

Steel Valley School District

Financial Statements and Required Supplementary and Supplementary Information

Year Ended June 30, 2014 with
Independent Auditor's Reports

MaherDuessel
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Independent Auditor's Report

Board of Directors
Steel Valley School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Steel Valley School District (School District), Munhall, Pennsylvania, as of and for the year ended June 30, 2014, 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages i through vii and 40 and 41, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The accompanying 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Maher Duessel

Pittsburgh, Pennsylvania
February 20, 2015

**Steel Valley School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

Our Management's Discussion and Analysis of Steel Valley School District's (School District) financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2014. Please review in conjunction with the School District's financial statements.

Financial Highlights

The School District recognized revenues of approximately \$29.2 million for fiscal year ending June 30, 2014, and net position increased by approximately \$2.9 million, increasing the total net position to approximately \$4.2 million. The School District's General Fund fund balance was approximately \$7.6 million at June 30, 2014, an increase of approximately \$500,000 from the prior year primarily due to lower than anticipated expenditures.

The budget for 2013-2014 represents an increase in revenue of \$2,988,348, or an 11.6% increase, over the prior fiscal year.

The final tax rate millage for 2014 fiscal year was 21.31, which represents no change from the 2013 fiscal year.

Using the Basic Financial Statement Report

This Basic Financial Statement Report consists of a Financial Section. Within the Financial Section is the Management's Discussion and Analysis (this section), a series of financial statements, and notes to those statements. The Statement of Net Position and Statement of Activities provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Fund Financial Statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. For the School District, the General Fund, Capital Projects Fund, the Athletic Fund, and the Food Service Fund are the most significant funds. Lastly, the financial statements include notes that explain some of the information in the financial statements and provide more detailed data.

Reporting the School District as a Whole

While the Fund Financial Statements contain the majority of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during Fiscal Year 2014?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in those assets. This change in net position is important because it tells the reader, for the School District as a whole, whether the financial position of the School District has improved or diminished. The causes of

this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Pennsylvania restricting revenue growth, facility conditions, required educational programs, and other factors.

Overview of Financial Statements

The Government-Wide Financial Statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School District's assets, deferred outflows of resources, 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 Financial Statements report the School District's net position and how they have changed. Net position, the difference between the School District's assets, deferred outflows of resources, and liabilities, are one way to measure the School District's financial health or position.

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

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

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required by state law and by bond requirements.

Governmental funds – Most of the School 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 School 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 School 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 reflected on the reconciliation in the financial statements.

Proprietary fund – This fund is used to account for the School 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 School District charges for services it provides – whether to outside customers or to other units in the School District – these services are generally reported in proprietary funds. The Food Service Fund is the School District’s only proprietary fund and uses the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Assets, Deferred Outflows of Resources, Liabilities, and Net Position – Government-Wide Financial Statements

At June 30, 2014, the value of the School District’s assets totaled \$28.8 million, of which 48%, or approximately \$14.0 million, consisted of cash, investments, state and federal receivables, and delinquent/liened real estate taxes.

Deferred outflows of resources totaled \$246,000, which relates to the School District’s deferred charge on refunding.

The liabilities total of \$24.6 million consisted of accounts payable, accrued payroll and benefits, accrued interest payable, current accumulated compensated absences, unearned revenues, other non-current liabilities including bonds and notes outstanding, retirement incentive, OPEB obligation, and lease commitments.

Total unrestricted net position is approximately \$6.5 million and net investment in capital assets is approximately (\$1.9) million at June 30, 2014, for a total net surplus of \$4,544,769.

Revenues and Expenses – Government-Wide Financial Statements

Program revenues consist mainly of operating grants and contributions. Operating grants and contributions totaled \$4,014,792 and \$4,210,593 in fiscal years 2014 and 2013, respectively.

General revenues for governmental activities as displayed in the Statement of Activities for fiscal years ended June 30, 2014 and 2013 are as follows:

Description	2014	2013	Increase (Decrease)
Property taxes, net of collections	\$ 12,339,636	\$ 12,286,179	\$ 53,457
Taxes levied for general purposes	1,704,285	2,618,827	(914,542)
Grants/subsidies	11,474,242	10,723,551	750,691
Investment earnings	51,980	233,274	(181,294)
Miscellaneous income	252,583	100,446	152,137
Gain on sale of capital assets	22,603	-	22,603
Gain (loss) on derivative instrument	(21,899)	-	(21,899)
Reimbursement to Cafeteria Fund	-	(256,287)	256,287

Property taxes only slightly increased by \$53,000, or 0.4%. Other taxes levied for general purposes include earned income, delinquent/liened taxes, amusement, and emergency municipal services. Grants/subsidies include basic subsidy, grants from foundations, and grants from the state and federal governments. Investment earnings decreased in fiscal year 2014 because of earnings related to the interest rate swap agreements, and the related swap termination by the School District. Miscellaneous revenue comes from tuition paid by other school districts for students attending the School District's schools, telephone commissions, truancy, and refunds from Steel Center Vocational School for prior years, and vendor contributions to the School District for allowing use of their vending machines in our school buildings. The School District sold some capital assets during 2014, resulting in a gain. The School District's loss on derivative instrument in 2014 is a result of the School District terminating the swap.

Expenses for governmental activities as displayed in the Statement of Activities for the fiscal years ended June 30, 2014 and 2013 are as follows:

Description	2014	2013	(Decrease)
Instructional services	\$ 17,254,616	\$ 16,111,467	\$ 1,143,149
Support services	7,396,088	6,883,590	512,498
Non-instructional services	566,826	481,805	85,021
Debt service and authority obligations	1,082,682	1,323,576	(240,894)

Overall, the School District experienced an increase in net position of \$2.9 million in fiscal year 2014 compared to an increase in net position of \$4.5 million for fiscal year 2013.

Revenues and Expenditures – Fund Statements

The revenue of the School District for the fiscal year ended June 30, 2014 came from four sources – local, state, federal, and other financing sources. Revenues from local sources, which include real estate, wage tax, delinquent/liened taxes, amusement, and other sources, accounted for \$14,604,810 of total revenue received. The major source of revenue on the local level is current year real estate taxes, which represented \$10,876,212 of the total local revenue. The revenue received from delinquent/liened real estate tax collections totaled \$1,460,730, which was

well above the budget. Revenue from state sources during fiscal year 2014 totaled \$13,080,070, which was \$420,112 over budget due to an under budgeted State share of Retirement contribution of \$338,788, or 38.1%. The major subsidies received from state sources are basic subsidy of \$8,572,782 and special education subsidy of \$1,270,269. Of the \$1,561,671 revenue from federal sources, \$630,493 is from Title I improving basic programs and \$532,024 also from Title I for the Keystones to Opportunities funding. The remaining funds represent minor grants for improving teacher quality and technology. Revenue from other financing sources during fiscal year 2014 totaled \$151,903, which was \$129,300 in proceeds from the School District's swap termination and \$22,603 from the sale of School District capital assets.

School District revenues for the fiscal year ended June 30, 2014 were used to pay expenditures of approximately \$27.4 million for instruction, support services, student activities, community services, facilities acquisition construction and improvements services, debt service, and other financing sources. The following is a comparison of costs for the fiscal years ended June 30, 2014 and 2013:

Program	2014 Expenses	2013 Expenses	Increase/(Decrease) from Prior Year
Instruction programs	\$ 16,750,815	\$ 15,634,578	\$ 1,116,237
Support services	7,778,878	7,493,280	285,598
Non-instruction services	557,448	472,427	85,021
Debt service	1,536,375	1,920,798	(384,423)
Facilities/improvement	558,038	566,768	(8,730)
Swap termination payment	219,800	-	219,800
Refunds of prior year receipts	2,877	-	2,877

The variances for the fiscal year 2014 compared with the prior year concerning instruction programs are the result of increases in the retirement contribution rate from 12.36 to 16.93 percent, an increase of 4.57%, and increased salaries and health insurance.

Capital Project Fund activity consisted of a partial roof replacement at the high school costing \$440,691, pavement \$26,785, electrical upgrades \$9,289, air conditioning \$33,624, phone system \$23,967, and other capital items \$23,682.

Business-Type Activity

The only business-type activity of the School District is the Food Service operations. This program had revenues, operating, and non-operating of \$897,970 and total operating and non-operating expenses of \$891,959 for fiscal year 2014. The cafeteria operation is designed to be self-sustaining; however, funds are provided by the General Fund whenever revenue is lagging from the state/federal subsidies. Over half of the revenue of the food service operation comes from the state and federal government. Subsidies received represent lunch and breakfasts served for free, or at a reduced price and those for which students pay. There was no increase in school lunch prices during the fiscal year.

Capital Assets

At June 30, 2014, the School District's governmental funds had \$14,514,073 invested in a broad range of capital assets, including construction in progress, land, site improvements, buildings, furniture, and equipment. This amount represents a net increase (including additions, deletions, and depreciations) of \$27,372 or .19% from last year.

Government Activities		
Fiscal Years Ended June 30, 2014 and 2013		
Capital Assets - Net of Depreciation		
	2013	2012
Land and land improvements	\$ 1,476,347	\$ 1,483,478
Buildings and building improvements	12,564,101	12,465,376
Equipment, furniture, and fixtures	431,436	388,277
Vehicles	42,189	58,951
Library and textbooks	-	-

Debt Administration

As of July 1, 2013, the School District had bonds payable of \$19,010,435. During the year, the School District incurred additional accretion of \$640,258, and principal payments totaling \$1,355,000. The total outstanding bonds payable as of June 30, 2014 is \$18,295,693.

Outstanding Debt		
General Obligation Bond	As of June 30, 2014	As of June 30, 2013
Series of 1993 Capital Appreciation	\$ 4,317,330	\$ 5,238,987
Series of 2005	7,643,363	7,351,448
Series of 2010	6,335,000	6,420,000
Total	<u>\$ 18,295,693</u>	<u>\$ 19,010,435</u>

Other obligations include accrued sick leave for specific employees of the School District and retirement incentive. More detailed information about our long-term liabilities is included in Notes 6, 7, 9, and 14 to the financial statements.

Component Unit Activity

The Steel Valley Foundation was a 501(c)(3) corporation designed to provide a means whereby private and public sector sources may contribute funds to support programs, projects, and activities that enhance the goals of the School District. Separate financial statements are not

issued. The Steel Valley Foundation ceased operations and this is the final year it will be presented.

Major Financial Issues

At June 30, 2014, the General Fund fund balance had a surplus of approximately \$7.6 million, consisting of non-spendable of \$253,000, assigned of \$2,000,000, committed of \$2,000,000, and unassigned of \$3,372,000. The \$2,000,000 assigned was for real estate tax refunds, health insurance increases, charter school challenge to include federal fund expenditures in the tuition calculation, and the upcoming CBA-collective bargaining agreements. The \$2,000,000 committed was for retirement (PSERS) rate increases.

Strategic Plan

The School District's strategic plan was approved by the PDE in September of 2006. The School District's mission is to educate students who come from diverse communities with an array of abilities and interests and prepare them to be the most productive citizens of tomorrow in a global marketplace. The areas which formed the School District's strategic direction include planned instruction, assessment, professional development, technology, and external partnerships.

Labor Relations

The bargaining groups for employees of the School District consist of the Steel Valley Education Association for the teachers, whose three-year contract ended in August 2014. Bargaining began in January 2014 and is ongoing. A second CBA with the Steel Valley Educational Support Personnel ends on June 30, 2017, and covers the secretaries and the aides/paraprofessionals. A third CBA with Support Personnel Association has another year left and goes through June 30, 2015.

The teachers and administrative agreements provide a benefit for retirees who have retired under certain contracts, an amount of \$12,000 or \$15,000 per year for a 10-year period.

Contacting the School District's Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board of the Directors' accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Mr. Edward Wehrer, Superintendent for the Steel Valley School District, 220 East Oliver Road, Munhall, PA 15120, (412) 464-3600.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Steel Valley Foundation
Assets				
Cash and cash equivalents	\$ 11,468,411	\$ 282,365	\$ 11,750,776	\$ -
Restricted cash for capital improvements	178,788	-	178,788	-
Taxes receivable, net of allowance for uncollectibles	1,421,518	-	1,421,518	-
Internal balances	95,908	(95,908)	-	-
Due from other governments	606,430	7,745	614,175	-
Inventory	-	5,843	5,843	-
Other assets	-	26	26	-
Prepaid expenses	253,193	-	253,193	-
Capital assets, net of accumulated depreciation	14,514,073	111,334	14,625,407	-
Total Assets	28,538,321	311,405	28,849,726	-
Deferred Outflows of Resources				
Deferred charge on refunding	246,018	-	246,018	-
Liabilities				
Accounts payable and other current liabilities	574,864	8,772	583,636	-
Accrued payroll and benefits	2,568,460	8,295	2,576,755	-
Accrued interest payable	30,564	-	30,564	-
Noncurrent liabilities:				
Due within one year	2,199,000	-	2,199,000	-
Due in more than one year	19,057,934	-	19,057,934	-
Unearned revenue	-	825	825	-
OPEB obligation	163,213	-	163,213	-
Discount on bonds	(60,952)	-	(60,952)	-
Total Liabilities	24,533,083	17,892	24,550,975	-
Net Position				
Net investment in capital assets	(2,021,464)	111,334	(1,910,130)	-
Unrestricted	6,272,720	182,179	6,454,899	-
Total Net Position	\$ 4,251,256	\$ 293,513	\$ 4,544,769	\$ -

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Program Revenues				Net (Expense) Revenue and Change in Net Position			Component Unit Steel Valley Foundation
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
Primary Government:								
Governmental activities:								
Instructional services:								
Regular instruction	\$ 12,251,767	\$ -	\$ 1,291,135	\$ -	\$ (10,960,632)	\$ -	\$ (10,960,632)	\$ -
Special instruction	3,351,687	-	1,760,471	-	(1,591,216)	-	(1,591,216)	-
Vocational instruction	863,683	-	-	-	(863,683)	-	(863,683)	-
Other instructional programs	729,388	-	-	-	(729,388)	-	(729,388)	-
Nonpublic school programs	58,091	-	-	-	(58,091)	-	(58,091)	-
Total instructional services	17,254,616	-	3,051,606	-	(14,203,010)	-	(14,203,010)	-
Support services:								
Pupil personnel	622,270	-	-	-	(622,270)	-	(622,270)	-
Instructional staff	691,650	-	-	-	(691,650)	-	(691,650)	-
Administration	2,401,295	-	-	-	(2,401,295)	-	(2,401,295)	-
Pupil health	296,939	-	35,306	-	(261,633)	-	(261,633)	-
Business	303,024	-	-	-	(303,024)	-	(303,024)	-
Operation and maintenance of plant services	2,285,838	-	-	-	(2,285,838)	-	(2,285,838)	-
Student transportation services	723,664	-	134,269	-	(589,395)	-	(589,395)	-
Central services	48,328	-	-	-	(48,328)	-	(48,328)	-
Other support services	23,080	-	-	-	(23,080)	-	(23,080)	-
Total support services	7,396,088	-	169,575	-	(7,226,513)	-	(7,226,513)	-
Noninstructional services:								
Student activities	551,485	27,378	-	-	(524,107)	-	(524,107)	-
Community services	15,341	-	-	-	(15,341)	-	(15,341)	-
Total noninstructional services	566,826	27,378	-	-	(539,448)	-	(539,448)	-
Unallocated expenses - excluding direct expenses reported as a function above:								
Interest, amortization, and accretion on long-term debt	1,082,682	-	165,984	-	(916,698)	-	(916,698)	-
Total governmental activities	26,300,212	27,378	3,387,165	-	(22,885,669)	-	(22,885,669)	-

(Continued)

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

(Continued)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	
Business-Type Activities:							
Food services	891,959	269,952	627,627	-	5,620	5,620	-
Total Primary Government	<u>\$ 27,192,171</u>	<u>\$ 297,330</u>	<u>\$ 4,014,792</u>	<u>\$ -</u>	<u>\$ (22,885,669)</u>	<u>\$ 5,620</u>	<u>\$ (22,880,049)</u>
Component Unit:							
Steel Valley Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 879</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 879</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes				12,339,636	-	12,339,636	-
Taxes levied for general purposes				1,704,285	-	1,704,285	-
Grants, subsidies, and contributions not restricted to specific programs				11,474,242	-	11,474,242	-
Investment earnings				51,980	391	52,371	-
Gain on sale of capital assets				22,603	-	22,603	-
Miscellaneous Income				252,583	-	252,583	-
Investment loss on derivative instrument				(21,899)	-	(21,899)	-
Total general revenues				<u>25,823,430</u>	<u>391</u>	<u>25,823,821</u>	<u>-</u>
Change in Net Position				<u>2,937,761</u>	<u>6,011</u>	<u>2,943,772</u>	<u>879</u>
Net Position:							
Beginning of year, as restated (See Note 1)				<u>1,313,495</u>	<u>287,502</u>	<u>1,600,997</u>	<u>(879)</u>
End of year				<u>\$ 4,251,256</u>	<u>\$ 293,513</u>	<u>\$ 4,544,769</u>	<u>\$ -</u>

(Concluded)

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2014

	General Fund	Capital Projects	Athletic Fund	Total
Assets				
Cash and cash equivalents	\$ 11,468,411	\$ 178,788	\$ -	\$ 11,647,199
Taxes receivable, net of allowance for uncollectibles	1,421,518	-	-	1,421,518
Due from other funds	95,908	2,000,000	-	2,095,908
Due from other governments	606,430	-	-	606,430
Prepaid expenses	253,193	-	-	253,193
Total Assets	\$ 13,845,460	\$ 2,178,788	\$ -	\$ 16,024,248
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ 574,864	\$ -	\$ -	\$ 574,864
Accrued payroll and benefits	2,568,460	-	-	2,568,460
Due to other funds	2,000,000	-	-	2,000,000
Total Liabilities	5,143,324	-	-	5,143,324
Deferred Inflows of Resources:				
Unavailable revenue - taxes	1,077,398	-	-	1,077,398
Fund Balance:				
Nonspendable	253,193	-	-	253,193
Restricted	-	178,788	-	178,788
Assigned	2,000,000	2,000,000	-	4,000,000
Committed	2,000,000	-	-	2,000,000
Unassigned	3,371,545	-	-	3,371,545
Total Fund Balance	7,624,738	2,178,788	-	9,803,526
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 13,845,460	\$ 2,178,788	\$ -	\$ 16,024,248

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF POSITION

JUNE 30, 2014

Total Fund Balance - Governmental Funds		\$ 9,803,526
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$28,859,111, and the accumulated depreciation is \$14,345,038.</p>		14,514,073
<p>Property taxes receivable are expected to be collected, but are not considered available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.</p>		1,077,398
<p>Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In 2014, these items consist of:</p>		
Bond issue discount of \$91,427, net of amortization of \$30,475	\$ 60,952	
Deferred charge on refunding of \$369,032, net of amortization of \$123,014	<u>246,018</u>	306,970
<p>The actuarially accrued other post-employment benefit (OPEB) obligation for the School District employees is not recorded on the fund financial statements.</p>		(163,213)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund. Additionally, accrued interest payable is not reported as a liability in the fund. Long-term liabilities at year-end consist of:</p>		
Bonds payable, net	(18,295,693)	
Accrued interest on bonds	(30,564)	
Retirement incentive program	(2,273,133)	
Compensated absences	<u>(688,108)</u>	<u>(21,287,498)</u>
Total Net Position - Governmental Activities		<u>\$ 4,251,256</u>

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014

	General Fund	Capital Projects	Athletic Fund	Total
Revenues:				
Local sources	\$ 14,604,188	\$ 622	\$ -	\$ 14,604,810
State sources	13,080,070	-	-	13,080,070
Federal sources	1,420,395	-	-	1,420,395
Total revenues	29,104,653	622	-	29,105,275
Expenditures:				
Instructional services	16,750,815	-	-	16,750,815
Support services	7,778,878	-	-	7,778,878
Operation of noninstructional services	557,448	-	-	557,448
Debt service:				
Principal and interest payments	1,536,375	-	-	1,536,375
Capital outlay	-	558,038	-	558,038
Total expenditures	26,623,516	558,038	-	27,181,554
Excess (Deficiency) of Revenues Over Expenditures	2,481,137	(557,416)	-	1,923,721
Other Financing Sources (Uses):				
Interfund transfers	(1,874,052)	2,000,000	(125,948)	-
Swap termination payment	(219,800)	-	-	(219,800)
Swap termination proceeds	129,300	-	-	129,300
Gain on sale of capital assets	22,603	-	-	22,603
Refunds of prior year receipts	(2,877)	-	-	(2,877)
Total other financing sources (uses)	(1,944,826)	2,000,000	(125,948)	(70,774)
Net Change in Fund Balance	536,311	1,442,584	(125,948)	1,852,947
Fund Balance:				
Beginning of year	7,088,427	736,204	125,948	7,950,579
End of year	<u>\$ 7,624,738</u>	<u>\$ 2,178,788</u>	<u>\$ -</u>	<u>\$ 9,803,526</u>

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Net Change in Fund Balance - Governmental Funds **\$ 1,852,947**

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

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

	\$	524,459	
Capital purchases (net of deletions)			
Less: depreciation expense		(497,087)	27,372

In the statement of activities, certain operating expenses for accumulated employee benefits (vacations and sick days) 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. This amount represents the difference between the amount earned versus the amount used. (56,434)

The issuance of long-term obligations (e.g., bonds, leases, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term obligations and related items. 1,220,882

Some taxes and grants will not be collected for several months after the School District's year-end; they are not considered "available" revenues in the governmental funds. Unavailable revenues increased by this amount during the year. 2,694

The actuarially accrued other post-employment benefits (OPEB) obligation for the School District's employees is not recorded on the fund financial statements. The value of this obligation changed by this amount during the year. (49,429)

Investment income and loss related to derivative instruments is recognized as revenue within the statement of activities. This amount represents the change in the investment in derivative instruments during the year. (21,899)

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

		(7,619)	
Net (amortization)/capitalization of bond discount			
Amortization of deferred charge on refunding		(30,753)	(38,372)

Change in Net Position of Governmental Activities **\$ 2,937,761**

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Local sources	\$ 14,468,334	\$ 14,469,334	\$ 14,604,188	\$ 134,854
State sources	12,659,958	12,659,958	13,080,070	420,112
Federal sources	1,561,671	1,571,929	1,420,395	(151,534)
Total revenues	<u>28,689,963</u>	<u>28,701,221</u>	<u>29,104,653</u>	<u>403,432</u>
Expenditures:				
Instructional services:				
Regular instruction	12,711,345	12,843,426	11,748,686	1,094,740
Special instruction	3,296,692	3,241,179	3,351,687	(110,508)
Vocational instruction	922,520	989,565	862,963	126,602
Other instructional programs	794,295	686,961	729,388	(42,427)
Nonpublic school programs	-	58,091	58,091	-
Total instructional services	<u>17,724,852</u>	<u>17,819,222</u>	<u>16,750,815</u>	<u>1,068,407</u>
Support services:				
Pupil personnel	531,025	642,615	622,270	20,345
Instructional staff	787,474	825,500	691,650	133,850
Administration	3,213,239	3,065,439	2,828,464	236,975
Pupil health	399,438	370,022	296,939	73,083
Business	362,383	392,491	303,024	89,467
Operation and maintenance of plant services	2,325,866	2,281,103	2,241,459	39,644
Student transportation services	879,785	884,785	723,664	161,121
Central services	87,575	57,575	48,328	9,247
Other support services	23,702	23,702	23,080	622
Total support services	<u>8,610,487</u>	<u>8,543,232</u>	<u>7,778,878</u>	<u>764,354</u>
Operation of noninstructional services:				
Food services	-	1,000	-	1,000
Student activities	527,233	545,050	542,107	2,943
Community services	14,000	19,000	15,341	3,659
Scholarship awards	250	250	-	250
Total operation of noninstructional services	<u>541,483</u>	<u>565,300</u>	<u>557,448</u>	<u>7,852</u>
Debt service	<u>2,536,780</u>	<u>1,685,780</u>	<u>1,536,375</u>	<u>149,405</u>
Capital outlay	-	-	-	-
Total expenditures	<u>29,413,602</u>	<u>28,613,534</u>	<u>26,623,516</u>	<u>1,990,018</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(723,639)</u>	<u>87,687</u>	<u>2,481,137</u>	<u>2,393,450</u>
Other Financing Sources (Uses):				
Interfund transfers	(2,000,000)	(2,000,000)	(1,874,052)	125,948
Swap termination payment	-	-	(219,800)	(219,800)
Swap termination proceeds	-	-	129,300	129,300
Sale of fixed assets	-	-	22,603	22,603
Refunds of prior year receipts	-	(1,000,000)	(2,877)	997,123
Total other financing sources (uses)	<u>(2,000,000)</u>	<u>(3,000,000)</u>	<u>(1,944,826)</u>	<u>1,055,174</u>
Net Change in Fund Balance	<u>\$ (2,723,639)</u>	<u>\$ (2,912,313)</u>	<u>\$ 536,311</u>	<u>\$ 3,448,624</u>

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF NET POSITION PROPRIETARY FUND

JUNE 30, 2014

	<u>Food Service Fund</u>
Assets	
<hr/>	
Current assets:	
Cash and cash equivalents	\$ 282,365
Due from other governments	7,745
Inventory	5,843
Other assets	26
	<hr/>
Total current assets	295,979
	<hr/>
Non-current assets:	
Capital assets	263,521
Less accumulated depreciation	(152,187)
	<hr/>
Total non-current assets	111,334
	<hr/>
Total Assets	407,313
	<hr/>
Liabilities	
<hr/>	
Accounts payable	8,772
Accrued payroll	8,295
Due to other funds	95,908
Unearned revenue	825
	<hr/>
Total Liabilities	113,800
	<hr/>
Net Position	
<hr/>	
Net investment in capital assets	111,334
Unrestricted	182,179
	<hr/>
Total Net Position	\$ 293,513
	<hr/> <hr/>

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014

	Food Service Fund
Operating Revenues:	
<u>Food service revenue</u>	<u>\$ 269,952</u>
Operating Expenses:	
Personnel services - salaries	288,069
Personnel services - employee benefits	165,816
Purchased property services	6,312
Other purchased services	1,816
Food and supplies	416,861
Depreciation	12,000
Miscellaneous	1,085
	<u>891,959</u>
Total operating expenses	<u>891,959</u>
Net Operating Loss	<u>(622,007)</u>
Non-Operating Revenues (Expenses):	
Interest income	391
State subsidies	70,768
Federal:	
Subsidies	514,363
Donated commodities	42,496
	<u>628,018</u>
Total non-operating revenues (expenses)	<u>628,018</u>
Change in Net Position	6,011
Net Position:	
<u>Beginning of year</u>	<u>287,502</u>
End of year	<u>\$ 293,513</u>

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUND

YEAR ENDED JUNE 30, 2014

	Food Service Fund
Cash Flows From Operating Activities:	
Cash received from users	\$ 269,926
Cash payments to employees for services	(445,590)
Cash payments to suppliers for goods and services	(617,585)
Net cash used in operating activities	(793,249)
Cash Flows From Noncapital Financing Activities:	
State subsidies	70,355
Federal subsidies	507,031
Net cash provided by noncapital financing activities	577,386
Cash Flows From Investing Activities:	
Earnings on investments	391
Net Increase (Decrease) in Cash and Cash Equivalents	(215,472)
Cash and Cash Equivalents:	
Beginning of year	497,837
End of year	\$ 282,365
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities:	
Net operating loss	\$ (622,007)
Adjustments to reconcile net operating loss to net cash used in operating activities:	
Depreciation	12,000
Donated commodities	42,496
Change in:	
Inventories	1,704
Prepaid expenses	6,669
Other assets	(26)
Accounts payable	6,185
Other liabilities	(240,270)
Net cash used in operating activities	\$ (793,249)
Non-Cash, Non-Capital Financing Transactions:	
The Food Service Fund received donated commodities from the U.S. Department of Agriculture in the amount of \$43,141 during the year.	

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

JUNE 30, 2014

	Scholarship Private-Purpose Trust Fund	Activity Funds
<hr/> Assets <hr/>		
Cash and cash equivalents	\$ 35,293	\$ 142,690
<hr/> Liabilities and Net Position <hr/>		
Liabilities:		
Deposits held for others	\$ -	\$ 142,690
Net Position:		
Held in trust for scholarships	35,293	-
Total Liabilities and Net Position	\$ 35,293	\$ 142,690

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND

YEAR ENDED JUNE 30, 2014

	<u>Scholarship Private-Purpose Trust Fund</u>
Additions:	
Revenues:	
Local sources	\$ 1,057
Deductions:	
Current:	
Operation of noninstructional services	2,454
Change in Net Position	(1,397)
Net Position:	
Beginning of year	36,690
End of year	\$ 35,293

See accompanying notes to financial statements.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the accounting system and procedures prescribed for school districts by the Commonwealth of Pennsylvania, Department of Education, which conforms to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

Steel Valley School District (School District) is governed by an elected nine-member Board of Directors (Board). As required by accounting principles generally accepted in the United States of America, these financial statements present the School District as the entire reporting entity (primary government and component unit). Management has addressed all potential component units. Consistent with applicable guidance, the criteria used by the School District to evaluate the possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. In determining financial accountability in a given situation, the School District reviews the applicability of the following criteria:

The School District is financially accountable for:

1. Organizations that make up the legal entity.
 2. Legally separate organizations if the School District Board appoints a voting majority of the organization's governing body and the School District is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District.
 - a. Impose its Will – If the School District can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.
 - b. Financial Benefit or Burden – Exists if the School District (1) is entitled to the organization's resources, (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization, or (3) is obligated in some manner for the debt of the organization.
 3. Organizations that are fiscally dependent on the School District. Fiscal dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the School District.
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STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Certain potential component units were assessed to determine if the significance of their operational or financial relationship with the School District would require inclusion in the reporting entity.

The Boroughs of Munhall, Homestead, and West Homestead (Boroughs) (areas served by the School District) by themselves are primary governments due to the following: the members of their governing bodies are chosen in general elections; each Borough functions as a separate legal entity; and each Borough is fiscally independent. Accordingly, the Boroughs are not a component unit of the School District.

The School District participates in two joint ventures as described in Note 11.

Discretely Presented Component Unit:

The discretely presented component unit is reported in a separate column in the financial statements to emphasize it is a tax-exempt organization legally separate from the government. Due to a precedent of overlapping Board and School District key employee Board members between the Steel Valley Foundation and the School District, and due to the significant financial benefits received by the School District from the Steel Valley Foundation, the School District has presented the Steel Valley Foundation as a component unit since inception. The discretely presented component unit has a June 30 year-end.

Steel Valley Foundation

The Steel Valley Foundation was a 501(c)(3) corporation designed to provide a means whereby private and public sector sources may contribute funds to support programs, projects, and activities that enhance the goals of the School District. Separate financial statements are not issued. The Steel Valley Foundation ceased operations during the fiscal year ended June 30, 2014. This is the final year that it will be presented in these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School District and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the School District is reported separately from the legally separate component unit for which the School District is financially accountable.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a particular function or segment. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major proprietary fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State and federal grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School District. Expenditures are generally recorded when a liability is incurred, under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Amounts reported as program revenues include 1) charges to parents for tuition, 2) operating grants and contributions as required by the Pennsylvania Department of Education, and 3) capital grants and contributions, including special assessments. Internally dedicated

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Funds:

The School District presents the following major governmental funds:

General Fund

The General Fund is the principal operating fund of the School District that is used to account for all financial transactions except those required to be accounted for in other funds, covering the majority of School District operations.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction, or repair of major capital facilities other than those financed by the proprietary fund.

Special Revenue Fund

Special Revenue Fund is used to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Fund utilized by the School District is the Athletic Fund. For the fiscal year ended June 30, 2014, the Athletic Fund was closed and the fund balance transferred to the General Fund. Activity previously reported in the Athletic Fund is now reported as part of the General Fund.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Proprietary Fund:

Enterprise (Food Service) Fund

The Enterprise Fund is used to account for the food service department operations, which are conducted on a charge for service basis in a manner similar to commercial enterprises. The School District's intent is that the costs of meals to the School District's population be recovered primarily through consumer charges and government subsidies.

Fiduciary Funds:

Scholarship Private-Purpose Trust Fund

The Scholarship Private-Purpose Trust Fund is used to account for the School District's Scholarship Trust Funds.

Agency Funds

The Student Activity Funds are custodial in nature and do not involve measurement of results of operations. These funds account for the receipt and disbursement of monies for student activity organizations. These organizations exist with the explicit approval of and are subject to revocation by the Board.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the School District.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statement as "internal balances."

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position and/or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position and/or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District's deferred inflows of resources include unavailable revenue. Unavailable revenue is reported only on the balance sheet and represents delinquent property taxes which will not be collected within the available period. This amount will be recognized as an inflow of resources in the period the amounts become available.

Inventories

Inventories used in governmental fund types, principally supplies, are accounted for as expenditures when purchased. Amounts on hand at year-end are not significant.

Materials, supplies, and food commodities of the proprietary fund are recorded at latest invoice cost and are subsequently charged to expenditures when consumed.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost and donated capital assets are recorded at their fair market values at the time of donation. The School District maintains a capitalization threshold of \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method, over the following useful lives:

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Land improvements	5 years
Buildings and improvements	20-50 years
Machinery, equipment, furniture, and vehicles	3-15 years

Long-Term Obligations

In the government-wide statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums, discounts, and deferred charges on refunding are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and deferred charge on refunding.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

In both the fund and government-wide financial statements issue costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

It is expected that the General Fund will continue to provide funds for the debt service payments.

Fund Balance

In the fund financial statements, governmental funds report fund balance in categories based on the level of restriction placed upon the funds. These levels are as follows:

- Nonspendable – This category represents funds that are not in spendable form and includes prepaid expenditures.
- Restricted – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending that are legally enforceable by outside parties. This category includes funds that are legally restricted for capital improvements costs.
- Committed – This category represents funds that are limited in use due to constraints on purpose and circumstances of spending imposed by the Board. Such commitment is made via a Board resolution and must be made prior to the end of the fiscal year.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Removal of this commitment requires a Board resolution. This category includes funds committed for future PSERS obligations of the School District.

- Assigned – This category represents intentions of the School District to use the funds for specific purposes. The Board delegates the authority to assign amounts to be used for specific purposes to the Business Manager. This authority is granted solely for the purpose of reporting these amounts in the annual financial statements. This category includes amounts set aside for real estate tax refunds, health insurance increases, charter school payments, the upcoming collective bargaining agreements, and amounts set aside for capital improvements costs.
- Unassigned – This category represents all other funds not otherwise defined.

Net Position

The government-wide and proprietary fund financial statements are required to report three components of net position:

- Net investment in capital assets – This component of net position consists of capital assets net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources is included in the same net position component (restricted or unrestricted) as the unspent amount.
- Restricted – The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. As of June 30, 2014, the School District had none.
- Unrestricted – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of “net investment in capital assets” or the “restricted” components of net position.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Budgets and Budgetary Accounting

The School District is required by state law to adopt an annual budget for the General Fund. The budget is presented on the modified accrual basis of accounting.

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May of the preceding fiscal year, the School District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. This meeting is held after 30 days of public notification.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.
4. The budget must be filed with the Pennsylvania Department of Education by July 31 of the fiscal year.

The Public School Code allows the Board to authorize budget transfer amendments between functions during the year. The budget data reflected in the budgetary comparison information includes the effect of such approved budget transfer amendments. The School District's management does not have the authority to approve the budget or any budget transfer amendments. The School District's expenditures may not legally exceed the revised budget amounts by function and object. Accordingly, the legal level of budgetary control is at the object level within each function and fund. Function is defined as a program area such as instructional services, and object is defined as the nature of the expenditure, such as salaries or supplies.

Annual appropriations lapse at year-end. No supplemental appropriations were required during the current fiscal year.

Budgetary control for the capital projects and debt service funds is maintained through provisions of related grant agreements and bond indentures.

Expenditures in Excess of Appropriations and Fund Deficits

The School District exceeded certain budgetary appropriations in the special instruction category of the General Fund. The excess was covered by variances in other favorable expenditure categories.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Adoption of Accounting Pronouncement

The requirements of the following Governmental Accounting Standards Board (GASB) Statement were adopted for the School District's financial statements:

- Statement No. 65, "*Items Previously Reported as Assets and Liabilities.*" This statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. As a result of this statement, net position was restated as of July 1, 2013 to adjust the unamortized bond issue costs by \$210,066.

Pending Pronouncements

GASB has issued Statement No. 68, "*Accounting and Financial Reporting for Pensions,*" and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date,*" effective for fiscal years beginning after June 15, 2014 (the School District's 2015 fiscal year). These statements revise existing guidance for the financial reports of most pension plans, and establish new financial reporting requirements for most governments that provide their employees with pension benefits. The effect of implementation of these statements has not yet been determined, but is expected to be significant.

GASB has issued Statement No. 69, "*Government Combinations and Disposals of Government Operations,*" effective for fiscal years beginning after December 15, 2013 (the School District's 2015 fiscal year). This statement provides new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The effect of implementation of this statement has not yet been determined.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

2. CASH AND CASH EQUIVALENTS

Deposits

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

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

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

Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 provided (a) the funds are invested in the investments listed above, (b) the investment company is managed to maintain its share at a constant net asset value, and (c) the investment company is rated in the highest category by a nationally recognized rating agency.

The deposit and investment policy of the School District adheres to state statutes and prudent business practice. Deposits of the governmental funds are either maintained in demand deposits or savings accounts, certificates of deposit, or cash equivalents held by a Trustee of the School District. There were no deposits or investments during the year that violated either the state statutes or the policy of the School District.

The following is a description of the School District's deposit and investment risks:

Credit risk - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. A portion of the School District's investments are held in U.S. Government Obligations and are therefore not exposed to this type of risk. These include investments in Pennsylvania School District Liquid Asset Fund (PSDLAF) (described below), which has received an AAA rating from Standard & Poor's.

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 School District does not

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

have a formal deposit policy for custodial credit risk. As of June 30, 2014, \$0 of the School District's bank balance of \$1,724 was exposed to custodial credit risk. Deposits are collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. These deposits have a carrying amount of \$806 as of June 30, 2014.

Investments

PSDLAF was established as common law trusts organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools, and municipalities. The purpose of these funds is to enable such governmental units to pool available funds for investment in instruments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. The School District's deposits in these pooled funds are not subject to direct custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. These investments are reflected as cash and cash equivalents on the balance sheet and the statement of net position. The fair value of the School District's position in the external investment pools is the same as the value of the pool shares. All investments in an external investment pool that is not SEC-registered are subject to oversight by the Commonwealth of Pennsylvania.

The School District's pooled investment funds consist of the above-noted PSDLAF accounts. The School District's PSDLAF investments have a maturity of less than 90 days, and a fair market value of \$12,583,380 and carrying amount of \$12,071,448 as of June 30, 2014.

Fiduciary Fund

The School District maintains bank accounts for the various student activities and scholarship funds. The balance of these accounts is reflected in the statement of fiduciary net position. Revenues and expenditures for student activities were \$442,982 and \$429,099, respectively, for the year ended June 30, 2014. As of June 30, 2014, \$0 of the various student activities and scholarship funds' bank balances of \$36,989 was exposed to custodial credit risk. The uninsured bank balance is collateralized in accordance with Act 72 of the Pennsylvania State Legislature. The carrying amount of deposits for the student activities and scholarship funds is \$35,293 as of June 30, 2014. Investments above include fiduciary fund fair market value of \$140,047 and a carrying amount of \$142,690 as of June 30, 2014.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

3. REAL ESTATE TAXES

Real estate taxes are levied each July 1 on the assessed value listed as of January for all real estate located in the School District. These taxes are billed and collected by elected tax collectors of the individual Boroughs within the School District. Taxes paid through August 31st are given a 2% discount. Amounts paid after October 31st are assessed a 10% penalty. Taxpayers also have the option to pay on three installments at face value. The due dates are August 31, October 31, and December 31. An outside agency collects delinquent real estate taxes and handles the property liens. The lien date is approximately two years after the taxes were originally due.

The levy for fiscal year 2014 was based on assessed value on January 1, 2013 of approximately \$792 million. The tax rate assessed for the year ended June 30, 2014 was equal to 21.31 mills. Millage was lowered for the year ended June 30, 2014 due to legal restraints imposed by the Allegheny County-wide re-assessment.

There is an ongoing appeal process through which a taxpayer may contest the assessed value of their property. This process could result in the reduction of future assessed values and consequently a loss of tax revenues. Due to the nature of the real estate refund process, the School District generally records refunds at the time the refunds are made back to the taxpayer. At June 30, 2014, there are several major reality assessment appeals pending that have a combined assessed value of \$42,002,400. However, all but one of the appeals is located in the TIF District and any tax refunds will come from TIF funds. As indicated on Page 21, the School District has assigned \$2,000,000 of fund balance, a portion of that assigned fund balance is for potential real estate tax refunds.

The real estate tax receivable amount is net of an uncollectible allowance of approximately \$4.1 million.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

	Balance at July 1, 2013	Additions	Deletions/ Transfers	Balance at June 30, 2014
Governmental Activities:				
Capital assets, being depreciated:				
Land and land improvements	\$ 2,837,536	\$ -	\$ -	\$ 2,837,536
Building and improvements	23,563,049	451,362	-	24,014,411
Equipment, furniture, and fixtures	831,259	73,097	-	904,356
Vehicles	152,954	-	-	152,954
Library and text books	949,854	-	-	949,854
	<u>28,334,652</u>	<u>524,459</u>	<u>-</u>	<u>28,859,111</u>
Total capital assets, being depreciated				
Less: accumulated depreciation for:				
Land and land improvements	(1,354,058)	(7,131)	-	(1,361,189)
Building and improvements	(10,998,673)	(451,637)	-	(11,450,310)
Equipment, furniture, and fixtures	(442,982)	(29,938)	-	(472,920)
Vehicles	(102,384)	(8,381)	-	(110,765)
Library and text books	(949,854)	-	-	(949,854)
	<u>(13,847,951)</u>	<u>(497,087)</u>	<u>-</u>	<u>(14,345,038)</u>
Total accumulated depreciation				
Governmental activities, capital assets, net	<u>\$ 14,486,701</u>	<u>\$ 27,372</u>	<u>\$ -</u>	<u>\$ 14,514,073</u>

The following represents the changes in the School District's Business-Type Activities' fixed assets:

	Balance at July 1, 2013	Additions	Deletions/ Transfers	Balance at June 30, 2014
Business-Type Activities:				
Equipment	\$ 263,521	\$ -	\$ -	\$ 263,521
Less: accumulated depreciation for:	(140,187)	(12,000)	-	(152,187)
Business-type activities, capital assets, net	<u>\$ 123,334</u>	<u>\$ (12,000)</u>	<u>\$ -</u>	<u>\$ 111,334</u>

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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

Governmental Activities:

Instructional services:	
Regular	\$ 476,189
Vocational	720
Support services:	
Administration	400
Operation of plant and maintenance services	2,019
Student transportation services	8,381
Noninstructional services:	
Student activities	9,378
	<hr/>
	\$ 497,087
	<hr/>

5. RETIREMENT BENEFITS

Plan Description

Substantially, all full-time and part-time employees of the School District participate in the Public School Employees' Retirement System (PSERS), a governmental cost-sharing, multiple-employer defined benefit plan administered by the Public School Employees' Retirement System Board of Trustees under the authority of the Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa. C.S. 8101-8535). PSERS provides retirement and disability benefits, legislatively mandated ad hoc cost-of-living adjustments, and healthcare insurance premium assistance to qualifying annuitants. PSERS issues a publicly available comprehensive annual financial report (CAFR) that may be obtained by making a request in writing to Beth Girman, Office of Financial Management, Public School Employees' Retirement System, 5 North 5th Street, Harrisburg, PA 17101-1905. The CAFR is also available on the publications page of the PSERS website at www.psers.state.pa.us.

Funding Policy

The contribution policy is established in the Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 Pa.C.S. 8101-9102) and requires contributions by active members, employers, and the Commonwealth of Pennsylvania. Active members who joined the system prior to July 22, 1983 are required to contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation. Members who joined the system on or after July 22, 1983 and who were active or inactive as of July 1, 2001 contribute at 6.25% (Membership Class T-C) or at 7.50%

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

(Membership Class T-D) of the member's qualifying compensation. Members who joined the system after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50% (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 T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

School districts must contribute at rates based upon an actuarial valuation. For the fiscal year ended June 30, 2014, the rate of employer contributions was 16.93% of covered payroll. This rate is composed of a pension contribution rate of 16.00% for pension benefits and 0.93% for healthcare insurance premium assistance. The contribution rate for school districts will increase to 21.40% for fiscal year 2015.

Although future years' rates have not yet been determined, it is currently projected that future rates will be the following, based on the June 30, 2013 valuation:

<u>June 30,</u>	<u>Rate</u>
2015	21.40%
2016	25.84%
2017	29.27%
2018	30.25%
2019	31.28%
2020	32.08%
2021	32.02%
2022	32.01%
2023	32.22%
2024	32.30%

As of the June 30, 2013 actuarial valuation, the plan has an actuarial value of assets of approximately \$57.4 billion, present value of future pension benefits of approximately \$111 billion, and a funded ratio of 63.8%.

During fiscal year 2014, the School District contributed \$2,015,089 from the General Fund, which was equal to its required contribution for the year. In accordance with Act 29, the Commonwealth of Pennsylvania reimburses school districts a portion of contributions made

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

to PSERS. The School District received reimbursement from the Commonwealth of Pennsylvania totaling \$1,236,902 for the year ended June 30, 2014. For fiscal years 2013 and 2012, the School District's net contributions, after state aid, approximated \$651,000 and \$455,000, respectively, which were equal to its required contribution for those years. Covered payroll for fiscal years 2014, 2013, and 2012 was approximately \$11.8 million, \$11.3 million, and \$10.5 million, respectively.

6. OTHER POST-RETIREMENT BENEFITS (OPEBS)

Plan Description

In addition to the pension benefits previously described, the School District provides the following postemployment benefits to those who retired early from the School District prior to fiscal year 2002 with at least ten years of service:

- Teacher and administrators (options a and b): medical, term life, and accidental death and dismemberment (AD&D)
- Support staff: medical, dental, and vision

The benefit limits and employee and employer contributions are established through employee contracts and past practices. The plan is not accounted for as a trust fund, an irrevocable trust has not been established, the plan does not issue a separate report, and activity of the plan is reported in the School District's General Fund.

Details of the benefits provided are as follows:

Teachers and Administrators (Option A)

The School District provides medical, term life, and AD&D in the amount of \$30,000. Coverage ends for both retirees and spouse when retiree reaches 65. Surviving spouse is covered to age 65. Retiree pays any increase in cost after retirement. Life insurance is fully paid for by the School District. Surviving spouse is not eligible for life insurance. There are no current retirees under this option.

Teachers and Administrators (Option B)

The School District provides medical, term life, and AD&D in the amount of \$30,000. Coverage ends for both retirees and spouse when retiree reaches 65. Surviving spouse is covered to age 65. Retiree pays \$500 per year. Life insurance is fully paid for by the School District. Surviving spouse is not eligible for life insurance. Currently, there are seven retirees under this option.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Teachers and Administrators (Other than Options A & B)

Coverage ends for both retirees and spouse when retiree reaches 65. Surviving spouse is covered to age 65. Retiree pays 100% of rate for coverage tier year. There are currently thirty-eight retirees under this option.

Support Staff

The School District provides medical, dental, and vision coverage for three years with no retiree contribution. There are currently six retirees under this option.

Funding Policy

These benefits are expensed when incurred and are financed on a pay-as-you-go basis. For the year ended June 30, 2014, the School District contributed approximately \$20,260 for current premiums for eligible retirees. Plan members receiving benefits contributed approximately \$965 through their required contributions, as described above.

Annual OPEB Cost and Net OPEB Obligation

The School District's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a closed period not to exceed 30 years. The following table shows the component of the School District's annual OPEB cost for the year, the amount actually contributed, and changes in the School District's net OPEB obligation:

Annual required contribution	\$	105,379
Interest on net OPEB obligation		3,414
Adjustment to annual required contribution		<u>(5,636)</u>
Annual OPEB cost		103,157
Contributions made		<u>(53,728)</u>
Increase (decrease) in net OPEB obligation		49,429
Net OPEB obligation - beginning of year		<u>113,784</u>
Net OPEB obligation - end of year	\$	<u><u>163,213</u></u>

The School District's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation were as follows:

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Fiscal Year Ending	Annual OPEB Cost	% of AOC Contributed	Net OPEB Obligation (Asset)
June 30, 2014	\$ 103,157	52.08%	\$ 163,213
June 30, 2013	101,069	48.33%	113,784
June 30, 2012	98,965	44.87%	61,557

The ARC for the current year was computed as of July 1, 2011 using the following actuarial assumptions:

- actuarial cost method – projected unit credit;
- amortization method – level dollar;
- amortization period – 30 years;
- discount rate - 3% compounded annually;
- mortality – RP-2000 Combined Mortality projected to 2015 using projection scale AA;
- health care cost trend rates – increase of 5% for 2014, then 9% for 2015, with the rate decreasing by 1% each year thereafter to 5% for 2022 and later; and
- dental/vision care cost trend rates - constant increase of 5% and 3%, respectively, per year.
- Changes since the July 1, 2008 affecting the ARC relate to now including active employees since there is an implicit rate subsidy due to retirees and actives being in the same plan and a change in amortization period to 30 years.

The schedule of funding progress for the postemployment medical and life insurance benefits is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-PUC (b)	Unfunded Actuarial Accrued Liability (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b)-(a)}/(c)
July 1, 2011	\$ -	\$ 1,013,249	\$ 1,013,249	0.0%	1	1

1 - The School District does not offer OPEBs to any current employees; see subsequent discussion on retirement incentive program

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality and the healthcare cost trend. Healthcare cost trend assumptions are based on recent experience and anticipated future cost increases under the School District's medical plans. Amounts determined regarding the funded status and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multi-year trend information about whether the actuarial value

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Retirement Incentive Program (Program)

Beginning in fiscal year 2002, any eligible employee electing to retire and participate in the Retirement Incentive Program (Program) qualifies for a \$15,000 retirement incentive each year for ten years. Beginning with the new teacher contract effective July 1, 2006, the retirement incentive amount is \$12,000 for new entrants. An eligible employee is defined as anyone who (1) is fifty-five years of age or older with a minimum of ten years of service with the School District or (2) who has thirty years of service or greater regardless of age; and who has attained step seventeen or greater on the School District's salary scale. Those employees who elect to participate in the Program must submit to the Superintendent, 120 days prior to the date he/she intends to retire, an irrevocable written notification that he/she will retire. At June 30, 2014, there were 59 retired participants in this Program. Payments related to these benefits of \$885,000 have been made during the year ended June 30, 2014. The total obligation remaining at June 30, 2014 is approximately \$2.3 million (discounted present value) and is to be paid through fiscal year 2024. The School District's liability is measured at the discounted present value of expected future benefit payments. Included in noncurrent liabilities at June 30, 2014 are noncurrent liabilities due within one year of \$834,000 and due in more than one year of \$1,439,133, related to the Program.

7. ACCUMULATED COMPENSATED ABSENCES

The School District accrues for certain accumulated unused sick and vacation days. The accrual is based on sick and vacation payments that would be available to employees if they left or retired from the School District. The accrual is recorded as a long-term liability in the government-wide financial statements. As of June 30, 2014, the amount accrued for sick and vacation days is \$688,108.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

8. HEALTH INSURANCE CONSORTIUM

The School District is one of fifty members of the Allegheny County Schools Health Insurance Consortium (Consortium). The Consortium is a public entity risk pool which affords health care coverage for members' employees on a pooled basis. The School District pays premiums to the Consortium based upon rates established by the trustees of the Consortium. The Consortium establishes rates with the objective of satisfying current costs and claims of covered health care services, as well as maintaining working capital requirements and a Premium Stabilization Fund for periods when actual costs of coverage exceed premiums collected from members. At the end of each fiscal year, actual claims experience is compared with premiums paid. The difference results in either a retroactive refund or charge. Included in the retroactive refund/charge is a calculation for the reserve needed to cover expenses incurred but not yet reported by health providers. Any retroactive charge may be paid from the Premium Stabilization Fund, up to ten percent of total premiums paid. The remainder may be charged to the schools. The School District paid approximately \$3.0 million to the Consortium during fiscal year 2014.

At June 30, 2014, the Consortium's net assets available for benefits approximated \$30.0 million. The School District's share of this amount is approximately \$382,500. The Consortium also maintains a portion of the Premium Stabilization Fund to cover potential future catastrophic losses. Independent insurance coverage for catastrophic losses is not maintained by the Consortium or the School District.

9. BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES

The following is a summary of bonds payable and other long-term liability transactions of the School District for the year ended June 30, 2014:

Balance at July 1, 2013	\$ 19,010,435
Accretion on capital appreciation bonds	640,258
Principal payments	<u>(1,355,000)</u>
Balance at June 30, 2014	<u>\$ 18,295,693</u>

Bonds payable and other long-term liabilities at June 30, 2014 are comprised of the following items:

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

Description	Interest Rates	Final Maturity	Amount	Due Within One Year
1993 Capital Appreciation Bonds	5.95% - 6.35%	2018	\$ 4,317,330	\$ 1,220,000
2005 Capital Appreciation Bonds	3.30% - 4.93%	2031	7,643,363	50,000
2010 Refunding Series A, B, and C	.600% - 3.25%	2022	6,335,000	85,000
			<u>18,295,693</u>	<u>1,355,000</u>
Retirement incentive program	n/a	2021	2,273,133	834,000
Compensated absences	n/a	n/a	688,108	10,000
Total long-term liabilities			<u>\$ 21,256,934</u>	<u>\$ 2,199,000</u>

Debt service requirements, including interest, are as follows:

Years Ending June 30,	Principal Payment	Interest Payment	Total Payment
2015	\$ 1,355,000	\$ 180,085	\$ 1,535,085
2016	1,360,000	178,383	1,538,383
2017	1,360,000	176,337	1,536,337
2018	1,365,000	174,143	1,539,143
2019	1,405,000	155,982	1,560,982
2020-2024	7,140,000	241,163	7,381,163
2025-2029	6,970,000	-	6,970,000
2030-2032	4,170,000	-	4,170,000
	<u>25,125,000</u>	<u>1,106,093</u>	<u>26,231,093</u>
Unaccrued interest	(6,829,307)	6,829,307	-
	<u>\$ 18,295,693</u>	<u>\$ 7,935,400</u>	<u>\$ 26,231,093</u>

The Series of 1993 General Obligation Bonds (1993 Bonds) were issued to finance certain capital projects and refund all Series of 1991 Bonds and a portion of the Series of 1985 Bonds. During 2004, the School District issued General Obligation Bonds, Refunding Series A, B, and C of 2003 (2003 Bonds) to refund the Current Interest portion of the 1993 Bonds. The remaining 1993 Bonds consist of Capital Appreciation Bonds with an aggregate original issuance amount of \$5,287,879 with annual maturity values of \$1,220,000 due beginning in fiscal year 2008 through fiscal year 2018 to yield rates of 5.95% to 6.35%. The Capital Appreciation Bonds accrue and compound interest on a semiannual basis and are carried at cost plus accrued interest. Total maturity value of the Capital Appreciation Bonds is \$4,880,000 as of June 30, 2014.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

During fiscal year 2006, the School District issued General Obligation Bonds, Capital Appreciation Series of 2005 (2005 Bonds) in the principal amount of \$5,398,416. The bond proceeds were issued for the purpose of construction and renovation of various school facilities. Annual maturity values beginning in fiscal year 2007 through fiscal year 2032 yield rates of 3.30% to 4.93%. The 2005 Bonds accrue and compound interest on a semiannual basis and are carried at cost plus accrued interest. Total maturity value of the Capital Appreciation Bonds is \$13,910,000 as of June 30, 2014.

During fiscal year 2011, the School District issued General Obligation Bonds, Refunding Series A of 2003 in the principal amount of \$4,780,000, Refunding Series B of 2003 in the principal amount of \$1,200,000, and Refunding Series C of 2003 in the principal amount of \$660,000. The bond proceeds from Refunding Series A, B, and C of 2010 were used to currently refund the Series A, B, and C of 2003 Bonds respectively. The unamortized balance of the deferred refunding loss is \$246,021 at June 30, 2014.

10. INTERFUND RECEIVABLE AND PAYABLE

Interfund transactions at June 30, 2014 are summarized below:

	Interfund Receivable	Interfund Payable
Major Funds:		
General	\$ 95,908	\$ 2,000,000
Capital Projects	2,000,000	-
Food Service	-	95,908
Total	<u>\$ 2,095,908</u>	<u>\$ 2,095,908</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Capital Projects interfund receivable was eliminated via a transfer from the General Fund in July 2014.

11. JOINT VENTURES

The School District is one of eleven member school districts of the Steel Center Area Vocational-Technical School (Steel Center Vo-Tech). Steel Center Vo-Tech, provides vocational-technical education and training for high school students. Direct oversight of Steel Center Vo-Tech's operations is the responsibility of its Board, which consists of one

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

representative from each participating school district. In addition, the School District is one of ten members of the Southeastern Area Special School (Southeastern). Southeastern, which provides special education and training programs for exceptional children, is controlled and governed by the Joint School Committee, which is composed of representatives from each participating school district. The School District's share of annual operating and capital costs for Steel Center Vo-Tech and Southeastern (collectively known as Special Schools) fluctuates based on the percentage enrollment in the applicable school and are reflected as expenditures of the General Fund. The School District's contributions to the Steel Center Vo-Tech and Special Schools in the current fiscal year amounted to \$10,809 and \$5,872, respectively. The School District's portion of the net current assets of the Steel Center Vo-Tech and Special Schools at June 30, 2014 is to be used to fund future years' operations and the amounts are not material to the financial statements of the School District. Separate financial statements for the Special Schools are available at the administrative offices of the School District.

12. TAX INCREMENTAL FINANCING PROJECT

The School District, along with boroughs served by the School District and Allegheny County, have agreed to participate in a Tax Incremental Financing (TIF) Project related to commercial development for a tract of land along the Monongahela River known as the Waterfront. The taxing bodies have agreed to pay to the Waterfront Project incremental real estate tax revenues created by the Project for payment of the debt service incurred to develop the Project. Net tax revenues after debt service are shared with the participating taxing entities. Of the total real estate taxes collected, \$5,677,448 related to the TIF District. During the 2014 fiscal year, the School District recorded an additional amount of approximately \$2.60 million from their portion of net tax revenues after debt services payments were satisfied.

13. CONTINGENCIES

The School District is involved in claims and lawsuits incidental to its operations. In the opinion of the Administration, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the School District.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

The School District maintains insurance through independent insurance carriers for all types of business losses. Management believes the insurance coverage is sufficient to cover the School District against potential losses. There have been no significant changes in insurance coverage from the prior fiscal year.

14. INTEREST RATE SWAPS

Interest Rate Swap

During fiscal year 2006, in an effort to reduce the overall yield on the School District's Series A of 2003 Bonds and Series of 2005 Bonds, the School District entered into two interest rate swap contracts with original notional amounts of \$4,310,000 (2003A Series) and \$5,398,416 (2005 Series). During fiscal year 2011, the Series A of 2003 Bonds were current refunded with Series A of 2010 Bonds. The terms of the swap contracts were unchanged.

Per the swap agreements, the School District would receive interest at the variable rate of 64% of 1 month LIBOR (London Interbank Offered Rate) plus .30% while paying a variable rate of SIFMA (Securities Industry and Financial Market Association, formerly Bond Market Association) Municipal Swaps Index. The interest payments are calculated based on notional amounts and paid monthly.

Effective November 22, 2005, the School District began making net swap payments as required by the terms of the contract, that is, receiving the variable rate as noted above for the term of the swap from the counterparty and making a variable rate payment based on the SIFMA Municipal Swaps Index to the counterparty.

In May 2014, the School District terminated the interest rate swaps. As a result of this termination, the School District made a cash payment of \$219,800.

Additionally, in August 2006, the School District entered into three constant maturity swap agreements in an effort to reduce the overall yield on the School District's bonds with the following original notional amounts of \$4,223,449 (1993 Series), \$4,305,000 (2003A Series), and \$5,350,167 (2005 Series), respectively. During fiscal year 2011, the 2003 Series bonds were currently refunded through the 2010 series issuance. No terminology or amounts changed relating to the swaps.

During January 2010, the School District amended their constant maturity swap agreements. The payments to be received by the School District were changed to three sequential rate formulas calculated weekly and payable monthly as follows: 61.345% of five year LIBOR through July 15, 2010, at which time the rate will convert to 68% of three month LIBOR plus .30% through July 15, 2015, at which time the rate will convert back to 61.345% of five year LIBOR through the maturity of each series of bonds.

STEEL VALLEY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

In May 2014, the School District terminated the constant maturity swap agreements. As a result of this termination, the School District received a cash payment of \$129,300.

As the swaps were considered to be an investment type derivative instrument per accounting standards, they were reported as a derivative asset and liability on the statement of net position. The changes in fair market value during fiscal year 2014 are recorded as a component of investment income on the statement of revenues, expenses, and changes in net position.

**Required Supplementary
Information**

STEEL VALLEY SCHOOL DISTRICT

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs) SCHEDULE OF FUNDING PROGRESS

YEAR ENDED JUNE 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded		Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
			Actuarial Accrued Liability (UAAL)				
7/1/11	\$ -	\$ 1,013,249	\$ 1,013,249		0%	1	1
7/1/08	-	544,813	544,813		0%	1	1
7/1/05	N/A	N/A	N/A		N/A	N/A	N/A

N/A - not applicable, as 2009 was the first year of implementation for GASB Statement No. 45

1 - The School District does not offer OPEBs to current employees

STEEL VALLEY SCHOOL DISTRICT

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEBs) FACTORS AND TRENDS USED IN ACTUARIAL VALUATION

YEAR ENDED JUNE 30, 2014

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Amortization period	30 years

Actuarial assumptions:

Investment rate of return	4.50%
Annual trend rates for OPEB Costs:	

<u>Year</u>	<u>Medical</u>	<u>Dental</u>	<u>Vision</u>
2013-2014	5%	5%	3%
2014-2015	9%	5%	3%
2016-2017	8%	5%	3%
2018-2019	7%	5%	3%
2020-2021	6%	5%	3%
2022 and later	5%	5%	3%

Monthly rates for July 1, 2013 - June 30, 2014:

	Medical	Dental	Vision
Individual	\$ 517.60	\$ 26.21	\$ 4.22
Parent/Child	1,160.47	86.18	9.96
Parent/Children	1,276.51	86.18	9.96
Husband/Wife	1,406.09	86.18	9.96
Family	1,461.90	86.18	9.96

Supplementary Information

STEEL VALLEY SCHOOL DISTRICT

COMBINING BALANCE SHEET ALL AGENCY FUNDS

JUNE 30, 2014

	Custodial	Band Trip	Middle School	Total
<hr/>				
Assets				
Cash and cash equivalents	\$ 104,515	\$ 958	\$ 37,217	\$ 142,690
	<hr/>	<hr/>	<hr/>	<hr/>
Liabilities				
Deposits held for others	\$ 104,515	\$ 958	\$ 37,217	\$ 142,690
	<hr/>	<hr/>	<hr/>	<hr/>

STEEL VALLEY SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ALL AGENCY FUNDS

YEAR ENDED JUNE 30, 2014

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Custodial:				
<hr/>				
Assets:				
Cash and cash equivalents	\$ 101,358	\$ 312,094	\$ 308,937	\$ 104,515
	\$ 101,358	\$ 312,094	\$ 308,937	\$ 104,515
Liabilities:				
Deposits held for others	\$ 101,358	\$ 312,094	\$ 308,937	\$ 104,515
	\$ 101,358	\$ 312,094	\$ 308,937	\$ 104,515
Band Trip:				
<hr/>				
Assets:				
Cash and cash equivalents	\$ 5,337	\$ 42,473	\$ 46,852	\$ 958
	\$ 5,337	\$ 42,473	\$ 46,852	\$ 958
Liabilities:				
Deposits held for others	\$ 5,337	\$ 42,473	\$ 46,852	\$ 958
	\$ 5,337	\$ 42,473	\$ 46,852	\$ 958
Middle School:				
<hr/>				
Assets:				
Cash and cash equivalents	\$ 30,715	\$ 87,358	\$ 80,856	\$ 37,217
	\$ 30,715	\$ 87,358	\$ 80,856	\$ 37,217
Liabilities:				
Deposits held for others	\$ 30,715	\$ 87,358	\$ 80,856	\$ 37,217
	\$ 30,715	\$ 87,358	\$ 80,856	\$ 37,217

STEEL VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Local sources:				
Current real estate taxes	\$ 11,371,582	\$ 11,371,582	\$ 10,876,212	\$ (495,370)
Public utility realty tax	18,627	18,627	17,424	(1,203)
Payments in lieu of current taxes - federal reimbursement	1,000	1,000	587	(413)
Current Act 511 taxes - flat rate assessments	25,000	25,000	33,942	8,942
Current Act 511 taxes - proportional assessments	1,478,000	1,478,000	1,652,332	174,332
Delinquencies on taxes levied - assessed by LEA	1,060,000	1,060,000	1,460,730	400,730
Earnings on investments	55,000	55,000	51,358	(3,642)
Revenues from district activities	-	-	27,378	27,378
Revenue from intermediary sources - pass-through funds	400,000	400,000	360,942	(39,058)
Rentals	15,000	15,000	14,471	(529)
Contributions/donations/grants from private sources	-	1,000	2,133	1,133
Tuition from patrons	10,125	10,125	-	(10,125)
Refunds and other miscellaneous revenue	34,000	34,000	106,679	72,679
Total local sources	<u>14,468,334</u>	<u>14,469,334</u>	<u>14,604,188</u>	<u>134,854</u>
State sources:				
Basic education funding (gross)	8,563,999	8,563,999	8,572,782	8,783
Special education funding for school aged pupils	1,263,918	1,263,918	1,270,269	6,351
Transportation (regular and additional)	129,700	129,700	134,269	4,569
Rental and sinking fund payments - building reimbursement subsidy	159,105	159,105	165,984	6,879
Health services (medical, dental, nurse, Act 25)	35,415	35,415	35,306	(109)
State property tax reduction allocation	968,647	968,647	968,647	-
PA accountability grants	163,215	163,215	163,215	-
State share of social security and medicare taxes	502,097	502,097	561,948	59,851
State share of retirement contributions	873,862	873,862	1,207,650	333,788
Total state sources	<u>12,659,958</u>	<u>12,659,958</u>	<u>13,080,070</u>	<u>420,112</u>
Federal sources:				
NCLB, Title I - Improving the Academic Achievement of the Disadvantaged	1,329,189	1,339,447	1,162,516	(176,931)
NCLB, Title II - Preparing, Training, and Recruitment Highly Qualified Teachers and Principals	132,482	132,482	128,619	(3,863)
School-based access medicaid reimbursement program (SBAP) (ACCESS)	100,000	100,000	121,646	21,646
Medical assistance reimbursement for administrative claiming (quarterly)	-	-	7,614	7,614
Total federal sources	<u>1,561,671</u>	<u>1,571,929</u>	<u>1,420,395</u>	<u>(151,534)</u>
Other financing sources:				
Sale of bonds	-	-	129,300	129,300
Special revenue fund transfers	-	-	125,948	125,948
Sale or compensation for loss of fixed assets	-	-	22,603	22,603
Total other financing sources	<u>-</u>	<u>-</u>	<u>277,851</u>	<u>277,851</u>
Total revenues	<u>28,689,963</u>	<u>28,701,221</u>	<u>29,382,504</u>	<u>681,283</u>
Expenditures:				
Instructional services:				
Regular instruction:				
Personnel services - salaries	6,157,247	6,285,919	6,375,362	(89,443)
Personnel services - employee benefits	2,935,743	3,086,847	3,022,909	63,938
Purchased professional and technical services	130,130	80,015	131,696	(51,681)
Other purchased services	3,039,550	2,792,524	1,735,118	1,057,406
Supplies	274,100	372,238	295,555	76,683
Property	174,575	225,883	187,024	38,859
Other objects	-	-	1,022	(1,022)
Total regular instruction	<u>12,711,345</u>	<u>12,843,426</u>	<u>11,748,686</u>	<u>1,094,740</u>
Special instruction:				
Personnel services - salaries	1,250,824	1,218,521	1,070,217	148,304
Personnel services - employee benefits	742,691	787,531	639,604	147,927
Purchased professional and technical services	329,600	96,950	180,540	(83,590)
Purchased property services	45,000	1,126,927	1,455,673	(328,746)
Other purchased services	916,927	8,250	2,812	5,438
Supplies	11,650	3,000	2,841	159
Total special instruction	<u>3,296,692</u>	<u>3,241,179</u>	<u>3,351,687</u>	<u>(110,508)</u>

(Continued)

STEEL VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014
(Continued)

Expenditures (Continued):	Budget		Actual	Variance with Final Budget
	Original	Final		
Instructional services (continued):				
Vocational instruction:				
Personnel services - salaries	322,255	322,255	284,995	37,260
Personnel services - employee benefits	167,369	174,414	134,513	39,901
Purchased property services	500	500	61	439
Other purchased services	425,846	475,846	427,827	48,019
Supplies	6,550	16,550	15,567	983
Total vocational services	922,520	989,565	862,963	126,602
Other instructional programs - elementary/secondary:				
Personnel services - salaries	440,766	380,425	467,923	(87,498)
Personnel services - employee benefits	232,915	212,443	214,304	(1,861)
Purchased professional and technical services	91,000	49,720	31,811	17,909
Other purchased services	10,942	13,763	-	13,763
Supplies	18,672	30,610	15,350	15,260
Total other instructional programs - elementary/secondary	794,295	686,961	729,388	(42,427)
Nonpublic school programs				
Purchased professional and technical services	-	58,091	58,091	-
Total instructional services	17,724,852	17,819,222	16,750,815	1,068,407
Support services:				
Pupil personnel:				
Personnel services - salaries	301,026	363,258	374,573	(11,315)
Personnel services - employee benefits	165,099	197,757	188,588	9,169
Purchased professional and technical services	58,000	73,000	56,085	16,915
Other purchased services	2,200	2,400	772	1,628
Supplies	4,700	6,200	2,252	3,948
Total pupil personnel	531,025	642,615	622,270	20,345
Instructional staff:				
Personnel services - salaries	192,884	238,729	254,204	(15,475)
Personnel services - employee benefits	107,687	120,145	111,272	8,873
Purchased professional and technical services	157,701	119,207	142,755	(23,548)
Purchased property services	73,000	94,367	44,779	49,588
Other purchased services	25,600	25,600	11,393	14,207
Supplies	95,602	117,452	70,633	46,819
Property	135,000	110,000	56,614	53,386
Total instructional staff	787,474	825,500	691,650	133,850
Administration:				
Personnel services - salaries	1,705,790	1,723,471	1,722,142	1,329
Personnel services - employee benefits	781,334	805,152	520,831	284,321
Purchased professional and technical services	390,490	390,490	378,142	12,348
Other purchased services	256,225	66,926	110,294	(43,368)
Supplies	55,300	55,300	20,106	35,194
Other objects	24,100	24,100	76,949	(52,849)
Total administration	3,213,239	3,065,439	2,828,464	236,975
Pupil health:				
Personnel services - salaries	179,152	179,152	140,923	38,229
Personnel services - employee benefits	84,996	88,580	77,797	10,783
Purchased professional and technical services	129,715	96,715	74,360	22,355
Other purchased services	1,000	1,000	337	663
Supplies	4,075	4,075	3,522	553
Property	500	500	-	500
Total pupil health	399,438	370,022	296,939	73,083

(Continued)

STEEL VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014

(Continued)

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued):				
Support services (continued):				
Business:				
Personnel services - salaries	199,254	215,061	190,414	24,647
Personnel services - employee benefits	122,879	127,180	90,291	36,889
Purchased professional and technical services	10,000	20,000	200	19,800
Other purchased services	25,000	25,000	18,913	6,087
Supplies	3,250	3,250	3,206	44
Property	1,000	1,000	-	1,000
Other objects	1,000	1,000	-	1,000
Total business	<u>362,383</u>	<u>392,491</u>	<u>303,024</u>	<u>89,467</u>
Operation and maintenance of plant services:				
Personnel services - salaries	480,543	487,269	537,554	(50,285)
Personnel services - employee benefits	304,063	315,462	364,458	(48,996)
Purchased professional and technical services	411,605	411,605	352,564	59,041
Purchased property services	323,905	278,905	250,776	28,129
Other purchased services	80,670	75,782	33,327	42,455
Supplies	718,280	705,280	701,069	4,211
Property	6,000	6,000	919	5,081
Other objects	800	800	792	8
Total operation and maintenance of plant services	<u>2,325,866</u>	<u>2,281,103</u>	<u>2,241,459</u>	<u>39,644</u>
Student transportation services:				
Purchased property services	71,785	71,785	56,659	15,126
Other purchased services	808,000	813,000	667,005	145,995
Total student transportation services	<u>879,785</u>	<u>884,785</u>	<u>723,664</u>	<u>161,121</u>
Central services:				
Purchased property services	65,000	35,000	25,755	9,245
Supplies	22,575	22,575	22,573	2
Total central services	<u>87,575</u>	<u>57,575</u>	<u>48,328</u>	<u>9,247</u>
Other support services:				
Purchased property services	23,702	23,702	23,080	622
Total other support services	<u>23,702</u>	<u>23,702</u>	<u>23,080</u>	<u>622</u>
Total support services	<u>8,610,487</u>	<u>8,543,232</u>	<u>7,778,878</u>	<u>764,354</u>

(Continued)

STEEL VALLEY SCHOOL DISTRICT

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

YEAR ENDED JUNE 30, 2014
(Continued)

	Budget		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued):				
Operation of noninstructional services:				
Food services:				
Other purchased services	-	1,000	-	1,000
Student activities:				
Personnel services - salaries	279,222	279,222	316,655	(37,433)
Personnel services - employee benefits	79,956	83,848	69,636	14,212
Purchased professional and technical services	40,000	55,000	49,416	5,584
Purchased property services	7,500	7,500	9,282	(1,782)
Other purchased services	49,105	52,305	40,327	11,978
Supplies	36,750	62,475	53,982	8,493
Property	900	900	-	900
Other objects	33,800	3,800	2,809	991
Total student activities	527,233	545,050	542,107	2,943
Community services:				
Other purchased services	12,500	17,500	14,771	2,729
Supplies	1,500	1,500	570	930
Total community services	14,000	19,000	15,341	3,659
Scholarship awards:				
Other objects	250	250	-	250
Total scholarship awards	250	250	-	250
Total operation of noninstructional services	541,483	565,300	557,448	7,852
Debt service:				
Other objects	1,181,780	1,065,843	1,062,322	3,521
Other uses of funds	1,355,000	619,937	474,053	145,884
Total debt service	2,536,780	1,685,780	1,536,375	149,405
Fund transfers:				
Other financing uses	2,000,000	3,000,000	2,222,677	777,323
Total expenditures	31,413,602	31,613,534	28,846,193	2,767,341
Excess (Deficiency) of Revenues Over Expenditures	(2,723,639)	(2,912,313)	536,311	3,448,624
Net Change in Fund Balance	(2,723,639)	(2,912,313)	536,311	3,448,624
Budgetary reserve	(200,000)	(11,075)	-	11,075
Net Change in Fund Balance After Budgetary Reserve	\$ (2,923,639)	\$ (2,923,388)	\$ 536,311	\$ 3,459,699

(Concluded)

STEEL VALLEY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Federal Grantor / Pass-Through Grantor / Project Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Period Beginning/Ending Dates	Program or Award Amount	Total Received For the Year	Accrued (Deferred) Revenue at July 1, 2013	Revenue Recognized	Expenditures	Accrued (Deferred) Revenue at June 30, 2014
U.S. Department of Education									
Passed Through the Pennsylvania Department of Education:									
Title I Grants to Local Educational Agencies	84.010	013-140419	7/1/13-9/30/14	\$ 599,476	\$ 599,476	\$ -	\$ 599,476	\$ 599,476	\$ -
Title I - Set Aside	84.010	013-140419	7/1/13-9/30/14	31,017	31,017	-	31,017	31,017	-
Title I Grants to Local Educational Agencies	84.010	013-130419	7/1/12-9/30/13	708,319	48,046	48,046	-	-	-
Total Title I Cluster				678,539	48,046	48,046	630,493	630,493	-
Striving Readers	84.371	143-120419	10/1/13-9/30/14	534,817	401,113	-	356,009	356,009	(45,104)
Striving Readers	84.371	143-120419	4/5/12-9/30/13	620,870	206,957	30,942	176,015	176,015	-
Total Striving Readers				608,070	30,942	30,942	532,024	532,024	(45,104)
Improving Teacher Quality State Grants	84.367	020-140419	7/1/13-9/30/14	128,619	68,597	-	128,619	128,619	60,022
Improving Teacher Quality State Grants	84.367	020-130419	7/1/12-9/30/13	132,482	18,822	18,822	-	-	-
Improving Teacher Quality State Grants	84.367	020-120420	7/1/11-9/30/12	136,959	45,426	45,426	-	-	-
Total Improving Teacher Quality State Grants				132,845	64,248	64,248	128,619	128,619	60,022
Passed Through the Allegheny Intermediate Unit:									
Special Education - Preschool Grants (IDEA, Section 619)	84.173	n/a	7/1/13-6/30/14	2,241	2,241	-	2,241	2,241	-
Special Education - Grants to States (IDEA, Part B)	84.027	RA 062-14-0-003	7/1/13-6/30/14	358,701	358,701	-	358,701	358,701	-
Special Education - Grants to States (IDEA, Part B)	84.027	RA 062-13-0-003	7/1/12-6/30/13	378,814	284,110	284,110	-	-	-
Total IDEA Cluster				645,052	284,110	284,110	360,942	360,942	-
Total U.S. Department of Education				2,064,506	427,346	427,346	1,652,078	1,652,078	14,918
U.S. Department of Agriculture									
Passed Through the Pennsylvania Department of Agriculture:									
National School Lunch Program (Commodities)	10.555	n/a	7/01/13-6/30/14	n/a	43,141	(180)	42,496	42,496	(825)
Total U.S. Department of Agriculture					550,172	(180)	556,859	556,859	6,507
U.S. Department of Health and Human Services									
Passed Through the Allegheny Intermediate Unit:									
Medical Assistance Program	93.778	n/a	n/a	n/a	7,614	-	7,614	7,614	-
Total Expenditures of Federal Awards					2,622,292	427,166	2,216,551	2,216,551	21,425
Notes to Schedule of Expenditures of Federal Awards:									
1. The schedule was prepared using the modified accrual basis of accounting. Expenditures were recognized as liabilities when incurred.									
2. RECONCILIATION TO FEDERAL SUBSIDY CONFIRMATION:									
Total received for the year				\$ 2,622,292					
Plus: amounts not required to be reported on the Schedule of Expenditures of Federal Awards									
Less: amounts received from other grantor agencies:									
Food Nutrition Service					27,786				
Medical Assistance - Access					279,915				
Donated commodities					(43,141)				
IDEA					(645,052)				
Medical Assistance - Access					(7,614)				
Total receipts per confirmation from Pennsylvania Department of Education				\$ 2,234,186					