

SENECA VALLEY SCHOOL DISTRICT

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

**SENECA VALLEY  
SCHOOL DISTRICT**  
BUTLER COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

AND

OTHER INFORMATION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE

WITH REPORTS OF  
CERTIFIED PUBLIC ACCOUNTANT

**FOR THE YEAR ENDED  
JUNE 30, 2016**

**SENECA VALLEY SCHOOL DISTRICT**  
**BUTLER COUNTY, PENNSYLVANIA**  
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**SENECA VALLEY SCHOOL DISTRICT**  
**BUTLER COUNTY, PENNSYLVANIA**  
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**To the Management and Board of Education  
Seneca Valley School District**

## **Independent Auditor's Report**

### **Report on Financial Statements**

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Seneca Valley School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Seneca Valley School District as of June 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages iv-xiii and the defined benefit pension plan information on page 45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

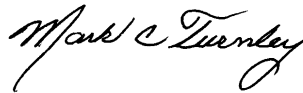
### ***Other Information***

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Seneca Valley School District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information 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*, I have also issued my report dated January 19, 2017 on my consideration of the Seneca Valley School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Seneca Valley School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mark C. Turnley". The signature is written in a cursive style with a large, stylized initial "M".

Mark C. Turnley, CPA

January 19, 2017  
New Brighton, Pennsylvania

**SENECA VALLEY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2016**

**INTRODUCTION**

The discussion and analysis of the Seneca Valley School District's financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2016. This discussion and analysis presents the district's financial performance as a whole. The financial statements and the notes to the basic financial statements provide a more detailed look at the finances for the 2015-2016 school year.

The Management Discussion and Analysis (MD&A) is a requirement of the Comprehensive Annual Financial Report (CAFR) conforming to the model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999. GASB 34 requires a comparison of certain information between the current year and the prior year.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2015-16 fiscal year are as follows:

- The District's total governmental and business-type activities liabilities and deferred inflows of resources exceeded total assets and deferred outflows of resources as of June 30, 2016 by \$112,229,088 (net position – deficit). The net position deficit is the result of the District's implementation of GASB Statement No. 68 '*Accounting and Financial Reporting for Pensions*' during 2014-2015. The District is required to recognize their proportionate share of the Pennsylvania School Employees Retirement System (PSERS) overall net pension obligation. For the Seneca Valley School District, this liability stands at \$156,594,200 for governmental activities and \$3,195,800 for business-type activities as of June 30, 2016.
- Total revenues were \$114,107,584 for all governmental funds (excluding other financing sources) of which the general fund accounted for \$113,989,887 worth of revenues.
- The School District had \$118,616,651 in expenditures for all governmental funds (excluding other financing uses) of which the general fund accounted for \$110,953,227 of those expenditures.
- At the end of the current fiscal year, the fund balance of the General Fund was \$26,604,206 of which \$138,554 is restricted for District debt obligations and \$59,155 is restricted for Flexible Spending Account, \$4,500,000 was committed for anticipated retirement increases, \$13,306,497 was assigned for adoption of new texts and learning resources as well as anticipated healthcare cost increases, and the balance of \$8,600,000 was unassigned.

**USING THE ANNUAL FINANCIAL REPORT (GASB 34)**

The Annual Financial Report consists of this Management Discussion and Analysis and a series of financial statements and notes to those statements. The statements are organized so that the reader can understand Seneca Valley School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

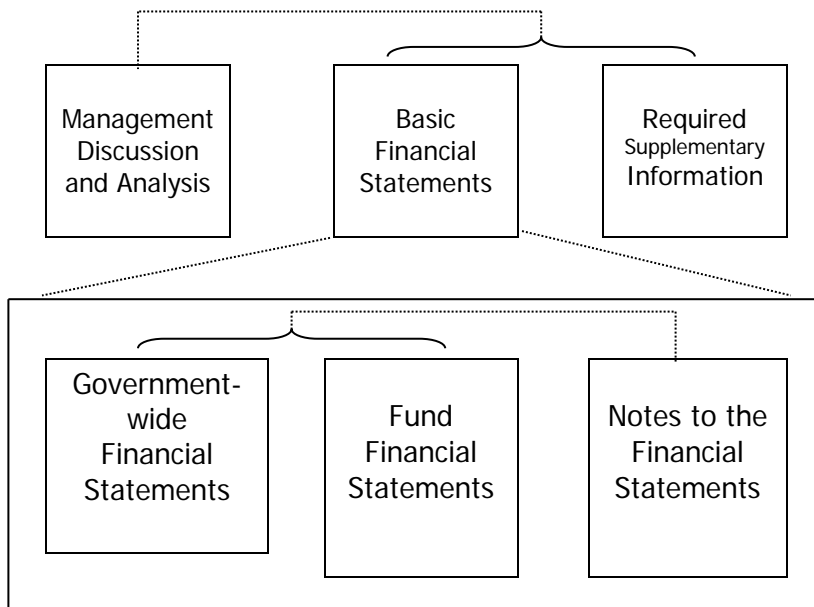


**SENECA VALLEY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2016**

**USING THE ANNUAL FINANCIAL REPORT (GASB 34) (Continued)**

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

Figure A-1  
Required components of  
Seneca Valley School District's  
Financial Report



**SENECA VALLEY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2016**

**USING THE ANNUAL FINANCIAL REPORT (GASB 34) (Continued)**

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

Figure A-2  
Major Features of Seneca Valley School District's  
Government-wide and Fund Financial Statements  
Fund Statements

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

**SENECA VALLEY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2016**

**OVERVIEW OF FINANCIAL STATEMENTS**

**Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.

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

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

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

**Fund Financial Statements**

The District's fund financial statements, which begin on Page 3, provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be reported separately by state law and by bond requirements.

**Governmental funds** – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary funds** – These funds are used to account for the District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

**SENECA VALLEY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2016**

**OVERVIEW OF FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements (Continued)**

**Fiduciary funds** - The District is the trustee, or fiduciary, for some private purpose trust funds and student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Net Position on Pages 11 and 12. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations.

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

A comparative breakdown of assets, liabilities and net position of the District for the past two fiscal years is as follows:

Table A-1  
Fiscal Year Ended June 30, 2016 and 2015  
Net Position

|                                                                | -----JUNE 30, 2016-----    |                             |                         | JUNE 30, 2015           |
|----------------------------------------------------------------|----------------------------|-----------------------------|-------------------------|-------------------------|
|                                                                | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                   | TOTAL                   |
| Current Assets                                                 | \$ 84,420,054              | \$ 1,587,619                | \$ 86,007,673           | \$ 84,758,049           |
| Capital Assets                                                 | 80,837,883                 | 235,512                     | 81,073,395              | 76,688,915              |
| Deferred Outflows of Resources                                 | 17,995,065                 | 337,617                     | 18,332,682              | 14,267,588              |
| <b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOWS OF RESOURCES</b>     | <b>\$ 183,253,002</b>      | <b>\$ 2,160,748</b>         | <b>\$ 185,413,750</b>   | <b>\$ 175,714,552</b>   |
| Current Liabilities                                            | \$ 24,073,693              | \$ 107,952                  | \$ 24,181,645           | \$ 18,745,414           |
| Long-Term Liabilities                                          | 269,281,262                | 3,197,931                   | 272,479,193             | 259,911,505             |
| Deferred Inflows of Resources                                  | 962,360                    | 19,640                      | 982,000                 | 10,158,000              |
| <b>TOTAL LIABILITIES AND DEFERRED<br/>INFLOWS OF RESOURCES</b> | <b>\$ 294,317,315</b>      | <b>\$ 3,325,523</b>         | <b>\$ 297,642,838</b>   | <b>\$ 288,814,919</b>   |
| Net Investment in Capital Assets                               | \$ 14,754,367              | \$ 235,512                  | \$ 14,989,879           | \$ 11,419,009           |
| Restricted for Debt Service                                    | 138,554                    | -                           | 138,554                 | 140,054                 |
| Restricted for FSA                                             | 59,155                     | -                           | 59,155                  | -                       |
| Restricted for Capital Reserve                                 | 7,042,121                  | -                           | 7,042,121               | 7,033,103               |
| Unrestricted                                                   | (133,058,510)              | (1,400,287)                 | (134,458,797)           | (131,692,533)           |
| <b>TOTAL NET POSITION (Deficit)</b>                            | <b>\$ (111,064,313)</b>    | <b>\$ (1,164,775)</b>       | <b>\$ (112,229,088)</b> | <b>\$ (113,100,367)</b> |

The results of this year's operations as a whole are reported in the Statement of Activities on Page 2. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the Basic Education Subsidy provided by the State of Pennsylvania, and the local taxes assessed to community taxpayers.

**SENECA VALLEY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2016**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

The following Table A-2 takes the information from the Statement of Activities, rearranges it slightly, so you can see our total revenues, expenses, and change to the net position for the past two fiscal years.

Table A-2  
Fiscal Year Ended June 30, 2016 and June 30, 2015  
Changes in Net Position

|                                      | ----- JUNE 30, 2016 -----  |                             |                       | JUNE 30, 2015         |
|--------------------------------------|----------------------------|-----------------------------|-----------------------|-----------------------|
|                                      | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                 | TOTAL                 |
| <b>REVENUES</b>                      |                            |                             |                       |                       |
| <b>Program Revenues:</b>             |                            |                             |                       |                       |
| Charges for Services                 | \$ 1,965,804               | \$ 1,821,434                | \$ 3,787,238          | \$ 3,552,229          |
| Grants and Contributions             | 18,297,829                 | 1,045,366                   | 19,343,195            | 18,304,839            |
| <b>General Revenues:</b>             |                            |                             |                       |                       |
| Property, Other Taxes                | 78,636,825                 | -                           | 78,636,825            | 76,704,549            |
| Grants, Subsidies and Contributions  | 14,731,838                 | -                           | 14,731,838            | 13,285,084            |
| Investment Earnings                  | 208,599                    | 1,030                       | 209,629               | 58,451                |
| Sale of Fixed Assets                 | 3,600                      | 4,300                       | 7,900                 | 3,284                 |
| Miscellaneous                        | 266,689                    | -                           | 266,689               | 360,092               |
| <b>TOTAL REVENUES</b>                | <b>\$ 114,111,184</b>      | <b>\$ 2,872,130</b>         | <b>\$ 116,983,314</b> | <b>\$ 112,268,528</b> |
| <b>EXPENSES</b>                      |                            |                             |                       |                       |
| Instruction                          | \$ 73,800,141              | \$ -                        | \$ 73,800,141         | \$ 68,334,206         |
| Instructional Student Support        | 7,105,971                  | -                           | 7,105,971             | 6,768,966             |
| Administrative and Financial Support | 9,656,209                  | -                           | 9,656,209             | 9,850,451             |
| Operation and Maintenance of Plant   | 7,064,592                  | -                           | 7,064,592             | 7,159,726             |
| Pupil Transportation                 | 7,571,198                  | -                           | 7,571,198             | 6,843,508             |
| Student Activities                   | 2,043,357                  | -                           | 2,043,357             | 1,820,393             |
| Community Services                   | 4,123                      | -                           | 4,123                 | 10,355                |
| Interest on Long-term Debt           | 2,921,738                  | -                           | 2,921,738             | 3,111,048             |
| Capital Outlay                       | 3,132,124                  | -                           | 3,132,124             | 3,270,261             |
| Food Services                        | -                          | 2,812,582                   | \$ 2,812,582          | 2,766,040             |
| <b>TOTAL EXPENSES</b>                | <b>\$ 113,299,453</b>      | <b>\$ 2,812,582</b>         | <b>116,112,035</b>    | <b>\$ 109,934,954</b> |
| <b>CHANGE IN NET POSITION</b>        | <b>\$ 811,731</b>          | <b>\$ 59,548</b>            | <b>871,279</b>        | <b>\$ 2,333,574</b>   |

See the District Funds section of this report for further explanation of the major variances from the prior year.

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

**SENECA VALLEY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2016**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)**

Table A-3  
Fiscal Year Ended June 30, 2016 and June 30, 2015  
Governmental Activities

|                                                            | -----JUNE 30, 2016-----          |                                | -----JUNE 30, 2015-----          |                                |
|------------------------------------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                                            | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> |
| <b>EXPENSES</b>                                            |                                  |                                |                                  |                                |
| Instruction                                                | \$ 73,800,141                    | \$ 59,451,589                  | \$ 68,334,206                    | \$ 55,808,812                  |
| Instructional Student Support                              | 7,105,971                        | 6,325,123                      | 6,768,966                        | 6,137,118                      |
| Administrative and Financial Support                       | 9,656,209                        | 8,967,043                      | 9,850,451                        | 9,298,694                      |
| Operation and Maintenance of Plant                         | 10,196,716                       | 9,786,123                      | 10,270,774                       | 9,894,862                      |
| Pupil Transportation                                       | 7,571,198                        | 4,076,556                      | 6,843,508                        | 3,561,256                      |
| Student Activities                                         | 2,043,357                        | 1,503,525                      | 1,820,393                        | 1,316,319                      |
| Community Services                                         | 4,123                            | 4,123                          | 10,355                           | 10,355                         |
| Interest on Long-term Debt/Refunds                         | 2,921,738                        | 2,921,738                      | 3,270,261                        | 2,028,623                      |
| <b>TOTAL EXPENSES</b>                                      | <b><u>\$ 113,299,453</u></b>     | <b><u>\$ 93,035,820</u></b>    | <b><u>\$ 107,168,914</u></b>     | <b><u>\$ 88,056,039</u></b>    |
| <b>Less:</b>                                               |                                  |                                |                                  |                                |
| Unrestricted Grants, Subsidies                             |                                  | <u>13,516,083</u>              |                                  | <u>13,285,084</u>              |
| <b>TOTAL NEEDS FROM LOCAL TAXES<br/>AND OTHER REVENUES</b> |                                  | <b><u>\$ 79,519,737</u></b>    |                                  | <b><u>\$ 74,770,955</u></b>    |

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

Table A-4  
Fiscal Year ended June 30, 2016 and June 30, 2015  
Business-Type Activities

|                                                                   | ----- JUNE 30, 2016 -----        |                                | ----- JUNE 30, 2015 -----        |                                |
|-------------------------------------------------------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|                                                                   | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> | <u>TOTAL COST<br/>OF SERVICE</u> | <u>NET COST<br/>OF SERVICE</u> |
| <b>EXPENSES</b>                                                   |                                  |                                |                                  |                                |
| Food Service                                                      | \$ 2,812,582                     | \$ 54,218                      | \$ 2,766,040                     | \$ (21,847)                    |
| Investment Earnings                                               |                                  | 1,030                          |                                  | 990                            |
| Sale of Fixed Assets                                              |                                  | 4,300                          |                                  | 3,284                          |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES<br/>NET INCOME &lt;LOSS&gt;</b> |                                  | <b><u>\$ 59,548</u></b>        |                                  | <b><u>\$ (17,573)</u></b>      |

While operating expenses increased \$46,542 (1.6%), operating revenues increased \$122,607 (4.4%) in 2015-2016.

**SENECA VALLEY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2016**

**THE DISTRICT FUNDS**

At June 30, 2016, the District's governmental funds reported a combined fund balance of \$67,925,362 compared to \$72,434,429 for the year ended June 30, 2015. The main reason for the decrease was capital improvement projects during 2015-2016. The general fund balance increased by \$3,036,660. The capital project fund balance decreased by \$7,545,727. The following is additional information concerning revenues, expenses and fund balance.

**REVENUES**

The revenues received into the general fund during 2015-2016 came from three major sources: local, state, and federal revenues. Of total revenues, local revenues account for 72.6%, state revenues are 27.1% and federal revenues only .3%.

Local revenues can be grouped in two major categories, tax revenues and non-tax revenues. Local real estate tax accounted for 83.3% of total tax revenues and 79.1% of total local revenues in 2015-2016. Other forms of tax revenue include earned income tax, flat occupation assessment tax, real estate transfer tax and delinquent tax collections. Tax revenue increased in the 2015-2016 fiscal year by approximately \$3,151,278. The increase was most notable in current real estate tax collections, which increased by \$3,131,111. Non-tax revenues, including federal monies received through the intermediate unit, athletic admissions and fees, interest earnings, tuition from other PA school districts and other miscellaneous revenues accounted for 5% of total local revenues.

Basic education subsidy and special education subsidy are the two largest sources of state revenue with basic education subsidy providing 43.8% of the total and special education subsidy providing 11.6% of the total. Subsidies increased overall \$892,438 due to an increase in the retirement reimbursement monies of \$1,288,473, increase in social security reimbursement of \$152,779, increase in the transportation subsidy of \$207,401, increase in the ready to learn block grant of 152,779, and a decrease in rental subsidy reimbursement of \$1,241,638.

Federal revenues accounted for just .3% of the total revenues, an increase from 2014-2015 by \$101,533. This increase was due to ACCESS federal funding in the 2015-2016 fiscal year.

| <u>FUNCTION</u> | <u>REVENUES</u>              | <u>VARIANCE<br/>FROM<br/>PRIOR YEAR</u> | <u>%<br/>CHANGE</u> | <u>AMOUNT<br/>OVER (UNDER)<br/>2015-2016<br/>BUDGET</u> |
|-----------------|------------------------------|-----------------------------------------|---------------------|---------------------------------------------------------|
| Local Sources   | \$ 82,789,512                | \$ 3,492,503                            | 4.2%                | \$ 1,505,679                                            |
| State Sources   | 30,878,361                   | 892,438                                 | 2.9%                | (770,641)                                               |
| Federal Sources | <u>322,014</u>               | <u>101,533</u>                          | 31.5%               | <u>12,014</u>                                           |
| <b>TOTAL</b>    | <b><u>\$ 113,989,887</u></b> | <b><u>\$ 4,486,474</u></b>              |                     | <b><u>\$ 747,052</u></b>                                |

**SENECA VALLEY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2016**

**THE DISTRICT FUNDS (Continued)**

**EXPENSES**

The revenues received during the 2015-2016 fiscal year were used to pay general fund expenses of \$110,953,227 (excluding transfers). These expenses were categorized into five major functions: instruction, support services, non-instructional operations, construction/improvements, and other financing uses. Additionally the District expended \$7,663,424 for capital improvements funded through bond proceeds and its capital reserve fund.

The 2015-2016 general fund expenditures (excluding transfers and budgetary reserve) increased by \$7,180,440 or 6.90% from the past fiscal year mainly due to increases in wages, retirement contributions and other employee benefits.

| <u>FUNCTION</u>                   | <u>EXPENSES</u>              | <u>VARIANCE<br/>FROM<br/>PRIOR YEAR</u> | <u>%<br/>CHANGE</u> | <u>AMOUNT<br/>OVER (UNDER)<br/>2014-2015<br/>BUDGET</u> |
|-----------------------------------|------------------------------|-----------------------------------------|---------------------|---------------------------------------------------------|
| Instructional Services            | \$ 69,098,708                | \$ 5,166,943                            | 7.5%                | \$ (2,516,876)                                          |
| Support Services                  | 30,107,054                   | 1,338,709                               | 4.4%                | (1,598,528)                                             |
| Non-instructional Services        | 1,930,743                    | 240,787                                 | 12.5%               | 100,278                                                 |
| Construction/Site Improvements    | 14,161                       | 6,271                                   | 44.3%               | (839)                                                   |
| Other Financing Uses/Debt Service | 9,802,561                    | 427,734                                 | 4.4%                | 4,995                                                   |
| <b>TOTAL</b>                      | <b><u>\$ 110,953,227</u></b> | <b><u>\$ 7,180,444</u></b>              |                     | <b><u>\$ (4,010,970)</u></b>                            |

**GENERAL FUND BUDGET**

During the fiscal year, the Board of School Directors (The Board) authorizes revisions to the original budget (transfers) to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided on Page 7 of the financial statements.

The District applies for federal, state, and local grants and these grants cannot always be anticipated exactly during the budget development process.

The Budgetary Reserve includes amounts that may be used for unplanned opportunities and/or unexpected costs for improvements/repairs to the District. These amounts will only be appropriated into expenditure categories if the fiscal results of the current year warrant doing so and the Board approves such transfers.



**SENECA VALLEY SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
REQUIRED SUPPLEMENTARY INFORMATION (RSI)  
FISCAL YEAR ENDING JUNE 30, 2016**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2016, the District had \$81,073,395 invested in a broad range of capital assets, including land, buildings and furniture and equipment, net of depreciation. This amount represents a net increase (including additions, deletions and depreciation) of \$4,384,480 from 2014-2015 which is as a result of new asset additions exceeding depreciation expense.

**DEBT ADMINISTRATION**

As of July 1, 2015 the District had total outstanding bond principal of \$101,065,000 on its General Obligation Bond Issues. The District made payments against principal during the year of \$6,735,000. At June 30, 2016 the District had outstanding debt of \$94,330,000.

Other long-term obligations include accrued vacation pay and sick leave for specific employees of the District, as well as retirement incentive, retiree health insurance, and net pension obligations. More detailed information about our long-term liabilities is included in Notes 9, 10, and 12 to the financial statements.

**MAJOR FINANCIAL ISSUES**

Retirement contribution rates are projected by PSERS to increase rapidly from the current 25.84% to 34% by the year 2020. While recent legislation changing the PSERS program has slowed the rate of increase, increases are anticipated for the foreseeable future. Such increases would have a significant negative impact on District finances and therefore, educational programs. In an attempt to mitigate the short-term financial impact of the increase, the District has committed a portion of the fund balance to be applied to PSERS incrementally through 2022. District officials continue to closely monitor this issue.

The District currently has contracts in place with all bargaining units.

**CONTACTING THE DISTRICT FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the School District's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, please contact Ms. Lynn Burtner, Business Manager at (724) 452-6040 ext. 1615 or Mrs. Celeste R. Foley, Assistant Business Manager at (724) 452-6040 ext. 1622 or by mail at Seneca Valley School District, Administrative Office, 124 Seneca School Road, Harmony, PA, 16037-9134.

**SENECA VALLEY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

**EXHIBIT A**

|                                                                               | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>            |
|-------------------------------------------------------------------------------|------------------------------------|-------------------------------------|-------------------------|
| <b>ASSETS</b>                                                                 |                                    |                                     |                         |
| <b>Current Assets:</b>                                                        |                                    |                                     |                         |
| Cash and Cash Equivalents                                                     | \$ 14,208,383                      | \$ 1,440,088                        | \$ 15,648,471           |
| Investments                                                                   | 64,317,940                         | -                                   | 64,317,940              |
| Taxes Receivable, net                                                         | 299,945                            | -                                   | 299,945                 |
| Internal Balances                                                             | (63,738)                           | 63,738                              | -                       |
| Due From Other Governments                                                    | 5,530,535                          | 7,542                               | 5,538,077               |
| Other Receivables                                                             | 126,989                            | 7,455                               | 134,444                 |
| Inventories                                                                   | -                                  | 68,796                              | 68,796                  |
| <b>Total Current Assets</b>                                                   | <b>\$ 84,420,054</b>               | <b>\$ 1,587,619</b>                 | <b>\$ 86,007,673</b>    |
| <b>Noncurrent Assets:</b>                                                     |                                    |                                     |                         |
| Land                                                                          | \$ 5,287,281                       | \$ -                                | \$ 5,287,281            |
| Site Improvements (net)                                                       | 3,077,344                          | -                                   | 3,077,344               |
| Building & Building Improvements (net)                                        | 64,779,015                         | -                                   | 64,779,015              |
| Furniture & Equipment (net)                                                   | 1,676,312                          | 235,512                             | 1,911,824               |
| Infrastructure (net)                                                          | 545,527                            | -                                   | 545,527                 |
| Construction in Progress                                                      | 5,472,404                          | -                                   | 5,472,404               |
| <b>Total Noncurrent Assets</b>                                                | <b>\$ 80,837,883</b>               | <b>\$ 235,512</b>                   | <b>\$ 81,073,395</b>    |
| <b>TOTAL ASSETS</b>                                                           | <b>\$ 165,257,937</b>              | <b>\$ 1,823,131</b>                 | <b>\$ 167,081,068</b>   |
| <b>Deferred Outflows of Resources:</b>                                        |                                    |                                     |                         |
| Deferred Interest on Refunding                                                | \$ 1,451,846                       | \$ -                                | \$ 1,451,846            |
| Deferred Outflows Related to Pension                                          | 16,543,219                         | 337,617                             | 16,880,836              |
| <b>Total Deferred Outflows of Resources</b>                                   | <b>\$ 17,995,065</b>               | <b>\$ 337,617</b>                   | <b>\$ 18,332,682</b>    |
| <b>TOTAL ASSETS AND DEFERRED<br/>OUTFLOWS OF RESOURCES</b>                    | <b>\$ 183,253,002</b>              | <b>\$ 2,160,748</b>                 | <b>\$ 185,413,750</b>   |
| <b>LIABILITIES</b>                                                            |                                    |                                     |                         |
| <b>Current Liabilities:</b>                                                   |                                    |                                     |                         |
| Accounts Payable                                                              | \$ 4,734,788                       | \$ -                                | \$ 4,734,788            |
| Accrued Interest                                                              | 1,179,001                          | -                                   | 1,179,001               |
| Accrued Salaries and Benefits                                                 | 11,250,560                         | -                                   | 11,250,560              |
| Payroll Deductions and Withholdings                                           | 468,605                            | -                                   | 468,605                 |
| Bonds Payable - Current Portion                                               | 6,400,000                          | -                                   | 6,400,000               |
| Unearned Revenues                                                             | 31,919                             | 35,687                              | 67,606                  |
| Other Current Liabilities                                                     | 8,820                              | 72,265                              | 81,085                  |
| <b>Total Current Liabilities</b>                                              | <b>\$ 24,073,693</b>               | <b>\$ 107,952</b>                   | <b>\$ 24,181,645</b>    |
| <b>Noncurrent Liabilities:</b>                                                |                                    |                                     |                         |
| Bonds Payable - Long-Term Portion (Net)                                       | \$ 95,154,397                      | \$ -                                | \$ 95,154,397           |
| Compensated Absences                                                          | 991,257                            | 2,131                               | 993,388                 |
| Net Pension Liability                                                         | 156,594,200                        | 3,195,800                           | 159,790,000             |
| Net OPEB Obligation                                                           | 16,541,408                         | -                                   | 16,541,408              |
| <b>Total Noncurrent Liabilities</b>                                           | <b>\$ 269,281,262</b>              | <b>\$ 3,197,931</b>                 | <b>\$ 272,479,193</b>   |
| <b>TOTAL LIABILITIES</b>                                                      | <b>\$ 293,354,955</b>              | <b>\$ 3,305,883</b>                 | <b>\$ 296,660,838</b>   |
| <b>Deferred Inflows of Resources:</b>                                         |                                    |                                     |                         |
| Deferred Inflows Related to Pension                                           | \$ 962,360                         | \$ 19,640                           | \$ 982,000              |
| <b>Total Deferred Inflows of Resources</b>                                    | <b>\$ 962,360</b>                  | <b>\$ 19,640</b>                    | <b>\$ 982,000</b>       |
| <b>TOTAL LIABILITIES AND DEFERRED<br/>INFLOWS OF RESOURCES</b>                | <b>\$ 294,317,315</b>              | <b>\$ 3,325,523</b>                 | <b>\$ 297,642,838</b>   |
| <b>NET POSITION</b>                                                           |                                    |                                     |                         |
| Net Investment in Capital Assets                                              | \$ 14,754,367                      | \$ 235,512                          | \$ 14,989,879           |
| Restricted for Retirement of Debt                                             | 138,554                            | -                                   | 138,554                 |
| Restricted for FSA                                                            | 59,155                             | -                                   | 59,155                  |
| Restricted - Capital Reserve Fund                                             | 7,042,121                          | -                                   | 7,042,121               |
| Unrestricted                                                                  | (133,058,510)                      | (1,400,287)                         | (134,458,797)           |
| <b>TOTAL NET POSITION (Deficit)</b>                                           | <b>\$ (111,064,313)</b>            | <b>\$ (1,164,775)</b>               | <b>\$ (112,229,088)</b> |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND NET POSITION</b> | <b>\$ 183,253,002</b>              | <b>\$ 2,160,748</b>                 | <b>\$ 185,413,750</b>   |

The accompanying notes are an integral part of these financial statements

**SENECA VALLEY SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

| Functions/Programs                                | Expenses              | Program Revenues     |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |                         |
|---------------------------------------------------|-----------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|-------------------------|
|                                                   |                       | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-Type Activities | Total                   |
| <b>Governmental Activities:</b>                   |                       |                      |                                    |                                  |                                                   |                          |                         |
| Instruction                                       | \$ 73,800,141         | \$ 1,447,018         | \$ 12,901,534                      | \$ -                             | \$ (59,451,589)                                   |                          | \$ (59,451,589)         |
| Instructional Student Support                     | 7,105,971             | -                    | 780,848                            | -                                | (6,325,123)                                       |                          | (6,325,123)             |
| Administrative and Financial Support Services     | 9,656,209             | -                    | 689,166                            | -                                | (8,967,043)                                       |                          | (8,967,043)             |
| Operation and Maintenance of Plant Services       | 7,064,592             | 135,475              | 275,118                            | -                                | (6,653,999)                                       |                          | (6,653,999)             |
| Pupil Transportation                              | 7,571,198             | -                    | 3,494,642                          | -                                | (4,076,556)                                       |                          | (4,076,556)             |
| Student Activities                                | 2,043,357             | 383,311              | 156,521                            | -                                | (1,503,525)                                       |                          | (1,503,525)             |
| Community Services                                | 4,123                 | -                    | -                                  | -                                | (4,123)                                           |                          | (4,123)                 |
| Capital Outlay                                    | 3,132,124             | -                    | -                                  | -                                | (3,132,124)                                       |                          | (3,132,124)             |
| Interest on Long-Term Debt/Refunds                | 2,921,738             | -                    | -                                  | -                                | (2,921,738)                                       |                          | (2,921,738)             |
| <b>Total Governmental Activities</b>              | <b>\$ 113,299,453</b> | <b>\$ 1,965,804</b>  | <b>\$ 18,297,829</b>               | <b>\$ -</b>                      | <b>\$ (93,035,820)</b>                            |                          | <b>\$ (93,035,820)</b>  |
| <b>Business-Type activities:</b>                  |                       |                      |                                    |                                  |                                                   |                          |                         |
| Food Service                                      | \$ 2,812,582          | \$ 1,821,434         | \$ 1,045,366                       | \$ -                             | \$ -                                              | \$ 54,218                | \$ 54,218               |
| <b>Total Business-Type Activities</b>             | <b>\$ 2,812,582</b>   | <b>\$ 1,821,434</b>  | <b>\$ 1,045,366</b>                | <b>\$ -</b>                      | <b>\$ -</b>                                       | <b>\$ 54,218</b>         | <b>\$ 54,218</b>        |
| <b>Total Primary Government</b>                   | <b>\$ 116,112,035</b> | <b>\$ 3,787,238</b>  | <b>\$ 19,343,195</b>               | <b>\$ -</b>                      | <b>\$ (93,035,820)</b>                            | <b>\$ 54,218</b>         | <b>\$ (92,981,602)</b>  |
| <b>General Revenues:</b>                          |                       |                      |                                    |                                  |                                                   |                          |                         |
| Taxes:                                            |                       |                      |                                    |                                  |                                                   |                          |                         |
| Property Taxes, Levied for General Purposes (net) |                       |                      |                                    |                                  | \$ 65,470,816                                     | \$ -                     | \$ 65,470,816           |
| Taxes Levied for Specific Purposes                |                       |                      |                                    |                                  | 13,166,009                                        | -                        | 13,166,009              |
| Basic Subsidy                                     |                       |                      |                                    |                                  | 13,516,083                                        | -                        | 13,516,083              |
| Property Tax Relief Payment                       |                       |                      |                                    |                                  | 1,215,755                                         |                          | 1,215,755               |
| Investment Earnings                               |                       |                      |                                    |                                  | 208,599                                           | 1,030                    | 209,629                 |
| Sale of Fixed Assets                              |                       |                      |                                    |                                  | 3,600                                             | 4,300                    | 7,900                   |
| Miscellaneous Income                              |                       |                      |                                    |                                  | 266,689                                           | -                        | 266,689                 |
| <b>Total General Revenues</b>                     |                       |                      |                                    |                                  | <b>\$ 93,847,551</b>                              | <b>\$ 5,330</b>          | <b>\$ 93,852,881</b>    |
| <b>Change in Net Position</b>                     |                       |                      |                                    |                                  | <b>\$ 811,731</b>                                 | <b>\$ 59,548</b>         | <b>\$ 871,279</b>       |
| Net Position — July 1, 2015 (Deficit)             |                       |                      |                                    |                                  | (111,876,044)                                     | (1,224,323)              | (113,100,367)           |
| <b>Net Position — June 30, 2016 (Deficit)</b>     |                       |                      |                                    |                                  | <b>\$ (111,064,313)</b>                           | <b>\$ (1,164,775)</b>    | <b>\$ (112,229,088)</b> |

The accompanying notes are an integral part of these financial statements

**SENECA VALLEY SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2016**

**EXHIBIT C**

|                                            | <b><u>GENERAL<br/>FUND</u></b> | <b><u>CAPITAL<br/>PROJECT<br/>FUNDS</u></b> | <b><u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u></b> |
|--------------------------------------------|--------------------------------|---------------------------------------------|------------------------------------------------|
| <b>ASSETS:</b>                             |                                |                                             |                                                |
| Cash and Cash Equivalents                  | \$ 7,166,262                   | \$ 7,042,121                                | \$ 14,208,383                                  |
| Investments                                | 27,272,628                     | 37,045,312                                  | 64,317,940                                     |
| Taxes Receivable, net                      | 299,945                        | -                                           | 299,945                                        |
| Due From Other Funds                       | 99,632                         | -                                           | 99,632                                         |
| Due From Other Governments                 | 5,530,535                      | -                                           | 5,530,535                                      |
| Other Receivables                          | 126,989                        | -                                           | 126,989                                        |
| <b>TOTAL ASSETS</b>                        | <b><u>\$ 40,495,991</u></b>    | <b><u>\$ 44,087,433</u></b>                 | <b><u>\$ 84,583,424</u></b>                    |
| <br><b>LIABILITIES AND FUND BALANCES:</b>  |                                |                                             |                                                |
| <b>LIABILITIES:</b>                        |                                |                                             |                                                |
| Accounts Payable                           | \$ 1,968,511                   | \$ 2,766,277                                | \$ 4,734,788                                   |
| Due To Other Funds                         | 163,370                        | -                                           | 163,370                                        |
| Accrued Salaries and Benefits              | 11,250,560                     | -                                           | 11,250,560                                     |
| Payroll Deductions and Withholdings        | 468,605                        | -                                           | 468,605                                        |
| Unearned Revenues                          | 31,919                         | -                                           | 31,919                                         |
| Other Current Liabilities                  | 8,820                          | -                                           | 8,820                                          |
| <b>TOTAL LIABILITIES</b>                   | <b><u>\$ 13,891,785</u></b>    | <b><u>\$ 2,766,277</u></b>                  | <b><u>\$ 16,658,062</u></b>                    |
| <br><b>FUND BALANCES:</b>                  |                                |                                             |                                                |
| Restricted                                 | \$ 197,709                     | \$ 7,042,121                                | \$ 7,239,830                                   |
| Committed                                  | 4,500,000                      | -                                           | 4,500,000                                      |
| Assigned                                   | 13,306,497                     | 34,279,035                                  | 47,585,532                                     |
| Unassigned                                 | 8,600,000                      | -                                           | 8,600,000                                      |
| <b>TOTAL FUND BALANCES</b>                 | <b><u>\$ 26,604,206</u></b>    | <b><u>\$ 41,321,156</u></b>                 | <b><u>\$ 67,925,362</u></b>                    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b><u>\$ 40,495,991</u></b>    | <b><u>\$ 44,087,433</u></b>                 | <b><u>\$ 84,583,424</u></b>                    |

The accompanying notes are an integral part of these financial statements

**SENECA VALLEY SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

**Total Fund Balances - Governmental Funds** **\$ 67,925,362**

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$163,674,080, and the accumulated depreciation is \$82,836,197. 80,837,883

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions 16,543,219

Deferred inflows of resources related to pensions (962,360)

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

|                              |                   |                      |
|------------------------------|-------------------|----------------------|
| Bonds Payable, Net           | \$ 100,102,551    |                      |
| Accrued Interest on Debt     | 1,179,001         |                      |
| Accrued Compensated Absences | 991,257           |                      |
| Net Pension Liability        | 156,594,200       |                      |
| Net OPEB Obligation          | <u>16,541,408</u> | <u>(275,408,417)</u> |

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ (111,064,313)**

The accompanying notes are an integral part of these financial statements

**SENECA VALLEY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|                                                              | <u>GENERAL FUND</u>   | <u>CAPITAL<br/>PROJECT<br/>FUNDS</u> | <u>TOTAL<br/>GOVERNMENTAL<br/>FUNDS</u> |
|--------------------------------------------------------------|-----------------------|--------------------------------------|-----------------------------------------|
| <b>REVENUES</b>                                              |                       |                                      |                                         |
| Local Sources                                                | \$ 82,789,512         | \$ 117,697                           | \$ 82,907,209                           |
| State Sources                                                | 30,878,361            | -                                    | 30,878,361                              |
| Federal Sources                                              | 322,014               | -                                    | 322,014                                 |
| <b>Total Revenue</b>                                         | <b>\$ 113,989,887</b> | <b>\$ 117,697</b>                    | <b>\$ 114,107,584</b>                   |
| <b>EXPENDITURES</b>                                          |                       |                                      |                                         |
| Instruction                                                  | \$ 69,098,708         | \$ -                                 | \$ 69,098,708                           |
| Support Services                                             | 30,107,054            | -                                    | 30,107,054                              |
| Noninstructional Services                                    | 1,930,743             | -                                    | 1,930,743                               |
| Capital Outlay                                               | 14,161                | 7,663,424                            | 7,677,585                               |
| Debt Service                                                 | 9,802,561             | -                                    | 9,802,561                               |
| <b>Total Expenditures</b>                                    | <b>\$ 110,953,227</b> | <b>\$ 7,663,424</b>                  | <b>\$ 118,616,651</b>                   |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 3,036,660</b>   | <b>\$ (7,545,727)</b>                | <b>\$ (4,509,067)</b>                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                       |                                      |                                         |
| Operating Transfers Out                                      | \$ -                  | \$ -                                 | \$ -                                    |
| Operating Transfers In                                       | -                     | -                                    | -                                       |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>\$ -</b>           | <b>\$ -</b>                          | <b>\$ -</b>                             |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 3,036,660</b>   | <b>\$ (7,545,727)</b>                | <b>\$ (4,509,067)</b>                   |
| FUND BALANCE - JULY 1, 2015                                  | 23,567,546            | 48,866,883                           | 72,434,429                              |
| <b>FUND BALANCE - JUNE 30, 2016</b>                          | <b>\$ 26,604,206</b>  | <b>\$ 41,321,156</b>                 | <b>\$ 67,925,362</b>                    |

The accompanying notes are an integral part of these financial statements

**SENECA VALLEY SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (4,509,067)**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$7,943,352) exceeded depreciation expense (\$3,599,293) during the fiscal year. 4,344,059

Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. (4,085,582)

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 6,735,000

Bond discount costs are reported in governmental funds as expenditures. However, in the statement of activities, these costs are capitalized and amortized over the life of the related debt obligation as interest expense. (31,750)

Deferred interest on bond refundings is recognized in the government-wide financial statements when bonds are refunded and amortized over the life of the bond issue as interest expense. (285,945)

Bond premiums are reported in governmental funds as revenues. However, in the statement of activities, this amount is capitalized and is accreted over the life of the bond issue as interest expense. 583,831

Interest 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. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (115,539)

In the statement of activities, certain operating expenses - compensated absences and retiree benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid). This is the amount by which compensated absences and retiree health benefits earned exceeded the amount paid. (1,823,276)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 811,731**

**SENECA VALLEY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|                                                               | Budgeted Amounts      |                       | Actual<br>(Budgetary Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---------------------------------------------------------------|-----------------------|-----------------------|-----------------------------|---------------------------------------------------------|
|                                                               | Original              | Final                 |                             |                                                         |
| <b>REVENUES</b>                                               |                       |                       |                             |                                                         |
| Local Sources                                                 | \$ 81,283,833         | \$ 81,283,833         | \$ 82,789,512               | \$ 1,505,679                                            |
| State Sources                                                 | 31,649,002            | 31,649,002            | 30,878,361                  | (770,641)                                               |
| Federal Sources                                               | 310,000               | 310,000               | 322,014                     | 12,014                                                  |
| <b>Total Revenues</b>                                         | <b>\$ 113,242,835</b> | <b>\$ 113,242,835</b> | <b>\$ 113,989,887</b>       | <b>\$ 747,052</b>                                       |
| <b>EXPENDITURES</b>                                           |                       |                       |                             |                                                         |
| Regular Programs                                              | \$ 51,804,156         | \$ 50,316,818         | \$ 48,977,103               | \$ 1,339,715                                            |
| Special Programs                                              | 16,439,706            | 17,397,670            | 16,557,715                  | 839,955                                                 |
| Vocational Programs                                           | 3,305,584             | 3,447,941             | 3,324,541                   | 123,400                                                 |
| Other Instructional Programs                                  | 458,055               | 453,155               | 239,349                     | 213,806                                                 |
| Pupil Personnel Services                                      | 2,782,240             | 2,948,430             | 2,918,379                   | 30,051                                                  |
| Instructional Staff Services                                  | 2,667,808             | 2,901,259             | 2,645,140                   | 256,119                                                 |
| Administrative Services                                       | 6,681,732             | 6,198,400             | 5,851,923                   | 346,477                                                 |
| Pupil Health                                                  | 1,038,311             | 1,086,083             | 1,005,542                   | 80,541                                                  |
| Business Services                                             | 814,179               | 801,579               | 566,122                     | 235,457                                                 |
| Operation & Maintenance of Plant Services                     | 7,310,618             | 7,408,455             | 6,860,858                   | 547,597                                                 |
| Student Transportation Services                               | 7,425,696             | 7,561,666             | 7,554,487                   | 7,179                                                   |
| Central Services                                              | 100,844               | 433,145               | 395,203                     | 37,942                                                  |
| Other Support Services                                        | 2,297,647             | 2,366,565             | 2,309,400                   | 57,165                                                  |
| Student Activities                                            | 1,761,905             | 1,810,465             | 1,926,619                   | (116,154)                                               |
| Community Services                                            | 20,000                | 20,000                | 4,124                       | 15,876                                                  |
| Capital Outlay                                                | 25,000                | 15,000                | 14,161                      | 839                                                     |
| Debt Service (Principal & Interest)                           | 9,797,516             | 9,797,566             | 9,802,561                   | (4,995)                                                 |
| <b>Total Expenditures</b>                                     | <b>\$ 114,730,997</b> | <b>\$ 114,964,197</b> | <b>\$ 110,953,227</b>       | <b>\$ 4,010,970</b>                                     |
| <b>Excess ( Deficiency) of Revenues<br/>over Expenditures</b> | <b>\$ (1,488,162)</b> | <b>\$ (1,721,362)</b> | <b>\$ 3,036,660</b>         | <b>\$ 4,758,022</b>                                     |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                       |                       |                             |                                                         |
| Budgetary Reserve                                             | \$ (750,000)          | \$ (516,800)          | \$ -                        | \$ 516,800                                              |
| <b>Total Other Financing Sources (Uses)</b>                   | <b>\$ (750,000)</b>   | <b>\$ (516,800)</b>   | <b>\$ -</b>                 | <b>\$ 516,800</b>                                       |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b>\$ (2,238,162)</b> | <b>\$ (2,238,162)</b> | <b>\$ 3,036,660</b>         | <b>\$ 5,274,822</b>                                     |
| FUND BALANCE - JULY 1, 2015                                   | 21,000,000            | 21,000,000            | 23,567,546                  | 2,567,546                                               |
| <b>FUND BALANCE - JUNE 30, 2016</b>                           | <b>\$ 18,761,838</b>  | <b>\$ 18,761,838</b>  | <b>\$ 26,604,206</b>        | <b>\$ 7,842,368</b>                                     |

The accompanying notes are an integral part of these financial statements



**SENECA VALLEY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2016**

|                                                                               | <b>FOOD<br/>SERVICES</b> |
|-------------------------------------------------------------------------------|--------------------------|
| <b>ASSETS</b>                                                                 |                          |
| <b>Current Assets:</b>                                                        |                          |
| Cash and Cash Equivalents                                                     | \$ 1,440,088             |
| Due from General Fund                                                         | 163,370                  |
| Due from Other Governments                                                    | 7,542                    |
| Accounts Receivables                                                          | 7,455                    |
| Inventories                                                                   | 68,796                   |
| <b>TOTAL CURRENT ASSETS</b>                                                   | <b>\$ 1,687,251</b>      |
| <b>Noncurrent Assets:</b>                                                     |                          |
| Furniture and Equipment (Net)                                                 | \$ 235,512               |
| <b>TOTAL NONCURRENT ASSETS</b>                                                | <b>\$ 235,512</b>        |
| <b>TOTAL ASSETS</b>                                                           | <b>\$ 1,922,763</b>      |
| <b>Deferred Outflows of Resources:</b>                                        |                          |
| Deferred Outflows Related to Pension                                          | \$ 337,617               |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                                   | <b>\$ 337,617</b>        |
| <b>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</b>                      | <b>\$ 2,260,380</b>      |
| <b>LIABILITIES</b>                                                            |                          |
| <b>Current Liabilities:</b>                                                   |                          |
| Due to Other Funds                                                            | \$ 99,632                |
| Due to Students                                                               | 72,265                   |
| Unearned Revenues                                                             | 35,687                   |
| <b>TOTAL CURRENT LIABILITIES</b>                                              | <b>\$ 207,584</b>        |
| <b>Noncurrent Liabilities:</b>                                                |                          |
| Compensated Absences                                                          | \$ 2,131                 |
| Net Pension Liability                                                         | 3,195,800                |
| <b>TOTAL NONCURRENT LIABILITIES</b>                                           | <b>\$ 3,197,931</b>      |
| <b>TOTAL LIABILITIES</b>                                                      | <b>\$ 3,405,515</b>      |
| <b>Deferred Inflows of Resources:</b>                                         |                          |
| Deferred Inflows Related to Pension                                           | \$ 19,640                |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                    | <b>\$ 19,640</b>         |
| <b>TOTAL LIABILITIES &amp; DEFERRED INFLOWS OF RESOURCES</b>                  | <b>\$ 3,425,155</b>      |
| <b>NET POSITION</b>                                                           |                          |
| Net Investment in Capital Assets                                              | \$ 235,512               |
| Unrestricted (Deficit)                                                        | (1,400,287)              |
| <b>TOTAL NET POSITION (Deficit)</b>                                           | <b>\$ (1,164,775)</b>    |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND NET POSITION</b> | <b>\$ 2,260,380</b>      |

The accompanying notes are an integral part of these financial statements

**SENECA VALLEY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|                                                | <b>FOOD SERVICES</b>  |
|------------------------------------------------|-----------------------|
| <b><u>OPERATING REVENUES</u></b>               |                       |
| Food Services Revenue                          | \$ 1,821,434          |
| <b>Total Operating Revenues</b>                | <b>\$ 1,821,434</b>   |
| <b><u>OPERATING EXPENSES</u></b>               |                       |
| Salaries                                       | \$ 953,335            |
| Employee Benefits                              | 463,254               |
| Purchased Professional Services                | 1,183                 |
| Purchased Property Services                    | 120,168               |
| Other Purchased Services                       | 4,891                 |
| Supplies                                       | 1,178,330             |
| Equipment                                      | 48,091                |
| Dues and Fees                                  | 995                   |
| Depreciation Expense                           | 42,335                |
| <b>Total Operating Expenses</b>                | <b>\$ 2,812,582</b>   |
| <b>OPERATING INCOME/(LOSS)</b>                 | <b>\$ (991,148)</b>   |
| <b><u>NONOPERATING REVENUES (EXPENSES)</u></b> |                       |
| Earnings on Investments                        | \$ 1,030              |
| State Sources                                  | 225,130               |
| Federal Sources                                | 820,236               |
| Sale of Fixed Assets                           | 4,300                 |
| <b>Total Nonoperating Revenues (Expenses)</b>  | <b>\$ 1,050,696</b>   |
| <b>CHANGE IN NET POSITION</b>                  | <b>\$ 59,548</b>      |
| NET POSITION - JULY 1, 2015 (Deficit)          | (1,224,323)           |
| <b>NET POSITION - JUNE 30, 2016 (Deficit)</b>  | <b>\$ (1,164,775)</b> |

The accompanying notes are an integral part of these financial statements

**SENECA VALLEY SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|                                                                                                                  | <b><u>FOOD<br/>SERVICES</u></b> |
|------------------------------------------------------------------------------------------------------------------|---------------------------------|
| <b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>                                                               |                                 |
| Cash Received from Users                                                                                         | \$ 1,813,845                    |
| Cash Payments to Employees for Services                                                                          | (1,343,130)                     |
| Cash Payments to Suppliers for Goods and Services                                                                | (1,156,540)                     |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                                          | <b><u>\$ (685,825)</u></b>      |
| <b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>                                                   |                                 |
| State Sources                                                                                                    | \$ 233,555                      |
| Federal Sources                                                                                                  | 669,738                         |
| <b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>                                              | <b><u>\$ 903,293</u></b>        |
| <b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>                                           |                                 |
| Capital Outlay                                                                                                   | \$ (82,758)                     |
| Proceeds from Sale of Assets                                                                                     | 4,300                           |
| <b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>                                      | <b><u>\$ (78,458)</u></b>       |
| <b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>                                                               |                                 |
| Earnings on Investments                                                                                          | \$ 1,030                        |
| <b>Net Cash Provided (Used) by Investing Activities</b>                                                          | <b><u>\$ 1,030</u></b>          |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                                      | <b>\$ 140,040</b>               |
| CASH AND CASH EQUIVALENTS - JULY 1, 2015                                                                         | <u>1,300,048</u>                |
| <b>CASH AND CASH EQUIVALENTS - JUNE 30, 2016</b>                                                                 | <b><u>\$ 1,440,088</u></b>      |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided (Used) by Operating Activities:</b>        |                                 |
| <b>Operating Income (Loss)</b>                                                                                   | <b>\$ (991,148)</b>             |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)<br/>TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                                 |
| Depreciation                                                                                                     | 42,335                          |
| Donated Commodities                                                                                              | 218,487                         |
| Accrual of GASB 68 Pension Expense                                                                               | 83,379                          |
| (Increase) Decrease in Accounts Receivable                                                                       | (5,866)                         |
| (Increase) Decrease in Inventories                                                                               | (13,886)                        |
| (Increase) Decrease in Advances to Other Funds                                                                   | (20,597)                        |
| Increase (Decrease) in Advances from Other Funds                                                                 | (11,799)                        |
| Increase (Decrease) in Unearned Revenues                                                                         | 12,776                          |
| Increase (Decrease) in Compensated Absences                                                                      | 494                             |
| <b>Total Adjustments</b>                                                                                         | <b><u>\$ 305,323</u></b>        |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>                                                          | <b><u>\$ (685,825)</u></b>      |
| <b>NONCASH NONCAPITAL FINANCING ACTIVITIES:</b>                                                                  |                                 |
| During the year, the District received \$218,487 of food commodities from the U.S. Department of Agriculture     |                                 |

The accompanying notes are an integral part of these financial statements

**SENECA VALLEY SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2016**

|                           | <b><u>PRIVATE<br/>PURPOSE<br/>TRUST FUNDS</u></b> | <b><u>ACTIVITY<br/>FUNDS</u></b> |
|---------------------------|---------------------------------------------------|----------------------------------|
| <b>ASSETS</b>             |                                                   |                                  |
| Cash and Cash Equivalents | \$ 114,638                                        | \$ 278,393                       |
| <b>TOTAL ASSETS</b>       | <b><u>\$ 114,638</u></b>                          | <b><u>\$ 278,393</u></b>         |
| <b>LIABILITIES</b>        |                                                   |                                  |
| Other Current Liabilities | \$ -                                              | \$ 278,393                       |
| <b>TOTAL LIABILITIES</b>  | <b><u>\$ -</u></b>                                | <b><u>\$ 278,393</u></b>         |
| <b>NET POSITION</b>       |                                                   |                                  |
| Unrestricted              | \$ 114,638                                        |                                  |
| <b>TOTAL NET POSITION</b> | <b><u>\$ 114,638</u></b>                          |                                  |

The accompanying notes are an integral part of these financial statements

SENECA VALLEY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

|                                     | <u>PRIVATE<br/>PURPOSE<br/>TRUST FUNDS</u> |
|-------------------------------------|--------------------------------------------|
| <b>ADDITIONS</b>                    |                                            |
| Interest                            | \$ 1                                       |
| <b>DEDUCTIONS</b>                   |                                            |
| Scholarships Awarded                | (100)                                      |
| Other Deductions                    | <u>(10,770)</u>                            |
| <b>CHANGE IN NET POSITION</b>       | \$ (10,869)                                |
| <b>NET POSITION - JULY 1, 2015</b>  | <u>125,507</u>                             |
| <b>NET POSITION - JUNE 30, 2016</b> | <u><u>\$ 114,638</u></u>                   |

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Seneca Valley School District was established under the authority of an act of the state legislature that designated a school board as the governing body. The District serves the following municipalities:

**Cranberry Township  
Forward Township  
Jackson Township  
Lancaster Township  
Callery Borough**

**Evans City Borough  
Harmony Borough  
Seven Fields Borough  
Zelienople Borough**

The School District operates under a locally-elected nine member Board form of government and provides educational services as mandated by the Commonwealth of Pennsylvania and selected federal agencies. The Board of Education has complete authority over the operations and administration of the School District's activities.

The financial statements of the Seneca Valley School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). During the 2015-2016 year, the School District adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 72, *'Fair Value Measurement and Application'*; Statement No. 76, *'The Hierarchy of Generally Accepted Principles for State and Local Governments'*; and Statement No. 79, *'Certain External Investment Pools and Pool Participates'*. The most significant of the School District's accounting policies are as follows:

**REPORTING ENTITY**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Seneca Valley School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the School District's reporting entity because of the significance of their operating or financial relationships with the School District. Based on the application of these criteria, the Seneca Valley School District has no component units.

The School District is associated with two jointly governed organizations (Note 11) and one public entity risk pool (Note 13). These organizations are:

- Jointly Governed Organizations:
  - Midwestern Intermediate Unit IV
  - Butler County Area Vocational Technical School
- Public Entity Risk Pool:
  - Midwestern Health Combine

**BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** – The statement of net position (Exhibit A) and the statement of activities (Exhibit B) display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

The government-wide statements are prepared using the economic resources measurement focus. That is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations, (Exhibits D and F), with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities (Exhibit B) presents a comparison between direct expenses and program revenues for the District's business-type activities (food service operations) and for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants, subsidies and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which the business-type activity or government function is self-financing or draws from the general revenues of the School District.

**FUND FINANCIAL STATEMENTS** – Fund financial statements report detailed information about the School District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Major funds represent the School District's most important funds and are determined based on percentages of assets, liabilities, revenues, and expenditures/expenses. For the Seneca Valley School District, the General Fund is always considered a major fund. Each major fund is presented in a separate column. Non-major funds are segregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

**FUND ACCOUNTING**

The School District uses funds to report on its financial position and the results of its operations during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. Fund categories are defined as follows:

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND ACCOUNTING (Continued)**

**Governmental Funds** – Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major funds. The District currently does not have any non-major governmental funds:

**MAJOR GOVERNMENTAL FUNDS:**

**GENERAL FUND** - The General Fund is used to account for all financial resources not required to be accounted for in some other fund. The General Fund balance is available for any purpose provided it is expended according to the Commonwealth of Pennsylvania Public School Code.

**CAPITAL PROJECT FUND** - The Capital Project Fund is used to account for financial resources used for the acquisition, construction, or improvement of capital facilities and other assets financed through the issuance of general obligation bonds. This Fund includes Capital Reserve Fund monies transferred from the General Fund restricted for capital purposes as restricted by the Municipal Code Section 1431 or the Pa. Public School Code Section 690.

**Proprietary Funds** - used to account for activities similar to those found in the private sector, where the determination of net income is necessary and useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies within the school district (internal service funds). The School District's major and sole enterprise fund is its Food Service Fund, which accounts for the financial transactions related to the food service operations of the District.

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature and do not involve measuring income or any other results from operations. The School District maintains two private purpose trust fund. One private purpose trust fund accounts for student scholarships and is funded through the Music Scholarship Fund. The second private purpose trust fund account is for compensatory education expenses for an individual special needs student established to comply with an administrative adjudication and was funded by a one-time transfer of monies from the School District's General Fund. The School District also maintains an Agency Fund which accounts for various student organization activity accounts administered by the District on behalf of the various student organizations.

The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Government funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the accrual basis of accounting.



**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (Continued)**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Revenue resulting from non-exchange transactions, in which the School District receives value without directly giving equal value in return, includes property taxes, grants and contributions. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and contributions are recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from non-exchange transactions must also be 'available' before it can be recognized.

The management of the Seneca Valley School District has determined that the revenues most susceptible to accrual (measurable and available) at June 30, 2016 under the modified accrual basis are **1)** certain Act 511 taxes, **2)** federal and state subsidies earned in the fiscal year 2015-2016, and **3)** other miscellaneous revenues earned in fiscal year 2015-2016 but received subsequent to June 30, 2016. On the governmental fund financial statements, receivables that will not be collected within the 'available' period have been reported as 'deferred inflows of resources'.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. The primary expenditures deemed susceptible to accrual at June 30, 2016, are those for which the Board of Education's intention was to expense these items as budgeted for the 2015-2016 official budget, and for which the District has incurred an obligation during 2016, but has not paid as of June 30, 2016.

Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds but are included as part of expenses in the government-wide statement of activities.

**BUDGETS**

On June 15, 2015, the Seneca Valley School District adopted its fiscal year June 30, 2016 annual budget for the general fund totaling \$115,480,997 in accordance with the provisions of the Pennsylvania School Code. The budget is prepared utilizing the modified accrual method of accounting. Budgetary transfers among various expenditure line items can be performed by the District, as approved by the Board of Education, only during the last nine months of the fiscal year. The original and adjusted budgetary amounts are reflected in these financial statements (Exhibit G). All annual appropriations of the general fund lapse at fiscal year end.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CASH AND CASH EQUIVALENTS**

For the purposes of these basic financial statements, cash and cash equivalents include amounts in demand deposit accounts and any other highly liquid, short-term investments, with original maturity terms of less than three months.

**INVESTMENTS**

Investments include certificates of deposit with original maturity terms in excess of three months, deposits pooled for investment purposes with the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF). Investments are stated at fair value. State statutes authorize the School District to invest in:

- I. U.S. Treasury Bills.
- II. Short-term obligations of the United States Government of its agencies or instrumentalities
- III. Deposits in savings accounts, time deposits and share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation and National Credit Union Share Insurance Fund.
- IV. Obligations of the United States of America, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth of Pennsylvania, or any of their agencies or instrumentalities backed by the full faith and credit of the governmental units.
- V. Shares of an investment company registered under the Investment Company Act of 1940, and registered under the Securities Act of 1933.
- VI. Any investment authorized by 20 Pa. C.S. Ch. 73 relating to fiduciaries investments.

Pooled investments (PLGIT and PSDLAF) do not operate under the provisions of the Public School Code. These investments are authorized under the Intergovernmental Cooperation Act of 1972.

**SHORT-TERM INTERFUND RECEIVABLES/PAYABLES**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as 'due from/to other funds' on the governmental funds balance sheet. For the purposes of the government-wide statement of net position, governmental interfund receivables and payables have been eliminated. Amounts due between governmental activities and business-type activities, if any, are presented as off-setting internal balances on the statement of net position.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**INVENTORIES**

Inventories on the government-wide statement of net position (Exhibit A) and the proprietary fund statement of net position (Exhibit H) are recorded at a combination of actual cost and fair value on a first-in first-out basis. This inventory consists of purchased food and supplies and donated commodities from the U.S. Department of Agriculture as part of the food service program. Unused donated commodities are reported as unearned revenue. The School District does not inventory the cost of such items as books and supplies, but rather records these items as expenditures in the governmental funds and an expense in the government-wide statement of activities at the time of purchase.

**CAPITAL ASSETS AND DEPRECIATION**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by the proprietary fund are reported in both the business-type activity column of the government-wide statement of net position and on the proprietary fund statement of net position.

All capital assets are recorded at cost (or estimated historical cost). Donated fixed assets are recorded at fair value at the time of receipt. The School District maintains a capitalization threshold of \$5,000. The cost of infrastructure is included as part of site improvements in the government-wide statement of net position. Routine repair and maintenance costs that do not add to the value of the asset or extend its useful life are charged as an expense in the government-wide statement of activities.

All reported capital assets, except land and construction in progress, are depreciated using the straight-line method over the following useful lives:

| <u>CATEGORY</u>            | <u>GOVERNMENTAL<br/>ACTIVITIES</u> | <u>BUSINESS<br/>TYPE<br/>ACTIVITIES</u> |
|----------------------------|------------------------------------|-----------------------------------------|
| Site Improvements          | 20 years                           | N/A                                     |
| Buildings and Improvements | 30 Years                           | N/A                                     |
| Furniture and Equipment    | 5-20 years                         | 5-12 years                              |
| Vehicles                   | 8 Years                            | N/A                                     |

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets purchased by governmental funds are recorded as expenditures in the fund financial statements (Exhibit E). The results of capitalizing fixed assets net of depreciation on the government-wide statement of net position and statement of activities, as opposed to recording these same assets as an expenditure in the fund financial statements (Exhibit E), is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**LONG-TERM DEBT FINANCING COSTS**

Bond issue costs are recorded as expenditures in the governmental fund financial statements in the year paid. The School District did not incur any bond issuance costs during the 2015-2016 fiscal year.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**COMPENSATED ABSENCES**

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, 'Accounting for Compensated Absences'. Sick leave benefits are accrued as a liability for teachers at the time of superannuation retirement, or retirement with 25 years of public school service and the age of 55 years, at the rate of \$40 per day if the District is notified prior to November 1 for mid-year or March 1 for year-end retirements. Teachers are eligible for \$15 per unused sick day severance with 7 years of District service and 75 days' notice. Secretaries with 10 years of service with the district are reimbursed for unused sick days at the rate of \$22 per day (\$27 per day at the time of superannuation or any retirement under PSERS). Paraprofessionals with 10 years of service with the district are reimbursed for unused sick days at the rate of \$13 per day (\$18 per day at the time of superannuation or any retirement under PSERS).

Custodians with at least ten consecutive years of service to the District are reimbursed at the rate of \$38 per day, provided written notice of retirement is made no later than September 1 of the last school year of service or at least 90 days prior to retirement (\$28 per day if employee does not meet notification requirements). Administrators with 8 years of service with the District are reimbursed for unused sick days at the rate of \$10 per day (\$25 per day at the time of superannuation retirement with less than 90 calendar days' notice to the District, \$35 per day if notice is received by November 15). Act 93 participants with 8 years of service with the District are reimbursed for unused sick days at the rate of \$50 per day (\$100 per day at the time of superannuation retirement if notice is received by November 15).

The entire compensated absences liability of \$993,388 is shown as a non-current liability in the government-wide statement of net position. For governmental fund financial statements, compensated absences are recorded as expenditures when paid rather than accrued when earned as the likelihood of payment in the immediate fiscal year with available expendable resources is not assured.

**PENSIONS**

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS), and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment assets are reported at fair value. More information on pension activity is included in Note 10.

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. For the business-type activities, these obligations and all similar obligations are reported again on the proprietary fund statement of net position (Exhibit H).

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the non-current portion of compensated absences and retiree health benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, liabilities that mature or come due for payment during the fiscal year are considered to have been paid with current available financial resources.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)**

Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due. The District's General Fund is typically used to liquidate long-term liability obligations.

The results of recognizing these long-term obligations as liabilities on the government-wide statement of net position and statement of activities, as opposed to recording these same obligations as an expenditure in the fund financial statements (Exhibit E) only when paid, is reflected in the required reconciliations of fund balance to net position (Exhibit D) and the changes in fund balances to the changes in net position (Exhibit F).

**UNEARNED REVENUE**

Unearned Revenue arises when the District receives resources before it has legal claim to them. This occurs when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School District has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

**DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets and liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows and/or inflows of resources. These separate financial statement elements represent a decrease and/or increase in net position that applies to a future period and will not be recognized as an outflow and/or inflow of resources (expense/expenditure or income/revenue) in the current period.

**NET POSITION**

Net position is classified into three categories according to external donor or legal restrictions or availability of assets to satisfy District obligations. Net position is classified as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets net of accumulated depreciation, and reduced by the outstanding balances of debt that is attributable to the acquisition, construction and improvement of the capital assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted Net Position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows related to those assets.
- Unrestricted – Consists of net position that does not meet the definition of 'restricted' or 'net investment in capital assets'

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the School District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FUND EQUITY**

In the Balance Sheet – Governmental Funds (Exhibit C) fund balances are reported in specific categories to make the nature and extent of the constraints placed on any entity's fund balance more transparent in accordance with GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and high levels of government), through constitutional provisions, or by enabling legislation. As of June 30, 2016, the District has \$138,554 restricted for debt service obligations, \$59,155 set aside in a separate 'Flexible Savings Account', and \$7,042,121 of capital reserve funds restricted in accordance with the Municipal Code Section 1431 or the Pa. Public School Code Section 690.
- Committed fund balance – amounts constrained to specific purposes by the School District itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the School District takes the same highest level action to remove or change the constraint. At June 30, 2016, the District committed \$4,500,000 of the General Fund balance for the purpose of mitigating the budgetary impact of increasing PSERS rates.
- Assigned fund balance – amounts the School District intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. At June 30, 2016, management of the Seneca Valley School District has assigned \$13,306,497 of the General Fund balance for adoption of new texts and learning resources as well as anticipated healthcare cost increases, and \$34,279,035 of the Capital Project Fund balance for capital related acquisitions and improvements.
- Unassigned fund balance – amounts that are available for any purpose

Act 48 of 2003 prohibits school districts from increasing real property taxes unless the school district has adopted a budget for such school year that includes an estimated ending unassigned fund balance which is not more than a specified percentage of the District's total budgeted expenditures. For the Seneca Valley School District, estimated ending unassigned fund balance must not exceed 8% of total budgeted expenditures. The District's unassigned General Fund balance at June 30, 2016 was approximately 7.1% of its 2016-2017 budgeted expenditures.

The School District establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. The Board of Education has given authority to assign fund balance to the Business Manager.

When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend the committed resources first, followed by assigned amounts and then unassigned amounts.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ESTIMATES**

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

**OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Seneca Valley School District, these revenues are food service charges for lunch and breakfast service. Operating expenses are the necessary costs incurred to provide the aforementioned food service. Non-operating revenues of the District's food service proprietary fund are 1) investment earnings, 2) state and federal subsidies, including donated commodities, received from the U.S. Department of Agriculture, and 3) sale of fixed assets. The District did not have non-operating expenses during the fiscal year.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS:**

At June 30, 2016, the Seneca Valley School District had the following carrying values on its cash and cash equivalents accounts:

|                             | <b>BANK<br/>BALANCE</b>     | <b>CARRYING<br/>VALUE</b>   |
|-----------------------------|-----------------------------|-----------------------------|
| General Fund                | \$ 7,207,703                | \$ 7,027,708                |
| General Fund - Restricted   | 138,554                     | 138,554                     |
| Capital Project Funds       | 7,042,121                   | 7,042,121                   |
| Enterprise Fund             | 1,576,573                   | 1,440,088                   |
| Private Purpose Trust Funds | 114,628                     | 114,638                     |
| Agency Funds                | 290,596                     | 278,393                     |
|                             | <b><u>\$ 16,370,175</u></b> | <b><u>\$ 16,041,502</u></b> |

The difference between the bank balance and carrying value represents year-end reconciling items such as deposits in transit and outstanding checks. The Federal Deposit Insurance Corporation (FDIC) coverage threshold for government accounts is \$250,000 per official custodian. This coverage includes checking and savings accounts, money market deposits accounts, and certificates of deposit.

**Custodial Credit Risk:**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The District does not have a separate policy for custodial credit risk in addition to the requirements of State Law. As of June 30, 2016, \$15,731,621 of the School District's bank balance total is exposed to custodial credit risk as this amount represents uninsured deposits collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the School District's name. In accordance with Act Number 72-1971 Session of the Commonwealth of Pennsylvania, the aforementioned deposits, in excess of \$250,000, are collateralized by securities pledged to a pooled public funds account with the Federal Reserve System. General Fund cash restricted represents funds held by Wilmington Trust at June 30, 2016 to pay the District's debt service obligations.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS:**

The fair value and maturity term of the District's investments as of June 30, 2016 are as follows:

| <b>Governmental:</b> | <b><u>Fair Value</u></b>    | <b><u>No Stated<br/>Maturity</u></b> | <b><u>1 Month to<br/>1 Year</u></b> |
|----------------------|-----------------------------|--------------------------------------|-------------------------------------|
| PSDLAF               | \$ 64,279,003               | \$ 5,279,003                         | \$ 59,000,000                       |
| PLGIT                | 38,937                      | 38,937                               | -                                   |
|                      | <b><u>\$ 64,317,940</u></b> | <b><u>\$ 5,317,940</u></b>           | <b><u>\$ 59,000,000</u></b>         |

The purpose of the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania School District Liquid Asset Fund (PSDLAF) is to enable their available funds for investments authorized under the Intergovernmental cooperation Act of 1972. The funds operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds use amortized cost to report net position to compute share prices. These funds maintain net asset values of \$1 per share. Accordingly, the fair value of the position in these funds is the same as the value of these shares.

**Custodial Credit Risk:**

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The District's investments in PLGIT and PSDLAF are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The School District does not have a specific policy that would limit its investment choices to those with certain credit ratings.

**Interest Rate Risk:**

The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2016, the District's certificates of deposit investments with PSDLAF have maturity terms of 1-12 months.

**Credit Risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no formal policy, in addition to the requirements of the Pennsylvania School Code that limits its investment choices based on credit ratings by nationally recognized rating organizations. As of June 30, 2016, PLGIT and PSDLAF were rated AAAM by the Standard & Poors nationally recognized statistical rating organization.



**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 – CASH DEPOSITS AND INVESTMENTS (Continued)**

**INVESTMENTS: (Continued)**

**Fair Value Measurements:**

The Seneca Valley School's District's investments are reported at fair value within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that prioritizes the inputs to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable (level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes

**Level 2** – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data

**Level 3** – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments held in external investment pools such as PLGIT and PSDLAF are not subject to the provisions of fair value measurements as they are recorded at amortized cost.

**NOTE 3 - PROPERTY TAXES**

The Seneca Valley School District levies property taxes July 1 of each fiscal year. The tax millage assessment for the 2015-2016 fiscal year was 119.90 mills, which represents \$119.90 of revenue for every \$1,000 of assessed property value. Taxpayers are entitled to a 2% discount if taxes are paid prior to October 1. Collections beginning December 1 are assessed a 10% penalty. Tax collectors are required under Act 169 of the Commonwealth of Pennsylvania to submit a reconciliation of their tax duplicate to the District by January 15<sup>th</sup> of the year following levy. Unpaid taxes are submitted to Butler County Tax Claim Bureau for collection (See Note 14).

The final tax collector reconciliations reflected \$817,274 in unpaid 2015 property taxes, which represent 1.22% of the total assessed property taxes (\$66,838,157) for the current fiscal year.

Taxes receivable are comprised of the following at June 30, 2016:

|                            |                   |
|----------------------------|-------------------|
| Real Estate Transfer Taxes | \$ 248,686        |
| Wage Taxes                 | 49,330            |
| Local Services Taxes       | 1,929             |
|                            | <u>\$ 299,945</u> |

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

The amount of 'due from other governments', as reflected on the government-wide statement of net position (Exhibit A), the governmental funds balance sheet (Exhibit C), and the proprietary fund statement of net position (Exhibit H), is comprised of the following:

|                                 | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> |
|---------------------------------|------------------------------------|-------------------------------------|
| Glade Run Tuition               | \$ 1,233,701                       | \$ -                                |
| Midwestern Intermediate Unit IV | 1,149,272                          | -                                   |
| Tuition from other LEA's        | 52,310                             | -                                   |
| Miscellaneous                   | 107,250                            | -                                   |
| Commonwealth of Pennsylvania:   |                                    |                                     |
| State Subsidies                 | 2,978,969                          | 765                                 |
| Federal Pass-Through Grants     | 9,033                              | 6,777                               |
|                                 | \$ 5,530,535                       | \$ 7,542                            |

**NOTE 5 – INTER-FUND RECEIVABLES/PAYABLES/TRANSFERS**

Inter-fund receivables and payables as reflected on the governmental funds balance sheet (Exhibit C) are operating funds due to the General Fund from the District's Food Service Fund and monies due the Food Service Fund from the General Fund for subsidies deposited to the General Fund account. These inter-fund obligations have been eliminated in the government-wide statement of net position. At June 30, 2016 the General Fund owed the Food Service Fund a net amount of \$63,738.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 - CAPITAL ASSETS**

A summary of the governmental and business-type fixed asset activity for the 2015-2016 fiscal year was as follows:

|                                       | <u>Balance</u><br><u>7/1/2015</u> | <u>Additions</u>           | <u>Deductions</u>        | <u>Balance</u><br><u>6/30/2016</u> |
|---------------------------------------|-----------------------------------|----------------------------|--------------------------|------------------------------------|
| <b>Governmental Activities</b>        |                                   |                            |                          |                                    |
| Land                                  | \$ 5,287,281                      | \$ -                       | \$ -                     | \$ 5,287,281                       |
| Site Improvements                     | 5,764,451                         | 737,896                    | -                        | 6,502,347                          |
| Buildings & Building Improvements     | 130,453,867                       | 1,592,386                  | -                        | 132,046,253                        |
| Furniture and Equipment               | 12,698,931                        | 284,703                    | 23,800                   | 12,959,834                         |
| Infrastructure                        | 1,405,961                         | -                          | -                        | 1,405,961                          |
| Construction in Progress              | 144,037                           | 5,472,404                  | 144,037                  | 5,472,404                          |
|                                       | <u>\$ 155,754,528</u>             | <u>\$ 8,087,389</u>        | <u>\$ 167,837</u>        | <u>\$ 163,674,080</u>              |
| <b>Less: Accumulated depreciation</b> |                                   |                            |                          |                                    |
| Site Improvements                     | \$ (3,241,934)                    | \$ (183,069)               | \$ -                     | \$ (3,425,003)                     |
| Buildings                             | (64,181,602)                      | (3,085,636)                | -                        | (67,267,238)                       |
| Furniture and Equipment               | (11,015,353)                      | (291,969)                  | (23,800)                 | (11,283,522)                       |
| Infrastructure                        | (821,815)                         | (38,619)                   | -                        | (860,434)                          |
|                                       | <u>\$ (79,260,704)</u>            | <u>\$ (3,599,293)</u>      | <u>\$ (23,800)</u>       | <u>\$ (82,836,197)</u>             |
| <b>Governmental Activities</b>        |                                   |                            |                          |                                    |
| <b>Capital Assets, Net</b>            | <u><b>\$ 76,493,824</b></u>       | <u><b>\$ 4,488,096</b></u> | <u><b>\$ 144,037</b></u> | <u><b>\$ 80,837,883</b></u>        |
| <b>Business-Type Activities</b>       |                                   |                            |                          |                                    |
| Furniture and Equipment               | \$ 869,257                        | \$ 82,755                  | \$ -                     | \$ 952,012                         |
| Less: Accumulated                     |                                   |                            |                          |                                    |
| Depreciation                          | (674,166)                         | (42,334)                   | -                        | (716,500)                          |
| <b>Business-Type Activities</b>       |                                   |                            |                          |                                    |
| <b>Capital Assets, Net</b>            | <u><b>\$ 195,091</b></u>          | <u><b>\$ 40,421</b></u>    | <u><b>\$ -</b></u>       | <u><b>\$ 235,512</b></u>           |

Depreciation expense was charged to governmental functions as follows:

|                                               |                     |
|-----------------------------------------------|---------------------|
| Instruction                                   | \$ 286,518          |
| Instructional Student Support                 | 50,284              |
| Administrative and Financial Support Services | 57,640              |
| Operation and Maintenance of Plant Services   | 55,070              |
| Building Acquisition/Construction/Improvement | 3,117,963           |
| Student Activities                            | 31,818              |
|                                               | <u>\$ 3,599,293</u> |

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 – OTHER RECEIVABLES**

The amount of 'other receivables', as reflected on the government-wide statement of net position (Exhibit A), the governmental funds balance sheet (Exhibit C), and the proprietary fund statement of net position (Exhibit H), is comprised of the following:

|                                             | <b><u>GOVERNMENTAL<br/>ACTIVITIES</u></b> | <b><u>BUSINESS-TYPE<br/>ACTIVITIES</u></b> |
|---------------------------------------------|-------------------------------------------|--------------------------------------------|
| AJ Myers - Fuel                             | \$ 40,457                                 | \$ -                                       |
| School Claims - Medical/Dental/Vision/PSERS | 61,220                                    | -                                          |
| Due from Students (Café)                    | 6,423                                     | -                                          |
| Band Boosters - Uniforms                    | 2,000                                     | -                                          |
| Miscellaneous                               | 16,889                                    | 7,455                                      |
|                                             | <b><u>\$ 126,989</u></b>                  | <b><u>\$ 7,455</u></b>                     |

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue as of June 30, 2016, as reflected on the government-wide statement of net position (Exhibit A), the governmental funds balance sheet (Exhibit C), and the proprietary fund statement of net position (Exhibit H), is comprised of the following:

|                               | <b><u>GOVERNMENTAL<br/>ACTIVITIES</u></b> | <b><u>BUSINESS-TYPE<br/>ACTIVITIES</u></b> |
|-------------------------------|-------------------------------------------|--------------------------------------------|
| Monsanto Grant                | \$ 5,314                                  | \$ -                                       |
| Allegheny Intermediate Unit   | 4,000                                     | -                                          |
| Advance Placement Testing     | 2,492                                     | -                                          |
| Guidance Supplies Plan Test   | 1,917                                     | -                                          |
| P.I.L.O.T (Zelienople)        | 18,196                                    | -                                          |
| Donated Commodities Inventory | -                                         | 35,687                                     |
|                               | <b><u>\$ 31,919</u></b>                   | <b><u>\$ 35,687</u></b>                    |

**NOTE 9 - LONG-TERM LIABILITIES**

**GENERAL OBLIGATION BONDS – SERIES A OF 2007**

In November 2007, the Seneca Valley School District issued General Obligation Bonds – Series A of 2007 in the amount of \$15,325,000 for the purpose of currently refunding of the School District's General Obligation Bonds, Series AA of 1998, and payment of the costs of the issuance of the Bonds. The bonds were issued in denominations of \$5,000 with interest payable on February 15 and August 15 each year through maturity. The bond issue interest rates range between 4.0 and 5.0% with maturity scheduled for February 15, 2020. The bonds provide for early redemption options as detailed in the official statement of issue.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

**GENERAL OBLIGATION BONDS – SERIES A & B 2010**

In July of 2010, the Seneca Valley School District issued General Obligation Bonds – Series A & B of 2010 in the amount of \$3,255,000 and \$1,290,000 respectively. The purpose of the bonds was to pay the School District's portion of the Butler County Area Vocational-Technical School project, to fund certain capital projects within the School District, and payment of the costs of the issuance of the Bonds. In April of 2015, the District issued General Obligation Bonds – Series B of 2015 which currently refunded a portion of General Obligation Bonds – Series A of 2010. The bonds were issued in denominations of \$5,000 with interest payable on April 1 and October 1 each year through maturity. The bond issue interest rates range between 2.6 and 3.8% with maturity scheduled for April 1, 2023. The bonds provide for early redemption options as detailed in the official statement of issue.

**GENERAL OBLIGATION BONDS – SERIES OF 2011**

In November of 2011, the Seneca Valley School District issued General Obligation Bonds – Series of 2011 in the amount of \$9,895,000. The purpose of the bonds was to currently refund the School District's Series of 2007 General Obligation Bonds, and payment of the costs of the issuance of the Bonds. The bonds were issued in denominations of \$5,000 with interest payable on January 1 and July 1 each year through maturity. The bond issue interest rates range between .35 and 3% with maturity scheduled for January 1, 2023. The bonds provide for early redemption options as detailed in the official statement of issue.

**GENERAL OBLIGATION BONDS – SERIES A, B, AND C OF 2012**

In April of 2012, the Seneca Valley School District issued General Obligation Bonds – Series A, B, and C of 2012 in the amount of \$1,635,000, \$1,595,000, and \$1,560,000 respectively. The purpose of Series A of 2012 was to currently refund the School District's Series B of 2002 General Obligation Bonds, and payment of the costs of the issuance of the Bonds. The purpose of Series B of 2012 was to advance refund the School District's Series B of 2003 General Obligation Bonds, and payment of the costs of the issuance of the Bonds. The purpose of Series C of 2012 was to advance refund the School District's Series of 2004 General Obligation Bonds, and payment of the costs of the issuance of the Bonds. The bonds were issued in denominations of \$5,000 with interest payable on March 1 and September 1 each year through maturity. The Series A and B interest rates range between .50% and 2.4% with maturity scheduled for March 1, 2022. The Series C interest rates range between .50% and 2.0% with maturity scheduled for March 1, 2020. The bonds provide for early redemption options as detailed in the official statement of issue.

**GENERAL OBLIGATION BONDS – SERIES D OF 2012**

In October of 2012, the Seneca Valley School District issued General Obligation Bonds – Series D of 2012 in the amount of \$5,155,000. The purpose of the bonds was to provide the School District with the funds required for the costs of acquiring and constructing renovations, repairs, replacements and improvements to and of various components of District capital facilities, purchasing equipment for School District programs, and payment of the costs of the issuance of the Bonds. The bonds were issued in denominations of \$5,000 with interest payable on March 1 and September 1 each year through maturity. The bond issue interest rates range between 1.0 and 2.25% with maturity scheduled for March 1, 2024. The bonds provide for early redemption options as detailed in the official statement of issue.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

**GENERAL OBLIGATION BONDS – SERIES OF 2013**

In April of 2013, the Seneca Valley School District issued General Obligation Bonds – Series of 2013 in the amount of \$8,875,000. The purpose of the bonds was to currently refund the School District's Series A of 2003 General Obligation Bonds, and payment of the costs of the issuance of the Bonds. The bonds were issued in denominations of \$5,000 with interest payable on April 1 and October 1 each year through maturity. The bond issue interest rates range between .35 and 2% with maturity scheduled for October 1, 2017. The bonds are not subject to mandatory or optional redemption prior to their stated dates of maturity.

**GENERAL OBLIGATION BONDS – SERIES OF 2014**

In November of 2014, the Seneca Valley School District issued General Obligation Bonds – Series of 2014 in the amount of \$10,000,000. The purpose of the bonds was to provide the School District with funds for various capital projects within the School District and payment of the costs of the issuance of the Bonds. The bonds were issued in denominations of \$5,000 with interest payable on March 1 and September 1 each year through maturity. The bond issue interest rates range between 2.45 and 2.6% with maturity scheduled for March 1, 2025. The bonds provide for early redemption options as detailed in the official statement of issue.

**GENERAL OBLIGATION BONDS – SERIES A, B, AND C OF 2015**

In April of 2015, the Seneca Valley School District issued General Obligation Bonds – Series A, B, and C of 2015 in the amount of \$27,195,000, \$1,960,000, and \$26,935,000 respectively. The purpose of Series A of 2015 was to currently refund the School District's Series of 2005 General Obligation Bonds, and payment of the costs of the issuance of the Bonds. The purpose of Series B of 2015 was to currently refund a portion of the School District's Series A of 2010 General Obligation Bonds, and payment of the costs of the issuance of the Bonds. The purpose of Series C of 2015 was to provide the School District with funds for various capital improvements within the School District and payment of the costs of the issuance of the Bonds. The bonds were issued in denominations of \$5,000 with interest payable on March 1 and September 1 each year through maturity. The Series A and B interest rates range between 1.5% and 5.0% with maturity scheduled for March 1, 2026 and March 1, 2027 respectively. The Series C interest rates range between 3.25 and 5.0% with maturity scheduled for March 1, 2030. The bonds provide for early redemption options as detailed in the official statement of issue.

A summary of the Seneca Valley School District's general obligation bonds outstanding at June 30, 2016 is as follows:

| YEAR END<br>JUNE 30, | SERIES                     |                          |                            |                            |                            |                          |
|----------------------|----------------------------|--------------------------|----------------------------|----------------------------|----------------------------|--------------------------|
|                      | 2007A<br>PRINCIPAL         | 2010A<br>PRINCIPAL       | 2010B<br>PRINCIPAL         | 2011<br>PRINCIPAL          | 2012A<br>PRINCIPAL         | 2012B<br>PRINCIPAL       |
| 2017                 | \$ 1,380,000               | \$ 5,000                 | \$ 5,000                   | \$ 160,000                 | \$ 160,000                 | \$ 160,000               |
| 2018                 | 1,435,000                  | 5,000                    | 5,000                      | 160,000                    | 160,000                    | 160,000                  |
| 2019                 | 1,495,000                  | 5,000                    | 5,000                      | 160,000                    | 170,000                    | 165,000                  |
| 2020                 | 1,560,000                  | 5,000                    | 5,000                      | 170,000                    | 170,000                    | 165,000                  |
| 2021                 | -                          | 5,000                    | 5,000                      | 365,000                    | 175,000                    | 170,000                  |
| 2022-2023            | -                          | 875,000                  | 1,240,000                  | 8,530,000                  | 180,000                    | 175,000                  |
|                      | <b><u>\$ 5,870,000</u></b> | <b><u>\$ 900,000</u></b> | <b><u>\$ 1,265,000</u></b> | <b><u>\$ 9,545,000</u></b> | <b><u>\$ 1,015,000</u></b> | <b><u>\$ 995,000</u></b> |

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

| YEAR END<br>JUNE 30, | SERIES             |                     |                     |                     |                      |                     |
|----------------------|--------------------|---------------------|---------------------|---------------------|----------------------|---------------------|
|                      | 2012C<br>PRINCIPAL | 2012D<br>PRINCIPAL  | 2013<br>PRINCIPAL   | 2014<br>PRINCIPAL   | 2015A<br>PRINCIPAL   | 2015B<br>PRINCIPAL  |
| 2017                 | \$ 230,000         | \$ 5,000            | \$ 3,430,000        | \$ 5,000            | \$ 860,000           | \$ -                |
| 2018                 | 195,000            | 5,000               | 905,000             | 5,000               | 3,690,000            | -                   |
| 2019                 | 190,000            | 5,000               | -                   | 5,000               | 4,710,000            | -                   |
| 2020                 | 195,000            | 5,000               | -                   | 5,000               | 3,705,000            | -                   |
| 2021                 | -                  | 5,000               | -                   | 5,000               | 5,470,000            | -                   |
| 2022-2026            | -                  | 5,115,000           | -                   | 9,970,000           | 7,130,000            | 1,835,000           |
| 2027-2030            | -                  | -                   | -                   | -                   | -                    | 125,000             |
|                      | <b>\$ 810,000</b>  | <b>\$ 5,140,000</b> | <b>\$ 4,335,000</b> | <b>\$ 9,995,000</b> | <b>\$ 25,565,000</b> | <b>\$ 1,960,000</b> |

| YEAR END<br>JUNE 30, | 2015C<br>PRINCIPAL   | INTEREST             | TOTAL                 |
|----------------------|----------------------|----------------------|-----------------------|
| 2017                 | \$ -                 | \$ 3,401,826         | \$ 9,801,826          |
| 2018                 | -                    | 3,275,578            | 10,000,578            |
| 2019                 | -                    | 3,087,480            | 9,997,480             |
| 2020                 | -                    | 2,816,904            | 8,801,904             |
| 2021                 | -                    | 2,598,664            | 8,798,664             |
| 2022-2026            | -                    | 9,815,590            | 44,865,590            |
| 2027-2030            | 26,935,000           | 2,588,398            | 29,648,398            |
|                      | <b>\$ 26,935,000</b> | <b>\$ 27,584,440</b> | <b>\$ 121,914,440</b> |

In connection with the School District's various general obligation bond issues, the District paid approximately \$350,281 in bond discount costs. These costs are being amortized on a straight-line basis over the life of the bond issue. The unamortized amount of bond discount totaling \$168,764 is reflected in the governmental activities column on the government-wide statement of net position as a reduction to the long-term portion of bonds payable. Amortization expense for the year ended June 30, 2016 was \$31,750. This amount is included as part of interest on long-term debt in the statement of activities.

The School District's various general obligation bond issues were issued at premiums totaling \$10,838,732. The un-accreted amount of bond premiums totaling \$7,393,161 is added to the long-term portion of bonds payable on the government-wide statement of net position. Premium accretion for the year ended June 30, 2016 was \$583,831. This amount is included as part of interest on long-term debt in the statement of activities.

In connection with certain of the School District's current and prior year bond refundings, the District entered into irrevocable trust agreements with the Bond Trustees to purchase U.S. Government Securities in an amount sufficient to fully service the defeased bond indebtedness as it matures or is called. For financial reporting purposes, this prior debt is considered defeased and therefore removed as a liability from the District's financial statements. The difference between the remaining outstanding balance of the defeased bonds at the time of refunding and the reacquisition price (amount deposited with escrow agent for refunding purposes) is considered 'deferred interest on refunding' and is being amortized over the life of the new bond issue. The annual amortization of this deferred interest is reflected as a component of interest on long-term debt in the statement of activities. The remaining unamortized portion of this deferred interest totaling \$1,451,846 is reflected as a deferred outflow of resources of the government-wide statement of net position.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 9 - LONG-TERM LIABILITIES (Continued)**

The following represents the changes in the District's long-term liabilities during the 2015-2016 fiscal year:

|                          | <b>Balance<br/>7/1/2015</b>  | <b>Additions</b>            | <b>Reductions</b>          | <b>Balance<br/>6/30/2016</b> | <b>Due Within<br/>One Year</b> |
|--------------------------|------------------------------|-----------------------------|----------------------------|------------------------------|--------------------------------|
| General Obligation Bonds | \$ 101,065,000               | \$ -                        | \$ 6,735,000               | \$ 94,330,000                | \$ 6,400,000                   |
| Compensated Absences     | 791,639                      | 239,555                     | 37,806                     | 993,388                      | -                              |
| Net Pension Liability    | 142,094,000                  | 17,696,000                  | -                          | 159,790,000                  | -                              |
| Net OPEB Liability       | 14,919,389                   | 1,622,019                   | -                          | 16,541,408                   | -                              |
|                          | <b><u>\$ 258,870,028</u></b> | <b><u>\$ 19,557,574</u></b> | <b><u>\$ 6,772,806</u></b> | <b><u>\$ 271,654,796</u></b> | <b><u>\$ 6,400,000</u></b>     |

**NOTE 10 - PENSION PLAN**

The Seneca Valley School District participates in the Public School Employees' Retirement System (PSERS). PSERS is a component unit of the Commonwealth of Pennsylvania. A brief description of the plan, and summary of the plan's provisions, are as follows:

**Plan Description:**

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

**Benefits Provided:**

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with a least 1 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 ninety two with a minimum of thirty-five years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.



**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 - PENSION PLAN (Continued)**

**Benefits Provided: (Continued)**

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

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

**Health Insurance Premium Assistance Program:**

In addition, PSERS provides a Health Insurance Premium Program (Premium Assistance) for all eligible annuitants who qualify and elect to participate. Under this program, 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 annuitants 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 annuitants must obtain their health insurance through either their school employer or the PSERS' Health Options Program. Premium Assistance is not included in the calculation of the net pension liability as it does not qualify under the provisions of GASB Statement 68.

**Contribution Rates:**

**Member Contributions** - Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class TC) or at 6.5% (Membership Class TD) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983 and who were active or inactive as of July 1, 2001, contribute 6.25% (Membership Class TC) or at 7.5% (Membership Class TD) of the members qualifying compensation. Members who joined the System after June 30, 2001 and before June 1, 2011, contribute at 7.5% (automatic Membership Class TD).

For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a 'shared risk' provision in Act 120 of 2010 that in future years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.30%.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 - PENSION PLAN (Continued)**

**Contributions Rates: (Continued)**

**Employer Contributions** – The District’s contractually required contribution rate for the fiscal year ended June 30, 2016 was 25.84% 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 25.84% is comprised of a pension contribution rate of 25.00% for pension benefits and .84% for healthcare insurance premium assistance. Contributions to the pension plan from the District were \$12,057,476 for the year ended June 30, 2016.

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

At June 30, 2016, the School District reported a liability of \$159,790,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2014 to June 30, 2015. The School District’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the School District’s proportion was .3689%, which was an increase of .0099% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$16,908,069 in the Statement of Activities (Exhibit B). At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                          | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience                                        | \$ -                                      | \$ 659,000                               |
| Changes in assumptions                                                                   | -                                         | -                                        |
| Net difference between projected and actual investment earnings                          | -                                         | 323,000                                  |
| Changes in proportions                                                                   | 5,412,000                                 | -                                        |
| Difference between employer contributions and proportionate share of total contributions | 91,290                                    | -                                        |
| Contributions subsequent to the measurement date                                         | 11,377,546                                | -                                        |
|                                                                                          | <u>\$ 16,880,836</u>                      | <u>\$ 982,000</u>                        |

The \$16,880,836 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 - PENSION PLAN (Continued)**

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

Other amounts reported as deferred inflows/outflows of resources related to pensions will be recognized in pension expense as follows:

| Measurement<br>Date<br>Year ended<br><u>June 30,</u> | Reporting<br>Date<br>Year ended<br><u>June 30,</u> | Amortization<br>Amount |
|------------------------------------------------------|----------------------------------------------------|------------------------|
| 2016                                                 | 2017                                               | \$ 593,000             |
| 2017                                                 | 2018                                               | 593,000                |
| 2018                                                 | 2019                                               | 593,000                |
| 2019                                                 | 2020                                               | 2,649,000              |

**Actuarial Assumptions**

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

- Actuarial cost method – Entry Age Normal – level % of pay
- Investment return – 7.50%, includes inflation at 3%
- Salary increases – Effective average of 5.5%, which reflects an allowance for inflation of 3%, real wage growth of 1%, and merit or seniority increases of 1.5%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three (3) years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back seven (7) years for males and three (3) years for females

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

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

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 - PENSION PLAN (Continued)**

**Investment Asset Allocation:**

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

| <u>Asset Class</u>           | <u>Target Allocation</u> | <u>Expected Real Rate of Return</u> |
|------------------------------|--------------------------|-------------------------------------|
| Public markets global equity | 22.5%                    | 4.80%                               |
| Private markets (equity)     | 15.0%                    | 6.60%                               |
| Private real estate          | 12.0%                    | 4.50%                               |
| Global fixed income          | 7.5%                     | 2.40%                               |
| U.S. long treasuries         | 3.0%                     | 1.40%                               |
| TIPS                         | 12.0%                    | 1.10%                               |
| High yield bonds             | 6.0%                     | 3.30%                               |
| Cash                         | 3.0%                     | 0.70%                               |
| Absolute return              | 10.0%                    | 4.90%                               |
| Risk parity                  | 10.0%                    | 3.70%                               |
| MLPs/Infrastructure          | 5.0%                     | 5.20%                               |
| Commodities                  | 8.0%                     | 3.10%                               |
| Financing (LIBOR)            | -14.0%                   | 1.10%                               |
|                              | <u>100%</u>              |                                     |

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

**Discount Rate:**

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

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 10 - PENSION PLAN (Continued)**

**Sensitivity of the School District's proportionate share of the net pension liability to changes in the discount rate:**

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

|                                                                    | <b>1%<br/>Decrease<br/>6.50%</b> | <b>Current<br/>Discount<br/>Rate<br/>7.50%</b> | <b>1%<br/>Increase<br/>8.50%</b> |
|--------------------------------------------------------------------|----------------------------------|------------------------------------------------|----------------------------------|
| School District's proportionate share of the net pension liability | \$ 196,957,000                   | \$ 159,790,000                                 | \$ 128,552,000                   |

**Pension plan fiduciary net position:**

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

The allocation of the net pension liability and related deferred inflows and outflows, as stated on Exhibits A and H, are as follows:

|                                      | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>   |
|--------------------------------------|------------------------------------|-------------------------------------|----------------|
| Net Pension Liability                | \$ 156,594,200                     | \$ 3,195,800                        | \$ 159,790,000 |
| Deferred Outflows Related to Pension | 16,543,219                         | 337,617                             | 16,880,836     |
| Deferred Inflows Related to Pension  | 962,360                            | 19,640                              | 982,000        |

**NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS**

**MIDWESTERN INTERMEDIATE UNIT IV**

The Seneca Valley School District participates with 26 other School Districts located in the Counties of Butler, Lawrence and Mercer in the Midwestern Intermediate Unit IV (IU IV). The IU IV was established in 1971 by Act 102 of the Commonwealth of Pennsylvania to function as a regional educational service agency for 27 school districts, as well as nonpublic schools and other institutions, located within the aforementioned counties. The IU IV provides services relative to curriculum development, continuing education, educational planning, instructional materials, pupil personnel, state and federal agency liaison and managerial oversight. The Midwestern Intermediate Unit IV is governed by a thirteen (13) member board appointed by the 27 participating school districts on a rotating basis. The School District contributed \$140,610 to IU IV through state subsidy withholdings for the year-ended June 30, 2016. Midwestern Intermediate Unit IV issues separate financial statements annually which can be obtained by contacting the IU IV directly.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**BUTLER COUNTY AREA VOCATIONAL TECHNICAL SCHOOL**

The Seneca Valley School District, in conjunction with six other Western Pennsylvania School Districts, fund the operating and capital budget of the Butler County Area Vocational Technical School. The technical school is designed to teach students trade related professions. Each district's share of the operating budget is based on its' average daily membership. Each district's share of the capital budget is based on the ratio of the district's market valuation to the total market valuation of all participating districts. The Butler County Area Vocational Technical School issues separate financial statements annually which can be obtained by contacting the Vo-Tech directly.

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

**PLAN DESCRIPTION**

The Seneca Valley School District provides post-retirement healthcare benefits, for eligible employees, and their spouse, who elect early retirement.

The single-employer retiree benefit plan ('the Plan') was established by the authority of the collective bargaining agreements between the Seneca Valley School District Board of Education and the various unions. The program entitles eligible employees to health care benefits during the period between retirement and either attaining age 65 or becoming eligible for Medicare benefits.

Any increase in the premium costs for the aforementioned insurance that occurs after retirement, shall be borne by the retired employee. The plan is unfunded and does not issue a publicly available financial report. These benefits are accounted for in accordance with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.

**FUNDING POLICY**

The contribution requirements of plan members and the School District are negotiated between the District and the union representatives and may be amended by the Seneca Valley Board of Education. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid to fund the health care benefits provided to current retirees. There are no assets that have been segregated and restricted to provide for retiree medical benefits. During the 2015-2016 fiscal year, the Seneca Valley School District contributed \$1,140,805 for 95 participants. Total retiree contributions made by plan members were \$370,927 for the year ending June 30, 2016.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**ANNUAL OPEB COST AND NET OPEB OBLIGATION**

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following show the components of the Seneca Valley School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Seneca Valley School District's net OPEB obligation:

|                                            |           |                   |
|--------------------------------------------|-----------|-------------------|
| Annual required contribution               | \$        | 3,781,363         |
| Interest on net OPEB obligation            |           | 671,373           |
| Adjustment to annual required contribution |           | (915,924)         |
| Annual OPEB cost (expense)                 |           | 3,536,812         |
| Contributions made (estimate)              |           | (1,914,793)       |
| Increase in net OPEB obligation            |           | 1,622,019         |
| Net OPEB obligation at July 1, 2015        |           | 14,919,389        |
| Net OPEB obligation at June 30, 2016       | <b>\$</b> | <b>16,541,408</b> |

**FUNDED STATUS AND FUNDING PROGRESS**

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

| <u>FISCAL YEAR<br/>ENDED</u> | <u>ANNUAL OPEB<br/>COST</u> | <u>PERCENTAGE<br/>CONTRIBUTED</u> | <u>NET OPEB<br/>OBLIGATION</u> |
|------------------------------|-----------------------------|-----------------------------------|--------------------------------|
| 2016                         | \$ 3,536,812                | 21%                               | \$ 16,541,408                  |
| 2015                         | 3,565,190                   | 24%                               | 14,919,389                     |
| 2014                         | 3,653,459                   | 28%                               | 13,188,090                     |
| 2013                         | 3,686,925                   | 33%                               | 11,251,170                     |

As of March 1, 2014, the most recent actuarial valuation date, the District unfunded actuarial accrued liability (UAAL) was \$35,187,296. The annual payroll for active employees covered by the plan in the actuarial valuation was \$40,486,161 for a ratio of UAAL to covered payroll of 86.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarial amounts determined regarding the funded status of the plan and the annual required contributions of the school district are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, as shown below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)**

**FUNDED STATUS AND FUNDING PROGRESS (Continued)**

| ACTUARIAL<br>VALUATION<br>DATE | (A)<br>ACTUARIAL<br>VALUE OF<br>ASSETS | (B)<br>ACTUARIAL<br>ACCRUED<br>LIABILITY | (B-A)<br>(UAAL)<br>UNFUNDED<br>ACTUARIAL<br>ACCRUED<br>LIABILITY | (A/B)<br>FUNDED<br>RATIO | (C)<br>COVERED<br>PAYROLL | (B-A)/C<br>UAAL AS A<br>% OF<br>COVERED<br>PAYROLL |
|--------------------------------|----------------------------------------|------------------------------------------|------------------------------------------------------------------|--------------------------|---------------------------|----------------------------------------------------|
| 3/1/14                         | \$ -                                   | \$ 35,187,296                            | \$ 35,187,296                                                    | 0%                       | \$ 40,486,161             | 86.9%                                              |
| 3/1/12                         | -                                      | 34,060,922                               | 34,060,922                                                       | 0%                       | 38,803,256                | 87.8%                                              |
| 3/1/10                         | -                                      | 26,675,396                               | 26,675,396                                                       | 0%                       | 39,424,446                | 67.7%                                              |

**ACTUARIAL METHODS AND ASSUMPTIONS**

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

The March 1, 2014 actuarial valuation report utilized the Unit Credit Actuarial Cost Method. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The UAAL, if any, is being amortized as a level dollar amount over 30 years. The remaining amortization period at June 30, 2016 was 28 years.

**NOTE 13 - RISK MANAGEMENT**

**GENERAL INSURANCE CLAIMS**

The Seneca Valley School District is exposed to various risks of loss related to tort; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.



**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 13 - RISK MANAGEMENT (Continued)**

**HEALTH INSURANCE**

The Seneca Valley School District is a member of the Midwestern Health Combine. The Consortium is a public entity risk pool designed to administer health and medical insurance risks on a pooled risk basis. The Consortium elected to finance these health care benefits using a self-insured approach known as an Administrative Service Contract (ASC) arrangement. Under this arrangement, the consortium contracts for an insurer (Highmark Blue Cross/Blue Shield) to settle the payment for benefits at their provider discounted contract amounts plus a fee for administration rather than paying for benefits at non-discounted claims rates.

The Reschini Group performs billing and collection services for the Consortium's deposit (medical) and premium (supplemental) amounts. Billing administration is provided through Crown Benefits Administration who also monitors and submits to Highmark all enrollment and eligibility changes for all coverages. Contributions from participating schools are determined annually in advance by the Consortium's operating committee. These contributions are based on amounts required to fund anticipated benefits and claims, as well as operational costs. The monthly payments of each member are determined by the terms of the medical benefit chosen by such members.

Participating school districts are permitted to withdraw from the Consortium, and are entitled to a vested interest in the Consortium fund balance after settlement of all claims related to that district over a period of 12 months from the date of withdrawal. As of June 30, 2016, the Consortium net position available for benefits reflected a deficit balance of \$651,780. During the 2015-2016 fiscal year, the Seneca Valley School District contributed \$12,257,900 to the Midwestern Health Combine.

**NOTE 14 - CONTINGENCIES**

**STATE AND FEDERAL SUBSIDIES**

The Seneca Valley School District state and federally funded programs are subject to audit by various governmental agencies. The District is potentially liable for any expenditure disallowed by the results of these audits. Management is not aware of any items of noncompliance which would result in the disallowance of program expenditures.

**SALE OF TAX CLAIMS**

On July 1, 2011, the Seneca Valley School District sold its outstanding delinquent real estate tax liens through June 30, 2011 to the Northwest Pennsylvania Incubator Association (NPIA). The District has continued to sell its outstanding delinquent real estate tax liens through June 30, 2016. NPIA borrowed the necessary funds from Firsttrust Savings Bank. Section 3.02 of the agreement of sale between the District and NPIA provides for a mandatory repurchase clause by the District in the event of default by NPIA on its loan obligation to Firsttrust Savings Bank. In the event of default, the District would be responsible for the outstanding balance due Firsttrust Savings Bank by NPIA.

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 15 – PENDING GASB PRONOUNCEMENTS**

In June of 2015, GASB issued Statement No. 74, 'Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans'. The primary objective of this Statement is to address reporting by governments that provide Other Post-Employment Benefits (OPEB) to their employees. The provisions of this Statement are effective for Seneca Valley School District's June 30, 2017 financial statements.

In June of 2015, the GASB issued Statement No. 75, 'Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.' The primary objective of this Statement is to replace GASB 45 with a requirement to report a liability on the financial statements for the OPEB that governments provide to employees. The provisions of this Statement are effective for Seneca Valley School District's June 30, 2018 financial statements.

In August of 2015, the Government Accounting Standards Board (GASB) issued Statement No. 77, *Tax Abatement Disclosures*. The primary objective of this Statement is the requirement of certain disclosures in regards to tax abatement agreements. The provisions of this Statement are effective for the Seneca Valley School District's June 30, 2017 financial statements.

In March of 2016, the GASB issued Statement No. 82, 'Pension Issues'. The primary objective of this Statement is to address for certain issues that have been raised with respect to GASB Statements No. 67, 68 and 73. The provisions of this Statement are effective for the Seneca Valley School District's June 30, 2017 financial statements

The effects of the implementation of these standards on Seneca Valley School District's financial statements have not yet been determined.

**NOTE 16 – SUBSEQUENT EVENTS**

In connection with the Seneca Valley School District's general obligation bond indebtedness (Note 9), the District receives a reimbursement from the Pennsylvania Department of Education based on an approved calculated aid ratio as a percentage of its semi-annual debt payments to the Bond Trustee. For the 2015-2016 school year, the District did not receive this reimbursement until November of 2016. The criteria for recognition of revenue under the modified accrual basis of accounting at fiscal year-end, is that the revenue must be both 'estimable' and 'available'. PDE has determined that although the rental subsidy is estimable, since funding at the Commonwealth of Pennsylvania had not been secured for this reimbursement, and is not guaranteed, it did not meet the availability criteria and therefore should not be recognized as revenue in the 2015-2016 year. The effect of the General Fund balance of not reporting this revenue for the 2015-2016 fiscal year was a reduction in fund balance of \$1,143,058.

The Seneca Valley School District evaluated its June 30, 2016 financial statements for subsequent events through the date of the 'Independent Auditor's Report, which is the date the financial statements were available to be issued. The Seneca Valley School District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

***SUPPLEMENTARY  
INFORMATION***

**SENECA VALLEY SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**CAPITAL PROJECT FUNDS**  
**JUNE 30, 2016**

**SCHEDULE 1**

|                                            | <b>CAPITAL<br/>RESERVE<br/>FUND</b> | <b>OTHER<br/>CAPITAL<br/>PROJECT<br/>FUNDS</b> | <b>TOTAL<br/>NON-MAJOR<br/>GOVERNMENTAL<br/>FUNDS</b> |
|--------------------------------------------|-------------------------------------|------------------------------------------------|-------------------------------------------------------|
|                                            | <u>                    </u>         | <u>                    </u>                    | <u>                    </u>                           |
| <b>ASSETS:</b>                             |                                     |                                                |                                                       |
| Cash and Cash Equivalents                  | \$ 7,042,121                        | \$ -                                           | \$ 7,042,121                                          |
| Investments                                | -                                   | 37,045,312                                     | 37,045,312                                            |
| <b>TOTAL ASSETS</b>                        | <u><b>\$ 7,042,121</b></u>          | <u><b>\$ 37,045,312</b></u>                    | <u><b>\$ 44,087,433</b></u>                           |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                     |                                                |                                                       |
| <b>LIABILITIES:</b>                        |                                     |                                                |                                                       |
| Accounts Payable                           | \$ -                                | \$ 2,766,277                                   | \$ 2,766,277                                          |
| <b>TOTAL LIABILITIES</b>                   | <u><b>\$ -</b></u>                  | <u><b>\$ 2,766,277</b></u>                     | <u><b>\$ 2,766,277</b></u>                            |
| <b>FUND BALANCES:</b>                      |                                     |                                                |                                                       |
| Restricted                                 | \$ 7,042,121                        | \$ -                                           | \$ 7,042,121                                          |
| Assigned                                   | -                                   | 34,279,035                                     | 34,279,035                                            |
| <b>TOTAL FUND BALANCES</b>                 | <u><b>\$ 7,042,121</b></u>          | <u><b>\$ 34,279,035</b></u>                    | <u><b>\$ 41,321,156</b></u>                           |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u><b>\$ 7,042,121</b></u>          | <u><b>\$ 37,045,312</b></u>                    | <u><b>\$ 44,087,433</b></u>                           |

The accompanying notes are an integral part of these financial statements

**SENECA VALLEY SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

|                                                              | <b>CAPITAL<br/>RESERVE<br/>FUND</b> | <b>OTHER<br/>CAPITAL<br/>PROJECT<br/>FUNDS</b> | <b>TOTAL<br/>CAPITAL<br/>PROJECT<br/>FUNDS</b> |
|--------------------------------------------------------------|-------------------------------------|------------------------------------------------|------------------------------------------------|
| <b><u>REVENUES</u></b>                                       |                                     |                                                |                                                |
| Local Sources                                                | \$ 9,018                            | \$ 108,679                                     | \$ 117,697                                     |
| <b>Total Revenue</b>                                         | <b>\$ 9,018</b>                     | <b>\$ 108,679</b>                              | <b>\$ 117,697</b>                              |
| <b><u>EXPENDITURES</u></b>                                   |                                     |                                                |                                                |
| Capital Outlay                                               | \$ -                                | \$ 7,663,424                                   | \$ 7,663,424                                   |
| <b>Total Expenditures</b>                                    | <b>\$ -</b>                         | <b>\$ 7,663,424</b>                            | <b>\$ 7,663,424</b>                            |
| <b>Excess ( Deficiency) of Revenue<br/>over Expenditures</b> | <b>\$ 9,018</b>                     | <b>\$ (7,554,745)</b>                          | <b>\$ (7,545,727)</b>                          |
| <b><u>OTHER FINANCING SOURCES (USES)</u></b>                 |                                     |                                                |                                                |
| Operating Transfers In                                       | \$ -                                | \$ -                                           | \$ -                                           |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>-</b>                            | <b>-</b>                                       | <b>-</b>                                       |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>\$ 9,018</b>                     | <b>\$ (7,554,745)</b>                          | <b>\$ (7,545,727)</b>                          |
| FUND BALANCE - JULY 1, 2015                                  | 7,033,103                           | 41,833,780                                     | 48,866,883                                     |
| <b>FUND BALANCE - JUNE 30, 2016</b>                          | <b>\$ 7,042,121</b>                 | <b>\$ 34,279,035</b>                           | <b>\$ 41,321,156</b>                           |

The accompanying notes are an integral part of these financial statements

SENECA VALLEY SCHOOL DISTRICT  
CASH SUMMARY - ACTIVITIES FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

|                                   | <u>BALANCE</u><br><u>6/30/2015</u> | <u>RECEIPTS</u>   | <u>DISBURSEMENTS</u> | <u>BALANCE</u><br><u>6/30/2016</u> |
|-----------------------------------|------------------------------------|-------------------|----------------------|------------------------------------|
| Senior High Activity Fund         | \$ 167,888                         | \$ 237,050        | \$ 225,281           | \$ 179,657                         |
| Middle School Activity Fund       | 54,953                             | 279,368           | 263,262              | 71,059                             |
| Intermediate School Activity Fund | 25,259                             | 48,955            | 46,537               | 27,677                             |
|                                   | <u>\$ 248,100</u>                  | <u>\$ 565,373</u> | <u>\$ 535,080</u>    | <u>\$ 278,393</u>                  |

The accompanying notes are an integral part of these financial statements

***REQUIRED  
SUPPLEMENTARY  
INFORMATION***

**SENECA VALLEY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
DEFINED BENEFIT PENSION PLAN  
JUNE 30, 2016**

**SCHEDULE OF DISTRICT CONTRIBUTIONS:**

| June 30,                                                            | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   |
|---------------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Contractually required contributions                                | \$ 12,057,476 | \$ 10,038,468 | \$ 7,757,190  | \$ 5,681,492  |
| Contribution in relation to the contractually required contribution | (12,057,476)  | (10,038,468)  | (7,757,190)   | (5,681,492)   |
| Contribution deficiency (excess)                                    | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   |
| District's covered-employee payroll                                 | \$ 49,012,828 | \$ 47,317,622 | \$ 45,819,197 | \$ 45,022,245 |
| Contributions as a percentage of covered-employee payroll           | 24.60%        | 21.22%        | 16.93%        | 12.62%        |

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY:**

| As of the measurement date                                                                                  | <u>2015</u>    | <u>2014</u>    | <u>2013</u>    |
|-------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|
| District's proportion of the net pension liability                                                          | 0.3689%        | 0.3590%        | 0.3508%        |
| District's proportionate share of the net pension liability                                                 | \$ 159,790,000 | \$ 142,094,000 | \$ 143,604,000 |
| District's covered-employee payroll                                                                         | \$ 47,317,622  | \$ 45,819,197  | \$ 45,022,245  |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 337.70%        | 310.12%        | 318.96%        |
| Plan fiduciary net position as a percentage of the total pension liability                                  | 54.36%         | 57.24%         | 54.49%         |

The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the preceding fiscal year. This schedule is intended to illustrate information for a ten (10) year period. Information for that ten year period will be presented as information becomes available.



**SENECA VALLEY  
SCHOOL DISTRICT**

***SUPPLEMENTARY INFORMATION***

***AS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND UNIFORM GUIDANCE***

**Mark C. Turnley**

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Certified Public Accountant

**NDEPENDENT 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 Management and Board of Education  
Seneca Valley School District**

I 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 Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Seneca Valley School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Seneca Valley School District's basic financial statements, and have issued my report thereon dated January 19, 2017.

**Internal Control over Financial Reporting**

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

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

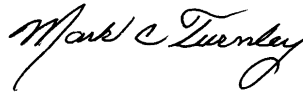
**To the Board of Education  
Seneca Valley School District**

**Compliance and Other Matters**

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

**Purpose of this Report**

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



Mark C. Turnley  
Certified Public Accountant

January 19, 2017  
New Brighton, Pennsylvania

**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 Education  
Seneca Valley School District**

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination on the Seneca Valley School District's compliance.

**Opinion on Each Major Federal Program**

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

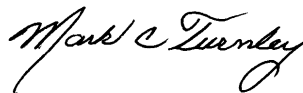
## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of Seneca Valley School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Seneca Valley School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Seneca Valley School District's internal control over compliance.

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

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

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



Mark C. Turnley  
Certified Public Accountant

January 19, 2017  
New Brighton, Pennsylvania

**SENECA VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

| FEDERAL GRANTOR / PROJECT TITLE                                  | FUNDING SOURCE | FEDERAL CFDA NUMBER | PASS-THROUGH GRANTOR NUMBER | GRANT PERIOD BEGINNING / ENDING DATE | PROGRAM AWARD AMOUNT | TOTAL RECEIVED THIS PERIOD | ACCRUED (DEFERRED) REVENUE JULY 1 | REVENUE RECOGNIZED  | EXPENDITURES        | ACCRUED (DEFERRED) REVENUE JUNE 30 |
|------------------------------------------------------------------|----------------|---------------------|-----------------------------|--------------------------------------|----------------------|----------------------------|-----------------------------------|---------------------|---------------------|------------------------------------|
| <b>U.S. Department of Education:</b>                             |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| <b>Passed through Midwestern Intermediate Unit #4:</b>           |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| IDEA                                                             | Indirect       | 84.027              | 062-150003                  | 7/1/15-6/30/16                       | \$ 1,140,770         | \$ 288,962                 | \$ -                              | \$ 1,140,770        | \$ 1,140,770        | \$ 851,808                         |
| IDEA                                                             | Indirect       | 84.027              | 062-140003                  | 7/1/14-6/30/15                       | 1,105,732            | 343,484                    | 343,484                           | -                   | -                   | -                                  |
| IDEA - Section 619                                               | Indirect       | 84.173              | 131-150004                  | 7/1/15-6/30/16                       | 4,711                | -                          | -                                 | 4,711               | 4,711               | 4,711                              |
| IDEA - Section 619                                               | Indirect       | 84.173              | 131-140004                  | 7/1/14-6/30/15                       | 8,417                | 8,417                      | 8,417                             | -                   | -                   | -                                  |
| IDEA Cluster Subtotal                                            |                |                     |                             |                                      |                      | <u>\$ 640,863</u>          | <u>\$ 351,901</u>                 | <u>\$ 1,145,481</u> | <u>\$ 1,145,481</u> | <u>\$ 856,519</u>                  |
| <b>Passed through Allegheny Intermediate Unit #3:</b>            |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| Title III                                                        | Indirect       | 84.365              | FA-999-15-0603              | 7/16/14-9/30/15                      | \$ 4,000             | \$ -                       | \$ (4,000) (2)                    | \$ 4,000            | \$ 4,000            | \$ -                               |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                             |                |                     |                             |                                      |                      | <u>\$ 640,863</u>          | <u>\$ 347,901</u>                 | <u>\$ 1,149,481</u> | <u>\$ 1,149,481</u> | <u>\$ 856,519</u>                  |
| <b>U.S. Department of Health and Human Services:</b>             |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| <b>Passed through Pa. Dept. of Public Welfare:</b>               |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| Title 19                                                         |                | 93.778              | 044-007411                  | 7/1/15-6/30/16                       | N/A                  | \$ 1,269                   | \$ -                              | \$ 4,451            | \$ 4,451            | \$ 3,182                           |
| Title 19                                                         |                | 93.778              | 044-007411                  | 7/1/14-6/30/15                       | N/A                  | 6,241                      | 6,241                             | -                   | -                   | -                                  |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>             |                |                     |                             |                                      |                      | <u>\$ 7,510</u>            | <u>\$ 6,241</u>                   | <u>\$ 4,451</u>     | <u>\$ 4,451</u>     | <u>\$ 3,182</u>                    |
| <b>U.S. Department of Agriculture:</b>                           |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| <b>Passed through Pa. Dept. of Education:</b>                    |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| National School                                                  |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| Lunch Program                                                    | Indirect       | 10.555              | N/A                         | 7/1/15-6/30/16                       | N/A                  | \$ 525,045                 | \$ -                              | \$ 530,784          | \$ 530,784          | (1) \$ 5,739                       |
| Lunch Program                                                    | Indirect       | 10.555              | N/A                         | 7/1/14-6/30/15                       | N/A                  | 65,295                     | 65,295                            | -                   | -                   | (1) -                              |
| Breakfast Program                                                | Indirect       | 10.553              | N/A                         | 7/1/15-6/30/16                       | N/A                  | 69,928                     | -                                 | 70,966              | 70,966              | (1) 1,038                          |
| Breakfast Program                                                | Indirect       | 10.553              | N/A                         | 7/1/14-6/30/15                       | N/A                  | 9,470                      | 9,470                             | -                   | -                   | (1) -                              |
| <b>Passed through Pa. Dept. of Agriculture:</b>                  |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| National School Lunch Program                                    | Indirect       | 10.555              | N/A                         | 7/1/15-6/30/16                       | N/A                  | 218,487 *                  | (24,621) **                       | 207,421             | 207,421             | (1) (35,687) ***                   |
| <b>TOTAL DEPARTMENT OF AGRICULTURE (Child Nutrition Cluster)</b> |                |                     |                             |                                      |                      | <u>\$ 888,225</u>          | <u>\$ 50,144</u>                  | <u>\$ 809,171</u>   | <u>\$ 809,171</u>   | <u>\$ (28,910)</u>                 |
| <b>U.S. Department of Defense:</b>                               |                |                     |                             |                                      |                      |                            |                                   |                     |                     |                                    |
| Department of Army ROTC                                          | Direct         | N/A                 | N/A                         | 7/1/15-6/30/16                       | N/A                  | \$ 62,381                  | \$ -                              | \$ 68,232           | \$ 68,232           | \$ 5,851                           |
| Department of Army ROTC                                          | Direct         | N/A                 | N/A                         | 7/1/14-6/30/15                       | N/A                  | 5,519                      | 5,519                             | -                   | -                   | -                                  |
| <b>TOTAL DEPARTMENT OF DEFENSE</b>                               |                |                     |                             |                                      |                      | <u>\$ 67,900</u>           | <u>\$ 5,519</u>                   | <u>\$ 68,232</u>    | <u>\$ 68,232</u>    | <u>\$ 5,851</u>                    |
| <b>TOTAL FEDERAL ASSISTANCE</b>                                  |                |                     |                             |                                      |                      | <u>\$ 1,604,498</u>        | <u>\$ 409,805</u>                 | <u>\$ 2,031,335</u> | <u>\$ 2,031,335</u> | <u>\$ 836,642</u>                  |

# **Reconciliation with federal subsidy confirmation:**

|                                               |                   |
|-----------------------------------------------|-------------------|
| Per above                                     | \$ 1,604,498      |
| School Lunch/Breakfast matching state subsidy | 78,597            |
| Donated commodities                           | (218,487)         |
| IDEA - MWIU #4                                | (640,863)         |
| Title 19                                      | (7,510)           |
| Medical Assistance - ACCESS                   | 249,332           |
| Department of Army - ROTC                     | (67,900)          |
| <b>Per confirmation</b>                       | <u>\$ 997,667</u> |

\* **Total USDA Commodity Received**

\*\* **Represents beginning inventory - 7/1/15**

\*\*\* **Represents ending inventory - 6/30/16**

(1) **Denotes Major Programs**

(2) **Deferred Revenue at 6/30/2015 not reflected on SEFA**

**SENECA VALLEY SCHOOL DISTRICT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2016**

**NOTE 1 – BASIS OF PRESENTATION**

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

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

**BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are presented using the accrual method of accounting. Under this method, grant revenue is recognized to the extent expenditures are incurred. Expenditures are recognized when the liability for the expenditure is incurred rather than when the disbursement is actually made.

The federal expenditures are recognized, as applicable, under the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited to reimbursement.

**NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS**

Federal financial award revenues are included in the financial statements as 'local source' and 'federal source' revenues.

**NOTE 4 – RECEIVABLES AND UNEARNED REVENUE**

Federal grants receivable are included as part of 'due from other governments' in Exhibit A and Exhibit C as referenced in Note 4 to the Financial Statements. Unearned federal grant revenue, if any, is included as part of 'unearned revenue' in Exhibit A and Exhibit C, and is referenced in Note 8 to the Financial Statements.

**NOTE 5 - NON-CASH ASSISTANCE**

The Seneca Valley School District received donated commodities from the Department of Agriculture in connection with its food service program. The amount of non-cash assistance expended in the accompanying schedule of expenditures of federal awards reflects the fair market value of the commodities used during the 2015-2016 fiscal year.

**NOTE 6 – INDIRECT COST RATE**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**SENECA VALLEY SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes   X  no
- Significant deficiency(ies) identified? \_\_\_yes   X  no

Noncompliance material to financial statements noted? \_\_\_yes   X  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes   X  no
- Significant deficiency(ies) identified? \_\_\_yes   X  no

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_yes   X  no

Identification of major programs:

| <u>CFDA number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-------------------------------------------|
| 10.555                | National School Lunch Program             |
| 10.553                | National School Breakfast Program         |

The dollar threshold for distinguishing type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X  yes     no

**Section II – Financial Statement Findings**

Findings related to the financial statements which are required to be report in accordance with Government Auditing Standards.

None

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

Findings and questioned costs related to Federal Awards which are required to be reported in accordance with the Uniform Guidance 2 CFR 200.516(a):

None



**SENECA VALLEY SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

There were no findings in the audit report of the Seneca Valley School District for the year ended June 30, 2015, dated January 31, 2016.