services:										
Medical Assistance Program	I	93.778	N/A	10/1/16-09/30/17	N/A	1,148	-	1,148	1,148	-
U.S. Department of Homeland Security/FEMA										
Passed through the Pennsylvania Emergency Management Agency:										
Disaster Grants - Public Assistance	I	97.036	N/A	07/01/16-06/30/17	7,057	7,057	-	7,057	7,057	-
U.S. Department of Agriculture										
Child Nutrition Cluster										
Passed through Commonwealth of Pennsylvania Department of Education:										
School Breakfast Program	I	10.553	N/A	07/01/15-06/30/16	N/A	2,885	2,885	-	-	-
School Breakfast Program	I	10.553	N/A	07/01/16-06/30/17	N/A	26,682	-	27,666	27,666	984
National School Lunch Program	I	10.555	N/A	07/01/15-06/30/16	N/A	39,516	39,516	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/16-06/30/17	N/A	291,909	-	298,157	298,157	6,248
Passed through Commonwealth of Pennsylvania Department of Agriculture:										
National School Lunch Program	I	10.555	N/A	07/01/16-06/30/17	N/A	52,922	(9,752)	55,045	55,045	(7,629)
TOTAL CHILD NUTRITION CLUSTER AND U.S. DEPARTMENT OF AGRICULTURE						413,914	32,649	380,868	380,868	(397)
TOTAL FEDERAL AWARDS						\$ 1,020,543	\$ 214,659	\$ 970,626	\$ 970,626	\$ 164,742

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2017.

See notes to schedule of expenditures of federal awards.

SCHUYLKILL VALLEY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures and federal awards (the Schedule) includes the federal award activity of the Schuylkill Valley School District under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Schuylkill Valley School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Schuylkill Valley School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

NOTE 3 - DE MINIMUS RATE FOR INDIRECT COSTS

The District did not elect to use the de minimus rate for indirect costs.

NOTE 4 - FOOD COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2017, the District had \$7,629 of food commodity inventory.



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

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

**To the Board of School Directors
Schuylkill Valley School District
Leesport, 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 the Schuylkill Valley School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Schuylkill Valley School District's basic financial statements, and have issued our report thereon dated September 13, 2017.

Internal Control Over Financial Reporting

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Herbein + Company, Inc.

**Reading, Pennsylvania
September 13, 2017**



Herbein + Company, Inc.
2763 Century Boulevard
Reading, PA 19610
P: 610.378.1175
F: 610.378.0999
www.herbein.com

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

**To the Board of School Directors
Schuylkill Valley School District
Leesport, Pennsylvania**

Report on Compliance for Each Major Federal Program

We have audited Schuylkill Valley School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Schuylkill Valley School District's major federal programs for the year ended June 30, 2017. Schuylkill Valley School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Schuylkill 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, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Herbein + Company, Inc.

Reading, Pennsylvania
September 13, 2017

SCHUYLKILL VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes <u> X </u> none reported
Noncompliance material to financial statements noted?	_____ yes <u> X </u> no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	_____ yes <u> X </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes <u> X </u> none reported

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
---	-------------------

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)	_____ yes <u> X </u> no
---	---------------------------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>Special Education Cluster</u>	
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$750,000 </u>
--	----------------------

Auditee qualified as low-risk auditee?	<u> X </u> yes _____ No
--	------------------------------

SCHUYLKILL VALLEY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

Section II - Financial Statement Findings

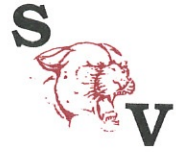
There were no financial statement findings.

Section III - Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.



SCHUYLKILL VALLEY SCHOOL DISTRICT
ADMINISTRATION CENTER
929 LAKESHORE DRIVE
LEESPORT, PENNSYLVANIA 19533-8631
www.schuylkillvalley.org



OFFICE OF THE SUPERINTENDENT
610-916-0957
FAX 610-926-3960

SCHUYLKILL VALLEY SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

There were no prior year findings.