

**Allegheny Valley School District
Financial Statements
June 30, 2018**

**Allegheny Valley School District
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Independent Auditor's Report

Members of the Board
Allegheny Valley School District
Cheswick, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allegheny Valley School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Allegheny Valley School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Report on the Financial Statements (Cont'd)

Auditor's Responsibility (Cont'd)

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allegheny Valley School District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, post-employment benefit information and pension information as shown in the table of contents, 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 Allegheny Valley School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

Report on the Financial Statements (Cont'd)

Other Matters (Cont'd)

Other Information (Cont'd)

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 January 25, 2019, on our consideration of Allegheny Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Allegheny Valley School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Allegheny Valley School District's internal control over financial reporting and compliance.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 25, 2019

Allegheny Valley School District
Management's Discussion and Analysis
June 30, 2018

The discussion and analysis of Allegheny Valley School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for the State and Local Governments. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

As anticipated, the School District saw an increase of various costs as they relate to the support for public education. As projected, expenses such as employer retirement contributions and health insurance premiums continue to rise. The Board of School Directors and management closely scrutinized all expenses to limit any additional real estate tax burden to the community.

The 2017/2018 revenues for the School District increased by \$597,871. The increase was attributed to continued commercial growth in Harmar Township. Local revenue increases were a significant contributor with increased real estate tax collections by \$176,939 and state share of retirement reimbursement by \$154,037 compared to the prior year.

The 2017/2018 expenditures for the School District increased by \$1,692,538 compared to the prior year. The increase was partially due to increased retirement expenditures of \$305,259 in comparison to the prior year as a result of an 8.5% rate increase. In addition, the School District transferred \$125,495 from the general fund to the food service fund to cover the loss from operations from the fund. Finally, the debt service expenditures increased by \$139,419 from the prior year as a result of new debt issuance during the 2016/2017 school year.

The School District ended the year with a general fund balance of \$10,331,508 of which \$8,564,830 has been assigned to defer future retirement contributions, future healthcare expenditures and future capital projects.

Allegheny Valley School District
Management's Discussion and Analysis
June 30, 2018

Using the Annual Financial Report

The Annual Financial Report consists of a financial section and a single audit section, which is issued to comply with federal guidelines as required in the Government Auditing Standards and Uniform Grant Guidance. Within the financial section are the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Allegheny Valley School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the School District's operations in more detail than the government-wide statements. The governmental funds statements tell how general School District services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities that the School District operates like a business. For this School District, this is our food service fund. Fiduciary fund statements provide information about financial relationships where the School District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes to explain some of the information in the financial statements and provide more detailed data.

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

**Allegheny Valley School District
Management's Discussion and Analysis
June 30, 2018**

Using the Annual Financial Report (Cont'd)

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

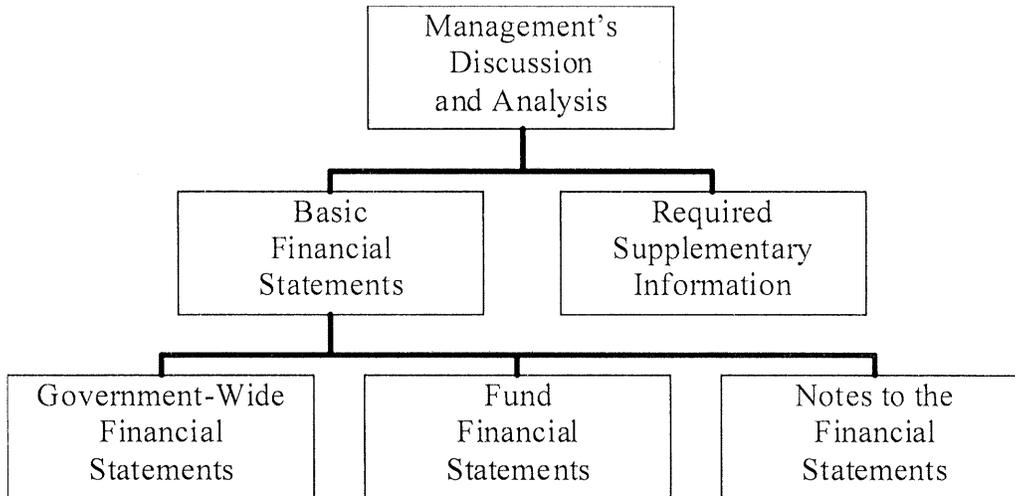


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Allegheny Valley School District
Management's Discussion and Analysis
June 30, 2018**

Using the Annual Financial Report (Cont'd)

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

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

Overview of Financial Statements

Government-Wide Statements

The government-wide 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 government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Allegheny Valley School District
Management's Discussion and Analysis
June 30, 2018

Overview of Financial Statements (Cont'd)

Government-Wide Statements (Cont'd)

The two government-wide statements report the School District's net position and how they have changed. Net assets, the difference between the School District's assets 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, you need to consider additional non-financial factors, such as changes in the School District's property tax base and the performance of the students.

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

- **Governmental activities** - All of the School District's basic services are included here, such as instruction, administration and community services. Property taxes and 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.

Fund Financial Statements

The School District's fund financial statements, which begin with Exhibit 3, 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 reconciled in the financial statements.

**Allegheny Valley School District
Management's Discussion and Analysis
June 30, 2018**

Overview of Financial Statements (Cont'd)

Fund Financial Statements (Cont'd)

Proprietary funds - These funds are 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 customers 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 proprietary fund and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

Fiduciary funds - The School District is the trustee, or fiduciary, for some scholarship funds. All of the School District's fiduciary activities are reported in the statement of changes in fiduciary net position on Exhibit 11. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

Financial Analysis of the School District as a Whole

The School District's total net position was a deficit \$(5,024,437) at June 30, 2018 and a deficit \$(2,204,903) at June 30, 2017.

Table A-1
Years Ended June 30, 2018 and 2017
Net Position

	2018			2017		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 22,115,077	\$(129,891)	\$ 21,985,186	\$26,879,236	\$(140,712)	\$ 26,738,524
Capital Assets	<u>37,403,725</u>	<u>24,140</u>	<u>37,427,865</u>	<u>31,034,662</u>	<u>36,927</u>	<u>31,071,589</u>
Total Assets	<u>59,518,802</u>	<u>(105,751)</u>	<u>59,413,051</u>	<u>57,913,898</u>	<u>(103,785)</u>	<u>57,810,113</u>
Deferred Outflows of Resources	<u>5,518,625</u>	<u>154,039</u>	<u>5,672,664</u>	<u>6,078,418</u>	<u>174,847</u>	<u>6,253,265</u>
Current and Other Liabilities	4,183,207	14,467	4,197,674	2,188,863	16,433	2,205,296
Noncurrent Liabilities						
Due Within One Year	1,185,505	-	1,185,505	1,127,341	-	1,127,341
Due in More than One Year	<u>63,386,978</u>	<u>964,995</u>	<u>64,351,973</u>	<u>61,457,865</u>	<u>969,778</u>	<u>62,427,643</u>
Total Liabilities	<u>68,755,690</u>	<u>979,462</u>	<u>69,735,152</u>	<u>64,774,069</u>	<u>986,211</u>	<u>65,760,280</u>
Deferred Inflows of Resources	<u>363,640</u>	<u>11,360</u>	<u>375,000</u>	<u>492,443</u>	<u>15,558</u>	<u>508,001</u>

**Allegheny Valley School District
Management's Discussion and Analysis
June 30, 2018**

Financial Analysis of the School District as a Whole (Cont'd)

Table A-1 (Cont'd)
Years Ended June 30, 2018 and 2017
Net Position

	2018			2017		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Net Position						
Net Investment in Capital Assets	\$ 8,216,092	\$ 24,140	\$ 8,240,232	\$ 8,269,403	\$ 36,927	\$ 8,306,330
Unrestricted	(12,297,995)	(966,674)	(13,264,669)	(9,543,599)	(967,634)	(10,511,233)
Total Net Position	<u>\$ (4,081,903)</u>	<u>\$(942,534)</u>	<u>\$(5,024,437)</u>	<u>\$(1,274,196)</u>	<u>\$(930,707)</u>	<u>\$(2,204,903)</u>

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is combined of designated and undesignated amounts. The designated balances are amounts set aside to fund future purchases or capital projects as planned by the School District.

The results of this year's operations as a whole are reported in the statement of activities on Exhibit 2. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School District's activities that are supported by other general revenues. The largest general revenues are the local taxes (property and earned income) assessed to community taxpayers.

Table A-2 takes the information from that statement, rearranges it slightly, so you can see our total revenues for the year.

Table A-2
Years Ended June 30, 2018 and 2017
Changes in Net Position

	2018			2017		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 175,314	\$ 175,314	\$ -	\$ 187,394	\$ 187,394
Operating Grants and Contribs.	3,606,492	396,264	4,002,756	3,238,248	427,684	3,665,932
Capital Grants and Contribs.	295,104	-	295,104	257,064	-	257,064
General Revenues						
Property Taxes	14,696,417	-	14,696,417	14,441,129	-	14,441,129
Other Taxes	1,383,382	-	1,383,382	1,527,746	-	1,527,746
Grants, Subs. and Contribs.						
Unrestricted	2,916,949	-	2,916,949	2,872,452	-	2,872,452
Investment Earnings	320,244	-	320,244	98,259	-	98,259

**Allegheny Valley School District
Management's Discussion and Analysis
June 30, 2018**

Financial Analysis of the School District as a Whole (Cont'd)

Table A-2 (Cont'd)
Years Ended June 30, 2018 and 2017
Changes in Net Position

	2018			2017		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues (Cont'd)						
General Revenues (Cont'd)						
Other	\$ 88,747	\$ -	\$ 88,747	\$ 95,505	\$ -	\$ 95,505
Transfers	<u>(125,495)</u>	<u>125,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>23,181,840</u>	<u>697,073</u>	<u>23,878,913</u>	<u>22,530,403</u>	<u>615,078</u>	<u>23,145,481</u>
Expenses						
Instruction	13,182,874	-	13,182,874	12,411,033	-	12,411,033
Instructional Student Support	1,548,128	-	1,548,128	1,465,843	-	1,465,843
Admin. and Financial Support Svcs.	2,592,989	-	2,592,989	2,630,275	-	2,630,275
Operation and Maintenance of Plant Services	2,406,345	-	2,406,345	2,332,680	-	2,332,680
Pupil Transportation	1,257,106	-	1,257,106	1,196,169	-	1,196,169
Student Activities	953,802	-	953,802	939,756	-	939,756
Community Services	17,256	-	17,256	17,169	-	17,169
Interest on Long-Term Debt	992,622	-	992,622	972,370	-	972,370
Food Service	<u>-</u>	<u>708,900</u>	<u>708,900</u>	<u>-</u>	<u>723,634</u>	<u>723,634</u>
Total Expenses	<u>22,951,122</u>	<u>708,900</u>	<u>23,660,022</u>	<u>21,965,295</u>	<u>723,634</u>	<u>22,688,929</u>
Increase (Decrease) in Net Position	230,718	(11,827)	218,891	565,108	(108,556)	456,552
Beginning Net Position	<u>(4,312,621)</u>	<u>(930,707)</u>	<u>(5,243,328)</u>	<u>(1,839,304)</u>	<u>(822,151)</u>	<u>(2,661,455)</u>
Ending Net Position	<u>\$(4,081,903)</u>	<u>\$(942,534)</u>	<u>\$(5,024,437)</u>	<u>\$(1,274,196)</u>	<u>\$(930,707)</u>	<u>\$(2,204,903)</u>

The tables below present the expenses of both the governmental activities and the business-type activities of the School District.

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

**Allegheny Valley School District
Management's Discussion and Analysis
June 30, 2018**

Financial Analysis of the School District as a Whole (Cont'd)

Table A-3
Years Ended June 30, 2018 and 2017
Governmental Activities

Functions/Programs	2018		2017	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$13,182,874	\$10,607,068	\$12,411,033	\$10,061,673
Instructional Student Support	1,548,128	1,372,252	1,465,843	1,299,992
Administrative and Fin. Support Svcs.	2,592,989	2,367,059	2,630,275	2,440,674
Operation and Maintenance of Plant Svcs.	2,406,345	2,245,001	2,332,680	2,190,606
Pupil Transportation	1,257,106	851,854	1,196,169	863,405
Student Activities	953,802	891,518	939,756	881,158
Community Services	17,256	17,256	17,169	17,169
Interest on Long-Term Debt	<u>992,622</u>	<u>697,518</u>	<u>972,370</u>	<u>715,306</u>
 Total Governmental Activities	 <u>\$22,951,122</u>	 19,049,526	 <u>\$21,965,295</u>	 18,469,983
Less:				
Unrestricted Grants, Subsidies		<u>(2,916,949)</u>		<u>(2,872,452)</u>
 Total Needs from Local Taxes and Other Revenues		 <u>\$16,132,577</u>		 <u>\$15,597,531</u>

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District.

Table A-4
Years Ended June 30, 2018 and 2017
Business-Type Activities

Functions/Programs	2018		2017	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	<u>\$708,900</u>	<u>\$137,322</u>	<u>\$723,634</u>	<u>\$108,556</u>

**Allegheny Valley School District
Management's Discussion and Analysis
June 30, 2018**

Financial Analysis of the School District as a Whole (Cont'd)

The statement of revenues, expenses and changes in fund net position for this proprietary fund shown on Exhibit 8 will further detail the actual results of operations.

School District Funds

At June 30, 2018, the School District's general fund reported a fund balance of \$10,331,508, which is an increase of \$814,121 from the prior year.

General Fund Budget

A schedule showing the School District's original and final budget amounts, compared with amounts actually paid and received, is provided in the required supplementary information section.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2018, the School District's governmental funds had \$37,403,725 invested in a broad range of capital assets, including land, land improvements, buildings, furniture and equipment. This amount represents a net decrease (including additions, deletions and depreciation) of \$6,369,063, or 20.6% from last year.

Table A-5
Governmental Activities
Capital Assets - Net of Depreciation

	2018	2017
Land	\$ 791,812	\$ 791,812
Land Improvements	1,640,306	1,868,513
Buildings and Building Improvements	25,502,373	26,493,584
Furniture and Equipment	850,711	918,829
Construction in Progress	8,618,523	961,924

Debt Administration

During the fiscal year, the School District made principal payments of \$1,099,885.

**Allegheny Valley School District
Management's Discussion and Analysis
June 30, 2018**

Capital Assets and Debt Administration (Cont'd)

Debt Administration (Cont'd)

Table A-6
Outstanding Debt

General Obligation Bonds	As of 06/30/18	As of 06/30/17
Bonds - Series of 2016	\$ 8,800,000	\$ 8,805,000
Bonds - Series of 2014	12,996,000	13,795,000
Bonds - Series of 2013B	7,330,000	7,575,000

Other obligations include capital lease obligations and accrued sick leave for specific employees of the School District. More detailed information about our long-term liabilities is included in the notes to the financial statements.

Bond Rating

The School District's general obligation bond rating assigned by Moody's is A1 underlying and an A3 enhanced rating. The Commonwealth of Pennsylvania also provides additional security for the bonds through the Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default.

Economic Factors and Next Year's Budget

Allegheny Valley School District is projected to continue to experience a modest increase compared to prior years in assessments, the majority resulting from an increase in commercial growth in one of the communities. The School District does not anticipate significant growth in the new future. Student enrollment has leveled off at approximately 1,000 students.

The School District is expected to operate within the Act 1 Index for the budget year 2018/2019. The School District, subsequent to year end has existing contracts with all three unions. The expiration of the professional staff (teachers) contract is June 30, 2022; the administrative assistants' contract is June 30, 2020; and the custodial staff contract is June 30, 2019. This helps with accurate projection of future salaries.

**Allegheny Valley School District
Management's Discussion and Analysis
June 30, 2018**

Economic Factors and Next Year's Budget (Cont'd)

The comparison of revenues and expenditures categories is as follows:

Table A-7

	Actual Revenues 2017/2018	Actual Revenues 2016/2017
Local	71.7%	72.3%
State	27.2%	26.3%
Federal/Other	1.1%	1.4%
	Actual Expenditures 2017/2018	Actual Expenditures 2016/2017
Instruction	52.4%	53.1%
Support Services	34.0%	34.1%
Noninstructional	3.2%	3.2%
Fund Transfers/Debt/Other	10.4%	9.6%

Contacting the School District 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 and administration's accountability for the money it receives. All correspondence regarding this report can be sent to either Ms. Janice Zastawniak, Public Relations or Mrs. Hamsini Rajgopal, Business Manager at Allegheny Valley School District, 300 Pearl Avenue, Cheswick, PA 15024, 724-274-5300.

Allegheny Valley School District
Statement of Net Position
June 30, 2018

Exhibit 1

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 18,970,898	\$ 13,387	\$ 18,984,285
Taxes Receivable, Net	2,169,312	-	2,169,312
Internal Balances	174,768	(174,768)	-
Due from Other Governments	765,887	3,242	769,129
Other Receivables	13,331	15,262	28,593
Inventories	-	12,986	12,986
Prepaid Items	20,881	-	20,881
Capital Assets not Being Depreciated			
Land	791,812	-	791,812
Construction in Progress	8,618,523	-	8,618,523
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	1,640,306	-	1,640,306
Buildings and Building Improvements	25,502,373	-	25,502,373
Furniture and Equipment	<u>850,711</u>	<u>24,140</u>	<u>874,851</u>
TOTAL ASSETS	<u>59,518,802</u>	<u>(105,751)</u>	<u>59,413,051</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts Related to Pensions	5,035,202	154,039	5,189,241
Deferred Charge on Refunding	<u>483,423</u>	<u>-</u>	<u>483,423</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,518,625</u>	<u>154,039</u>	<u>5,672,664</u>
LIABILITIES			
Accounts Payable	2,112,914	33	2,112,947
Accrued Interest	172,984	-	172,984
Accrued Salaries and Benefits	1,847,583	6,504	1,854,087
Payroll Deductions and Withholdings	5,866	1,603	7,469
Unearned Revenues	-	1,890	1,890
Other Current Liabilities	43,860	4,437	48,297
Noncurrent Liabilities			
Due Within One Year	1,185,505	-	1,185,505
Due in More Than One Year			
Capital Leases	12,634	-	12,634
Compensated Absences	261,288	-	261,288
Bonds Payable	29,021,306	-	29,021,306
Derivative Instrument - Swap Liability	142,405	-	142,405
Other Post-Employment Benefits	3,058,340	-	3,058,340
Net Pension Liability	<u>30,891,005</u>	<u>964,995</u>	<u>31,856,000</u>
TOTAL LIABILITIES	<u>68,755,690</u>	<u>979,462</u>	<u>69,735,152</u>
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to Pensions	<u>363,640</u>	<u>11,360</u>	<u>375,000</u>
NET POSITION			
Net Investment in Capital Assets	8,216,092	24,140	8,240,232
Unrestricted	<u>(12,297,995)</u>	<u>(966,674)</u>	<u>(13,264,669)</u>
TOTAL NET POSITION	<u>\$ (4,081,903)</u>	<u>\$ (942,534)</u>	<u>\$ (5,024,437)</u>

See Accompanying Notes

**Allegheny Valley School District
Statement of Activities
Year Ended June 30, 2018**

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Totals
Governmental Activities							
Instruction	\$13,182,874	\$ -	\$2,575,806	\$ -	\$(10,607,068)	\$ -	\$(10,607,068)
Instructional Student Support	1,548,128	-	175,876	-	(1,372,252)	-	(1,372,252)
Administrative and Financial Support Services	2,592,989	-	225,930	-	(2,367,059)	-	(2,367,059)
Operation and Maintenance of Plant Services	2,406,345	-	161,344	-	(2,245,001)	-	(2,245,001)
Pupil Transportation	1,257,106	-	405,252	-	(851,854)	-	(851,854)
Student Activities	953,802	-	62,284	-	(891,518)	-	(891,518)
Community Services	17,256	-	-	-	(17,256)	-	(17,256)
Interest on Long-Term Debt	<u>992,622</u>	-	-	<u>295,104</u>	<u>(697,518)</u>	-	<u>(697,518)</u>
Total Governmental Activities	<u>22,951,122</u>	-	<u>3,606,492</u>	<u>295,104</u>	<u>(19,049,526)</u>	-	<u>(19,049,526)</u>
Business-Type Activities							
Food Service	<u>708,900</u>	<u>175,314</u>	<u>396,264</u>	-	-	<u>(137,322)</u>	<u>(137,322)</u>
Total Primary Government	<u>\$23,660,022</u>	<u>\$175,314</u>	<u>\$4,002,756</u>	<u>\$295,104</u>	<u>(19,049,526)</u>	<u>(137,322)</u>	<u>(19,186,848)</u>
General Revenues and Transfers							
Taxes							
Property Taxes Levied for General Purposes, Net					14,696,417	-	14,696,417
Earned Income Taxes					1,153,478	-	1,153,478
Real Estate Transfer Taxes					175,911	-	175,911
Other Taxes Levied for General Purposes, Net					53,993	-	53,993
Grants, Subsidies and Contributions not Restricted					2,916,949	-	2,916,949
Investment Earnings					320,244	-	320,244
Miscellaneous Income					88,747	-	88,747
Transfers					<u>(125,495)</u>	<u>125,495</u>	-
Total General Revenues and Transfers					<u>19,280,244</u>	<u>125,495</u>	<u>19,405,739</u>
Changes in Net Position					230,718	(11,827)	218,891
Net Position - July 1, 2017 (Restated - See Note 2)					<u>(4,312,621)</u>	<u>(930,707)</u>	<u>(5,243,328)</u>
Net Position - June 30, 2018					<u>\$ (4,081,903)</u>	<u>\$(942,534)</u>	<u>\$ (5,024,437)</u>

See Accompanying Notes

**Allegheny Valley School District
Balance Sheet
Governmental Funds
June 30, 2018**

Exhibit 3

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$11,221,424	\$5,276,041	\$2,473,433	\$18,970,898
Taxes Receivable, Net	2,169,312	-	-	2,169,312
Due from Other Funds	181,558	-	-	181,558
Due from Other Governments	765,887	-	-	765,887
Other Receivables	6,541	-	-	6,541
Prepaid Items	<u>20,881</u>	<u>-</u>	<u>-</u>	<u>20,881</u>
TOTAL ASSETS	<u>\$14,365,603</u>	<u>\$5,276,041</u>	<u>\$2,473,433</u>	<u>\$22,115,077</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 158,837	\$ -	\$1,954,077	\$ 2,112,914
Accrued Salaries and Benefits	1,847,583	-	-	1,847,583
Payroll Deductions and Withholdings	5,866	-	-	5,866
Other Current Liabilities	<u>43,860</u>	<u>-</u>	<u>-</u>	<u>43,860</u>
Total Liabilities	<u>2,056,146</u>	<u>-</u>	<u>1,954,077</u>	<u>4,010,223</u>
Deferred Inflows of Resources				
Unavailable Revenues - Property Taxes	<u>1,977,949</u>	<u>-</u>	<u>-</u>	<u>1,977,949</u>
Fund Balances				
Nonspendable	20,881	-	-	20,881
Restricted	-	-	519,356	519,356
Committed	-	5,276,041	-	5,276,041
Assigned	8,564,830	-	-	8,564,830
Unassigned	<u>1,745,797</u>	<u>-</u>	<u>-</u>	<u>1,745,797</u>
Total Fund Balances	<u>10,331,508</u>	<u>5,276,041</u>	<u>519,356</u>	<u>16,126,905</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$14,365,603</u>	<u>\$5,276,041</u>	<u>\$2,473,433</u>	<u>\$22,115,077</u>

See Accompanying Notes

**Allegheny Valley School District
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2018**

Exhibit 4

Total Fund Balances - Governmental Funds		\$ 16,126,905
<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 assets is \$67,846,994, and the accumulated depreciation is \$30,443,269.</p>		37,403,725
<p>Property taxes receivable will be collected in future years but are not available soon enough to pay for the current period's expenditures and therefore, are deferred inflows in the funds.</p>		1,977,949
<p>Premium and discount on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position.</p>		(1,011,306)
<p>Deferred charges on refunded bonds are reported as deferred outflows of resources in the statement of net position.</p>		483,423
<p>Derivative instruments used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.</p>		(142,405)
<p>Some liabilities including net pension obligations, are not due and payable in the current period and therefore, are not reported in the funds.</p>		
<p style="padding-left: 40px;">Net Pension Liability</p>		(30,891,005)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds.</p>		
<p style="padding-left: 40px;">Deferred Outflows of Resources Related to Pensions</p>	\$ 5,035,202	
<p style="padding-left: 40px;">Deferred Inflows of Resources Related to Pensions</p>	<u>(363,640)</u>	4,671,562

Allegheny Valley School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018

Exhibit 4

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

Bonds Payable	\$(29,120,000)	
Accrued Interest on the Bonds	(172,984)	
Capital Leases Payable	(59,107)	
Other Post-Employment Benefits	(3,058,340)	
Compensated Absences	<u>(290,320)</u>	<u>\$(32,700,751)</u>
Total Net Position - Governmental Activities		<u>\$ (4,081,903)</u>

See Accompanying Notes

**Allegheny Valley School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018**

Exhibit 5

	General Fund	Capital Reserve Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Local Sources	\$16,582,988	\$ 57,413	\$ 74,291	\$16,714,692
State Sources	6,279,934	-	-	6,279,934
Federal Sources	<u>271,065</u>	<u>-</u>	<u>-</u>	<u>271,065</u>
Total Revenues	<u>23,133,987</u>	<u>57,413</u>	<u>74,291</u>	<u>23,265,691</u>
Expenditures				
Instruction	11,699,063	-	-	11,699,063
Support Services	7,578,970	-	-	7,578,970
Noninstructional Services	715,676	-	-	715,676
Capital Outlay	-	-	7,667,110	7,667,110
Debt Service (Principal and Interest)	2,168,279	-	-	2,168,279
Refunds of Prior Year's Receipts	<u>32,383</u>	<u>-</u>	<u>-</u>	<u>32,383</u>
Total Expenditures	<u>22,194,371</u>	<u>-</u>	<u>7,667,110</u>	<u>29,861,481</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>939,616</u>	<u>57,413</u>	<u>(7,592,819)</u>	<u>(6,595,790)</u>
Other Financing Sources (Uses) Transfers Out	<u>(125,495)</u>	<u>-</u>	<u>-</u>	<u>(125,495)</u>
Net Changes in Fund Balances	814,121	57,413	(7,592,819)	(6,721,285)
Fund Balances - July 1, 2017	<u>9,517,387</u>	<u>5,218,628</u>	<u>8,112,175</u>	<u>22,848,190</u>
Fund Balances - June 30, 2018	<u>\$10,331,508</u>	<u>\$5,276,041</u>	<u>\$ 519,356</u>	<u>\$16,126,905</u>

See Accompanying Notes

**Allegheny Valley School District
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures
 and Changes in Fund Balances
 to the Statement of Activities
 Year Ended June 30, 2018**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$(6,721,285)

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

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

Depreciation Expense	\$(1,465,830)	
Capital Outlays	<u>7,834,893</u>	6,369,063

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues increased by this amount this year. (2,532)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,099,885

In the statement of activities, certain operating expenses - compensated absences (sick pay and vacations), special termination benefits (early retirement) and other post-employment benefits (OPEB) - are measured by the amounts earned during the year. In governmental funds, however, expenditures for the items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Compensated Absences	(15,763)	
Other Post-Employment Benefits	<u>(59,454)</u>	(75,217)

**Allegheny Valley School District
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures
and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2018**

Exhibit 6

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Net Change in Accrued Interest on Bonds	\$ 4,855
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Governmental funds report changes in investment derivative instruments only when those instruments provide or use financial resources. However, in the statement of activities, changes in the fair value of investment derivative instruments are changes in economic resources and are reported in each period in which there is a change in the fair value of the investment.

Change in Fair Value of Investment Derivative	76,559
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Bond issuance costs and bond discount are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Amortization of Discount, Premium and Deferred Loss on Refunding	70,918
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Government funds report School District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned is reported as pension expense.

School District Pension Contributions to PSERS	\$ 2,727,550	
Cost of Benefits Earned	<u>(3,319,078)</u>	<u>(591,528)</u>

Change in Net Position of Governmental Activities	\$ <u>230,718</u>
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See Accompanying Notes

**Allegheny Valley School District
Statement of Net Position
Proprietary Funds
June 30, 2018**

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 13,387
Due from Other Governments	3,242
Other Receivables	15,262
Inventories	<u>12,986</u>
Total Current Assets	<u>44,877</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>24,140</u>
TOTAL ASSETS	<u>69,017</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to Pensions	<u>154,039</u>
LIABILITIES	
Current Liabilities	
Due to Other Funds	174,768
Accounts Payable	33
Accrued Salaries and Benefits	6,504
Payroll Deductions and Withholdings	1,603
Unearned Revenues	1,890
Other Current Liabilities	<u>4,437</u>
Total Current Liabilities	<u>189,235</u>
Noncurrent Liabilities	
Net Pension Liability	<u>964,995</u>
TOTAL LIABILITIES	<u>1,154,230</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to Pensions	<u>11,360</u>
NET POSITION	
Net Investment in Capital Assets	24,140
Unrestricted	<u>(966,674)</u>
TOTAL NET POSITION	<u>\$ (942,534)</u>

See Accompanying Notes

Allegheny Valley School District
Statement of Revenues, Expenses and Change
in Net Position
Proprietary Funds
Year Ended June 30, 2018

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ <u>175,314</u>
Operating Expenses	
Salaries	264,460
Employee Benefits	156,097
Other Purchased Services	15,775
Supplies	258,976
Depreciation	12,787
Other Operating Expenditures	<u>805</u>
Total Operating Expenses	<u>708,900</u>
Operating Income (Loss)	<u>(533,586)</u>
Nonoperating Revenues (Expenses)	
State Sources	68,354
Federal Sources	<u>327,910</u>
Total Nonoperating Revenues (Expenses)	<u>396,264</u>
Income (Loss) Before Transfers	(137,322)
Transfer from General Fund	<u>125,495</u>
Change in Net Position	(11,827)
Net Position - July 1, 2017	<u>(930,707)</u>
Net Position - June 30, 2018	\$ <u>(942,534)</u>

See Accompanying Notes

**Allegheny Valley School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2018**

Exhibit 9

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 173,252
Cash Payments to Employees for Services	(432,785)
Cash Payments to Suppliers for Goods and Services	(238,941)
Cash Payments for Other Operating Expenses	<u>(805)</u>
Net Cash Used for Operating Activities	<u>(499,279)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	68,389
Federal Sources	292,005
Transfers In	<u>125,495</u>
Net Cash Provided by Non-Capital Financing Activities	<u>485,889</u>
Net Decrease in Cash and Cash Flows	(13,390)
Cash and Cash Equivalents - July 1, 2017	<u>26,777</u>
Cash and Cash Equivalents - June 30, 2018	<u>\$ 13,387</u>

**Allegheny Valley School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2018**

Exhibit 9

	Food Service Fund
Operating Income (Loss)	\$(533,586)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation	12,787
Changes in Pension Expense	11,827
Donated Commodities	36,264
(Increase) Decrease in Accounts Receivable	(2,096)
(Increase) Decrease in Inventories	13
Increase (Decrease) in Accounts Payable	(87)
Increase (Decrease) in Accrued Salaries/Benefits	(1,627)
Increase (Decrease) in Payroll Deductions/Withholding	94
Increase (Decrease) in Advances from Other Funds	(22,522)
Increase (Decrease) in Unearned Revenue	(380)
Increase (Decrease) in Other Current Liabilities	<u>34</u>
Total Adjustments	<u>34,307</u>
Cash Used for Operating Activities	\$(499,279)

Noncash Non-Capital Financing Activities

During the year ended June 30, 2018, the School District received \$35,885 of U. S. D. A. Donated Commodities in the food service fund.

See Accompanying Notes

Allegheny Valley School District
Statement of Net Position
Fiduciary Funds
June 30, 2018

Exhibit 10

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	<u>\$28,394</u>	<u>\$36,165</u>
LIABILITIES		
Due to Other Funds	6,790	-
Other Current Liabilities	<u>68</u>	<u>36,165</u>
TOTAL LIABILITIES	<u>6,858</u>	<u>36,165</u>
NET POSITION		
Restricted	<u>\$21,536</u>	<u>\$ -</u>

See Accompanying Notes

**Allegheny Valley School District
Statement of Change in Net Position
Fiduciary Funds
Year Ended June 30, 2018**

Exhibit 11

	Private Purpose Trust Fund
Additions	
Gifts and Contributions	\$ 8,353
Interest	<u>116</u>
Total Additions	<u>8,469</u>
Deductions	
Scholarships Awarded	<u>6,529</u>
Change in Net Position	1,940
Net Position - July 1, 2017	<u>19,596</u>
Net Position - June 30, 2018	<u>\$21,536</u>

See Accompanying Notes

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies

Allegheny Valley School District, located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the Boroughs of Cheswick and Springdale and the Townships of Harmar and Springdale. The School District operates under a nine-person elected Board of Directors.

A. Basic Financial Statements - Government-Wide Statements

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Allegheny Valley School District. *Governmental activities*, which normally are 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. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payment-in-lieu of taxes and other charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

B. Basic Financial Statements - Fund Financial Statements

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into three categories: governmental; proprietary; and fiduciary.

The emphasis in fund financial statements is on the major funds in the governmental category. Nonmajor funds are summarized in a single column. The nonmajor funds are combined in a column in the fund financial statements.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Cont'd)

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

1. Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses, and balances of financial resources) rather than upon net income. The School District reports these major governmental funds and fund types:

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

The *capital reserve fund*, a capital projects fund type, accounts for the resources accumulated from surplus monies in the general fund which is to be used for capital improvements.

The *capital projects fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities or equipment (other than those financed by proprietary funds).

The activities reported in this fund are reported as governmental activities in the government-wide financial statements.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The School District reports the following proprietary fund type:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The *food service fund* accounts for the revenues, food purchases and other costs and expenses for providing meals to students and/or faculty during the school year.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Cont'd)

B. Basic Financial Statements - Fund Financial Statements (Cont'd)

3. Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and are therefore not available to support School District programs. The reporting focus is on net position and changes in net position. The School District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose, or agency). The School District reports the following fiduciary fund types:

The *private purpose trust fund* is used to account for resources of monies contributed to the School District for scholarships. The scholarship funds are considered private purpose trust funds.

The *agency fund* represents the School District's student activity funds. These funds account for student activities in the high school and elementary school.

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

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

C. Measurement Focus and Basis of Accounting

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

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Cont'd)

C. Measurement Focus and Basis of Accounting (Cont'd)

The government-wide financial statements and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, intergovernmental revenues, interest, rent and certain miscellaneous income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measureable and available only when cash is received by the government.

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

D. Joint Ventures

The School District is one of nine member school districts of the Forbes Road East Area Vocational-Technical School ("Forbes"). Forbes provides vocational-technical training and education to participating students of the member districts. Forbes is controlled and governed by the Joint Board, which is composed of all the school board members of all of the member districts. Direct oversight of Forbes' operations is the responsibility of the

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Cont'd)

D. Joint Ventures (Cont'd)

Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Forbes. The School District's share of annual operating and capital costs for Forbes fluctuates, based on the percentage of enrollment of each member district in the school. The School District's financial obligation to Forbes for the year ended June 30, 2018 was \$249,095 which has been reported in the School District's general fund. The School District has no equity interest in Forbes as of June 30, 2018. Complete financial statements for Forbes can be obtained from the administrative offices at 607 Beatty Road; Monroeville, Pennsylvania 15146.

E. Cash and Cash Equivalents

The School District's policy is to maintain cash balances in interest-bearing accounts such as money market or flex funds. The market values of the funds approximate cost. For purposes of the statement of cash flows, the proprietary fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments are stated at fair value except that treasury and agency obligations that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. Fair value is based on quoted market prices. Funds are invested pursuant to the Public School Code of 1949 and investment policy guidelines established by the School District and approved by the Members of the Board. The School Code states that authorized types of investments shall be: United States Treasury Bills; short-term obligations of the United States Government or its agencies or instrumentalities; deposits in savings accounts, time deposits or share accounts of institutions insured by the FDIC; obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States and the Commonwealth of Pennsylvania.

G. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved various budget transfers throughout the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2018.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Cont'd)

G. Budgets (Cont'd)

The final budget data reflected in the financial statements includes the effect of approved budget transfer amendments and, for comparative purposes; the actual amounts have also been presented. The School District expenditures may not legally exceed the revised budget amounts by function. Function is defined as a program area such as instructional services. Management may amend the budget without seeking prior approval of the Board within a function. Amendments between functions require prior Board approval. Excess of expenditures over appropriations in the general fund is presented in the required supplementary information section.

H. 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 the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

I. Inventories

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

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2018.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2018 are reported as unearned revenue.

J. Prepaid Items

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

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Cont'd)

K. Capital Assets

Capital assets, which include property, plant, equipment and land improvements are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Management has elected to include certain homogeneous asset categories with individual assets less than \$1,500 as composite groups for financial reporting purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Land Improvements	10
Furniture	7
Vehicles	5
Equipment	7
Computer Software	5

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 12 years.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Cont'd)

L. Deferred Outflows/Inflows of Resources (Cont'd)

category. One 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. The other in the government-wide statement of net position is related to the participation in the cost sharing defined benefit pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has one item reported in the government-wide statement of net position relating to the cost sharing defined benefit pension plan. The School District also has items, which arise only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as inflows of resources in the period that the amount becomes available.

M. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premium and discount are reported as deferred charges and amortized over the term of the related debt.

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

N. Compensated Absences

The School District's policies regarding vacation and sick time is provided through various contracts. Employees can accumulate sick and/or vacation days which they are paid for upon retirement or termination of service. The amount the employee is compensated and the number of days varies based on their contract and their years of service. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the amount of reimbursable unused vacation or sick leave to employees who have terminated their employment as of the end of the fiscal year, while the proprietary funds report the liability as it is incurred.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Cont'd)

O. Defining Operating Revenues and Expenses

The School District's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the School District's food service fund consist of charges for meals and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

P. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Statements - Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, fund balance reporting and governmental fund type definitions, the School District classifies governmental fund balances as follows:

Nonspendable - amounts that cannot be spent because they are either (1) not in a spendable form or (2) legally or contractually required to remain intact.

Restricted - the part of fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or by enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payments and includes a legally enforceable requirement on the use of these funds.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Cont'd)

P. Equity Classifications (Cont'd)

Fund Statements - Fund Balance (Cont'd)

Committed - the portion of fund balance that can only be used for specific purposes as a result of formal action, approval of a motion by the majority of the School Board. Once the item is committed, it cannot be used for any other purpose unless changed by the same procedures used to initially commit the money.

Assigned - reflects the School District's intent to use the money for a specific purpose but is not considered restricted or committed. The assignment of fund balance can be assigned by management in the business office.

Unassigned - represents the part of spendable fund balance that has not been categorized as restricted, committed or assigned. The general fund is the only fund permitted to have a positive unassigned fund balance.

The School District's policy is that it considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. It also considers committed amounts to be spent first when an expenditure is incurred for purposes for which both committed and unassigned fund balance could be used.

The purposes of the nonspendable, restricted, committed and assigned fund balance as of June 30, 2018, are as follows:

1. The nonspendable fund balance in the general fund of \$20,881 is for prepaid items.
2. The restricted fund balance in the capital projects fund of \$519,356 is restricted for current and future capital projects as the balance is from unspent bond proceeds.
3. The committed fund balance in the capital reserve fund of \$5,276,041 is committed for future technology capital expenditures of \$995,948 and for future capital projects of \$4,280,093.
4. The assigned fund balance in the general fund of \$8,564,830 is assigned for future employer retirement costs of \$1,500,000, for future employer healthcare costs of \$1,100,000, for future capital improvements of \$5,664,830 and for swap stabilization of \$300,000.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 2 - Restatement of Beginning Net Position, Governmental Activities

Allegheny Valley School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* as of July 1, 2017. Beginning net position of the governmental activities in the government-wide statements was restated as of July 1, 2017. The result of the effects of applying this new statement is summarized below.

Net Position, July 1, 2017 (Previously Reported)		\$(1,274,196)
OPEB Balance at July 1, 2017 Under GASB 75	\$(2,998,886)	
Amount Previously Reported Under GASB 45	<u>(39,539)</u>	<u>(3,038,425)</u>
Restated Net Position July 1, 2017		<u><u>\$(4,312,621)</u></u>

Note 3 - Deposits and Investments

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2018, \$4,051,236 of the School District's bank balance of \$4,313,736 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging	
Bank's Agent not in the School District's Name	\$ <u><u>4,051,236</u></u>

As of June 30, 2018, the School District had the following investments:

Investments	Maturity Date	Fair Value
PSDLAF	N/A	\$15,499,448
PLGIT	N/A	<u>1,011,383</u>
		<u><u>\$16,510,831</u></u>

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 3 - Deposits and Investments (Cont'd)

Custodial Credit Risk - Deposits (Cont'd)

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates except for its capital projects bond fund. This fund's investments in U. S. Obligations are permitted but only to the extent that the obligation is within six months from its retirement (due) date.

Interest Rate Risk Relating to Derivatives - As of June 30, 2018, the School District had investments with the following maturities:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Investment Derivative Instruments	\$(142,405)	\$ _____	\$ _____	\$ _____	\$(142,405)

The School District is invested in an interest rate swap with terms as noted below:

Type	Basis Swap
Transaction Date	04/20/06
Effective Date	04/24/06
Maturity Date	11/01/28
Terms	School District pays SIFMA and receives 68.5% of LIBOR
Initial Notional Amt.	\$14,345,000
Bank Counterparty	
Credit Ratings	
Moody's	A2
S & P	A

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 3 - Deposits and Investments (Cont'd)

Custodial Credit Risk - Deposits (Cont'd)

Credit Risks - The Pennsylvania Public School Code authorizes the types of investments allowed. These are described in Note 1F. The School District has no investment policy that would further limit its investment choices. The School District's investments in Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) were rated AAAM by Standard & Poor's.

Credit risk is the risk the School District will have exposure to a swap counterparty under the swap. Credit risk is mitigated by several factors, including minimum credit rating criteria and ratings downgrade triggers in the swap documents. The credit ratings for the counterparty are noted above.

Concentration of Credit Risk - The School District places no limit on the amount it may invest in any one issue.

Investments

The Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) were 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 the funds is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended.

PSDLAF and PLGIT are governed by an elected board of trustees who are responsible for the overall management of the funds. The trustees are elected from the several classes of local governments participating in the funds. The funds are audited annually by independent auditors. PSDLAF and PLGIT are local government investment pools and are exempt from the requirement with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The funds measure, for financial reporting purposes, its assets at amortized cost and maintain a stable net asset value of \$1 per share. Accordingly, the fair values of the position in PSDLAF and PLGIT are the same as the values of PSDLAF and PLGIT shares. There are no limitations or restrictions on withdrawals.

Fair Value of Investments

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

The School District has the following recurring fair value measurements:

- Investment derivative instruments of (\$142,405) are valued using significant observable inputs (Level 2 inputs).

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 4 - Real Estate Taxes

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2017/2018 was 20.3494 mills (\$20.35 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2017/2018 is as follows:

Tax Levy Date	July 1, 2017
2% Discount Period	Through August 31, 2017
Face Payment Period	September 1 - October 31, 2017
10% Penalty Period	November 1 Until Liened
Lien Filing Date	July 1, 2018

Taxpayers may also pay these taxes in three equal installments due at face on or before the following dates: August 31, October 31, and November 30.

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as unavailable revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$1,977,949 along with other taxes receivable of \$191,363.

Note 5 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2018, the following amounts are due from other governmental units:

	Governmental Activities	Business-Type Activities	Totals
Federal (through the state)	\$ 35,187	\$3,075	\$ 38,262
State	<u>730,700</u>	<u>167</u>	<u>730,867</u>
	<u>\$765,887</u>	<u>\$3,242</u>	<u>\$769,129</u>

Note 6 - Capital Assets

For the year ended June 30, 2018, capital asset activity was as follows:

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 6 - Capital Assets (Cont'd)

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 791,812	\$ -	\$ -	\$ 791,812
Construction in Progress	<u>961,924</u>	<u>7,656,599</u>	<u>-</u>	<u>8,618,523</u>
Total Capital Assets not being Depreciated	<u>1,753,736</u>	<u>7,656,599</u>	<u>-</u>	<u>9,410,335</u>
Capital Assets being Depreciated				
Land Improvements	4,986,966	9,572	-	4,996,538
Building and Building Improvements	47,251,539	11,071	-	47,262,610
Furniture and Equipment	5,797,315	95,550	-	5,892,865
Vehicles	<u>257,505</u>	<u>62,101</u>	<u>34,960</u>	<u>284,646</u>
Total Capital Assets being Depreciated	<u>58,293,325</u>	<u>178,294</u>	<u>34,960</u>	<u>58,436,659</u>
Less Accumulated Depreciation				
Land Improvements	3,118,453	237,779	-	3,356,232
Building and Building Improvements	20,757,955	1,002,282	-	21,760,237
Furniture and Equipment	4,918,249	217,441	-	5,135,690
Vehicles	<u>217,742</u>	<u>8,328</u>	<u>34,960</u>	<u>191,110</u>
Total Accumulated Depreciation	<u>29,012,399</u>	<u>1,465,830</u>	<u>34,960</u>	<u>30,443,269</u>
Total Capital Assets being Depreciated, Net	<u>29,280,926</u>	<u>(1,287,536)</u>	<u>-</u>	<u>27,993,390</u>
Governmental Activities Capital Assets, Net	<u>\$31,034,662</u>	<u>\$ 6,369,063</u>	<u>\$ -</u>	<u>\$37,403,725</u>
Business-Type Activities				
Furniture and Equipment	\$ 476,098	\$ -	\$ -	\$ 476,098
Less Accumulated Depreciation	<u>439,171</u>	<u>12,787</u>	<u>-</u>	<u>451,958</u>
Business-Type Capital Assets, Net	<u>\$ 36,927</u>	<u>\$ (12,787)</u>	<u>\$ -</u>	<u>\$ 24,140</u>

**Allegheny Valley School District
Notes to Financial Statements
June 30, 2018**

Note 6 - Capital Assets (Cont'd)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$1,103,292
Instructional Student Support	33,148
Administration and Financial Support Services	13,454
Operation and Maintenance of Plant Services	46,350
Pupil Transportation	540
Central	18,388
Student Activities	<u>250,658</u>
 Total Depreciation Expense	 <u>\$1,465,830</u>
Business-Type Activities	
Food Service	<u>\$ 12,787</u>

Note 7 - Interfund Balances

Interfund balances at June 30, 2018 were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$181,558	\$ -
Proprietary Fund - Food Service	-	174,768
Private Purpose Trust Fund	<u>-</u>	<u>6,790</u>
	<u>\$181,558</u>	<u>\$181,558</u>

Balances resulted 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. All the balances above are expected to be collected in the subsequent year.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 8 - Interfund Transfers

For the year ended June 30, 2018, interfund transfers consisted of the following:

Transfer To	Transfer From
Enterprise Fund - Food Service Fund	General Fund
	<u>\$125,495</u>

The general fund makes routine transfers to the food service fund to help support this function of the School District.

Note 9 - Long-Term Debt

The following are changes in the long-term liabilities for the year ended June 30, 2018:

	Balance 07/01/17	Additions	Reductions	Balance 06/30/18	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$30,175,000	\$ -	\$1,055,000	\$29,120,000	\$1,110,000
Plus: Bond Premium	1,307,353	-	115,323	1,192,030	-
Less: Bond Discount	<u>(191,882)</u>	-	<u>(11,158)</u>	<u>(180,724)</u>	-
Total Bonds Payable	<u>31,290,471</u>	-	<u>1,159,165</u>	<u>30,131,306</u>	<u>1,110,000</u>
Capital Leases Payable	103,992	-	44,885	59,107	46,473
Compensated Absences Payable	<u>274,557</u>	<u>15,763</u>	-	<u>290,320</u>	<u>29,032</u>
Governmental Activities Long-Term Liabilities	<u>\$31,669,020</u>	<u>\$15,763</u>	<u>\$1,204,050</u>	<u>\$30,480,733</u>	<u>\$1,185,505</u>

General Obligation Bonds

Series of 2013B - \$8,065,000 due serially
through November 1, 2034; interest payable
semi-annually from 0.625% to 3.0%

\$ 7,330,000

Series of 2014 - \$15,320,000 due serially
through November 1, 2028; interest payable
semi-annually from 3.0% to 5.0%

12,990,000

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 9 - Long-Term Debt (Cont'd)

General Obligation Bonds (Cont'd)

Series of 2016 - \$8,805,000 due serially through November 1, 2034; interest payable semi-annually from 1.5% to 3.0%

\$ 8,800,000

\$29,120,000

The debt service source for the above debt is the general fund.

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2018, including interest and sinking fund payments, are as follows:

Year Ended June 30,	<u>General Obligation Bonds</u>		
	Principal	Interest	Totals
2019	\$ 1,110,000	\$1,014,069	\$ 2,124,069
2020	1,235,000	964,169	2,199,169
2021	1,355,000	909,944	2,264,944
2022	1,430,000	857,094	2,287,094
2023	1,510,000	800,569	2,310,569
2024-2028	8,740,000	2,958,059	11,698,059
2029-2033	10,465,000	1,283,094	11,748,094
2034-2035	<u>3,275,000</u>	<u>78,675</u>	<u>3,353,675</u>
	<u>\$29,120,000</u>	<u>\$8,865,673</u>	<u>\$37,985,673</u>

Note 10 - Capital Leases

The School District is currently obligated for the purchase of computer hardware through capital leasing arrangements.

The assets acquired through the capital leases are as follows:

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 10 - Capital Leases (Cont'd)

	Governmental Activities
Asset	
Machinery and Equipment	\$184,830
Less: Accumulated Depreciation	<u>(82,536)</u>
Total	<u>\$102,294</u>

The future minimum lease obligations as of June 30, 2018, are as follows:

Year Ended June 30,	Amount
2019	\$48,751
2020	<u>13,265</u>
Total minimum lease payments	62,016
Amount representing interest	<u>2,909</u>
Present value of minimum lease payments	<u>\$59,107</u>

Note 11 - Operating Leases

The School District is committed under various leases for photocopiers. These leases are considered, for accounting purposes, to be operating leases. Total payments made on these leases for the year ended June 30, 2018 were \$35,064. Future minimum payments for these leases are as follows:

Year Ended June 30,	Amount
2019	\$ 35,064
2020	35,064
2021	<u>32,142</u>
	<u>\$102,270</u>

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 12 - Public School Employees' Retirement System (PSERS)

A. Summary of Significant Accounting Policies

Pensions

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

B. General Information about the Pension Plan

1. Plan Description

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

2. Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 12 - Public School Employees' Retirement System (PSERS) (Cont'd)

B. General Information about the Pension Plan (Cont'd)

2. Benefits Provided (Cont'd)

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

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

3. Contributions

Member Contributions

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

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

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

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

**Allegheny Valley School District
Notes to Financial Statements
June 30, 2018**

Note 12 - Public School Employees' Retirement System (PSERS) (Cont'd)

B. General Information about the Pension Plan (Cont'd)

3. Contributions

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$2,809,500 for the year ended June 30, 2018.

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

At June 30, 2018, the School District reported a liability of \$31,856,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2016 to June 30, 2017. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2018, the School District's proportion was 0.0645%, which was an increase of 0.0006% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the School District recognized pension expense of \$3,412,855. At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 332,000	\$192,000
Changes in assumptions	865,000	-
Net difference between projected and actual investment earnings	738,000	-
Changes in proportions	351,000	183,000

**Allegheny Valley School District
Notes to Financial Statements
June 30, 2018**

Note 12 - Public School Employees' Retirement System (PSERS) (Cont'd)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between employer contributions and proportionate share of total contributions	\$ 93,741	\$ -
Contributions subsequent to the measurement date	<u>2,809,500</u>	<u>-</u>
	<u>\$5,189,241</u>	<u>\$375,000</u>

\$2,809,500 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2019	\$ 538,857
2020	926,521
2021	580,124
2022	<u>(40,761)</u>
	<u>\$2,004,741</u>

1. Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability at June 30, 2016 to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.25%, includes inflation at 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 12 - Public School Employees' Retirement System (PSERS) (Cont'd)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

1. Actuarial Assumptions (Cont'd)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLPs	8.0%	4.8%
Real estate	10.0%	3.6%
Alternate investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	<u>(20.0)%</u>	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

2. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 12 - Public School Employees' Retirement System (PSERS) (Cont'd)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

2. Discount Rate (Cont'd)

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

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

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	(In thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	6.25%	7.25%	8.25%
School District's proportionate share of the net pension liability	\$39,211	\$31,856	\$25,645

4. Pension Plan Fiduciary Net Position

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

Note 13 - Contingent Liabilities

Allegheny Valley School District participates in a number of federally assisted grant programs, principal of which are Title I and National School Lunch Program funding. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2018 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 14 - Other Post-Employment Benefit Plan

A. Plan Description

Allegheny Valley School District administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides medical benefits for teachers and administrators/supervisors. The benefits provided are for the eligible retirees and their spouses through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

1) Retirement Plan Eligibility

Normal Retirement	Age 62, age 60 with 30 years of service or 35 years of service.
Early Retirement	Age 55 with 25 years of Service

2) Supplemental Health Insurance Plan (SHI)

Eligibility for Benefit

Teachers	Age 53 with 30 years, 55 with 25 years or age 62 or disability retirement.
Administrators	Age 53 with 15 years of service.
Support Personnel	Age 62 with 9 years of service.
Service Employees	Age 62 with 20 years of service or at time attained age plus service are at least 90.

Benefit at Retirement

Teachers	School District pays the premium for individual coverage for the medical insurance plan at time of retirement. For each year of service to the School District, the retiree will receive 3.5 months of SHI coverage at retirement. Retirees are permitted to purchase dental and vision insurance at group rates.
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Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 14 - Other Post-Employment Benefit Plan (Cont'd)

A. Plan Description (Cont'd)

2) Supplemental Health Insurance Plan (SHI) (Cont'd)

Benefit at Retirement (Cont'd)

Administrators, Support Personnel
and Service Employees

For employees hired after 12/31/1990, the School District pays the premium for individual coverage for the medical insurance plan at time of retirement until the retiree is age 65 or eligible for Medicare. Retirees are permitted to purchase dental and vision insurance at group rates.

For employees hired before 01/01/1990, the School District pays the premium for husband/wife coverage for the medical insurance at the time of retirement until the retiree is age 65 or eligible for Medicare. Retirees are permitted to purchase dental and vision insurance at group rates

Any increases in rates after retirement are paid by the retiree.

Benefit Upon Death After
Retirement

If the spouse dies while covered under the SHI, the School District will continue to pay up to the premium at retirement for the retiree.

If the retiree dies prior to Medicare eligibility or before coverage would have expired under the Contract, the spouse is no longer covered under the SHI; however, the spouse will be eligible for coverage until the spouse reaches Medicare eligibility if the spouse pays for their coverage.

Continuation Coverage

If the retiree is not yet 65 or eligible for Medicare, but the retiree is no longer eligible for SHI, the retiree can purchase coverage until they are Medicare eligible.

Retirees may continue medical coverage in the group health plan on a self-pay basis during any period in which the retiree is neither eligible for SHI nor Medicare.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 14 - Other Post-Employment Benefit Plan (Cont'd)

A. Plan Description (Cont'd)

Number of Employees Covered by Benefit Terms

Retirees	12
Spouses of Retirees	1
Active	<u>138</u>
Total	<u>151</u>

B. Total OPEB Liability

The School District's total OPEB liability of \$3,058,340 was measured as of July 1, 2017, and was determined by an actuarial valuation as of that date.

C. Significant Assumptions Used to Measure the Total OPEB Liability

Discount Rate	2.98%
Salary Increase	3.00%
Healthcare Trend Rate	7.50%
Long-Term Trend Rate	6.75%
Terminal Trend Year	Not Available

D. Change in the Total OPEB Liability

Balance at June 30, 2017	\$2,998,886
Changes for the Year:	
Service Cost	139,259
Interest	88,501
Benefit Payments	<u>(168,306)</u>
Net Changes	<u>(59,454)</u>
Balance at June 30, 2018	<u>\$3,058,340</u>

E. Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School District reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

**Allegheny Valley School District
Notes to Financial Statements
June 30, 2018**

Note 14 - Other Post-Employment Benefit Plan (Cont'd)

F. Sensitivity of the Total Net Pension Liability to Changes in the Discount Rate

The following represents the net OPEB liability of the School District, calculated using the discount rate of 2.98%, as well as what the School District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.98%) or 1-percentage point higher (3.98%) than the current rate:

	1% Decrease (1.98%)	Current Discount Rate (2.98%)	1% Increase (3.98%)
Total OPEB Liability	\$3,325,926	\$3,058,340	\$2,805,471

G. Sensitivity of the Net Pension Liability to Changes in the Medical Inflation Rate

The following represents the net OPEB liability of the School District, calculated using the current medical inflation rate as well as what the School District's net OPEB liability would be if it were calculated using an inflation rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease in Getzen Model	Current Getzen Model	1% Increase in Getzen Model
Total OPEB Liability	\$2,710,735	\$3,058,340	\$3,471,164

Note 15 - Risk Management

The School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$2,209,714 and \$2,243,652 for the years ended June 30, 2018 and 2017, respectively.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net position or deficiency in net position, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2018, the net position of the Consortium was \$64,048,819 of which \$572,035 is attributable to the School District.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 15 - Risk Management (Cont'd)

The School District participates in an insurance program offered by a commercial insurance company. It purchases commercial insurance policies for risks of losses for casualty, workmen's compensation and liability claims.

The School District is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Note 16 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2018, was \$1,779,438.

This includes \$1,447,311 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and \$332,127 to the federal government for social security and Medicare taxes for the year ended June 30, 2018. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Note 17 - Derivative Instruments

Details of Instruments

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2018, classified by type, and the change in fair value of such derivative instruments for the year ended as reported in the June 30, 2018 financial statements are as follows:

	<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2018</u>		Notional Amt. in Thousands
	Classification	Amount	Classification	Amount	
Governmental Activities					
Basis Swaps	Investment				
Series of 2004A Bonds	Revenue	\$76,559	Investment	\$(142,405)	\$12,635

The fair values of the interest rate swaps are estimated based on economic assessment of the transaction or instrument and is derived from model prices, external sources or market prices.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2018

Note 18 - Construction Commitment

As of June 30, 2018, the School District had a construction commitment of \$3,435,496 for additions and alterations to Acmetonia Primary School.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

**Allegheny Valley School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$13,707,628	\$13,707,628	\$14,149,410	\$ 441,782
Public Utility Realty Taxes	17,804	17,804	15,940	(1,864)
Payments in Lieu of Current Taxes	14,641	14,641	13,694	(947)
Local Services Taxes	33,476	33,476	38,053	4,577
Earned Income Taxes	1,049,597	1,049,597	1,117,124	67,527
Real Estate Transfer Taxes	152,928	152,928	175,911	22,983
Delinquencies on Taxes	578,232	578,232	584,220	5,988
Earnings on Investments	30,000	30,000	111,981	81,981
Other Local Revenues				
Federal Revenues from IUs	115,000	115,000	267,416	152,416
Contributions & Donations from Private Sources	-	-	130	130
Rentals	7,204	7,204	4,997	(2,207)
Miscellaneous Revenue	26,135	26,135	48,166	22,031
Refunds of Prior Year's Expenditures	18,027	18,027	55,946	37,919
Total Revenues from Local Sources	<u>15,750,672</u>	<u>15,750,672</u>	<u>16,582,988</u>	<u>832,316</u>
State Sources				
Basic Instruct. and Oper. Subsidies				
Basic Instructional Subsidy	2,476,176	2,476,176	2,520,781	44,605
Tuition	-	-	72,158	72,158
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	689,448	689,448	696,378	6,930
Subsidies for Noneduc. Programs				
Transportation (Regular and Add'l.)	278,086	278,086	398,751	120,665
Rentals and Sinking Fund Payments	299,933	299,933	295,104	(4,829)
Other State Grants	46,072	46,072	49,013	2,941
Health Services	20,732	20,732	19,591	(1,141)
State Property Tax Deduction	396,038	396,038	396,038	-
Ready to Learn Grant	104,493	104,493	104,493	-
Social Security Payments	332,450	332,450	322,501	(9,949)
State Retirement Revenue	1,454,377	1,454,377	1,405,126	(49,251)
Total Revenues from State Sources	<u>6,097,805</u>	<u>6,097,805</u>	<u>6,279,934</u>	<u>182,129</u>

**Allegheny Valley School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues (Cont'd)				
Federal Sources				
Restricted Grants-in-Aid from the Fed. Gov't. through the Commonwealth				
Title I	\$ 165,000	\$ 165,000	\$ 200,968	\$ 35,968
Title II	50,000	50,000	40,240	(9,760)
Title IV	-	-	724	724
National Science Foundation	-	-	29,133	29,133
Medical Assistance - Access	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Total Revenues from Federal Sources	<u>235,000</u>	<u>235,000</u>	<u>271,065</u>	<u>36,065</u>
 Total Revenues	 <u>22,083,477</u>	 <u>22,083,477</u>	 <u>23,133,987</u>	 <u>1,050,510</u>
 Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	4,595,373	4,595,373	4,554,260	41,113
Employee Benefits	2,910,201	2,910,201	2,996,545	(86,344)
Purchased Prof. and Tech. Services	199,717	199,717	172,748	26,969
Purchased Property Services	35,360	35,360	26,240	9,120
Other Purchased Services	122,900	122,900	258,409	(135,509)
Supplies	210,652	210,652	232,691	(22,039)
Property	184,113	184,113	198,728	(14,615)
Other Objects	<u>9,042</u>	<u>9,042</u>	<u>15,946</u>	<u>(6,904)</u>
Total Regular Programs	<u>8,267,358</u>	<u>8,267,358</u>	<u>8,455,567</u>	<u>(188,209)</u>
Special Programs				
Personal Services				
Salaries	1,215,380	1,215,380	1,040,439	174,941
Employee Benefits	770,426	770,426	643,274	127,152
Purchased Prof. and Tech. Services	409,981	409,981	676,560	(266,579)
Other Purchased Services	383,574	383,574	475,921	(92,347)
Supplies	13,810	13,810	15,946	(2,136)
Property	500	500	747	(247)
Other Objects	<u>4,070</u>	<u>4,070</u>	<u>1,600</u>	<u>2,470</u>
Total Special Programs	<u>2,797,741</u>	<u>2,797,741</u>	<u>2,854,487</u>	<u>(56,746)</u>

**Allegheny Valley School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Instruction (Cont'd)				
Vocational Education Programs				
Other Purchased Services	\$ 308,686	\$ 308,686	\$ 249,095	\$ 59,591
Other Instructional Programs				
Personal Services				
Salaries	-	-	1,566	(1,566)
Employee Benefits	-	-	643	(643)
Other Purchased Services	82,000	82,000	135,967	(53,967)
Other Objects	-	-	800	(800)
Total Other Instructional Programs	<u>82,000</u>	<u>82,000</u>	<u>138,976</u>	<u>(56,976)</u>
Nonpublic School Programs				
Purchased Prof. and Tech. Services	-	-	938	(938)
Total Instruction	<u>11,455,785</u>	<u>11,455,785</u>	<u>11,699,063</u>	<u>(243,278)</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	235,068	235,068	223,519	11,549
Employee Benefits	139,247	139,247	133,187	6,060
Purchased Prof. and Tech. Services	36,200	36,200	76,869	(40,669)
Purchased Property Services	3,234	3,234	3,430	(196)
Other Purchased Services	6,750	6,750	953	5,797
Supplies	9,356	9,356	3,372	5,984
Property	692	692	-	692
Other Objects	<u>1,035</u>	<u>1,035</u>	<u>1,622</u>	<u>(587)</u>
Total Pupil Personnel	<u>431,582</u>	<u>431,582</u>	<u>442,952</u>	<u>(11,370)</u>
Instructional Staff				
Personal Services				
Salaries	388,677	388,677	461,421	(72,744)
Employee Benefits	201,290	201,290	244,869	(43,579)
Purchased Prof. and Tech. Services	43,100	43,100	82,856	(39,756)
Purchased Property Services	-	-	392	(392)
Other Purchased Services	1,000	1,000	1,148	(148)

**Allegheny Valley School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Instructional Staff (Cont'd)				
Supplies	\$ 143,808	\$ 143,808	\$ 22,052	\$ 121,756
Other Objects	<u> -</u>	<u> -</u>	<u> 1,865</u>	<u> (1,865)</u>
Total Instructional Staff	<u> 777,875</u>	<u> 777,875</u>	<u> 814,603</u>	<u> (36,728)</u>
Administration				
Personal Services				
Salaries	808,136	808,136	777,603	30,533
Employee Benefits	539,314	539,314	504,250	35,064
Purchased Prof. and Tech. Services	172,329	172,329	191,998	(19,669)
Purchased Property Services	20,078	20,078	17,715	2,363
Other Purchased Services	45,950	45,950	40,985	4,965
Supplies	40,364	40,364	35,916	4,448
Property	-	-	2,010	(2,010)
Other Objects	<u> 35,800</u>	<u> 35,800</u>	<u> 35,883</u>	<u> (83)</u>
Total Administration	<u> 1,661,971</u>	<u> 1,661,971</u>	<u> 1,606,360</u>	<u> 55,611</u>
Pupil Health				
Personal Services				
Salaries	121,305	121,305	122,605	(1,300)
Employee Benefits	57,904	57,904	62,981	(5,077)
Purchased Prof. and Tech. Services	14,000	14,000	5,000	9,000
Other Purchased Services	500	500	505	(5)
Supplies	5,848	5,848	5,310	538
Property	<u> 3,000</u>	<u> 3,000</u>	<u> 1,399</u>	<u> 1,601</u>
Total Pupil Health	<u> 202,557</u>	<u> 202,557</u>	<u> 197,800</u>	<u> 4,757</u>
Business				
Personal Services				
Salaries	198,039	198,039	187,879	10,160
Employee Benefits	154,122	154,122	115,451	38,671
Purchased Prof. and Tech. Services	21,750	21,750	21,174	576
Purchased Property Services	7,461	7,461	5,516	1,945
Other Purchased Services	<u> 24,500</u>	<u> 24,500</u>	<u> 21,718</u>	<u> 2,782</u>

**Allegheny Valley School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Expenditures (Cont'd)				
Support Services (Cont'd)				
Business (Cont'd)				
Supplies	\$ 11,500	\$ 11,500	\$ 1,773	\$ 9,727
Property	2,000	2,000	-	2,000
Other Objects	<u>2,000</u>	<u>2,000</u>	<u>254</u>	<u>1,746</u>
Total Business	<u>421,372</u>	<u>421,372</u>	<u>353,765</u>	<u>67,607</u>
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	842,080	842,080	822,432	19,648
Employee Benefits	596,626	596,626	600,526	(3,900)
Purchased Prof. and Tech. Services	7,500	7,500	3,161	4,339
Purchased Property Services	329,620	329,620	320,128	9,492
Other Purchased Services	85,700	85,700	82,257	3,443
Supplies	522,822	522,822	462,833	59,989
Property	84,600	84,600	95,455	(10,855)
Other Objects	<u>-</u>	<u>-</u>	<u>859</u>	<u>(859)</u>
Total Oper. and Maint. of Plant Svcs.	<u>2,468,948</u>	<u>2,468,948</u>	<u>2,387,651</u>	<u>81,297</u>
Student Transportation Services				
Personal Services				
Salaries	23,599	23,599	32,763	(9,164)
Employee Benefits	9,491	9,491	13,515	(4,024)
Other Purchased Services	1,047,151	1,047,151	1,207,637	(160,486)
Supplies	<u>1,000</u>	<u>1,000</u>	<u>433</u>	<u>567</u>
Total Student Transportation Services	<u>1,081,241</u>	<u>1,081,241</u>	<u>1,254,348</u>	<u>(173,107)</u>
Central				
Personal Services				
Salaries	187,675	187,675	164,246	23,429
Employee Benefits	136,356	136,356	113,336	23,020
Purchased Prof. and Tech. Services	87,900	87,900	83,209	4,691
Purchased Property Services	69,933	69,933	40,926	29,007
Other Purchased Services	<u>31,600</u>	<u>31,600</u>	<u>32,640</u>	<u>(1,040)</u>

**Allegheny Valley School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Expenditures (Cont'd)				
Support Services (Cont'd)				
Central (Cont'd)				
Supplies	\$ 11,964	\$ 11,964	\$ 24,483	\$ (12,519)
Property	24,535	24,535	22,082	2,453
Other Objects	<u>-</u>	<u>-</u>	<u>164</u>	<u>(164)</u>
Total Central	<u>549,963</u>	<u>549,963</u>	<u>481,086</u>	<u>68,877</u>
Other				
Personal Services				
Salaries	4,336	4,336	13,859	(9,523)
Employee Benefits	133,085	133,085	5,727	127,358
Other Purchased Services	<u>21,677</u>	<u>21,677</u>	<u>20,819</u>	<u>858</u>
Total Other	<u>159,098</u>	<u>159,098</u>	<u>40,405</u>	<u>118,693</u>
Total Support Services	<u>7,754,607</u>	<u>7,754,607</u>	<u>7,578,970</u>	<u>175,637</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	331,120	331,120	334,680	(3,560)
Employee Benefits	141,972	141,972	139,873	2,099
Purchased Prof. and Tech. Services	36,075	36,075	76,791	(40,716)
Purchased Property Services	4,000	4,000	7,502	(3,502)
Other Purchased Services	56,828	56,828	67,891	(11,063)
Supplies	48,721	48,721	36,485	12,236
Property	21,650	21,650	20,146	1,504
Other Objects	<u>12,500</u>	<u>12,500</u>	<u>15,052</u>	<u>(2,552)</u>
Total Student Activities	<u>652,866</u>	<u>652,866</u>	<u>698,420</u>	<u>(45,554)</u>
Community Services				
Purchased Prof. and Tech. Services	25,000	25,000	12,256	12,744
Other Objects	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Total Community Services	<u>30,000</u>	<u>30,000</u>	<u>17,256</u>	<u>12,744</u>
Total Noninstructional Services	<u>682,866</u>	<u>682,866</u>	<u>715,676</u>	<u>(32,810)</u>

**Allegheny Valley School District
Schedule of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Debt Service				
Interest	\$ 1,075,469	\$ 1,075,469	\$ 1,068,394	\$ 7,075
Refunds of Prior Year's Receipts	21,750	21,750	32,383	(10,633)
Redemption of Principal	<u>1,055,000</u>	<u>1,055,000</u>	<u>1,099,885</u>	<u>(44,885)</u>
Total Debt Service	<u>2,152,219</u>	<u>2,152,219</u>	<u>2,200,662</u>	<u>(48,443)</u>
 Total Expenditures	 <u>22,045,477</u>	 <u>22,045,477</u>	 <u>22,194,371</u>	 <u>(148,894)</u>
Other Financing Uses				
Fund Transfers				
Food Service Fund	30,000	30,000	125,495	(95,495)
Special Revenue Fund	<u>8,000</u>	<u>8,000</u>	-	<u>8,000</u>
Total Other Financing Uses	<u>38,000</u>	<u>38,000</u>	<u>125,495</u>	<u>(87,495)</u>
 Total Expenditures and Other Financing Uses	 <u>22,083,477</u>	 <u>22,083,477</u>	 <u>22,319,866</u>	 <u>(236,389)</u>
 Net Change in Fund Balance	 -	 -	 814,121	 814,121
 Fund Balance - July 1, 2017	 <u>8,199,787</u>	 <u>8,199,787</u>	 <u>9,517,387</u>	 <u>1,317,600</u>
 Fund Balance - June 30, 2018	 <u>\$ 8,199,787</u>	 <u>\$ 8,199,787</u>	 <u>\$10,331,508</u>	 <u>\$ 2,131,751</u>

Allegheny Valley School District
Note to the Required Supplementary Information
Budget Comparison
June 30, 2018

Note 1 - Budgetary Information

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at year-end.

All budget amounts presented in the accompanying required supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions to the annual budget during the year).

Allegheny Valley School District
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability
and Related Ratios
Last Two Years

	June 30, 2018	June 30, 2017
Total OPEB Liability		
Service cost	\$ 139,259	\$ -
Interest	88,501	-
Difference between expected and actual experience	-	-
Benefit payments	<u>(168,306)</u>	<u>-</u>
Net Change in Total OPEB Liability	59,454	-
Total OPEB Liability - Beginning	<u>2,998,886</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$3,058,340</u>	<u>\$2,998,886</u>
Covered-Employee Payroll	\$8,432,751	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	36.27%	N/A

Notes to Schedule:

GASB 75 was implemented beginning with fiscal year ended June 30, 2018.

Assumption Changes:

Discount rate used for fiscal year ending:

2018	2.98%
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The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

**Allegheny Valley School District
Required Supplementary Information
Schedule of School District's Contributions
PSERS
Last Four Years**

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$2,778,867	\$2,481,059	\$2,046,514	\$1,670,088
Contributions in Relation to the Contractually Required Contribution	<u>2,778,867</u>	<u>2,481,059</u>	<u>2,046,514</u>	<u>1,670,088</u>
Contribution Deficiency (Excess)	\$ <u> </u> -			
School District's Covered Payroll	\$8,850,967	\$8,592,118	\$8,277,023	\$8,319,763
Contributions as a Percentage of Covered Payroll	31.40%	28.88%	24.73%	20.07%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

The covered payroll amount reported for June 30, 2017 has been revised from the prior year presentation to reflect adjustments processed by PSERS during the 2017/2018 school year.

Allegheny Valley School District
Required Supplementary Information
Schedule of School District's Proportionate Share
of the Net Pension Liability
PSERS
Last Five Years
(Dollar Amount in Thousands)

	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.0645%	0.0639%	0.0646%	0.0643%	0.0634%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$31,856	\$31,677	\$27,982	\$25,451	\$25,953
-71- School District's Covered Payroll	\$ 8,592	\$ 8,277	\$ 8,320	\$ 8,205	\$ 8,133
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	370.76%	382.71%	336.32%	310.19%	319.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	51.84%	50.14%	54.36%	57.24%	54.49%

The information reported above is the information which was available upon implementation of the new reporting standard; 10 years of information will be reported when available.

SINGLE AUDIT SECTION

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Members of the Board
Allegheny Valley School District
Cheswick, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Allegheny Valley School District for the period ended June 30, 2018 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports are as follows:

- A. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 25, 2019

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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Members of the Board
Allegheny Valley School District
Cheswick, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allegheny Valley School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Allegheny Valley School District's basic financial statements, and have issued our report thereon dated January 25, 2019.

Internal Control Over Financial Reporting

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

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

Internal Control Over Financial Reporting (Cont'd)

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

Compliance and Other Matters

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

Purpose of this Report

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 25, 2019

**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance**

Members of the Board
Allegheny Valley School District
Cheswick, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Allegheny Valley School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Allegheny Valley School District's major federal programs for the year ended June 30, 2018. Allegheny Valley School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Report on Compliance for Each Major Federal Program (Cont'd)

Auditor's Responsibility (Cont'd)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Allegheny Valley School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Allegheny Valley School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

Report on Internal Control Over Compliance (Cont'd)

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
January 25, 2019

Allegheny Valley School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Exhibit C

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Status of Prior Year's Findings

Not applicable.

Allegheny Valley School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/17	Revenue Recognized	Expenditures	Accrued or (Deferred) Revenue 06/30/18
U. S. Department of Education										
Passed through the Pennsylvania										
Department of Education										
Title I Improving Basic Programs	I	84.010	013-170005	08/23/16-09/30/17	\$212,955	\$ 42,861	\$42,861	\$ -	\$ -	\$ -
Title I Improving Basic Programs	I	84.010	013-180005	08/30/17-09/30/18	239,203	<u>171,513</u>	-	<u>200,968</u>	<u>200,968</u>	<u>29,455</u>
						<u>214,374</u>	<u>42,861</u>	<u>200,968</u>	<u>200,968</u>	<u>29,455</u>
Title II Improving Teacher Quality	I	84.367	020-170005	08/23/16-09/30/17	44,326	(221)	(221)	-	-	-
Title II Improving Teacher Quality	I	84.367	020-180005	08/30/17-09/30/18	40,240	<u>31,661</u>	-	<u>40,240</u>	<u>40,240</u>	<u>8,579</u>
						<u>31,440</u>	<u>(221)</u>	<u>40,240</u>	<u>40,240</u>	<u>8,579</u>
Title IV	I	84.424	144-180005	08/30/17-09/30/18	10,000	<u>3,571</u>	-	<u>724</u>	<u>724</u>	<u>(2,847)</u>
Passed through the Allegheny										
Intermediate Unit 1										
Title III	I	84.365	N/A	07/01/17-09/30/18	682	<u>682</u>	-	<u>682</u>	<u>682</u>	-
Special Education Cluster										
IDEA B Section 619	I	84.173	N/A	07/01/17-06/30/18	1,280	1,280	-	1,280	1,280	-
IDEA B	I	84.027	N/A	07/01/17-09/30/18	173,626	173,626	-	173,626	173,626	-
IDEA B	I	84.027	N/A	07/01/16-09/30/17	176,851	<u>49,522</u>	<u>49,522</u>	-	-	-
Total Special Education Cluster						<u>224,428</u>	<u>49,522</u>	<u>174,906</u>	<u>174,906</u>	-
Total U.S. Department of Education						<u>474,495</u>	<u>92,162</u>	<u>417,520</u>	<u>417,520</u>	<u>35,187</u>
U. S. National Science Foundation										
Passed through the Carnegie Mellon University										
Education and Human Resources	I	47.076	N/A	10/01/13-09/30/17	N/A	<u>31,914</u>	<u>2,781</u>	<u>29,133</u>	<u>29,133</u>	-
U. S. Department of Agriculture										
Nutrition Cluster										
Passed through the Pennsylvania										
Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/17-06/30/18	N/A	210,137	2,400	210,039	210,039	2,302
National School Breakfast Program	I	10.553	N/A	07/01/17-06/30/18	N/A	81,868	1,034	81,607	81,607	773
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated Commodities Noncash Assistance)	I	10.555	N/A	07/01/17-06/30/18	N/A	<u>35,885</u>	<u>(2,270)</u>	<u>36,264</u>	<u>36,264</u>	<u>(1,891)</u>
Total U. S. Department of Agriculture and Nutrition Cluster						<u>327,890</u>	<u>1,164</u>	<u>327,910</u>	<u>327,910</u>	<u>1,184</u>
Total Federal Financial Assistance						<u>\$834,299</u>	<u>\$96,107</u>	<u>\$774,563</u>	<u>\$774,563</u>	<u>\$36,371</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

Allegheny Valley School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Exhibit D

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Allegheny Valley School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Allegheny Valley School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Allegheny Valley School District.

Note B - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Allegheny Valley School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Source Code

The Source Code (I) indicates funds received indirectly.

Note D - Reconciliation with Subsidy Confirmation

Amount Received Per Schedule	\$ 834,299
Less Commodities Received	(35,885)
Less Title III	(682)
Less IDEA B	(223,148)
Less IDEA Sec 619	(1,280)
Less National Science Foundation	(31,914)
Add State Revenue on Confirmation	<u>16,579</u>
 Per Subsidy Confirmation	 <u>\$ 557,969</u>

Note E - Subrecipients

The School District did not pass through any federal expenditures to subrecipients.

**Allegheny Valley School District
List of Report Distribution
June 30, 2018**

Exhibit E

1 Copy - Bureau of Audits

1 Copy - Bureau of the Census