



GREAT VALLEY SCHOOL DISTRICT

FINANCIAL AND COMPLIANCE REPORT

Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 Great Valley School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Great Valley School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Great Valley School District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Great Valley School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Great Valley School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Great Valley School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other postemployment benefit information on pages 90 through 94 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Great Valley School District's basic financial statements. The accompanying combining nonmajor governmental fund financial statements and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 nonmajor governmental 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 January 29, 2024, on our consideration of Great Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Great Valley School District's 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 Great Valley School District's internal control over financial reporting and compliance.

Herbein + Company, Inc.

Reading, Pennsylvania
January 29, 2024



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2023

The discussion and analysis of Great Valley School District's financial performance provides an overall review of the District's financial activities for the fiscal year that ended June 30, 2023.

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

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

FINANCIAL HIGHLIGHTS

- Great Valley School District has an overall net position of \$40,588,840 as of June 30, 2023. The District's net pension and net OPEB liabilities included in net position total \$130,365,019. Total net position continues to represent an improvement for the year ended June 30, 2023.
- The governmental activities' net position on June 30, 2023, was \$39,333,332. The current year's change in net position was an increase of \$20,444,317, increasing from the prior year's \$18,889,015.
- The business-type activities' net position was an increase of \$525,744, resulting in an increase from the prior year's balance of \$729,764 to an ending net position of \$1,2785,508. The continued improvement in net position is a result of a full year of returned activity after the pandemic and the federal reimbursement provided for free meals for all students during the year.
- At the close of the year, the District's governmental funds reported combined ending fund balances of \$89,708,459, which is a \$32,278,617 decrease from the prior year consisting of a \$4,863,032 increase for the General Fund, a \$37,191,037 decrease for the Capital Projects Fund, and a \$49,388 increase for the Nonmajor funds.
- The trends of prior years indicated that during the fiscal year 2022-23, the Great Valley School District's General Fund would experience another year of significant increases in the cost of special education professional services. At the close of the year, expenditures were under budget, allowing the assignment of additional funds for capital projects and the new 5-6 Center opening in the fall of 2024.

Great Valley School District
Malvern, PA 19355

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2023

(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

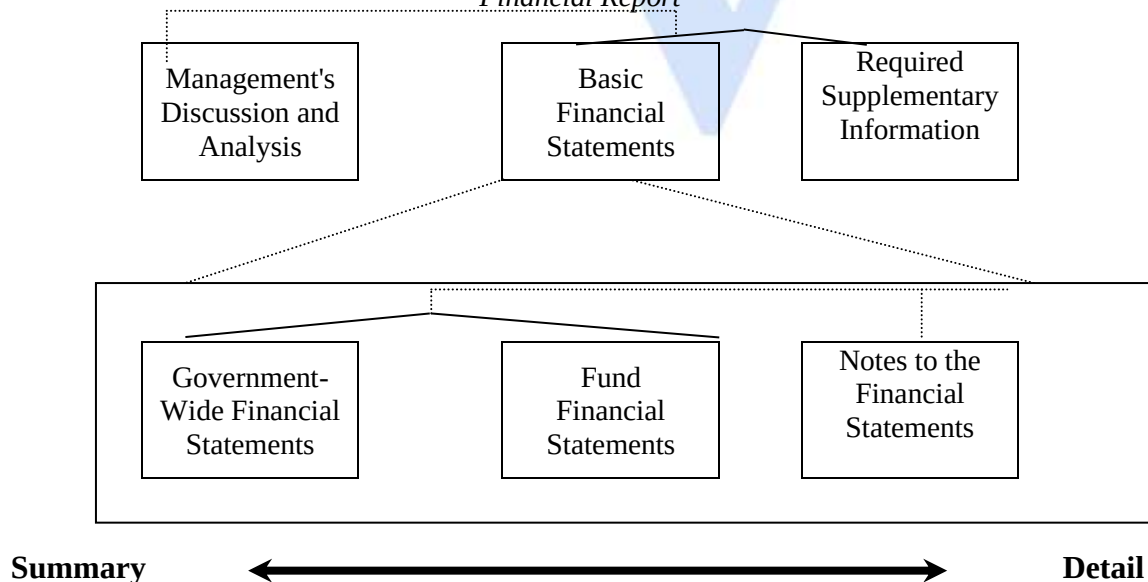
- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.

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

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

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

Figure A-1
Required components of
Great Valley School District
Financial Report



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2023
(Continued)**

Figure A-2 summarizes the significant 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 Great Valley School District Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (Except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration and community service	Activities the District operates similar to private business - Food Services, other propriety-internal service fund	Instances in which the District is the trustee or agent to someone else's resources
Required financial statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenues, expenditures, and changes in fund balances	- Statement of net position - Statement of revenues, expenses and changes in 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 focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of financial information	All assets and liabilities, both financial and capital, short-term and long-term and deferred inflows/outflows of resources	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term, deferred inflows/outflows of resources	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during the year, regardless of when cash is received or paid. Change reported as soon as underlying event related to change takes place.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid. Change reported as soon as underlying event related to change takes place.	All additions and deductions during the year, regardless of when cash is received or paid. Change reported as soon as underlying event related to change takes place.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2023

(Continued)

OVERVIEW OF FINANCIAL STATEMENTS

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities as soon as underlying events giving rise to the change occurs.

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

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

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

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

Fund Financial Statements

The District's fund financial statements provide more detailed information about the District funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting categories used to track specific sources of revenue and expenditures for particular programs. Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for specific purposes.

The District currently only has two kinds of funds:

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2023
(Continued)**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's total net position at June 30, 2023 was \$40,588,840 which is an increase from June 30, 2022. The following table provides comparative financial information for the net position change from the fiscal year 2022 to 2023.

Table A-1						
Comparative Statement of Net Position						
	Governmental Activities		Business-Type Activities		Total	
Assets	2022	2023	2022	2023	2022	2023
Current & other Assets	\$ 146,161,736	\$ 119,296,708	\$ 1,988,920	\$ 2,365,534	\$ 148,150,656	\$ 121,662,242
Capital Assets	113,535,923	156,848,250	77,388	155,611	113,613,311	\$ 157,003,861
Total Assets	259,697,659	276,144,958	2,066,308	2,521,145	261,763,967	278,666,103
Deferred Outflows of Resources	26,128,019	24,345,142	239,414	207,869	26,367,433	24,553,011
Liabilities						
Current Liabilities	16,826,383	27,132,892	203,485	241,167	17,029,868	27,374,059
Long-term Liabilities	220,996,699	207,752,097	935,975	893,903	221,932,674	208,646,000
Total Liabilities	237,823,082	234,884,989	1,139,460	1,135,070	238,962,542	236,020,059
Deferred Inflows of Resources	29,113,581	26,271,779	436,498	338,436	9,496,026	26,610,215
Net Position:						
Net Investment in Capital Assets	108,022,190	109,622,206	77,388	155,611	108,099,578	109,777,817
Restricted for Capital project	9,613,386	16,392,150	-	-	9,613,386	16,392,150
Restricted for Other purposes	2,643,482	2,692,870	-	-	2,643,482	2,692,870
Unrestricted (Deficit)	(101,390,043)	(89,373,894)	652,376	1,099,897	(100,737,667)	(88,273,997)
Total Net Position (Deficit)	\$ 18,889,015	\$ 39,333,332	\$ 729,764	\$ 1,255,508	\$ 19,618,779	\$ 40,588,840

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2023
(Continued)**

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

Changes in net position. Table A-2 shows the changes in net position for fiscal year 2022 to 2023.

Changes in Net Position from Operating Results						
	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
<u>Revenues</u>						
<u>Program revenues</u>						
Charges for services	\$ 592,505	\$ 622,675	\$ 687,291	\$ 1,493,190	\$ 1,279,796	\$ 2,115,865
Operating Grants and contributions	15,492,067	15,547,297	2,842,449	1,334,993	18,334,516	16,882,290
Capital grants and contributions	279,303	110,430	-	-	279,303	110,430
<u>General Revenues</u>						
Property taxes and other levied for general purpose	92,224,355	94,924,618	-	-	92,224,355	94,924,618
Other Taxes	5,226,369	3,025,016	-	-	5,226,369	3,025,016
Grants, subsidies, and contributions unrestricted	4,118,888	4,966,096	-	-	4,118,888	4,966,096
Other Revenue	620,207	5,395,476	1,662	73,793	621,869	5,469,269
Total Revenues	\$ 118,553,694	\$ 124,591,608	\$ 3,531,402	\$ 2,901,976	\$ 122,085,096	\$ 127,493,584
<u>Expenses</u>						
Instruction	\$ 66,163,290	\$ 67,020,734	\$ -	\$ -	\$ 66,163,290	\$ 67,020,734
Instructional student support	8,187,437	7,952,473	-	-	8,187,437	7,952,473
Administrative and financial support services	10,069,903	10,292,623	-	-	10,069,903	10,292,623
Operation and maintenance of plant services	9,525,954	9,605,309	-	-	9,525,954	9,605,309
Pupil Transportation	4,599,448	4,735,384	-	-	4,599,448	4,735,384
Student Activities	1,780,453	2,030,898	-	-	1,780,453	2,030,898
Community Services	518	4,252	-	-	518	4,252
Interest on Long-term debt	425,212	2,487,909	-	-	425,212	2,487,909
Food Service	-	-	2,346,272	2,393,941	2,346,272	2,393,941
Total Expenses	\$ 100,752,215	\$ 104,129,582	\$ 2,346,272	\$ 2,393,941	\$ 103,098,487	\$ 106,523,523
Excess (deficiency) before transfers	17,801,479	20,462,026	1,185,130	508,035	18,986,609	20,970,061
Transfers	-	(17,709)	-	17,709	-	-
Change in Net Position	17,801,479	20,444,317	1,185,130	525,744	18,986,609	20,970,061
Net Position - Beginning	1,087,536	18,889,015	(455,366)	729,764	632,170	19,618,779
Net Position - Ending	\$18,889,015	\$39,333,332	\$729,764	\$1,255,508	\$19,618,779	\$40,588,840

Total governmental activities expenses of \$104,129,582 include \$3,825,785 of depreciation expense. Total business-type activities (food service) expenses of \$2,393,941 include the costs necessary to operate the cafeterias in all schools and indirect expenses, such as utilities and cleaning costs.

Great Valley School District
Malvern, PA 19355

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2023
(Continued)

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

Net Cost of Governmental Activities				
	Total Cost of Services		Net Cost of Services	
	2022	2023	2022	2023
Instruction	\$ 66,163,290	\$ 67,020,734	\$ 54,649,059	\$ 55,538,739
Instructional Student Support	8,187,437	7,952,473	6,963,624	6,676,508
Services	10,069,903	10,292,623	9,140,407	9,371,540
Services	9,525,954	9,605,309	8,813,744	8,846,741
Transportation	4,599,448	4,735,384	3,528,960	3,878,711
Student Activities	1,780,463	2,030,898	1,146,637	1,155,210
Community Services	518	4,252	-	4,252
Interest on long-term debt	425,212	2,487,909	145,909	2,377,479
Total Governmental Activities	\$ 100,752,225	\$ 104,129,582	\$ 84,388,340	\$ 87,849,180
Less: Unrestricted grants, subsidies			\$ 4,118,888	\$ 4,966,096
TOTAL NEEDS FROM LOCAL TAXES AND OTHER REVENUES			\$ 80,269,452	\$ 82,883,084

The cost of all *governmental* activities this year was \$104,129,582.

- The state and federal government subsidized certain programs with grants and unrestricted contributions totaling \$4,966,096.

Business-Type Activities

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

Table A-4				
Net Cost of Business-Type Activities				
	Total Cost of Services		Net Cost of Services	
	2022	2023	2022	2023
Functions/Programs				
Food Services	\$ 2,346,272	\$ 2,393,941	\$ (1,183,468)	\$ (434,242)

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2023
(Continued)**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2023, the District governmental funds reported a combined fund balance of \$89,708,459 which is an decrease of \$32,278,617. The schedule below indicates the fund balance and the total change in fund balances as of June 30, 2022 and 2023.

Fund Balances					
	2022	2023	Difference	% of Inc	
General Fund	\$ 34,860,756	\$ 39,723,788	\$ 4,863,032	13.95%	
Capital Projects	84,482,838	47,291,801	(37,191,037)	-44.02%	
Debt Service	-	-	-	0.00%	
Nonmajor	2,643,482	2,692,870	49,388	1.87%	
Total	\$ 121,987,076	\$ 89,708,459	\$ (32,278,617)	-26.46%	

In fiscal year 2023, the General Fund had revenue of \$121,614,283 and expenditures of \$105,188,020 plus net other financing sources (uses) of (\$11,563,231). Revenues increased 3.45% over 2021-22. Expenditures in the General Fund increased 4.27%

Expenditures for the Capital Projects Fund were \$46,919,801 with revenues of \$2,427,045. The Capital Projects Fund had other financing sources of \$7,301,719, this total balance consists of transfers from the General Fund.

REVENUES

General Fund revenues totaling \$121,614,283 increased \$4,056,983 over 2021-22. Revenues from Real Estate Taxes increased 4.1% from 2021-22. The following table reflects a comparison of current year revenues with the revenues recognized in the prior year.

Table A-6 Comparison of Revenues-General Fund				
	2022	2023	Increase (Decrease) from 2021-22	% of Inc
Local Sources	\$ 98,747,752	\$ 102,248,482	\$ 3,500,730	3.55%
State Sources	16,818,199	17,576,745	758,546	4.51%
Federal Sources	1,991,349	1,789,056	(202,293)	-10.16%
TOTAL REVENUES	\$ 117,557,300	\$ 121,614,283	\$ 4,056,983	3.45%

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

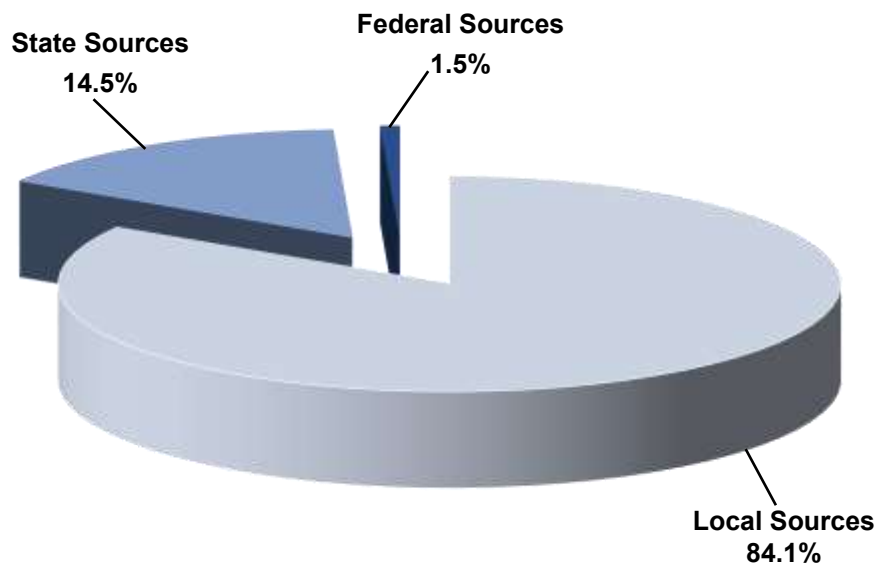
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2023

(Continued)

The District's general fund revenue distribution is demonstrated by the graph below that indicates 84.1% of total revenues come from local sources. Real estate tax (including interim) is 91.5% of local sources and 76.9% of total revenues.

Distribution of General Fund Revenues for Fiscal 2023



The District's reliance upon tax revenue is demonstrated in the table below.

Real Estate Taxes				
	2022	2023	Difference	% of Inc (Dec)
Real Estate taxes	\$ 88,956,453	\$ 92,608,346	\$ 3,651,893	4.1%
Interim taxes	1,821,899	909,146	(912,753)	-50.1%
Delinquent Tax	1,167,103	1,388,767	221,665	19.0%
Real Estate Transfer Tax	5,142,574	2,939,043	(2,203,531)	-42.8%
Total	\$ 97,088,028	\$ 97,845,302	\$ 757,274	0.8%

Although the real estate millage rate was only increased by 3.25%, the overall increase in real estate collection was 4.1% due to an increase in assessed values and a decrease in removals/reassessments.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2023

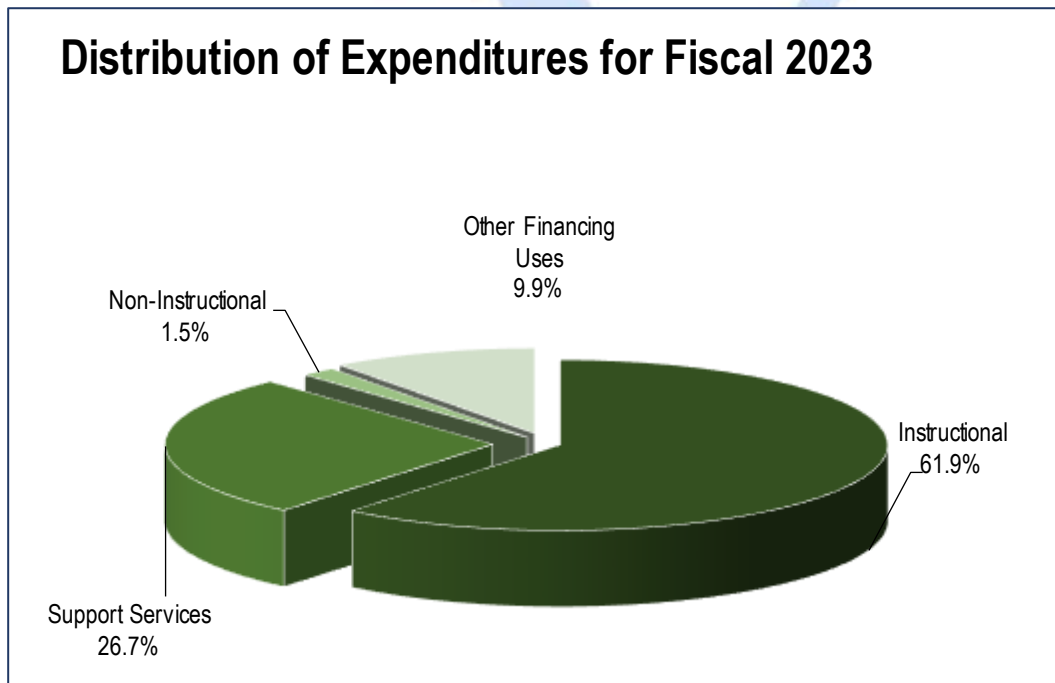
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EXPENDITURES

General fund expenditures and other financing (uses) totaling \$116,755,374 increased \$5,983,752 or 5.4% over 2021-22 expenses. These expenditures were segregated into various programs depending on the functions of the activity. The following table shows these programs and the costs associated with each, as well as comparison to the costs incurred in the prior year.

Table A-7				
Comparison of Expenditures-General Fund				
	2022	2023	Increase (Decrease) from 2021-22	% of Inc (Dec)
Current:				
Instruction	\$ 69,245,403	\$ 72,206,177	\$ 2,960,774	4.28%
Supporting Services	29,926,731	31,204,166	1,277,435	4.27%
Non-Instructional Services	1,695,915	1,777,677	81,762	4.82%
Refund of prior year revenue	4,500	-	(4,500)	-100.00%
Other Financing Uses	9,899,073	11,567,354	1,668,281	16.85%
TOTAL EXPENDITURES	\$ 110,771,622	\$ 116,755,374	\$ 5,983,752	5.40%

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



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2023
(Continued)**

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

	2022	2023	Difference	% of Inc (Dec)
Salaries & Wages	\$44,544,767	\$46,927,585	\$2,382,818	5.3%
Fringe Benefits	26,222,308	25,038,298	(1,184,010)	(4.5%)
Purchased & Technical Services	13,319,655	14,070,877	751,222	5.6%
Purchased Property Services	2,051,748	2,567,792	516,044	25.1%
Other Purchased Services	10,938,516	11,847,259	908,743	8.3%
Supplies	3,646,896	4,047,909	401,013	10.9%
Property	180	418,674	418,494	2324.9%
Other Objects	148,479	269,626	121,147	8.2%
Capital and Debt Services Transfers	9,899,073	11,567,354	1,664,158	16.8%
Total	\$110,771,622	\$116,755,374	\$5,983,752	5.4%

Salaries and benefits are 61.6% of the total expenditures, and 38.4% are from other expenditures such as other purchased services, supplies, and debt service transfer. The overall increase can primarily be attributed to Debt Services and capital transfers as well as salaries and wages.

Great Valley School District
Malvern, PA 19355

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2023

(Continued)

General Fund Budgetary Highlights

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted. This is after the end of the fiscal year, which is not prohibited by law. A schedule showing the District's original and final budget amounts compared with actual revenues and expenditures is provided. The local economy is improving which is why we have a positive variance in our tax revenue.

The pandemic impact on the final budget was especially in the areas of Special Education, Pupil Services, Instructional Staff Services, and Transportation. Final budget comparison to actual results are detailed in the following table.

2022-23				Comments
	Budget	Actual	Variance	
Revenues	\$ 119,086,108	\$ 121,614,283	\$ 2,528,175	Local revenues over budget, increase of Interest and savings in various expenditure areas
Expenditures	106,234,635	105,188,020	1,046,615	
Other Financing Sources/Uses	(11,486,684)	(11,563,231)	(76,547)	
Net	\$ 1,364,789	\$ 4,863,032	\$ 3,498,243	
Contributing Line Items:				
Revenues:				
Local Revenue				
Delinquent Taxes	1,250,000	1,388,767	138,767	received in current year, return to trend
Real Estate Transfer Tax	2,400,000	2,939,043	539,043	Increased construction and commercial property sales
Earnings on Investments	100,000	2,807,339	2,707,339	Interest rates increased beyond anticipation
State Revenues				
Basic Education State Subsidy	2,700,000	3,561,771	861,771	Increase in State Subsidy from the State
Student Transportation Subsidy	985,000	778,440	(206,560)	Subsidy decreased from state for transportation
State Share-Retirement Employer	8,215,098	7,927,735	(287,363)	Wages not subject to retirement rate
Expenditures and Other Financing Uses:				
Salaries	46,621,293	46,927,585	(306,292)	Act 1 increases
Benefits	29,499,388	25,038,298	4,461,089	Self Insurance Savings/Fund Reduction
Professional Educational Services	12,113,286	14,070,877	(1,957,591)	Increased student enrollment resulting in an increase in Special Education Service cost and specialized services.
Other Prof. Services	2,590,154	2,567,792	22,362	Expenditures remain flat
Other Purchased Services	11,066,473	11,847,259	(780,786)	Transportation and Charter School reconciliations
Supplies	3,975,517	4,047,909	(72,392)	Ongoing sanitizing meaarsures
Property	258,554	418,674	(160,120)	Additional Rental space terms for District Office
Other Objects	109,970	269,626	(159,656)	Dues & Fees

Great Valley School District
Malvern, PA 19355

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2023
(Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2023 fiscal year, the District had net investment of \$156,848,250 in a broad range of governmental capital assets and \$155,611 in business-type assets, including buildings, sites, library books, and equipment (See Table A-8). Total accumulated depreciation on these assets was \$92,668,694 for governmental activities and \$466,118 for business-type activities. See Note 7 to the financial statements for additional information.

Table A-8						
Capital Assets(net depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
Land & improvements	\$ 15,078,923	\$ 14,838,089	\$ -	\$ -	\$ 15,078,923	\$ 14,838,089
Construction in progress	4,155,874	49,988,300	-	-	4,155,874	49,988,300
Building & Improvements	92,166,428	89,767,937	-	-	92,166,428	89,767,937
Equipment & furniture	2,098,478	2,130,611	77,388	155,611	2,175,866	2,286,222
Vehicles	36,220	77,447	-	-	36,220	77,447
Library Books	-	45,866	-	-	-	45,866
Total	\$ 113,535,923	\$ 156,848,250	\$ 77,388	\$ 155,611	\$ 113,613,311	\$ 157,003,861

Long-Term Debt

At year-end, the District had \$80,544,673 for governmental activities in general obligation bonds and other long-term liabilities outstanding (not including pension and other post-employment benefits). More detailed information about the District's long-term liabilities is presented in Note 8 of the financial statements.

Table A-9		
Outstanding Long-Term Debt		
	2022	2023
General Obligation Debt and Compensated Absences	\$ 82,739,420	\$ 80,544,673

- During the 2022 fiscal year, the District acquired a new bond issuance for the construction of a new 5/6 Center Building as an additional elementary facility.
- Other obligations include accrued vacation pay and sick leave for District employees and early retirement incentive payments.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2023

(Continued)

FACTORS BEARING ON THE DISTRICT'S FUTURE

When these financial statements were prepared and audited, the District was aware of the following circumstances that will impact its future economic position.

The impact of the pandemic continued in 2022-2023 school year but to a lesser degree. We continue to administer grant awards associated with Covid-19, and are providing free breakfast to all students through the 2022-2023 school year according to the provisions offered by the Department of Education. The District will continue to follow all associated guidelines.

The District is progressing with the process of building the new school which will address growing enrollment. The new facility will be a 5/6 Center that will welcome all fifth and sixth-grade students district-wide, shifting that enrollment out of our current elementary and middle schools. The 5/6 Center will be a state-of-the art facility that will be located on the site adjacent to the current K.D. Markley Elementary School. The new school is scheduled to open in the fall of 2024. The District secured a bond issue to finance the construction of the new school.

The 5/6 Center construction displaced the District's Administrative Offices. The District secured a one-year lease for temporary housing of administration. The District purchased a building at the end of 2022 for the future home of the administration and recently relocated to a newly renovated facility, 100 Lindenwood Drive Malvern, PA 19355 in December 2023.

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

Below is a table of historical and future indices:

2020-2021	2.60%
2021-2022	3.00%
2022-2023	3.40%
2023-2024	4.10%
2024-2025	5.30%

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2023

(Continued)

About the Pennsylvania Public School Employees' Retirement System

- PSERS is the 16th largest state-sponsored defined benefit pension fund in the nation and has a membership of more than 256,000 active members and over 240,000 annuitants and beneficiaries receiving benefits. For more information visit PSERS' website at www.psers.state.pa.us.
- The Public School Employees' Retirement System (PSERS) is a defined benefit plan. PSERS is funded through three sources: contributions from employees (members), the employer contribution rate which is contributions from employers (generally school districts) and the Commonwealth, and investment returns from the System.
- Employee (Member) contributions range from 5.25% to 10.30% of payroll depending on the class of membership of the employee and when they joined PSERS.
- As of July 1, 2011 new members bear some of the investment risk via the shared risk provisions of Act 120 of 2010. With a "shared risk" program new members since July 1, 2011 benefit when investments of the Fund are doing well and share some of the risk when investments underperform.
- Both the employer and the Commonwealth are responsible for paying a portion of the employer contribution rate. Employers are divided into two groups: school entities and non-school entities. School entities are responsible for paying 100 percent of the employer share of contributions to PSERS. The Commonwealth reimburses school entities for one-half the payment for employees hired on or before June 30, 1994. School entities are reimbursed by the Commonwealth based on a statutory formula for employees hired after June 30, 1994, but not less than one-half of the payment. Non-school entities and the Commonwealth each contribute one-half of the total employer rate.

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

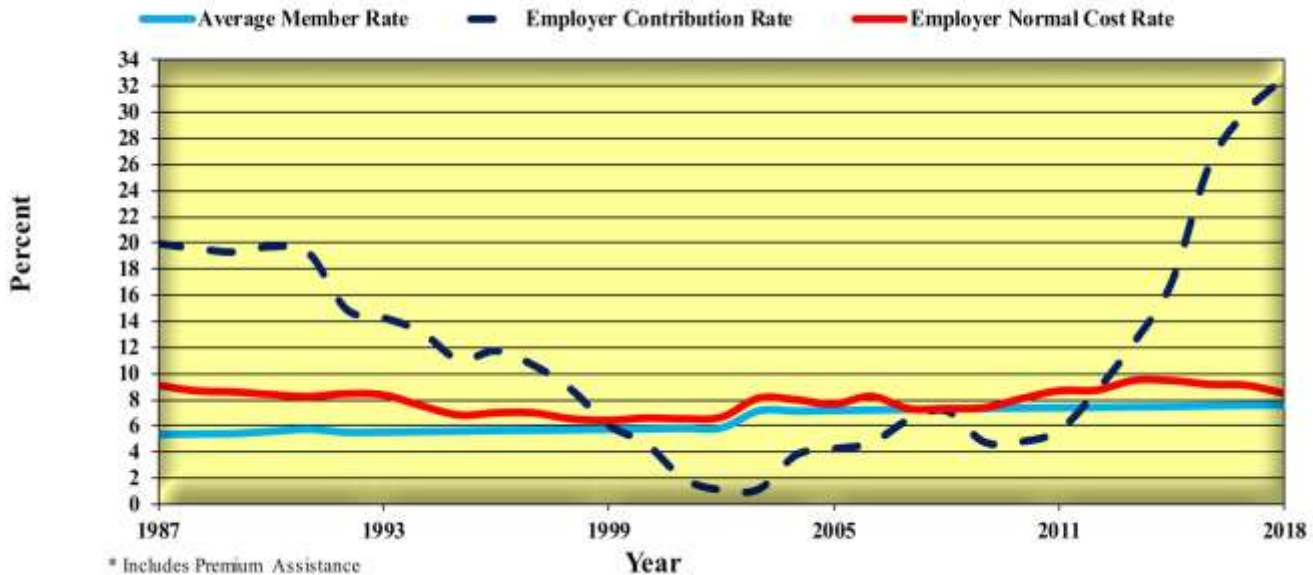
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2023
(Continued)**

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

HISTORY OF EMPLOYER CONTRIBUTION RATES					
Fiscal Year	Employer Normal Cost %	Preliminary Employer Pension Rate %	Act 5 Defined Contribution %	Health Care Contributions %	Total Employer Contribution %
2013-14	8.57	16.00	n/a	0.93	16.93
2014-15	8.46	20.50	n/a	0.90	21.40
2015-16	8.38	25.00	n/a	.84	25.84
2016-17	8.31	29.2	n/a	.83	30.03
2017-18	7.70	31.74	n/a	.83	32.57
2018-19	7.59	32.60	n/a	.83	33.43
2019-20	7.49	33.36	.09	.84	34.29
2020-21	7.37	33.51	.18	.82	34.51
2021-22	7.20	33.99	.15	.80	34.94
2022-23	6.07	34.31	.20	.72	35.26

History of PSER'S Contribution Rates as a Percent of Payroll:

Figure 4 - History of PSERS' Contribution Rates as a Percent of Payroll*



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2023
(Continued)**

The chart below shows the history and projected employer contribution rates using the June 30, 2022 valuation.

HISTORY AND PROJECTED EMPLOYER CONTRIBUTION RATES		
*(Presumes an 7.00% rate of return)		
Fiscal Year Ending June	Total Employer Contribution Rate %	Projected Total Employer Contribution (thousands) \$
14/15	21.40	2,596,731
15/16	25.84	3,576,651
16/17	30.03	4,160,639
17/18	32.57	4,380,339
18/19	33.43	4,604,983
19/20	34.29	4,863,594
20/21	34.51	4,888,867
21/22	34.94	4,992,577
22/23	35.26	5,111,642
23/24	34.00	5,188,400
24/25	34.73	5,339,013

**The projection of contribution rates is based on the assumption that there are no changes in demographics or economic assumptions, no changes in benefit provisions, and no actuarial gains or losses other than gains or losses on the actuarial value of assets that result from recognizing currently deferred gains or losses on the market value of assets. Those assumptions may vary from actual experience and as a result projected employer contribution rates will increase or decrease.*

Investment Returns

- PSERS' rate of return for fiscal year ended June 30, 2022 was 2.23%. The Fund had plan net assets of \$71.2 billion at June 30, 2022.
- The employer normal cost continues to decrease as the impact of the benefit reductions in Act 120 is realized.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Great Valley School District, at 100 Lindenwood Drive, Malvern, PA 19355.

GREAT VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2023

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and investments	\$ 112,252,211	\$ 2,467,453	\$ 114,719,664
Internal balances	281,361	(281,361)	-
Taxes receivable, net	1,185,545	-	1,185,545
Intergovernmental receivables	3,992,514	53,507	4,046,021
Other receivables	202,766	20,650	223,416
Inventories	-	105,285	105,285
Prepaid expenses	1,349,208	-	1,349,208
Other current assets	33,103	-	33,103
Capital assets:			
Capital assets not being depreciated	60,244,690	-	60,244,690
Capital assets, net of accumulated depreciation	96,603,560	155,611	96,759,171
TOTAL ASSETS	276,144,958	2,521,145	278,666,103
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	166,435	-	166,435
Deferred outflows of resources for pension	22,161,483	148,690	22,310,173
Deferred outflows of resources for other postemployment benefits	2,017,224	59,179	2,076,403
TOTAL DEFERRED OUTFLOWS OF RESOURCES	24,345,142	207,869	24,553,011
LIABILITIES			
Accounts payable	14,598,033	106,817	14,704,850
Accrued interest	954,247	-	954,247
Accrued salaries and benefits	7,660,876	21,965	7,682,841
Unearned revenue	109,709	110,385	220,094
Other liabilities	291,563	-	291,563
Noncurrent liabilities, due within one year	3,518,464	2,000	3,520,464
Noncurrent liabilities:			
Bonds and note payable, net	75,803,754	-	75,803,754
Long-term portion of compensated absences	1,222,455	17,790	1,240,245
Net pension liability	121,667,634	771,366	122,439,000
Net other postemployment benefits liabilities	8,596,321	104,747	8,701,068
Other noncurrent liabilities	461,933	-	461,933
TOTAL LIABILITIES	234,884,989	1,135,070	236,020,059
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources for 2023/2024 property taxes	2,998,688	-	2,998,688
Deferred inflows of resources for pension	14,148,301	317,215	14,465,516
Deferred inflows of resources for other postemployment benefits	9,124,790	21,221	9,146,011
TOTAL DEFERRED INFLOWS OF RESOURCES	26,271,779	338,436	26,610,215
NET POSITION			
Net investment in capital assets	109,622,206	155,611	109,777,817
Restricted for capital projects	16,392,150	-	16,392,150
Restricted for other purposes	2,692,870	-	2,692,870
Unrestricted (deficit)	(89,373,894)	1,099,897	(88,273,997)
TOTAL NET POSITION	\$ 39,333,332	\$ 1,255,508	\$ 40,588,840

See accompanying notes to the basic financial statements.

GREAT VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

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	\$ 67,020,734	\$ 47,905	\$ 11,434,090	\$ -	\$ (55,538,739)	\$ -	\$ (55,538,739)
Support Services:							
Instructional student support	7,952,473	-	1,275,965	-	(6,676,508)	-	(6,676,508)
Administrative and financial support services	10,292,623	-	921,083	-	(9,371,540)	-	(9,371,540)
Operation and maintenance of plant services	9,605,309	298,901	459,667	-	(8,846,741)	-	(8,846,741)
Pupil transportation	4,735,384	-	856,673	-	(3,878,711)	-	(3,878,711)
Operation of Noninstructional Services:							
Student activities	2,030,898	275,869	599,819	-	(1,155,210)	-	(1,155,210)
Community services	4,252	-	-	-	(4,252)	-	(4,252)
Interest on long-term debt	2,487,909	-	-	110,430	(2,377,479)	-	(2,377,479)
Total Governmental Activities	104,129,582	622,675	15,547,297	110,430	(87,849,180)	-	(87,849,180)
Business-Type Activities							
Food service	2,393,941	1,493,190	1,334,993	-	-	434,242	434,242
Total Primary Government	<u>\$ 106,523,523</u>	<u>\$ 2,115,865</u>	<u>\$ 16,882,290</u>	<u>\$ 110,430</u>	(87,849,180)	434,242	(87,414,938)
General Revenues							
Taxes:							
Property taxes					94,924,618	-	94,924,618
Public utility realty and transfer taxes					3,025,016	-	3,025,016
Grants, subsidies, and contributions not restricted to a specific program					4,966,096	-	4,966,096
Investment earnings					5,340,786	73,793	5,414,579
Gain on sale of capital assets					4,123	-	4,123
Miscellaneous income					50,567	-	50,567
Transfers					(17,709)	17,709	-
Total General Revenues and Transfers					108,293,497	91,502	108,384,999
Change in Net Position					20,444,317	525,744	20,970,061
Net Position - Beginning of Year					18,889,015	729,764	19,618,779
Net Position - End of Year					\$ 39,333,332	\$ 1,255,508	\$ 40,588,840

See accompanying notes to the basic financial statements.

GREAT VALLEY SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2023

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds (Special Revenue)	Total Governmental Funds
ASSETS					
Cash and investments	\$ 41,531,451	\$ 61,328,197	\$ -	\$ 2,824,568	\$ 105,684,216
Taxes receivable	1,206,202	-	-	-	1,206,202
Interfund receivables	8,641,622	-	-	-	8,641,622
Intergovernmental receivables	3,992,514	-	-	-	3,992,514
Prepaid expenditures	454,802	894,406	-	-	1,349,208
Other current assets	23,103	10,000	-	-	33,103
TOTAL ASSETS	\$ 55,849,694	\$ 62,232,603	\$ -	\$ 2,824,568	\$ 120,906,865
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Interfund payable	\$ -	\$ 5,827,158	\$ -	\$ 99,598	\$ 5,926,756
Accounts payable	3,034,253	9,113,644	-	-	12,147,897
Accrued salaries and benefits	7,660,876	-	-	-	7,660,876
Current portion of compensated absences	1,030,088	-	-	-	1,030,088
Unearned revenue	109,709	-	-	-	109,709
Other current liabilities	259,463	-	-	32,100	291,563
TOTAL LIABILITIES	12,094,389	14,940,802	-	131,698	27,166,889
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	4,031,517	-	-	-	4,031,517
FUND BALANCES					
Nonspendable	454,802	894,406	-	-	1,349,208
Restricted	-	46,397,395	-	2,692,870	49,090,265
Assigned	33,160,901	-	-	-	33,160,901
Unassigned	6,108,085	-	-	-	6,108,085
TOTAL FUND BALANCES	39,723,788	47,291,801	-	2,692,870	89,708,459
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 55,849,694	\$ 62,232,603	\$ -	\$ 2,824,568	\$ 120,906,865

GREAT VALLEY SCHOOL DISTRICT

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

June 30, 2023

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

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 89,708,459
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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 \$249,516,944 and the accumulated depreciation is \$92,668,694.	156,848,250
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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.	1,012,172
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Long-term liabilities, including bonds and note payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds and note payable	(72,692,100)	
Accrued interest on bonds	(954,247)	
Unamortized bond discount	4,542	
Unamortized bond premium	(5,604,572)	
Deferred charge on bond refunding	166,435	
Long-term portion of compensated absences	(1,222,455)	
Arbitrage rebate payable	(461,933)	(80,764,330)

The net pension liability and related deferred outflows and inflows of resources for pensions are not reflected on the fund financial statements.	(113,654,452)
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The net other postemployment benefit liabilities and related deferred outflows and inflows of resources for other postemployment benefits are not reflected on the fund financial statements.	(15,703,887)
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An internal service fund is used by the District to charge the cost of health insurance claims to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.	1,887,120
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 39,333,332
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GREAT VALLEY SCHOOL DISTRICT

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

For the Year Ended June 30, 2023

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds (Special Revenue)	Total Governmental Funds
REVENUES					
Local sources	\$ 102,248,482	\$ 2,427,045	\$ 20,726	\$ 507,072	\$ 105,203,325
State sources	17,576,745	-	-	-	17,576,745
Federal sources	1,789,056	-	-	-	1,789,056
TOTAL REVENUES	121,614,283	2,427,045	20,726	507,072	124,569,126
EXPENDITURES					
Current:					
Instructional services	72,206,177	-	-	-	72,206,177
Support services	31,204,166	34,389	-	-	31,238,555
Operation of noninstructional services	1,777,677	-	-	457,684	2,235,361
Facilities acquisition, construction, and improvements	-	46,885,412	-	-	46,885,412
Debt service:					
Principal	-	-	1,869,376	-	1,869,376
Interest	-	-	2,399,276	-	2,399,276
TOTAL EXPENDITURES	105,188,020	46,919,801	4,268,652	457,684	156,834,157
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,426,263	(44,492,756)	(4,247,926)	49,388	(32,265,031)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	7,301,719	4,247,926	-	11,549,645
Sale of capital assets	4,123	-	-	-	4,123
Transfers out	(11,567,354)	-	-	-	(11,567,354)
TOTAL OTHER FINANCING SOURCES (USES)	(11,563,231)	7,301,719	4,247,926	-	(13,586)
NET CHANGE IN FUND BALANCES	4,863,032	(37,191,037)	-	49,388	(32,278,617)
FUND BALANCES - BEGINNING OF YEAR	34,860,756	84,482,838	-	2,643,482	121,987,076
FUND BALANCES - END OF YEAR	\$ 39,723,788	\$ 47,291,801	\$ -	\$ 2,692,870	\$ 89,708,459

See accompanying notes to the basic financial statements.

GREAT VALLEY SCHOOL DISTRICT

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

For the Year Ended June 30, 2023

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

NET CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS **\$ (32,278,617)**

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

Capital outlays	\$ 47,138,112	
Less: depreciation expense	<u>(3,825,785)</u>	43,312,327

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. 18,359

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

Repayment of bond and note principal	1,869,376	
Amortization of deferred charge on bond refunding	(114,975)	
Amortization of bond discount	(8,104)	
Amortization of bond premium	<u>511,193</u>	2,257,490

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. (476,747)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. The difference in the amount incurred and amount paid of these activities is:

Compensated absences	(113,073)	
Net pension liability and related deferred outflows and inflows	10,299,053	
Net OPEB liability and related deferred outflows and inflows	483,359	
Arbitrage rebate payable	<u>(461,933)</u>	10,207,406

An internal service fund is used by the District to charge the costs of health insurance claims to the individual funds. The excess revenue (expense) is reported with governmental activities. (2,595,901)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 20,444,317**

GREAT VALLEY SCHOOL DISTRICT

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

For the Year Ended June 30, 2023

	Budgeted Amount		Actual	Variances
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local sources	\$ 99,723,415	\$ 99,723,415	\$ 102,248,482	\$ 2,525,067
State sources	17,061,025	17,061,025	17,576,745	515,720
Federal sources	2,301,668	2,301,668	1,789,056	(512,612)
TOTAL REVENUES	119,086,108	119,086,108	121,614,283	2,528,175
EXPENDITURES				
INSTRUCTIONAL SERVICES:				
Regular programs - elementary/secondary	50,923,395	51,066,250	48,457,053	2,609,197
Special programs - elementary/secondary	18,341,374	20,418,197	22,510,804	(2,092,607)
Vocational education	942,925	942,925	934,721	8,204
Other instructional programs - elementary/secondary	428,065	428,064	299,351	128,713
Nonpublic school programs	-	-	4,248	(4,248)
TOTAL INSTRUCTIONAL SERVICES	70,635,759	72,855,436	72,206,177	649,259
SUPPORT SERVICES:				
Students	4,586,800	4,587,134	4,116,124	471,010
Instructional staff	4,063,033	4,063,199	3,760,827	302,372
Administration	7,052,485	6,047,486	6,367,266	(319,780)
Pupil health	1,084,602	1,084,603	1,037,687	46,916
Business services	1,373,051	1,373,047	1,375,643	(2,596)
Operation and maintenance of plant	6,892,282	7,495,284	7,143,353	351,931
Student transportation	5,133,437	4,194,286	4,753,557	(559,271)
Central	3,231,546	2,776,546	2,602,094	174,452
Other	46,045	46,045	47,615	(1,570)
TOTAL SUPPORT SERVICES	33,463,281	31,667,630	31,204,166	463,464
OPERATION OF NONINSTRUCTIONAL SERVICES:				
Student activities	1,937,069	1,711,569	1,773,425	(61,856)
Community services	-	-	4,252	(4,252)
TOTAL NONINSTRUCTIONAL SERVICES	1,937,069	1,711,569	1,777,677	(66,108)
TOTAL EXPENDITURES	106,036,109	106,234,635	105,188,020	1,046,615
EXCESS OF REVENUES OVER EXPENDITURES	13,049,999	12,851,473	16,426,263	3,574,790
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	4,123	4,123
Transfers out	(11,486,684)	(11,486,684)	(11,567,354)	(80,670)
Budgetary reserve	(198,526)	-	-	-
TOTAL OTHER FINANCING USES	(11,685,210)	(11,486,684)	(11,563,231)	(76,547)
REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 1,364,789	\$ 1,364,789	4,863,032	\$ 3,498,243
FUND BALANCE - BEGINNING OF YEAR			34,860,756	
FUND BALANCE - END OF YEAR			\$ 39,723,788	

See accompanying notes to the basic financial statements.

GREAT VALLEY SCHOOL DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2023

	Enterprise Fund Food Service	Internal Service Fund
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 2,467,453	\$ 6,567,995
Intergovernmental receivables	53,507	-
Other receivables	20,650	202,766
Inventories	105,285	-
TOTAL CURRENT ASSETS	2,646,895	6,770,761
NONCURRENT ASSETS		
Equipment, net	155,611	-
TOTAL ASSETS	2,802,506	6,770,761
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources for pension	148,690	-
Deferred outflows of resources for other postemployment benefits	59,179	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	207,869	-
LIABILITIES		
CURRENT LIABILITIES		
Interfund payable	281,361	2,433,505
Accounts payable	106,817	2,450,136
Accrued salaries and benefits	21,965	-
Unearned revenue	110,385	-
Compensated absences, due within one year	2,000	-
TOTAL CURRENT LIABILITIES	522,528	4,883,641
NONCURRENT LIABILITIES		
Compensated absences	17,790	-
Net pension liability	771,366	-
Net other postemployment benefits liabilities	104,747	-
TOTAL NONCURRENT LIABILITIES	893,903	-
TOTAL LIABILITIES	1,416,431	4,883,641
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources for pension	317,215	-
Deferred inflows of resources for other postemployment benefits	21,221	-
TOTAL DEFERRED INFLOWS OF RESOURCES	338,436	-
NET POSITION		
Investment in capital assets	155,611	-
Unrestricted	1,099,897	1,887,120
TOTAL NET POSITION	\$ 1,255,508	\$ 1,887,120

See accompanying notes to the basic financial statements.

GREAT VALLEY SCHOOL DISTRICT

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

For the Year Ended June 30, 2023

	Enterprise Fund Food Service	Internal Service Fund
OPERATING REVENUES		
Food service revenue	\$ 1,493,190	\$ -
Charges for services	-	4,095,566
TOTAL OPERATING REVENUES	1,493,190	4,095,566
OPERATING EXPENSES		
Salaries	488,667	-
Employee benefits	149,490	-
Pension and OPEB valuation adjustments	(111,090)	-
Other operating expenses	529,074	-
Supplies	1,315,581	-
Depreciation	22,219	-
Payment for health claims and administrative services	-	6,957,110
TOTAL OPERATING EXPENSES	2,393,941	6,957,110
OPERATING LOSS	(900,751)	(2,861,544)
NONOPERATING REVENUES		
Earnings on investments	73,793	265,643
State sources	231,011	-
Federal sources	1,103,982	-
TOTAL NONOPERATING REVENUES	1,408,786	265,643
INCOME (LOSS) BEFORE TRANSFERS	508,035	(2,595,901)
TRANSFERS IN	17,709	-
CHANGE IN NET POSITION	525,744	(2,595,901)
NET POSITION - BEGINNING OF YEAR	729,764	4,483,021
NET POSITION - END OF YEAR	\$ 1,255,508	\$ 1,887,120

GREAT VALLEY SCHOOL DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2023

	Enterprise Fund Food Service	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from users	\$ 1,483,797	\$ 6,220,456
Payments to employees for services	(634,791)	-
Payments to suppliers for goods and services	(855,178)	-
Payments for other operating expenses	(529,074)	-
Payments for health claims and administrative services	-	(6,461,758)
NET CASH USED FOR OPERATING ACTIVITIES	(535,246)	(241,302)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State sources	220,503	-
Federal sources	1,041,080	-
Transfers in	17,709	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,279,292	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(100,442)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on investments	73,793	265,643
NET INCREASE IN CASH AND CASH EQUIVALENTS	717,397	24,341
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,750,056	6,543,654
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,467,453</u>	<u>\$ 6,567,995</u>

GREAT VALLEY SCHOOL DISTRICT

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

For the Year Ended June 30, 2023

	Enterprise Fund Food Service	Internal Service Fund
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>		
Operating loss	\$ (900,751)	\$ (2,861,544)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation	22,219	-
Donated commodities used	131,991	-
Changes in assets, deferred inflows of resources, liabilities, and deferred outflows of resources:		
Interfund receivables/payables	281,780	2,327,656
Other receivables	10,042	(202,766)
Inventories	(9,620)	-
Deferred outflows of resources for pension	42,007	-
Deferred outflows of resources for other postemployment benefits	(10,462)	-
Accounts payable	38,962	495,352
Accrued salaries and benefits	865	-
Unearned revenue	(2,145)	-
Compensated absences	2,501	-
Net pension liability	(36,628)	-
Other postemployment benefit liabilities	(7,945)	-
Deferred inflows of resources for pension	(117,456)	-
Deferred inflows of resources for other postemployment benefits	19,394	-
Total adjustments	365,505	2,620,242
NET CASH USED FOR OPERATING ACTIVITIES	\$ (535,246)	\$ (241,302)

NONCASH NONCAPITAL FINANCING ACTIVITIES

During the year, the District used \$131,991 of food commodities from the Department of Agriculture.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

Great Valley School District ("School District" or the "District") is located in Chester County, Pennsylvania. The District tax base consists of the Townships of Charlestown, East Whiteland, Willistown, and the Borough of Malvern. The District is governed by a board of nine school directors who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term.

The board of school directors has the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person, residing in such district, between the ages of 6 and 21 years, who may attend.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The District used guidance contained in generally accepted accounting principles to evaluate the possible inclusion of related entities (authorities, boards, councils, fiduciary activities, etc.) within its reporting entity. Accounting principles generally accepted in the United States of America require that the reporting entity consists of the primary government and legally separate entities for which the primary government is financially accountable. In addition, the primary government may determine through the exercise of management's professional judgment that the inclusion of a legally separate entity that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading. In such instances, that legally separate entity should be included as a component unit if the nature and significance of their relationship with the primary government or other component units are such that the exclusion from the financial reporting entity would render the financial reporting entity's financial statements incomplete or misleading. In evaluating how to define the reporting entity, management has considered all potential component units.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A. Reporting Entity - continued

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

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

Joint Venture: The District participates in a joint venture which is not a component unit of the District. See Note 11 for details of involvement and financial information of the joint venture.

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

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

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.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

C. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Fiduciary funds are reported by fund type. The District currently does not have any fiduciary 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.

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

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

GREAT VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

The District Reports the Following Nonmajor Governmental Funds:

Special Revenue Funds: These funds are established to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District's special revenue funds include the following:

Student Activities Fund: This fund is established to account for financial resources to be used for various student activities.

Scholarship Fund: This fund is established to account for financial resources to be used for various scholarship accounts.

The District has the Following Major Enterprise (Proprietary) Fund:

Food Service Fund: The food service fund is authorized under section 504 of the Public School Code of 1949 to account for all revenues, food purchases, and costs and expenses for the food service program. The food service fund is a major enterprise fund where the intent of the governing body is that the costs of providing food services are covered by user charges and subsidies received.

Additionally, the District Reports the Following Fund Types:

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

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

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Fund Financial Statements - continued

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

D. Measurement Focus and Basis of Accounting

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

The government-wide and proprietary fund 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.

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 and internal 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. Federal and state subsidies are considered non-operating revenues as no exchange transaction occurs.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Measurement Focus and Basis of Accounting - continued

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

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, including leases and subscriptions, are reported as other financing sources.

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.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Process - continued

Accelerated Budget Process Option - continued

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.

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 Pennsylvania Department of Education Form 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2022/2023 budget transfers.

F. Financial Position

1. Cash and Cash Equivalents

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.

2. Investments

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

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

2. Investments - continued

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.

Investments are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the statement of net position.

3. Interfund Transactions

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."

4. Inventories and Prepaid Items

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

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

Inventories of the Enterprise Fund consisting of food and paper supplies are carried at cost, using the first-in, first-out method. Federal donated commodities are valued at their fair market value as determined by the U.S. Department of Agriculture at the date of donation. The inventories on hand at June 30, 2023, consist of the following:

Purchased food	\$ 12,582
Supplies	75,404
Donated commodities	<u>17,299</u>
	<u>\$ 105,285</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 expenses/expenditures when consumed rather than when purchased.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

5. Capital Assets, Depreciation, and Amortization

The District's capital assets, 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. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Right-to-use lease assets are reported when a qualifying lease or subscription liability is incurred.

The District generally capitalizes assets with costs of \$5,000 or more as purchase and construction outlays occur. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 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. Construction in progress is stated at cost and consists primarily of costs incurred on construction projects. No provision for depreciation is made on construction in progress until the assets are complete and placed into service. 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 for depreciable assets are as follows:

Assets	Years
Buildings and building improvements	50
Site improvements	20
Furniture and equipment	3 - 20
Library books	10
Vehicles	8

6. Valuation of Long-Lived Assets

Long-lived assets to be held and used are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In general, any long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The District periodically evaluates the recoverability of its long-lived assets, including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the District's long-lived assets were considered to be impaired as of June 30, 2023.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

7. Unearned Revenues

Revenues that are received but not earned are reported as unearned revenues in the government-wide, governmental and proprietary 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.

8. Compensated Absences

District policies permit employees to accumulate earned but unused vacation and sick days based on employment agreements. Payments for vacation and sick pay are expensed as paid in the governmental fund statements. Accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources and that has matured is reported as an expenditure and a fund liability in the governmental fund that will pay it. Accumulated vacation or sick leave that is not expected to be liquidated with expendable available financial resources and that has not matured is reported as a long-term liability in the proprietary funds and the government-wide financial statements and is expensed as incurred.

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Other bond issuance costs are expensed at the time the debt is issued.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and original issue discounts or premiums are reported as other financing sources and uses. Issuance costs and underwriter's discount, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

10. Leases and Subscription-Based Information Technology Arrangements

The District recognizes a lease or subscription liability and an intangible right-to-use asset (lease or subscription asset) in the government-wide financial statements.

At the commencement of a lease or subscription-based information technology arrangement (SBITA), the District initially measures the liability at the present value of payments expected to be made during the term. Subsequently, the liability is reduced by the principal portion of payments made. The right-to-use asset is initially measured as the initial amount of the liability, adjusted for lease payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the right-to-use asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases and SBITAs include how the District determines (1) the discount rate it uses to discount the expected payments to present value, (2) term, and (3) payments.

- The District uses the interest rate charged under the agreement as the discount rate. When the interest rate charged is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate.
- The term includes the noncancellable period of the agreements. Also included within the lease term are any qualifying renewals or early termination options that the District is reasonably certain to exercise or not exercise. Payments included in the measurement of the liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease or SBITA and will remeasure the right-to-use asset and liability if certain changes occur that are expected to significantly affect the amount of the liability.

Lease and subscription assets are reported with capital assets and related liabilities are reported with noncurrent liabilities on the statement of net position.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

11. Pension

The District contributes to the Public School Employees Retirement System (PSERS), a cost-sharing multiple-employer defined benefit pension plan. The District accounts for the plan under the provisions of GASB Statement No. 68, which establishes standards for the measurement, recognition, and display of pension expense and related liabilities, deferred outflows and deferred inflows of resources related to pension, certain required supplementary information, and note disclosures.

For the purpose of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pension 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 refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Other Postemployment Benefits (OPEB)

The District's other postemployment benefit plans are accounted for under the provisions of GASB Statement No. 75, which establishes standards for the measurement, recognition, and display of other postemployment benefit expense and related liabilities, deferred outflows and deferred inflows of resources related to other postemployment benefits, certain required supplementary information, and note disclosures. The District provides OPEB under the following two plans:

PSERS OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the PSERS plan and additions to/deductions from PSERS' fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

District OPEB Plan

The District sponsors a single-employer defined benefit OPEB plan. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. The District OPEB plan is unfunded.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. 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 assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses) until then. The District has three items that qualify for reporting in this category:

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.

Deferred outflows of resources for pension relate to the District's net pension liability and pension expense and arise 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 or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are 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 other postemployment benefits relate to the District's liability for postemployment benefits other than pensions and related expenses and arise from the 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 plan, or changes in the internal allocation of the net other postemployment benefit liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred outflow. Also included are contributions or benefit payments made subsequent to the measurement date and prior to the District's year end. These payments will be recognized as a reduction to the net other postemployment benefit liability in the following year.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

13. Deferred Outflows/Inflows of Resources - continued

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items that qualify for reporting in this category:

Unavailable revenue has one component that arises only under a modified accrual basis of accounting related to current year property tax assessment and is reported only in the governmental funds balance sheet. The second component of *unavailable revenue* or deferred inflows of resources for 2023/2024 property taxes arises when future property tax levies are collected in the current year and are reported in both the governmental funds balance sheet and the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred inflows of resources for pensions relate to the District's net pension liability and pension expense and arise 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 or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

Deferred inflows of resources for other postemployment benefits relate to the District's liability for postemployment benefits other than pensions and related expenses and arise 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 plan, or changes in the internal allocation of the other postemployment benefit liability between governmental and business-type activities or funds. These amounts are deferred and amortized over either a closed 5-year period or the average remaining service life of all employees depending on what gave rise to the deferred inflow.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

14. Net Position and Flow Assumptions

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/amortization, 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. If there are unspent related debt proceeds at year end, the portion of debt attributed to the unspent bond proceeds is not included in the calculation of 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.

15. 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 nonspendable fund balance classification represents assets in nonspendable form and includes items such as prepaid expenditures and inventory.

The restricted fund balance classification represents funds that are limited in use due to constraints for a specific purpose through restrictions by external parties, grant agreements, or enabling legislation.

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

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Position - continued

15. Fund Balance Policies and Flow Assumptions - continued

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

The unassigned fund balance of the general fund at the end of each fiscal year end shall not be less than 5% of the following year's projected budgeted expenditures. In any fiscal year where the District is unable to maintain this minimum reservation of fund balance as required in this section, the District shall not budget any amount of unassigned fund balance for the purpose of balancing the general fund budget until this level is achieved. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

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

G. 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.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Adoption of Accounting Standards

During the year ended June 30, 2023, the District adopted new accounting guidance GASB Statement No. 96 retroactive to July 1, 2022. GASB Statement No. 96 was issued to (1) define subscription-based information technology arrangements (SBITAs); (2) establish that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provide the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) require note disclosures regarding a SBITA. The adoption of this standard had no impact on the financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

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

B. Excess of Expenditures Over Appropriations in Individual Funds

No individual governmental fund required to have a legally adopted budget had an excess of expenditures over appropriations.

C. 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, 2023. In addition, the District includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as budgeted revenue in the succeeding year. The results of operations on a GAAP basis does not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 3 - CASH AND INVESTMENTS

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

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

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

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

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, 2023, is as follows:

Petty cash	\$ 100
Demand deposits	9,376,331
Pooled cash and investments	<u>105,343,233</u>
	<u>\$ 114,719,664</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk on deposits. As of June 30, 2023, the carrying amount of the District's deposits was \$9,376,331 and the bank balance was \$9,381,552. Of the bank balance, \$2,401,628 was covered by federal depository insurance, \$250,000 was covered by National Credit Union Administration share insurance, and \$6,729,924 was exposed to custodial credit risk, but covered under collateralization requirements in accordance with Act 72 of the 1971 Session of the Pennsylvania General Assembly. The District participates in an insured cash sweep savings account which spreads savings funds through a variety of banks with allocated funds at each bank being under the FDIC limit.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pooled Cash and Investments

As of June 30, 2023, the District had the following pooled cash and investments:

	<u>Maturities</u>	<u>Fair Value</u>	<u>Carrying Value</u>
PA School District Liquid Asset Fund (PSDLAF):			
Full Flex Pool	< 1 year	\$ 79,924,992	\$ 79,924,992
MAX Account Balance		31,467,487	31,467,487
PA Local Government Investment Trust (PLGIT):			
PLGIT and PLGIT/PLUS - Class shares		78	78
	Total		111,392,557
Reconciling items			(6,049,324)
	Total pooled cash and investments		<u>\$ 105,343,233</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 \$111,392,557 (PSDLAF and PLGIT) at amortized cost. 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.

A portion of the District's deposits was 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 PSDLAF Full Flex Pool, as part of the Fixed-Term Series at PSDLAF, are fixed-term investments collateralized in accordance with Act 72 and invests in assets listed above as permitted under Section 440.1 of the Public School Code of 1949. The Fixed-Term Series are fixed-term investment vehicles with maturities depending upon the maturity date of each particular Fixed-Term Series. All investments in a Fixed-Term Series by a Settlor are intended to be deposited for the full term of the particular Fixed-Term Series; however, participants in the full flex pool may remove funds without early withdrawal penalty. Whether a Fixed-Term Series has only one Settlor or more than one Settlor participating in it, each certificate of deposit in which the monies in such Fixed-Term Series are invested is registered in the name of that particular Fixed-Term Series.

The PSDMAX fund invests in U.S. treasury securities, U.S. government securities, its agencies and instrumentalities, and repurchase agreements collateralized by such securities and contracted with highly-rated counterparties. Weighted average portfolio maturity for the fund is expected to be kept at or below 60 days. PSDMAX does not have limitations or restrictions on withdrawals.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 3 - CASH AND INVESTMENTS - CONTINUED

Pooled Cash and Investments - continued

PLGIT invests primarily in U.S. Treasury and federal agency securities and repurchase agreements secured by such obligations, as well as certain municipal obligations and collateralized or insured certificates of deposit. The fund manager intends to comply with guidelines similar to those mandated for money-market funds as contained in Rule 2a-7 of the Investment Company Act of 1940.

PLGIT - Class Shares are a flexible option within the PLGIT fund which requires no minimum balance, no minimum initial investment, and a one-day minimum investment period. Dividends are paid monthly.

PLGIT/PLUS - Class Shares are an option which requires a minimum investment of \$50,000, a minimum investment period of thirty (30) days, and had a premature withdrawal penalty. Dividends are paid quarterly.

As of June 30, 2023, the entire PSDLAF and PLGIT book balance of \$105,345,233 is considered to be a cash equivalent for presentation on the government-wide and fund financial statements.

Interest Rate Risk

The District does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District has no investment policy that would limit its investment choices to certain credit ratings. As of June 30, 2023, the District's investments were rated as:

<u>Investment</u>	<u>Standard & Poor's</u>
PA School District Liquid Asset Fund	AAAm
PA Local Government Investment Trust	AAAm

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer. As of June 30, 2023, the District did not have any investments subject to concentration of credit risk.

Custodial Credit Risk

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

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 4 - REAL ESTATE TAXES RECEIVABLE AND UNAVAILABLE REVENUE

The District has four independently elected tax collectors who have relinquished responsibility for the collection of taxes. The Director of Business Affairs has been appointed as tax collector for the District. Real estate taxes for the District are collected from the Townships of Charlestown, East Whiteland, Willistown, and the Borough of Malvern. The Director of Business Affairs has also entered into an agreement with an independent agent to collect taxes via a lock box account on behalf of the District. Property taxes are levied on July 1 on the assessed value listed as of that date for all taxable real property located in the District. Assessed values are established by the Chester County Board of Assessment. All taxable real property was assessed at \$4,231,124,760. In accordance with Act 1 of 2006, the District received \$1,290,911 in property tax reduction funds for the 2022/2023 fiscal year. The District tax rate for the year ended June 30, 2023, was 22.92 mills (\$22.92 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 - All taxes unpaid become delinquent and are turned over to a third party for collection.

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

The balances at June 30, 2023, are as follows:

	Gross Taxes Receivable	Allowance for Uncollectible Taxes	Net Estimated to be Collectible	Tax Revenue Recognized	Unavailable Revenue
Real estate property tax	<u>\$ 1,206,202</u>	<u>\$ 20,657</u>	<u>\$ 1,185,545</u>	<u>\$ 173,373</u>	<u>\$ 1,032,829</u>

Included in unavailable revenue - property taxes in the fund financial statements and in the government-wide statement of net position is \$2,998,688 of 2023/2024 year property tax levies paid in advance which may only be used for 2023/2024 expenditures.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES

The following schedule represents net intergovernmental receivables at June 30, 2023:

<u>Name of Government Unit</u>	<u>General Fund</u>	<u>Enterprise Food Service</u>
Chester County - transfer taxes	\$ 211,686	\$ -
Other local governments	70,863	-
Commonwealth of Pennsylvania:		
Pennsylvania Department of Education (PDE) - Retirement	2,754,221	-
PDE - Social Security	575,422	-
PDE - National School Lunch/Breakfast Program	-	13,801
Federal Subsidies:		
PA Department of Human Services - ACCESS Medicaid Reimbursement Program	3,359	-
PDE - Title I Grants to Local Educational Agencies	12,075	-
PDE - Supporting Effective Instruction State Grant	31,463	-
PDE - COVID-19 - Elementary Secondary School Emergency Relief Fund (ESSER 7%)	35,390	-
PDE - School Breakfast Program	-	9,048
PDE - National School Lunch Program	-	30,658
Chester County IU - Special Education - Grants to States	295,347	-
Chester County IU - Special Education - Preschool Grants	2,688	-
	<u>\$ 3,992,514</u>	<u>\$ 53,507</u>

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The following is a summary of interfund receivables and payables at June 30, 2023:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 8,641,622	\$ -
Capital Projects Fund	-	5,827,158
Nonmajor Governmental Funds	-	99,598
Enterprise Fund - Food Service	-	281,361
Internal Service Fund	-	2,433,505
	<u>\$ 8,641,622</u>	<u>\$ 8,641,622</u>

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

The District made the following operating transfers during the fiscal year ended June 30, 2023:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 11,567,354
Capital Projects Fund	7,301,719	-
Debt Service Fund	4,247,926	-
Enterprise Fund - Food Service	17,709	-
	<u>\$ 11,567,354</u>	<u>\$ 11,567,354</u>

Interfund transfers from the general fund are made to reserve for future capital needs, to meet debt service requirements and to fund negative student food service account balances.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023, are as follows:

	Beginning Balance	Increase	Reclass/ Decrease	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 10,082,390	\$ 174,000	\$ -	\$ 10,256,390
Construction in progress	4,155,874	45,832,426	-	49,988,300
Total not being depreciated	14,238,264	46,006,426	-	60,244,690
Capital assets being depreciated:				
Buildings	52,794,325	-	-	52,794,325
Building improvements	94,486,773	487,948	-	94,974,721
Site improvements	11,339,187	-	-	11,339,187
Furniture and equipment	27,530,091	538,725	(4,000)	28,064,816
Library books	1,768,664	50,963	-	1,819,627
Vehicles	246,294	54,050	(20,766)	279,578
Total assets being depreciated	188,165,334	1,131,686	(24,766)	189,272,254
Less accumulated depreciation for:				
Buildings	26,948,852	893,423	-	27,842,275
Building improvements	28,165,818	1,993,016	-	30,158,834
Site improvements	6,342,654	414,834	-	6,757,488
Furniture and equipment	25,431,613	506,592	(4,000)	25,934,205
Library books	1,768,664	5,097	-	1,773,761
Vehicles	210,074	12,823	(20,766)	202,131
Total accumulated depreciation	88,867,675	3,825,785	(24,766)	92,668,694
Total capital assets being depreciated, net	99,297,659	(2,694,099)	-	96,603,560
GOVERNMENTAL ACTIVITIES, CAPITAL ASSETS, NET	\$ 113,535,923	\$ 43,312,327	\$ -	\$ 156,848,250
Business-Type Activities				
Capital assets being depreciated:				
Equipment	\$ 521,287	\$ 100,442	\$ -	\$ 621,729
Accumulated depreciation for:				
Equipment	443,899	22,219	-	466,118
BUSINESS-TYPE ACTIVITIES, CAPITAL ASSETS, NET	\$ 77,388	\$ 78,223	\$ -	\$ 155,611

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 7 - CHANGES IN CAPITAL ASSETS - CONTINUED

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

Instructional services	\$ 741,740
Instructional student support	8,848
Administrative and financial support services	232,320
Operation and maintenance of plant services	2,841,211
Pupil transportation	592
Student activities	1,074
TOTAL DEPRECIATION EXPENSE -	
GOVERNMENTAL ACTIVITIES	\$ 3,825,785

NOTE 8 - LONG-TERM LIABILITIES

The District issues general obligation bonds and notes to provide resources for major capital improvements. The bonds and notes are issued on a pledge of the full faith and credit of the District as well as their general taxing authority. Bonds and notes payable are as follows at June 30, 2023:

SPSBA, Qualified School Construction Bonds - Series of 2010A:

On October 6, 2010, the District entered into a loan agreement with the State Public School Building Authority for \$999,000 of Federally Taxable Revenue Bonds Series A of 2010 Qualified School Construction Bonds. The Bonds provide a federal subsidy to the District for interest paid on the Bonds. The Bonds mature in equal amounts from September 1, 2011, to September 1, 2027. Interest is payable semiannually on March 1 and September 1 beginning March 1, 2011. The stated interest rate for the District is 5.00%. The District is then receiving a federal subsidy at a rate of 4.83% leaving an effective interest rate of 0.17%. The District received a subsidy of \$45,712 for the year ended June 30, 2023. Proceeds from these bonds were used for renovations at the Charlestown Elementary School.

\$ 293,822

SPSBA, Qualified School Construction Bonds - Series of 2011C:

On November 1, 2011, the District entered into a loan agreement with the State Public School Building Authority for \$389,000 of Federally Taxable Revenue Bonds Series C of 2011 Qualified School Construction Bonds. The Bonds provide a federal subsidy to the District for interest paid on the Bonds. The Bonds mature in equal amounts from September 1, 2012, to September 1, 2029. Interest is payable semiannually on March 1 and September 1 beginning March 1, 2012. The stated interest rate for the District is 5.09%. The District is then receiving a federal subsidy at a rate of 5.09% leaving an effective interest rate of 0%. The District received a subsidy of \$18,750 for the year ended June 30, 2023. Proceeds from these bonds were used for renovations at the Charlestown Elementary School.

151,278

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

General Obligation Notes, Series of 2020:

On August 17, 2020, the District issued \$7,567,000 of General Obligation Notes, Series of 2020. The Notes mature in varying amounts from January 25, 2021, to January 25, 2025. Interest is payable monthly on the 25th beginning August 25, 2020, at a fixed interest rate of 0.715%. Proceeds from these bonds were used to currently refund the Great Valley School District's General Obligation Bonds, Series 2012 and pay the costs of issuance. The refunding resulted in a net cash flow savings of \$454,261 with a corresponding net present value savings of \$438,538.

2,422,000

General Obligation Bonds, Series of 2022:

On May 4, 2022, the District issued \$69,885,000 of General Obligation Bonds, Series of 2022. The Bonds mature in varying amounts from September 1, 2022, to September 1, 2042. Interest is payable semiannually on March 1 and September 1 beginning September 1, 2022, at a fixed interest rate of 4.0%. Proceeds from these bonds were used to finance various capital projects and to pay the cost of issuance.

69,825,000

Total bonds and notes payable

\$ 72,692,100

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

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

	Direct Borrowings			
	SPSBA Qualified School Construction Bonds Series of 2010A	SPSBA Qualified School Construction Bonds Series of 2011 C	General Obligation Notes Series of 2020	Total Direct Borrowings
2024	58,765	21,611	1,743,000	1,823,376
2025	58,765	21,611	679,000	759,376
2026	58,765	21,611	-	80,376
2027	58,765	21,611	-	80,376
2028	58,762	21,611	-	80,373
2029 - 2030	-	43,223	-	43,223
Total	<u>\$ 293,822</u>	<u>\$ 151,278</u>	<u>\$ 2,422,000</u>	<u>\$ 2,867,100</u>
	General Obligation Bonds Series of 2022	Total General Long-Term Debt	Total Interest *	
2024	665,000	2,488,376	2,793,523	
2025	1,790,000	2,549,376	2,735,130	
2026	2,560,000	2,640,376	2,645,298	
2027	2,665,000	2,745,376	2,540,798	
2028	2,775,000	2,855,373	2,431,150	
2029 - 2033	15,970,000	16,013,223	10,329,800	
2034 - 2038	19,535,000	19,535,000	6,788,900	
2039 - 2043	23,865,000	23,865,000	2,462,500	
Total	<u>\$ 69,825,000</u>	<u>\$ 72,692,100</u>	<u>\$ 32,727,099</u>	

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

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

Long-term liability balances and activity for the year ended June 30, 2023, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General Obligation Bonds payable	\$ 69,885,000	\$ -	\$ 60,000	\$ 69,825,000	\$ 665,000
Bond discounts	(12,646)	-	(8,104)	(4,542)	-
Bond premiums	6,115,765	-	511,193	5,604,572	-
Total bond payables	75,988,119	-	563,089	75,425,030	665,000
Direct borrowings	4,676,476	-	1,809,376	2,867,100	1,823,376
Bonds and direct borrowings, net	80,664,595	-	2,372,465	78,292,130	2,488,376
Compensated absences	2,074,825	835,903	658,185	2,252,543	1,030,088
Net pension liability	125,441,006	11,436,697	15,210,069	121,667,634	-
Net other postemployment benefit liabilities	15,651,092	-	7,054,771	8,596,321	-
Arbitrage rebate payable	-	461,933	-	461,933	-
Total governmental long-term liabilities	<u>\$ 223,831,518</u>	<u>\$ 12,734,533</u>	<u>\$ 25,295,490</u>	<u>\$ 211,270,561</u>	<u>\$ 3,518,464</u>
Business-Type Activities					
Compensated absences	\$ 17,289	\$ 14,995	\$ 12,494	\$ 19,790	\$ 2,000
Net pension liability	807,994	59,242	95,870	771,366	-
Net other postemployment benefit liabilities	112,692	18,419	26,364	104,747	-
Total business-type long-term liabilities	<u>\$ 937,975</u>	<u>\$ 92,656</u>	<u>\$ 134,728</u>	<u>\$ 895,903</u>	<u>\$ 2,000</u>

Total interest paid during the year ended June 30, 2023, was \$2,399,276. \$64,462 of the cost was recovered by the receipt of a federal subsidy recorded in federal revenues. Payments on bonds and notes payable are made by the general fund via transfers to the debt service fund. The compensated absence liabilities will be fulfilled by the general fund and enterprise - food service fund. The net pension and PSERS OPEB Plan portion of the OPEB liability will be liquidated through future contributions to PSERS at the statutory rates; contributions will be made from the general and food service funds. The District OPEB Plan portion of the OPEB liability will be liquidated through future payments from the general and food service funds.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 8 - LONG-TERM LIABILITIES - CONTINUED

The arbitrage rebate payable relates to the Series of 2022 General Obligation Bonds and represents the future value of the disbursements from all funds, subject to rebate, and the value of the remaining bond proceeds, at the yield on the Bonds, to May 4, 2027. This figure was then compared to the future value of the deposit of bond proceeds into the various investment accounts at the same yield. The difference between the future values of the two cash flows, on May 4, 2027, is the rebatable arbitrage. The calculation resulted in an arbitrage rebate payable which is a noncurrent liability recorded in the government-wide financial statements of \$461,933.

Events of Default

The District's general obligation bonds and notes contain a provision that in the event of default of non-payment of principal and interest, the School Code allows for the Commonwealth of Pennsylvania to withhold monies from the School District subsidies and pay any past due amounts directly to the paying agent for payment to the bond holders.

Legal Debt Margin

The District is subject to a debt limit that is 225% of borrowing base (the average total revenues for three years). At June 30, 2023, that amount is \$263,264,720. As of June 30, 2023, the total outstanding debt applicable to the limit is \$78,292,130.

NOTE 9 - EMPLOYEE RETIREMENT PLANS

Employee Defined Benefit Pension Plan

General Information About the Pension Plan

Plan Description

PSERS (the System) is a governmental, cost-sharing, multiple-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.pa.gov.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum 35 years of credited service.

Benefits are generally equal to 1.0% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 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% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Benefits Provided - continued

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

Contributions

The contribution policy is set by state statute and requires contributions by active members, employers, and the Commonwealth of Pennsylvania. The contribution rates based on qualified member compensation for virtually all members is presented below:

Member Contribution Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
				6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50%
				After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30%
				After 7/1/21: 10.80%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25%
				After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50%
				After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/- 0.50%	8.30%	12.50%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 9 - EMPLOYEE RETIREMENT PLANS - CONTINUED

Employee Defined Benefit Pension Plan - continued

General Information About the Pension Plan - continued

Contributions - continued

Employer Contributions:

The District's contractually required contribution rate for fiscal year ended June 30, 2023, was 34.31% 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 \$16,183,931 for the year ended June 30, 2023. Contributions to the defined contribution plan from the District were \$94,339 for the year ended June 30, 2023.

The District is also required to contribute a percentage of covered payroll to PSERS for healthcare insurance premium assistance. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net position liabilities and related pension expense represent 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2023, for pension and OPEB benefits was \$7,927,735.

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

At June 30, 2023, the District reported a liability of \$122,439,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, to June 30, 2022. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the District's proportion was 0.2754%, which was a decrease of 0.0321% from its proportion measured as of June 30, 2022.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

For the year ended June 30, 2023, the District recognized pension expense of \$5,772,801. At June 30, 2023, 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
Difference between expected and actual experience	\$ 56,000	\$ 1,059,000
Changes in assumptions	3,656,000	-
Net difference between projected and actual investment earnings	-	2,078,000
Changes in proportions - plan level	887,000	11,101,000
Changes in proportions - internal	227,516	227,516
Difference between employer contributions and proportionate share of total contributions	1,299,726	-
Contributions made subsequent to the measurement date	16,183,931	-
	<u>\$ 22,310,173</u>	<u>\$ 14,465,516</u>

The \$16,183,931 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 ending June 30, 2024. 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:

2024	\$ (2,250,332)
2025	(2,738,423)
2026	(6,566,039)
2027	3,215,520
	<u>\$ (8,339,274)</u>

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Actuarial Assumptions

The total pension liability at June 30, 2022, was determined by rolling forward the System's total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial valuation date - June 30, 2021.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.00%, includes inflation at 2.50%.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2020.

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 PSERS 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.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

Actuarial Assumptions - continued

The PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022 is:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed income	33.0%	2.3%
Commodities	9.0%	2.3%
Absolute return	6.0%	3.5%
Infrastructure/MLPs	9.0%	5.4%
Real estate	11.0%	4.6%
Cash	3.0%	0.5%
Leverage	(11.0%)	0.5%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

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

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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.00%) or one-percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 158,367,000	\$ 122,439,000	\$ 92,148,000

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2023, the District had an accrued balance due to PSERS, including contributions related to pension and OPEB of \$3,489,547. This amount represents the District's contractually obligated contributions for wages earned in April 2023 through June 2023.

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.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS

Employee Defined Benefit Other Postemployment Benefit Plans

The District has other postemployment benefits (OPEB) under 2 different plans: (1) a cost-sharing, multiple employer, employee defined benefit other postemployment benefits plan administered through PSERS (PSERS OPEB Plan) and (2) a single employer defined benefit healthcare plan (District OPEB Plan). The District's aggregate net OPEB liability and deferred outflows and inflows of resources related to OPEB at June 30, 2023, are as follows:

<u>Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PSERS OPEB Plan	\$ 5,055,000	\$ 1,073,772	\$ 1,804,000
District OPEB Plan	3,646,068	1,002,631	7,342,011
Total	<u>\$ 8,701,068</u>	<u>\$ 2,076,403</u>	<u>\$ 9,146,011</u>

PSERS OPEB Plan

General Information About the PSERS OPEB Plan

Health Insurance Premium Assistance Program

PSERS (the System) provides Premium Assistance which is a governmental, cost-sharing, multiple-employer, other postemployment benefits plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age.

GREAT VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Premium Assistance Eligibility Criteria - continued

For Class DC members to become eligible for Premium Assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of the distributions.

Pension Plan Description

PSERS is a governmental, cost-sharing, multiple-employer, defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. 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.pa.gov.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program.

Contributions

The contribution policy is set by state statute. A portion of each employer's contribution is set aside for premium assistance. The School District's contractually required contribution rate for the fiscal year ended June 30, 2023, was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$353,772 for the year ended June 30, 2023.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

General Information About the PSERS OPEB Plan - continued

Contributions - continued

The District is also required to contribute a percentage of covered payroll to PSERS for pension benefits. Under the current legislation, the Commonwealth of Pennsylvania reimburses the District for no less than one-half of the employer contributions made, including contributions related to pension and healthcare. This arrangement does not meet the criteria of a special funding situation in accordance with GASB Standards. Therefore, the net PSERS OPEB Plan liability and related expense represents 100% of the District's share of these amounts. The total reimbursement recognized by the District for the year ended June 30, 2023, for pension and OPEB benefits was \$7,927,735.

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB

At June 30, 2023, the District reported a liability of \$5,055,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The District's proportion of the net OPEB 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, 2023, the District's proportion was 0.2746%, which was a decrease of 0.0322% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the District recognized OPEB expense of \$101,246. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,000	\$ 27,000
Changes in assumptions	561,000	1,194,000
Net difference between projected and actual investment earnings	14,000	-
Changes in proportion	98,000	583,000
Contributions made subsequent to the measurement date	353,772	-
	<u>\$ 1,073,772</u>	<u>\$ 1,804,000</u>

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

The \$353,772 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2024	\$ (213,000)
2025	(176,000)
2026	(211,000)
2027	(228,000)
2028	<u>(256,000)</u>
Total	<u>\$ (1,084,000)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2022, was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial valuation date - June 30, 2021.
- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 4.09% - S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 improvement scale
- Participation rate:
 - Eligible retirees will elect to participate Pre-age 65 at 50%
 - Eligible retirees will elect to participate Post-age 65 at 70%

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Actuarial Assumptions - continued

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year period ended June 30, 2020.

For the June 30, 2022 measurement date, the discount rate was increased from 2.18% to 4.09%.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020, determined the employer contribution rate for fiscal year 2022.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: The actual data for retirees benefiting under the Plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
- Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

The PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022, is:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	100.0%	0.5%

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

The following presents the District's proportionate share of the net OPEB liability for the June 30, 2022 measurement date, calculated using current Healthcare cost trends as well as what the District's proportionate share of the net OPEB liability would be if the health cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 5,054,000	\$ 5,055,000	\$ 5,055,000

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

PSERS OPEB Plan - continued

PSERS OPEB Plan Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB - continued

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

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (3.09%) or one-percentage point higher (5.09%) than the current rate:

	1% Decrease 3.09%	Current Discount Rate 4.09%	1% Increase 5.09%
District's proportionate share of the net OPEB liability	\$ 5,716,000	\$ 5,055,000	\$ 4,501,000

OPEB Plan Fiduciary Net Position

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

Payables Related to the Plan

At June 30, 2023, the District had an accrued balance due to PSERS of \$3,489,547, including balances related to pension and OPEB. This amount represents the District's contractually obligated contributions for wages earned in April 2023 through June 2023.

District OPEB Plan

General Information About the District OPEB Plan

Plan Description

Great Valley School District administers a single-employer defined benefit healthcare plan (the OPEB Plan). The District OPEB Plan provides medical, prescription drug, dental, vision, and life insurance for eligible retirees 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 OPEB Plan does not issue a publicly available financial report and no assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board Statement No. 75 to pay related benefits.

GREAT VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided

The District classifies employees in the following categories: Administrators, Teachers, and Support Staff. Contribution requirements are negotiated between the District and union representatives. Below is a summary of the postemployment benefits provided to each of these groups:

I. Administrators

a. Administrators retiring before 7/1/2020

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
N/A - already retired	<u>Coverage</u> Medical and Prescription Drug <u>Premium Sharing</u> If member has at least 25 years of PSERS service, GVSD will contribute 100% of premium of the base plan (PC 20/30/70) for Medical and 100% of the premium for Prescription Drug coverage for a number of years according to the table below. Member must pay any additional premium due to coverage in a non-base plan.	For Medical, both member and spouse may continue coverage for life. For Prescription Drug, both member and spouse may continue coverage for the number of years of the GVSD subsidy.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

I. Administrators - continued

a. Administrators retiring before 7/1/2020 - continued

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>															
	Premium Sharing - continued If member is receiving the \$100 PSERS supplement during the fully paid period, they must forward this amount to GVSD. After the GVSD subsidy ends, member can continue Medical coverage by paying the full premium. Effective for the 2015-2016 school year and after, GVSD will contribute 100% of premium of the base plan at retirement less the PSERS premium assistance; subsequent increases in premiums will be the responsibility of the retiree. <u>Service with</u> <table> <tr> <th><u>GVSD</u></th><th><u>Years Paid</u></th><th><u>Covered</u></th></tr> <tr> <td>3</td><td>5</td><td>Member Only</td></tr> <tr> <td>5</td><td>7</td><td>Member Only</td></tr> <tr> <td>10</td><td>10</td><td>Member Only</td></tr> <tr> <td>15</td><td>10</td><td>Member and Spouse</td></tr> </table> If a member dies and is eligible to receive or is receiving the above benefit their spouse may use this benefit to purchase Medical and Prescription Drug Coverage. Grandfathered Retiree: One retiree pays any increase in premium from retirement for Medical and Prescription Drug in addition to the \$100 PSERS supplement. <u>Dependents</u> Spouse Included	<u>GVSD</u>	<u>Years Paid</u>	<u>Covered</u>	3	5	Member Only	5	7	Member Only	10	10	Member Only	15	10	Member and Spouse	
<u>GVSD</u>	<u>Years Paid</u>	<u>Covered</u>															
3	5	Member Only															
5	7	Member Only															
10	10	Member Only															
15	10	Member and Spouse															

GREAT VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

I. Administrators - continued

b. Administrators retiring after 7/1/2020

ELIGIBILITY	COVERAGE AND PREMIUM SHARING		DURATION								
Must meet one of the following conditions to be eligible:	<u>Coverage</u> Medical		For Medical, both member and spouse may continue coverage until age 65.								
i) 25 years of PSERS service	<u>Premium Sharing</u> Member must pay full premium		For those who waived medical insurance, HRA contribution is a one-time payment.								
ii) PSERS Retirement	<u>Dependents</u> Spouse Included										
	Members who completed 25 years of PSERS service will have an HRA contribution of the following amount determined by the years as a Great Valley Administrator.										
	<table><thead><tr><th><u>Years as a GVSD Administrator</u></th><th><u>Contribution</u></th></tr></thead><tbody><tr><td>3</td><td>\$25,000</td></tr><tr><td>5</td><td>\$30,000</td></tr><tr><td>10</td><td>\$40,000</td></tr><tr><td>15</td><td>\$55,000</td></tr></tbody></table>	<u>Years as a GVSD Administrator</u>	<u>Contribution</u>	3	\$25,000	5	\$30,000	10	\$40,000	15	\$55,000
<u>Years as a GVSD Administrator</u>	<u>Contribution</u>										
3	\$25,000										
5	\$30,000										
10	\$40,000										
15	\$55,000										

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

I. Administrators - continued

c. Senior Administrative Management

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Must meet one of the following conditions to be eligible:	<u>Coverage</u> Medical, Prescription Drug, Dental, and Vision and Life Insurance <u>Premium Sharing</u> If member has at least 25 years of PSERS service, GVSD will contribute 100% of premiums towards Medical, Prescription Drug, Dental, and Vision coverage for a period of 12 years for both the member and their spouse. If member is receiving the \$100 PSERS supplement during the fully paid 12 year period, they must forward this amount to GVSD. If a member dies and is eligible to receive or is receiving the above benefit their spouse may use this benefit to purchase Medical and Prescription Drug Coverage. GVSD will contribute 50% of the cost for a 12 Year Term Life Insurance policy in the amount of 3 times their salary at the time of retirement. If member does not qualify for the District subsidy but retires through PSERS, member can continue coverage by paying COBRA premium rate for Medical. Only 2 active administrators are offered life insurance after retirement. Life insurance on retired administrators lasts for 20 years. <u>Dependents</u> Spouse Included	Both member and spouse may continue Medical coverage for 12 years or up to until age 65. Both member and spouse may continue Prescription Drug Coverage for 12 years or up to until age 65. Life Insurance is provided for 12 years on the member's life only.

GREAT VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

II. Teachers

- a. Teachers retiring during or after the 2020-2021 school year

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Must meet one of the following conditions to be eligible:	<u>Coverage</u> Medical	For Medical, both member and spouse may continue coverage for life.
i) 25 years of PSERS Service and 15 years of service with GVSD	<u>Premium Sharing</u> Member must pay full premium <u>Dependents</u> Spouse Included	For those who waived medical insurance, HRA contribution is a one-time payment.
ii) PSERS Retirement	Members who completed 25 years of PSERS service with 15 years of GVSD service and waived medical insurance can receive a one-time HRA contribution of \$20,000.	Member and spouse may stay on until age 65.

III. Support Staff

- a. 12-Month Support Staff, 10-Month Cafeteria Support Staff, and 10-Month Non-Cafeteria Support Staff retiring after 7/1/2020

<i>ELIGIBILITY</i>	<i>COVERAGE AND PREMIUM SHARING</i>	<i>DURATION</i>
Same as IIa.	Same as IIa except the one-time HRA contribution is \$750 per year of district service up to \$25,000.	Same as IIa.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

PSERS Supplement: A retiree may receive a \$100 monthly medical reimbursement from PSERS if he/she meets one of the following qualifications at retirement:

- 1) 24.5 years of PSERS service.
- 2) Upon superannuation retirement with at least 15 years of PSERS service.

PSERS Retirement:

- 1) Pension Class T-C or T-D: An employee is eligible for PSERS retirement if he or she is eligible for either i) PSERS early retirement while under 62 with 5 years of PSERS service or ii) PSERS superannuation retirement upon reaching age 60 with 30 years of PSERS service, age 62 with 1 year of PSERS service or 35 year of PSERS service regardless of age. In general, these pension classes apply to individuals who were members of PSERS prior to July 1, 2011.
- 2) Pension Class T-E or T-F: An employee is eligible for PSERS retirement if he or she is eligible for either i) PSERS early retirement while under 65 with 10 years of PSERS service or ii) PSERS superannuation retirement upon reaching age 65 with 3 years of PSERS service or upon attainment of total combination of age plus service equal to or greater than 92 with a minimum of 35 years of PSERS service. In general, these pension classes apply to individuals who became members of PSERS on or after July 1, 2011 and prior to July 1, 2019.
- 3) Pension Class T-G: An employee is eligible for PSERS retirement if he or she is eligible for either i) PSERS early retirement while under 67 with 10 years of PSERS service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service or upon attainment of total combination of age plus service equal to or greater than 97 with a minimum of 35 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 4) Pension Class T-H: An employee is eligible for PSERS retirement if he or she is eligible for either i) PSERS early retirement while under 67 with 10 years of PSERS service or ii) PSERS superannuation retirement upon reaching age 67 with 3 years of PSERS service. In general, this pension class applies to individuals who became members of PSERS on or after July 1, 2019.
- 5) All individuals except those in Pension Class T-G are eligible for a special early retirement upon reaching age 55 with 25 years of PSERS service. Individuals in Pension Class T-G are eligible for a special early retirement upon reaching age 57 with 25 years of PSERS service.

GREAT VALLEY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Benefits Provided - continued

Coordination with Medicare benefits: Members or spouses over 65 must enroll in a Medicare Supplement Plan provided by the district.

Dependent coverage: For spouses where the district does not pay a portion of the premium, spouses are moved to single coverage and pay the full COBRA premium rate for single coverage.

Employees Covered by Benefit Terms

At July 1, 2022, the date of the most recent actuary valuation, the following employees were covered by the benefit terms:

Active participants	466
Retired participants	<u>24</u>
Total	<u><u>490</u></u>

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

General Information About the District OPEB Plan - continued

Actuarial Assumptions and Other Inputs

The total OPEB liability as of July 1, 2022, was determined by rolling forward the District's total OPEB liability as of July 1, 2021 to July 1, 2022, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method - Entry Age Normal.
- Salary increases - 2.50% cost of living adjustment, 1% real wage growth, and for teachers and administrators a merit increase which varies by age from 2.75% to 0%.
- Discount rate - 4.06% - based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index at July 1, 2022.
- Mortality rates - PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees.
- Healthcare cost trend rates - 6.5% in 2022, 6.0% in 2023 and 5.5% in 2024-2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Participation rates - 100% of all employees eligible for HRA benefit will elect. 70% of Administrators and Teachers and 10% of Support Staff will elect coverage.

The actuarial assumptions were selected using input from the District based on actual experience.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2022	\$ 8,492,784
Changes for the year:	
Service cost	581,187
Interest	199,709
Difference between expected and actual experience	(4,471,475)
Changes of assumptions or other inputs	(575,000)
Benefit payments	(581,137)
Net changes	<u>(4,846,716)</u>
Balance at June 30, 2023	<u>\$ 3,646,068</u>

Changes of assumptions or other inputs reflect the following changes: (1) the discount rate changed from 2.28% to 4.06%, (2) the healthcare cost trend assumption was updated, (3) assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one-percentage point lower (3.06%) or one-percentage point higher (5.06%) than the current discount rate:

	<u>1% Decrease 3.06%</u>	<u>Current Discount Rate 4.06%</u>	<u>1% Increase 5.06%</u>
OPEB Plan - Total OPEB liability	\$ 3,819,574	\$ 3,646,068	\$ 3,477,741

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

Changes in the Total OPEB Liability - continued

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage point lower or one-percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
OPEB Plan - Total OPEB Liability	\$ 3,549,362	\$ 3,646,068	\$ 3,754,949

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of \$134,603. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,527	\$ 6,234,490
Changes of assumptions	598,655	1,107,521
Benefit payments made subsequent to the measurement date	364,449	-
	<u>\$ 1,002,631</u>	<u>\$ 7,342,011</u>

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS - CONTINUED

District OPEB Plan - continued

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB - continued

The \$364,449 reported as deferred outflows of resources related to OPEB liabilities resulting from benefit payments made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the years ending June 30:

2024	\$ (646,293)
2025	(646,293)
2026	(646,293)
2027	(646,293)
2028	(646,293)
Thereafter	<u>(3,472,364)</u>
Total	<u><u>\$ (6,703,829)</u></u>

NOTE 11 - JOINT VENTURE

The District is one of four member school districts of the Chester County Technical College High School - Pickering Campus (TCHS-Pickering). TCHS-Pickering is controlled and governed by a joint board, which is composed of representative school board members of the participating schools. Direct oversight of TCHS-Pickering operations is the responsibility of the joint board. The District is not responsible for deficits, nor is the District entitled to operating surplus. The District is a guarantor of outstanding debt, but the amount is immaterial. The District's share of annual operating and capital costs for TCHS-Pickering fluctuates based on the percentage of enrollment and is reflected as intergovernmental expenditures of the General Fund. Since there is no clear residual equity, no asset has been reflected in the District's financial statements. Summary financial information as of June 30, 2023 (the most recent information available) is as follows:

<u>Chester County Technical College High School (Governmental Activities)</u>	
Total assets and deferred outflows of resources	\$ 54,031,057
Total liabilities and deferred inflows of resources	<u>89,081,630</u>
Total net position (deficit)	<u><u>\$ (35,050,573)</u></u>

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

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverage of the 2022/2023 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The District is a member of the School Districts Insurance Consortium (SDIC) for workers' compensation coverage. SDIC is comprised of approximately 100 member school districts which jointly self-assume their workers' compensation liabilities. Even though the member school districts contribute to SDIC's insurance fund, they remain individually liable for their own workers' compensation claims. The members of SDIC are required to participate in any deficiencies of SDIC and are subject to periodic assessments, as required. At June 30, 2023, there was no unfunded liability.

Currently, the District is self-insured for medical, prescription, dental, and vision insurance for employees and their dependents. The District established an internal service fund to administer self-insurance benefits for medical, prescription, dental and vision insurance to all District employees. The District uses a third-party administrator to provide consulting and administrative services to process claims within the self-insurance fund. For the year ended June 30, 2023, the District has coverage for claims in excess of \$325,000 per person and an unlimited lifetime benefit.

The following table presents the components of the self-insurance benefit obligation and the related changes in the fund's benefit obligation at June 30, 2023 and 2022:

	2023	2022
Claims payable	<u>\$ 2,450,136</u>	<u>\$ 1,954,784</u>
Changes in benefit obligations are as follows for the year ended June 30:		
Claims payable, beginning of year	\$ 1,954,784	\$ 1,752,225
Benefits earned	7,452,462	6,215,922
Claims paid	<u>(6,957,110)</u>	<u>(6,013,363)</u>
Claims payable, end of year	<u>\$ 2,450,136</u>	<u>\$ 1,954,784</u>

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 13 - CONTINGENCIES AND COMMITMENTS

The District is a defendant in various matters of litigation and claims. These matters result in the normal course of business. It is not presently possible to determine the ultimate outcome or settlement cost, if any, of these matters. The District has accrued an estimated liability related to a real estate assessment appeal that has not yet settled. The amount accrued is \$243,640 and is included as other current liability in the general fund.

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.

The District has entered into an agreement for the transportation of students. The Agreement is for the period of August 1, 2015 through July 31, 2021. The Agreement was extended through June 30, 2026 under the same terms. The contractor provides all equipment, repairs, supplies (excluding fuel) and labor necessary. The cost for the transportation services is determined based on a yearly base service cost, which is adjusted each school year based on the percentage change in the Consumer Price Index with a floor of a 3% increase and a max of a 6% increase. The agreement may be terminated by the District, without cause, upon giving the transportation provider not less than twelve months' prior written notice in the event that the District decides to discontinue all student transportation services.

The District has the following commitments under contracts entered into for capital improvements as of June 30, 2023:

<u>Project</u>	<u>Contracted Amounts</u>	<u>Balance Remaining</u>
New 5-6 center	\$ 80,943,729	\$ 42,747,078
HS auditorium renovations	3,709,772	2,778,570
5/6 center road improvement	1,898,500	1,898,500
New administration building	4,674,533	1,630,485
N2 upgrade	2,056,915	1,131,915
ClearTouch panels	285,183	285,183
Renovation of district libraries	156,544	150,932
Food service equipment	164,442	112,062
KD Markley cooling tower	158,898	62,991
Demolition and replacement of HS loading docks	91,100	39,773
General Wayne playground renovation	70,900	7,747
Total	<u>\$ 94,210,516</u>	<u>\$ 50,845,236</u>

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 13 - CONTINGENCIES AND COMMITMENTS - CONTINUED

Subsequent to year end, the District approved the following agreements for capital improvements:

<u>Project</u>	<u>Contracted Amounts</u>
Office furniture at District Office	\$ 207,000
Land development at KD Markley	149,700
Commissioning services for the 5/6 Center	106,119
Food service equipment	77,522
Equipment balancing services for 5/6 Center	63,800
Total	<u>\$ 604,141</u>

The District plans to use existing funds in the capital projects fund and food service fund as well as assigned general fund balance to fulfill the commitments.

NOTE 14 - 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, 2023, are as follows:

General Fund

The general fund has nonspendable funds of \$454,802 related to prepaid expenditures, assigned funds of \$7,298,064 for appropriation for next year budget, \$2,500,000 for special education settlements, \$22,862,837 for future capital projects, \$500,000 for charter school costs, and unassigned fund balance of \$6,108,085.

Capital Projects

The capital projects fund has nonspendable funds of \$894,406 related to prepaid expenditures and restricted funds of \$46,397,395 consisting of \$36,340,437 of unspent bond funds, and \$10,056,958 comprised of surplus monies transferred from the general fund for the acquisition or construction of capital facilities and qualified capital assets as authorized by Municipal Code P.L. 145 Act of April 30, 1943.

Nonmajor Funds

The nonmajor funds have restricted funds of \$2,692,870 consisting of \$2,313,281 for scholarships and \$379,589 for student activities.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2023

NOTE 15 - NEW ACCOUNTING PRONOUNCEMENTS

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

- Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of Statement No. 62* - The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.
- Statement No. 101, *Compensated Absences* - The primary objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

REQUIRED SUPPLEMENTARY INFORMATION

GREAT VALLEY SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the collective net pension liability	0.2754%	0.3075%	0.3058%	0.3018%	0.3033%	0.2992%	0.2971%	0.2852%	0.2823%	0.2727%
District's proportionate share of the collective net pension liability	\$ 122,439,000	\$ 126,249,000	\$ 150,573,000	\$ 141,190,000	\$ 145,599,000	\$ 147,770,000	\$ 147,233,000	\$ 123,535,000	\$ 111,736,000	\$ 111,634,000
District's covered payroll	\$ 40,379,810	\$ 43,490,210	\$ 42,764,082	\$ 41,623,052	\$ 40,846,930	\$ 39,829,209	\$ 38,472,750	\$ 36,700,194	\$ 36,028,907	\$ 34,999,676
District's proportionate share of the net pension liability as a percentage of its covered payroll	303.22%	290.29%	352.10%	339.21%	356.45%	371.01%	382.69%	336.61%	310.13%	318.96%
Plan fiduciary net position as a percentage of the total pension liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.50%

The District's covered payroll noted above is as of the measurement date of the net pension liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes in benefit terms

With the passage of Act 5 on June 12, 2017, class T-E & T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes in assumptions used in measurement of the Total Pension Liability beginning June 30, 2021

- The discount rate decreased from 7.25% to 7.00%. The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

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 3.00% 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.

GREAT VALLEY SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION PLAN

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 16,183,931	\$ 15,305,939	\$ 14,656,562	\$ 14,273,513	\$ 13,600,452	\$ 12,983,920	\$ 11,731,989	\$ 9,640,430	\$ 7,583,753	\$ 5,544,636
Contributions in relation to the contractually required contribution	<u>16,183,931</u>	<u>15,305,939</u>	<u>14,656,562</u>	<u>14,273,513</u>	<u>13,600,452</u>	<u>12,983,920</u>	<u>11,731,989</u>	<u>9,640,430</u>	<u>7,583,753</u>	<u>5,544,636</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 payroll	\$ 46,874,269	\$ 40,379,810	\$ 43,490,210	\$ 42,764,082	\$ 41,623,052	\$ 40,846,930	\$ 39,829,209	\$ 38,472,750	\$ 36,700,194	\$ 36,028,907
Contributions as a percentage of covered payroll	34.53%	37.90%	33.70%	33.38%	32.68%	31.79%	29.46%	25.06%	20.66%	15.39%

GREAT VALLEY SCHOOL DISTRICT

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

LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017
District's proportion of the collective PSERS OPEB liability	0.2746%	0.3068%	0.3047%	0.3018%	0.3033%	0.2992%	0.2971%
District's proportionate share of the collective net PSERS OPEB liability	\$ 5,055,000	\$ 7,271,000	\$ 6,584,000	\$ 6,419,000	\$ 6,324,000	\$ 6,096,000	\$ 6,400,000
District's covered payroll	\$ 40,379,810	\$ 43,490,210	\$ 42,764,082	\$ 41,623,052	\$ 40,846,930	\$ 39,829,209	\$ 38,472,750
District's proportionate share of the net PSERS OPEB liability as a percentage of its covered payroll	12.52%	16.72%	15.40%	15.42%	15.48%	15.31%	16.64%
Plan fiduciary net position as a percentage of the total PSERS OPEB liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%	5.47%

The District's covered payroll noted above is as of the measurement date of the net PSERS OPEB liability, which is one year prior to the fiscal year end.

NOTES TO SCHEDULE

Changes in benefit terms

None.

Changes in assumptions used in measurement of the Total OPEB Liability beginning June 30, 2021

- The inflation assumption was decreased from 2.75% to 2.50%. Payroll growth assumption decreased from 3.50% to 3.25%.
- Salary growth changed from an effective average of 5.00%, which was comprised of inflation of 2.75%, real wage growth and for merit or seniority increases of 2.25%, to an effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Mortality rates were modified from the RP-2014 Mortality Tables for Males and Females to a blended table based on 50% PubT-2010 Employee (Total Teacher dataset) and 50% PubG-2010 (Total General Employees data), adjusted to reflect PSERS' experience and projected using a modified version MP-2020.
- For disabled annuitants the rates were modified from the RP-2014 Mortality Tables for Males and Females to Pub-2010 Disability Mortality Non-Safety Headcount Weighted table, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020.

Changes in assumptions used in measurement of the Total OPEB liability beginning June 30, 2016

- 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.

For each year presented, the discount rate is updated using the S&P 20-year Municipal Bond Rate.

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

GREAT VALLEY SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PSERS OPEB PLAN

LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 353,772	\$ 360,246	\$ 358,649	\$ 359,405	\$ 346,270	\$ 339,529	\$ 333,478	\$ 323,918	\$ 332,945	\$ 322,282
Contributions in relation to the contractually required contribution	<u>353,772</u>	<u>360,246</u>	<u>358,649</u>	<u>359,405</u>	<u>346,270</u>	<u>339,529</u>	<u>333,478</u>	<u>323,918</u>	<u>332,945</u>	<u>322,282</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 payroll	\$ 46,874,269	\$ 40,379,810	\$ 43,490,210	\$ 42,764,082	\$ 41,623,052	\$ 40,846,930	\$ 39,829,209	\$ 38,472,750	\$ 36,700,194	\$ 36,028,907
Contributions as a percentage of covered payroll	0.75%	0.89%	0.82%	0.84%	0.83%	0.83%	0.84%	0.84%	0.91%	0.89%

GREAT VALLEY SCHOOL DISTRICT

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS -
DISTRICT OPEB PLAN**

LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018
Total OPEB liability:						
Service cost	\$ 581,187	\$ 582,005	\$ 836,977	\$ 841,304	\$ 826,658	\$ 854,942
Interest	199,709	162,300	432,135	368,461	381,926	294,111
Changes of benefit terms	-	-	(3,645,356)	-	374,730	-
Differences between expected and actual experience	(4,471,475)	-	(1,879,216)	-	(1,128,060)	-
Changes in assumptions	(575,000)	(224,405)	793,053	(342,737)	6,631	(322,510)
Benefit payments	(581,137)	(372,965)	(471,126)	(241,722)	(399,827)	(417,325)
Net change in total OPEB liability	(4,846,716)	146,935	(3,933,533)	625,306	62,058	409,218
Total OPEB liability, beginning	8,492,784	8,345,849	12,279,382	11,654,076	11,592,018	11,182,800
Total OPEB liability, ending	<u>\$ 3,646,068</u>	<u>\$ 8,492,784</u>	<u>\$ 8,345,849</u>	<u>\$ 12,279,382</u>	<u>\$ 11,654,076</u>	<u>\$ 11,592,018</u>
Covered Employee Payroll	<u>\$ 41,551,247</u>	<u>\$ 40,605,020</u>	<u>\$ 40,605,020</u>	<u>\$ 37,955,147</u>	<u>\$ 37,955,147</u>	<u>\$ 36,048,401</u>
Total OPEB Liability as a Percentage of Covered Employee Payroll	8.77%	20.92%	20.55%	32.35%	30.70%	32.16%

NOTES TO SCHEDULE

Changes of Benefit Terms

None for the July 1, 2022 measurement date.

Significant changes of benefit terms for the July 1, 2020 measurement date are as follows:

- Administrators receive an HRA in the amount of the district service they have if they waive district medical coverage. Teachers receive an HRA in the amount of \$20,000 if they waive medical coverage. Support staff receive an HRA in the amount of \$750 per year of GVSD service up to \$20,000 if they waive district medical coverage.

Changes of Assumptions

Significant changes in assumptions for the July 1, 2022 measurement date are as follows:

- The discount rate changed from 2.28% to 4.06%.
- The healthcare cost trend assumption was updated.
- Assumptions for salary, mortality, withdrawal and retirement were based on PSERS assumptions.

Significant changes in assumptions for prior measurement dates are as follows:

- The discount rate was updated each year based on the S&P Municipal Bond 20 - Year High Grade Index.
- The healthcare cost trend assumption was updated each year.
- For the July 1, 2018 measurement date the election percentage for support staff was updated to reflect the new benefit.
- For the July 1, 2017 measurement date the assumptions for salary, mortality, withdrawal and retirement were updated based on new PSERS assumptions.

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

SUPPLEMENTARY INFORMATION

GREAT VALLEY SCHOOL DISTRICT

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2023

	<u>Scholarships</u>	<u>Student Activities</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash and investments	\$ 2,345,381	\$ 479,187	\$ 2,824,568
TOTAL ASSETS	<u>\$ 2,345,381</u>	<u>\$ 479,187</u>	<u>\$ 2,824,568</u>
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Interfund payable	\$ -	\$ 99,598	\$ 99,598
Other current liabilities	32,100	-	32,100
TOTAL LIABILITIES	32,100	99,598	131,698
FUND BALANCES			
Restricted	2,313,281	379,589	2,692,870
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,345,381</u>	<u>\$ 479,187</u>	<u>\$ 2,824,568</u>

GREAT VALLEY SCHOOL DISTRICT

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

For the Year Ended June 30, 2023

	<u>Scholarships</u>	<u>Student Activities</u>	<u>Totals</u>
REVENUE			
Local sources	\$ 107,785	\$ 399,287	\$ 507,072
EXPENDITURES			
Current:			
Operation of noninstructional services	<u>49,550</u>	<u>408,134</u>	<u>457,684</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	58,235	(8,847)	49,388
FUND BALANCES - BEGINNING OF YEAR	<u>2,255,046</u>	<u>388,436</u>	<u>2,643,482</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 2,313,281</u></u>	<u><u>\$ 379,589</u></u>	<u><u>\$ 2,692,870</u></u>

GREAT VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Federal Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for Year	Accrued or (Unearned) Revenue at June 30, 2022	Revenue Recognized/ Expenditures	Accrued or (Unearned) Revenue at June 30, 2023
U.S. DEPARTMENT OF EDUCATION									
Passed through the PA Department of Education:									
Title I Grants to Local Educational Agencies	I	84.010	013-22-0168	07/06/21-09/30/22	\$ 284,838	\$ 1	\$ 1	\$ -	\$ -
Title I Grants to Local Educational Agencies	I	84.010	013-23-0168	07/06/22-09/30/23	242,112	225,971	-	238,046	12,075
Subtotal - ALN 84.010						225,972	1	238,046	12,075
Supporting Effective Instruction State Grant	I	84.367	020-21-0168	07/01/20-09/30/21	83,352	(568)	(3,315)	2,747	-
Supporting Effective Instruction State Grant	I	84.367	020-22-0168	07/06/21-09/30/22	67,352	17,979	(17,910)	67,352	31,463
Supporting Effective Instruction State Grant	I	84.367	020-23-0168	07/06/22-09/30/23	65,357	34,833	-	12,527	(22,306)
Subtotal - ALN 84.367						52,244	(21,225)	82,626	9,157
English Language Acquisition Grants	I	84.365	010-22-0168	07/06/21-09/30/22	49,586	26,734	(7,750)	34,484	-
English Language Acquisition Grants	I	84.365	010-23-0168	07/06/22-09/30/23	56,484	24,859	-	14,209	(10,650)
Subtotal - ALN 84.365						51,593	(7,750)	48,693	(10,650)
Student Support and Academic Enrichment Program	I	84.424	144-22-0168	07/06/21-09/30/22	25,200	11,767	1,021	10,746	-
Student Support and Academic Enrichment Program	I	84.424	144-23-0168	07/06/22-09/30/23	22,350	19,872	-	13,159	(6,713)
Subtotal - ALN 84.424						31,639	1,021	23,905	(6,713)
Education Stabilization Fund									
Passed through the PA Department of Education:									
COVID-19 - Elementary Secondary School Emergency Relief Fund (ESSER II)	I	84.425D	200-210168	03/13/20-09/30/23	1,237,432	408,408	41,538	336,144	(30,726)
COVID-19 - Elementary Secondary School Emergency Relief Fund (ESSER III)	I	84.425	223-210168	03/13/20-09/30/24	2,502,966	1,274,237	382,447	852,476	(39,314)
COVID-19 - Elementary Secondary School Emergency Relief Fund (ESSER 7%)	I	84.425	225-210168	03/13/20-09/30/24	194,535	74,277	(8,904)	118,571	35,390
Subtotal - ALN 84.425 - Total Education Stabilization Fund						1,756,922	415,081	1,307,191	(34,650)
Special Education Cluster (IDEA)									
Passed through the Chester County Intermediate Unit:									
Special Education - Preschool Grants	I	84.173	131-220024B	07/01/21-06/30/22	2,106	2,106	2,106	-	-
Special Education - Preschool Grants	I	84.173	131-230024B	07/01/22-06/30/23	2,688	-	-	2,688	2,688
Subtotal - ALN 84.173						2,106	2,106	2,688	2,688
Special Education - Grants to States	I	84.027	062-22-0024	07/01/21-09/30/22	625,115	375,069	375,069	-	-
COVID-19 - Special Education - Grants to States	I	84.027	062-22-0024	07/01/21-06/30/22	150,764	90,458	90,458	-	-
Special Education - Grants to States	I	84.027	062-23-0024	07/01/22-09/30/23	632,886	337,539	-	632,886	295,347
Subtotal - ALN 84.027						803,066	465,527	632,886	295,347
Total Special Education Cluster (IDEA)						805,172	467,633	635,574	298,035
TOTAL U. S. DEPARTMENT OF EDUCATION						2,923,542	854,761	2,336,035	267,254

See notes to schedule of expenditures of federal awards.

GREAT VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

For the Year Ended June 30, 2023

Grantor/Program Title	Source Code	Assistance Listing Number (ALN)	Federal Pass-Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for Year	Accrued or (Unearned) Revenue at June 30, 2022	Revenue Recognized/ Expenditures	Accrued or (Unearned) Revenue at June 30, 2023
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>									
Medicaid Cluster									
Passed through the PA Department of Human Services:									
Medical Assistance Program	I	93.778	N/A	N/A	N/A	20,775	-	24,134	3,359
TOTAL MEDICAID CLUSTER AND									
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						20,775	-	24,134	3,359
<u>U.S. DEPARTMENT OF AGRICULTURE</u>									
Passed through the PA Department of Education:									
COVID-19 - State Pandemic Benefit Transfer Administrative Costs Grant	I	10.649	N/A	07/01/22-06/30/23	N/A	628	-	628	-
Child Nutrition Cluster									
Passed through the PA Department of Education:									
COVID-19 - Summer Food Service Program for Children	I	10.559	N/A	07/01/22-06/30/23	N/A	30,231	-	30,231	-
COVID-19 - School Breakfast Program	I	10.553	N/A	07/01/21-06/30/22	N/A	19,329	19,329	-	-
School Breakfast Program	I	10.553	N/A	07/01/22-06/30/23	N/A	142,560	-	151,608	9,048
Subtotal - ALN 10.553						161,889	19,329	151,608	9,048
COVID-19 - National School Lunch Program (Supply Chain Assistance)	I	10.555	N/A	07/01/22-06/30/23	N/A	122,874	-	122,874	-
COVID-19 - National School Lunch Program	I	10.555	N/A	07/01/21-06/30/22	N/A	89,466	89,466	-	-
National School Lunch Program	I	10.555	N/A	07/01/22-06/30/23	N/A	635,992	-	666,650	30,658
Passed through the PA Department of Agriculture:									
National School Lunch Program (Donated Commodities)	I	10.555	N/A	07/01/22-06/30/23	N/A	125,146	(24,144)	131,991	(17,299)
Subtotal - ALN 10.555						973,478	65,322	921,515	13,359
Total Child Nutrition Cluster						1,165,598	84,651	1,103,354	22,407
TOTAL U. S. DEPARTMENT OF AGRICULTURE						1,166,226	84,651	1,103,982	22,407
TOTAL FEDERAL AWARDS						\$ 4,110,543	\$ 939,412	\$ 3,464,151	\$ 293,020

Source Codes: I = Indirect

NOTE: No funds were passed through to subrecipients in the year ended June 30, 2023.

See notes to schedule of expenditures of federal awards.

GREAT VALLEY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Great Valley School District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Great Valley School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Great Valley School District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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

NOTE 3 - DE MINIMIS RATE FOR INDIRECT COSTS

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

NOTE 4 - ACCESS PROGRAM

The District participates in the ACCESS Program which is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. There was no ACCESS funding classified as fee-for-service and recognized for the year ended June 30, 2023.

NOTE 5 - FOOD COMMODITIES

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the District has \$17,299 of food commodity inventory.

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

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

We have audited, in accordance with 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 Great Valley School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Great Valley School District’s basic financial statements, and have issued our report thereon dated January 29, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Great Valley School District’s internal control over financial reporting (internal control) as a basis for designing 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 Great Valley School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Great Valley School District’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Great Valley School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Great Valley School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Great Valley School District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Great Valley School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Herbein + Company, Inc.

Reading, Pennsylvania
January 29, 2024

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

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

Report on Compliance for Each Major Program

Opinion on Each Major Federal Program

We have audited Great Valley School District’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Great Valley School District’s major federal programs for the year ended June 30, 2023. Great Valley School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Great Valley School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Great Valley School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Great Valley School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Great Valley School District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Great Valley School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Great Valley School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Great Valley School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Great Valley School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Great Valley School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
January 29, 2024

GREAT VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

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?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal Control Over Major Programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> 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)?	<u> </u> yes	<u> X </u> no

Identification of Major Programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425	COVID-19 - Education Stabilization Fund
	<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: \$750,000

Auditee qualified as low-risk auditee? yes X no

GREAT VALLEY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended June 30, 2023

Section II - Financial Statement Findings

2023-001 ACCOUNT RECONCILIATIONS AND ADJUSTMENTS POSTED AS A RESULT OF THE AUDIT - MATERIAL WEAKNESS

Criteria

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. AU-C Section 265 indicates that the "Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control" should be regarded as a material weakness in internal controls.

Condition

Certain material balance sheet accounts were not accurately and properly reconciled at year end. As a result, material audit adjustments were proposed during the audit to properly reflect accounts on the financial statements in compliance with reporting under U.S. generally accepted accounting principles.

Cause

The financial close process did not identify certain accounts that were not properly reconciled to supporting information.

Effect

Significant adjustments were posted as a result of audit procedures to bring numerous funds and accounts into compliance with reporting under U.S. generally accepted accounting standards. As a result of reconciliations and other monitoring activities not being performed, the preliminary financial statements were misstated at year end.

Recommendation

The business office should review and document its policies and procedures for key transaction classes to ensure that an appropriate individual is assigned the task and has the tools necessary to complete that task effectively and efficiently. Material accounts should be reconciled monthly to the general ledger and deadlines setup for accountability of preparation and review. Management should assess the current staffing levels in the business office and determine if an additional position and/or change in duties of current staff are necessary for more accurate and timely financial reporting throughout the year.

Management Response

See corrective action plan included in this report package.

Section III - Federal Awards Findings and Questioned Costs

There were no federal awards findings or questioned costs.



GREAT VALLEY SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

Section II - Financial Statement Findings

2022-001 ACCOUNT RECONCILIATIONS AND ADJUSTMENTS POSTED AS A RESULT OF THE AUDIT - MATERIAL WEAKNESS

Criteria

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. AU-C Section 265 indicates that the "Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control" should be regarded as a material weakness in internal controls.

Condition

Certain material balance sheet accounts were not accurately and properly reconciled at year end. As a result, material audit adjustments were proposed during the audit to properly reflect accounts on the financial statements in compliance with reporting under U.S. generally accepted accounting principles.

Cause

The financial close process did not identify certain accounts that were not properly reconciled to supporting information.

Effect

Significant adjustments were posted as a result of audit procedures to bring numerous funds and accounts into compliance with reporting under U.S. generally accepted accounting standards. As a result of reconciliations and other monitoring activities not being performed, the preliminary financial statements were misstated at year end.

Recommendation

The business office should review and document its policies and procedures for key transaction classes to ensure that an appropriate individual is assigned the task and has the tools necessary to complete that task effectively and efficiently. Material accounts should be reconciled monthly to the general ledger and deadlines setup for accountability of preparation and review. Management should assess the current staffing levels in the business office and determine if an additional position and/or change in duties of current staff are necessary for more accurate and timely financial reporting throughout the year.

Current Status of Corrective Action Plan

See corrective action plan included in this report package related to finding 2023-001.

GREAT VALLEY SCHOOL DISTRICT

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

Section III - Federal Awards Findings and Questioned Costs

2022-002 ALLOWABLE COSTS - SIGNIFICANT DEFICIENCY

Federal Program

Education Stabilization Fund

ALN 84.425D - COVID-19 - Elementary Secondary School Emergency Relief Fund (ESSER II), contract #200-210168

ALN 84.425U - COVID-19 - Elementary Secondary School Emergency Relief Fund (ESSER III), contract #223-210168

Criteria

In accordance with Uniform Guidance costs principles, the District is not allowed to charge costs to a grant that are reimbursed by another funding source.

Condition

The District charged 100% of the employer paid retirement cost to the grant, however, the Pennsylvania Department of Education reimburses the District 50% of those costs annually. As a result, the District is only permitted to charge 50% of retirement costs to the grants.

Cause

The District improperly charged twice the allowable retirement costs to the grant to the general ledger funding source code for the grants. Review procedures in place did not identify that only 50% of the retirement costs charged were allowable.

Effect

Unallowable costs were charged to the grants. The District subsequently identified allowable costs in this amount to charge to the grants to replace these unallowable costs.

Recommendation

We recommend the District identify all funding streams and have a process in place to ensure that allowable costs are only charged to one funding stream applying subsidy stream payments first. There should also be a procedure in place to have a person independent of report preparation review cost report and underlying expenditures.

Current Status of Corrective Action Plan

Corrective action plan has been implemented. No repeat finding in the current year.

Great Valley School District



100 Lindenwood Drive
Malvern, PA 19355
Phone: 610-889-2125, ext. 52123
Fax: 610-889-2120
E-Mail: cpeterson@gvdsd.org
www.gvdsd.org

CHARLES E. PETERSON, JR.
Director of Business Affairs

CORRECTIVE ACTION PLAN

January 29, 2024

The Great Valley School District respectfully submits the following corrective action plan for the fiscal year ended June 30, 2023.

Name and address of Independent Public Auditing Firm:

Herbein & Company
2763 Century Blvd.
Reading, PA 19601-2596

Audit Period:

July 1, 2022 - June 30, 2023

The findings from the June 30, 2023 schedule of findings are discussed below.

Section II - Financial Statement Findings

2023-001 ACCOUNT RECONCILIATIONS AND ADJUSTMENTS POSTED AS A RESULT OF THE AUDIT MATERIAL WEAKNESS

Criteria

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. AU-C Section 265 indicates that the "Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control" should be regarded as a material weakness in internal controls.

Condition

Certain material balance sheet accounts were not accurately and properly reconciled at year end. As a result, material audit adjustments were proposed during the audit to properly reflect accounts on the financial statements in compliance with reporting under U.S. generally accepted accounting principles.

Cause

The financial close process did not identify certain accounts that were not properly reconciled to supporting information.

Page 2 – Action Plan -continued**Effect**

Significant adjustments were posted as a result of audit procedures to bring numerous funds and accounts into compliance with reporting under U.S. generally accepted accounting standards. As a result of reconciliations and other monitoring activities not being performed, the preliminary financial statements were misstated at year end.

Recommendation

The business office should review and document its policies and procedures for key transaction classes to ensure that an appropriate individual is assigned the task and has the tools necessary to complete that task effectively and efficiently. Material accounts should be reconciled monthly to the general ledger and deadlines setup for accountability of preparation and review. Management should assess the current staffing levels in the business office and determine if an additional position and/or change in duties of current staff are necessary for more accurate and timely financial reporting throughout the year.

Action Plan

The business office has had additional turnover but is now fully staffed. With large learning curves within the department, we will continue to have staff receive professional development as a requirement to ensure all accounting codes, systems features and compliance with generally accepted accounting standards are followed. Staff assigned general ledger accounts with monthly reconciliation deadlines for review and signatures. We will analyze the need for additional staffing and review staff responsibility and reconfiguration, if necessary. All staff are required to review, update, and add procedures for each area within the department to ensure that the business offices' current and new staff follow all procedures within the department.

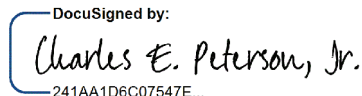
Anticipated Completion Date

Action plan fully implemented as of report date with training ongoing.

If the Department of Education has questions regarding this plan, please contact Charles E. Peterson, Jr. at 610-889-2125, extension 52123 or via email at cpeterson@gvdsd.org.

Sincerely yours,

DocuSigned by:



241AA1D6C07547E...

Charles E. Peterson, Jr.

Director of Business Affairs

Carrie Fell
Transportation/Attendance Supervisor
Extension 52132
cfell@gvdsd.org

Nicole Melia
Food Service Supervisor
Extension 52135
nmelia@gvdsd.org

Sharee McGiboney
Assistant Director of Business Affairs
Extension 52142
smcgiboney@gvdsd.org

Candy Evans
Supervisor of Info Technology
Extension 52302
cevans@gvdsd.org

Dustin Zappone
Supervisor of Buildings and Grounds
Extension 52137
dzappong@gvdsd.org