



**AVON GROVE SCHOOL DISTRICT
WEST GROVE, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2020

AVON GROVE SCHOOL DISTRICT

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AVON GROVE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

November 6, 2020

Board of School Directors
Avon Grove School District
West Grove, 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 the Avon Grove School District ("the District"), West Grove, Pennsylvania, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

Board of School Directors
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In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Avon Grove School District, West Grove, Pennsylvania, as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Avon Grove School District's June 30, 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated November 7, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 17, and the schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions, schedule of the District's proportionate share of the net OPEB liability, schedule of District OPEB contributions, and schedule of changes in the net OPEB liability and related ratios on pages 63 through 67 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

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consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on pages 72 and 73 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* ("Uniform Guidance"), and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 6, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED
JUNE 30, 2020**

Management's Discussion & Analysis ("MD&A") for the Avon Grove School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of the MD&A is to look at the financial performance as a whole. Readers should review the basic financial statements and corresponding notes to the financial statements to enhance their understanding of the District's financial performance.

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

SCHOOL DISTRICT

The District is a public school district in Chester County, Pennsylvania organized under the Public School Code of Pennsylvania. The District provides educational programs from kindergarten through twelfth grade to students who are residents of the District and non-residents on a tuition basis. The District maintains four school buildings under the following grade structure (K-2, 3-6, 7-8, and 9-12).

MISSION STATEMENT

The purpose of the District is to foster a learning environment for all students to be exceptionally well-prepared to succeed and lead full and meaningful lives.

SCHOOL DISTRICT FINANCIAL HISTORY

The District and its predecessors have never defaulted on the payment of lease rentals or debt service. The status of the District's present indebtedness is shown in the Debt Administration section on page 16.

FUTURE FINANCING

The District did not enter into new financings during the 2019-2020 fiscal year. The District previously issued two cash settled interest rate swaps in December 2018 which were designed to manage interest rate risk. These swaps are scheduled to mature in June 2021.

FINANCIAL HIGHLIGHTS

Throughout 2019-2020, the District was heavily engaged in the planning and design phase of a project to construct a new high school facility. As of June 30, 2020, architectural designs were completed at a total cost of \$3,538,556. Other costs incurred during the year related to the project, including geotechnical surveys, project management service fees, legal fees, and other services, totaled approximately \$950,374. The costs of this project were financed from proceeds from a general obligation bond issued in December 2018, with future bond issuances anticipated during the 2020-2021 fiscal year.

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2020**

The District has two cash settled interest rate swaps outstanding to manage interest rate risk on future bond issuances. At June 30, 2020, these interest rate swaps were in a liability position with a value of \$11,807,395.

Overall, the District ended the 2019-2020 fiscal year with a \$1,790,853 increase in overall net position. The District's net deficit totaled \$67,577,265 at June 30, 2020. The District's General Fund ended the 2019-2020 fiscal year with an increase in fund balance of \$1,165,727. The increase is largely the result of a reduction of the transfer made from the General Fund to the Capital Projects Fund from what was originally planned, and operational cost savings realized in the areas of facilities management and transportation due to the COVID-19 pandemic. Table A-5 will provide more detail to the budget vs. actual variances.

The 2020-2021 budget approved in June 2020 included the appropriation of \$6,063,937 of fund balance, which has been included as a portion of the assigned fund balance. Of this amount, \$1,192,000 represents the 2020-2021 budgeted transfer to the Capital Projects Fund and has been included in assigned fund balance as the funding source for future capital projects. The General Fund reported a positive total fund balance at June 30, 2020 of \$19,746,201. The Capital Projects Fund reported a positive total fund balance of \$39,399,387, which is largely comprised of unspent proceeds from the GOB Series 2018 bond issuance related to the high school construction project.

FINANCIAL STATEMENTS

The financial statements consist of three parts: Management Discussion and Analysis (this section), the basic financial statements, and required supplementary information ("RSI"). The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities that the District operates like a business. For the District, this is the Food Service Fund and the Internal Service Fund.
- Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others.

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

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2020**

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

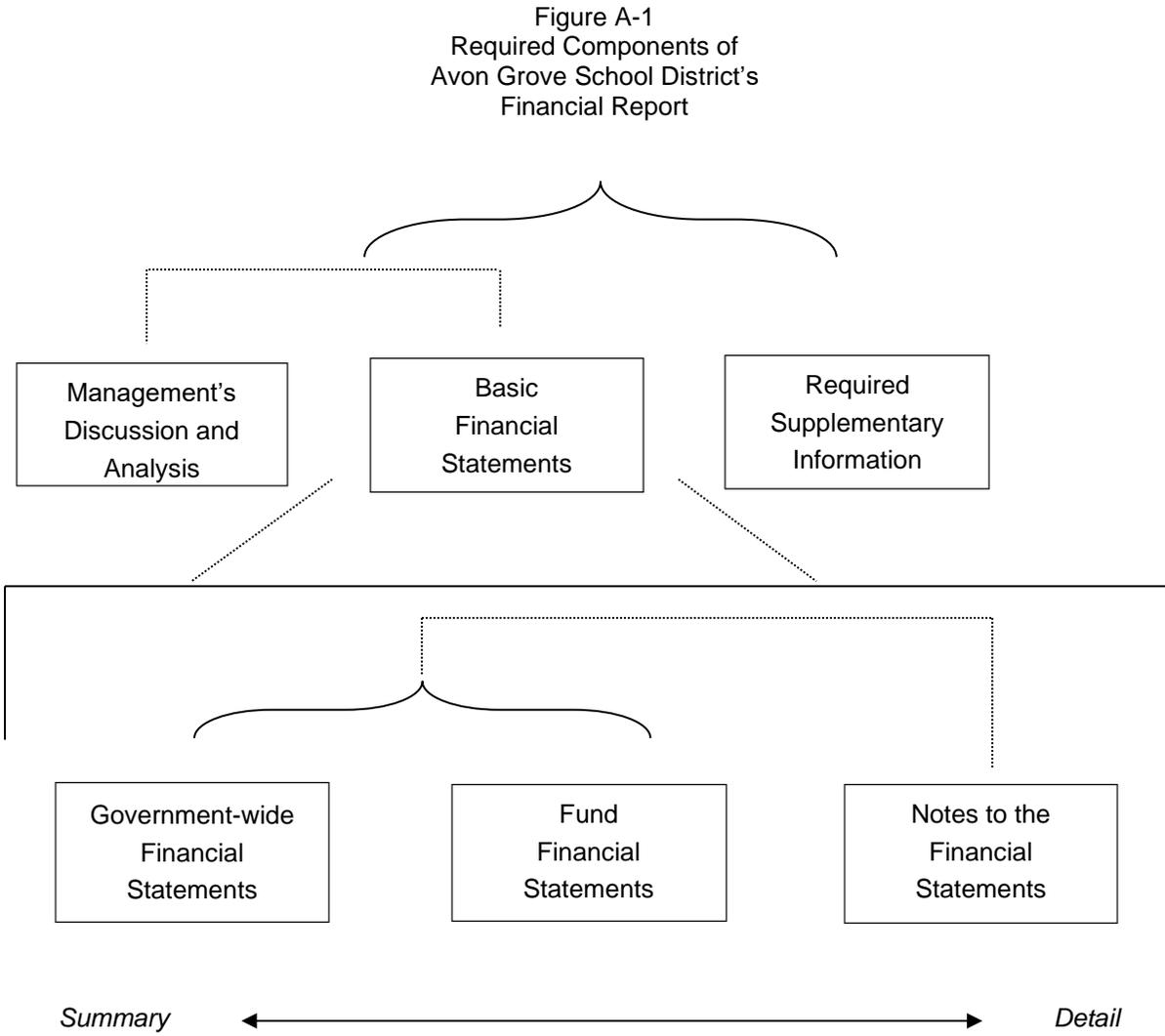


Figure A-2 summarizes the major features of the financial statements, including the portion of the program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2020**

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

Fund Statements				
	Government- Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as education, administration, and community services	An activity the District operates similar to private business – Food Service and Internal Service	Instances in which the District is the trustee or agent to someone else's resources – Student Activities Fund
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 Net Position Statement of Changes in 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/deferred outflow of resources/liability/deferred inflow of resources/information	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2020**

OVERVIEW OF FINANCIAL STATEMENTS

Impact of GASB Statement No. 68, 71, and 75

During the 2014-2015 year, the District implemented Government Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." During the 2017-2018 fiscal year, the District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The purpose of these statements is to improve the transparency, consistency, and comparability of the pension and other postemployment benefit information reported by state and local governments (e.g. school districts).

The adoption of these statements has had, and will continue to have, a profound effect on the financial statements and net position of school districts and governments not only in Pennsylvania, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension and OPEB plans, plan administrators (at the direction of elected officials) and participants will be required to evaluate the cost of providing these benefits as compared to the benefit to be derived through providing for certain retirement benefits to the work force.

The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as the expectation that the assets will grow at the long-term assumed rate of return on plan investments. Similarly, the net OPEB liability is the difference between the market value of OPEB fund assets and the actuarial present value of the projected retiree healthcare benefits as of a specified measurement date.

While both the net pension liability and the net OPEB liability are significant to the District's financial statements, they are liabilities the District has limited control over. Over the last ten years, the PSERS employer contribution rate has risen significantly, from 5.6 percent in 2010-2011 to 34.29 percent in 2019-2020. These increases are expected to improve the plan's funding level, which will reduce the net pension liability in future years. This rate is anticipated to continue to increase to a level of over 36 percent in future years. In addition, the benefits paid by the District to eligible retirees for retiree healthcare benefits are governed by the collective bargaining agreements and contracts in effect at the time of a given retiree's retirement; until these individuals receive their full benefits and future bargaining agreements and contracts are modified, the District will have very limited control over the value of its net OPEB liability.

Government-wide Statements

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

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2020**

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

- Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, readers should consider additional factors in conjunction with the information provided in the financial statements, such as changes in the level of funding provided by the Commonwealth, increases in the required PSERS contribution rate, and the projected enrollment of the students.

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

- *Governmental Activities* – All of the District's basic services are included here, such as instruction, administration, and community services. Local tax revenue and state subsidies finance most of these activities.
- *Business-type Activities* – The 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 District's fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Some funds are required by state law and by bond requirements.

- *Governmental funds* – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- *Proprietary funds* – These funds are used to account for the District's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the same as the business-type activities reported

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2020**

in the government-wide statements, but provide more detail and additional information, such as cash flows. The District also operates an Internal Service Fund which reflects medical premiums and claims of the District's employees.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

A comparative analysis of fiscal years 2019-2020 and 2018-2019 follows:

**Table A-1
STATEMENT OF NET POSITION
Fiscal Years Ended June 30, 2020 and June 30, 2019**

	Governmental Activities	Business-type Activities	Totals	
			2020	2019
ASSETS:				
Current and other assets	\$ 76,310,438	\$ 660,008	\$ 76,970,446	\$ 75,523,863
Capital assets	48,721,186	29,657	48,750,843	48,150,753
TOTAL ASSETS	125,024,124	689,665	125,713,789	123,674,616
Deferred Outflows of Resources	26,818,810	253,610	27,072,420	22,266,625
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 151,850,434	\$ 943,275	\$152,793,709	\$145,941,241
LIABILITIES:				
Current liabilities	\$ 27,752,959	\$ 132,862	\$ 27,885,821	\$ 16,200,482
Long-term liabilities	178,622,363	2,052,856	180,675,219	190,311,894
TOTAL LIABILITIES	206,375,322	2,185,718	208,561,040	206,512,376
Deferred Inflows of Resources	11,713,676	96,258	11,809,934	8,796,983
NET POSITION (DEFICIT):				
Net investment in capital assets	35,993,740	29,657	36,023,397	34,621,539
Restricted for capital projects	3,228,420	-	3,228,420	2,468,828
Unrestricted (Deficit)	(105,460,724)	(1,368,358)	(106,829,082)	(103,989,657)
	<u>(66,238,564)</u>	<u>(1,338,701)</u>	<u>(67,577,265)</u>	<u>(69,368,118)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 151,850,434	\$ 943,275	\$152,793,709	\$145,941,241

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2020**

Most of the District's net position is invested in capital assets (buildings, land, and equipment) and restricted for future capital projects. The remaining unrestricted net position includes the effect of the District's net pension and OPEB liabilities as required by GASB No. 68 and 75, respectively. Of the \$208,561,040 in total liabilities, \$132,898,408, or 63.7 percent, is related to the net pension and OPEB liabilities.

Current assets increased compared to 2018-2019 due to higher cash and equivalent balances, offset by a reduction in the amount of investments held at June 30, 2020 compared to the prior year. Long-term liabilities increased from the prior year mainly due to the change in value of the interest rate swaps, both of which are in a liability position at June 30, 2020 based on market rates at that time.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those costs. The table below reflects the cost of program services and the net cost of those services after taking into account the program revenues.

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

**Table A-2
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2020 and 2019**

	June 30, 2020		June 30, 2019	
	Total Services	Net Services	Total Services	Net Services
PROGRAM EXPENSES				
Governmental Activities:				
Instruction	\$ 63,366,696	\$ 53,086,959	\$ 65,733,895	\$ 55,614,837
Instructional student support	8,277,784	6,854,148	8,061,225	6,499,856
Administration	7,976,276	7,035,449	8,120,224	7,194,429
Maintenance	3,455,877	3,255,405	3,973,925	3,813,020
Pupil transportation	5,395,480	3,279,187	6,344,627	4,516,099
Student activities	1,200,494	889,122	1,321,542	929,741
Community services	54,422	53,905	36,401	36,115
Scholarships and awards	16,825	16,825	13,623	13,623
Interest and fiscal charges	1,545,720	1,194,511	850,524	506,795
Total Governmental Activities	<u>91,289,574</u>	<u>75,665,511</u>	<u>94,455,986</u>	<u>79,124,515</u>
Business-type Activities:				
Food service	2,003,833	121,975	2,096,998	(68,408)
Total Business-type Activities	<u>2,003,833</u>	<u>121,975</u>	<u>2,096,998</u>	<u>(68,408)</u>
Total Primary Government	<u>\$ 93,293,407</u>	<u>\$ 75,787,486</u>	<u>\$ 96,552,984</u>	<u>\$ 79,056,107</u>

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2020**

**Table A-3
CHANGES IN NET POSITION
For the Years Ended June 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program Revenues:						
Charges for services	\$ 440,493	\$ 637,101	\$ 765,861	\$ 1,065,028	\$ 1,206,354	\$ 1,702,129
Operating grants	15,183,570	14,694,370	1,115,997	1,100,378	16,299,567	15,794,748
Total Program Revenues	15,624,063	15,331,471	1,881,858	2,165,406	17,505,921	17,496,877
General Revenues and Transfers:						
Taxes	57,989,208	56,293,924	-	-	57,989,208	56,293,924
Grants and entitlements	18,158,130	17,913,742	-	-	18,158,130	17,913,742
Investment earnings	1,242,410	1,413,296	5,223	6,555	1,247,633	1,419,851
Miscellaneous	183,368	470,197	-	-	183,368	470,197
Transfers	(1,828)	(1,175)	1,828	1,175	-	-
Total General Revenues and Transfers	77,571,288	76,089,984	7,051	7,730	77,578,339	76,097,714
TOTAL REVENUES	93,195,351	91,421,455	1,888,909	2,173,136	95,084,260	93,594,591
EXPENSES						
Program Services:						
Instruction	63,366,696	65,733,895	-	-	63,366,696	65,733,895
Support Services:						
Instructional staff support	8,277,784	8,061,225	-	-	8,277,784	8,061,225
Administration	7,976,276	8,120,224	-	-	7,976,276	8,120,224
Maintenance	3,455,877	3,973,925	-	-	3,455,877	3,973,925
Pupil transportation	5,395,480	6,344,627	-	-	5,395,480	6,344,627
Student activities	1,200,494	1,321,542	-	-	1,200,494	1,321,542
Community services	54,422	36,401	-	-	54,422	36,401
Scholarships and awards	16,825	13,623	-	-	16,825	13,623
Interest/fiscal charges	1,545,720	850,524	-	-	1,545,720	850,524
Food service	-	-	2,003,833	2,096,998	2,003,833	2,096,998
TOTAL EXPENSES	91,289,574	94,455,986	2,003,833	2,096,998	93,293,407	96,552,894
CHANGE IN NET POSITION	\$ 1,905,777	\$ (3,034,531)	\$ (114,924)	\$ 76,138	\$ 1,790,853	\$ (2,958,393)

Fund Balances

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$59,148,688, which is a decrease of \$660,309 from June 30, 2019.

General Fund:

The District ended the 2019-2020 fiscal year with a fund balance of \$19,746,201 in the General Fund. Of this amount, \$5,998,719 has been committed for future retirement contributions, \$7,124,998 is

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2020**

assigned for future facilities improvements and the 2020-2021 budget, and \$6,588,512 is unassigned. The remainder (\$33,982) represents prepaid expenditures which are considered non-spendable.

Capital Projects Fund:

The Capital Projects Fund is used to track pre-approved facilities and other related projects. Transfers from the General Fund and proceeds from the issuance of debt are used to cover these expenditures.

**Table A-4
FUND BALANCE
Fiscal Years Ended June 30, 2020 and 2019**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
General fund	\$ 19,746,201	\$ 18,580,474	\$ 1,165,727
Capital projects fund	<u>39,399,387</u>	<u>41,228,523</u>	<u>(1,829,136)</u>
Total	<u>\$ 59,145,588</u>	<u>\$ 59,808,997</u>	<u>\$ (663,409)</u>

General Fund Budget

A schedule showing the District's original budget amounts compared with amounts actually paid and received is provided in the financial statements. Below are line items contributing to the net decrease in fund balance for the year.

**Table A-5
ANALYSIS OF BUDGET VS. ACTUAL REVENUES AND EXPENDITURES
For the Year Ended June 30, 2020**

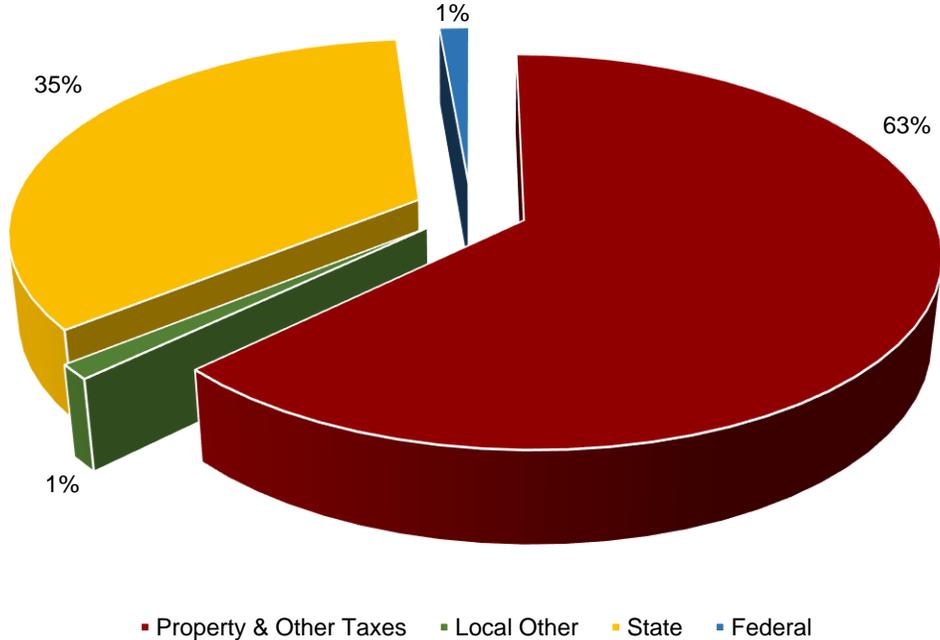
	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES AND OTHER SOURCES	\$ 91,979,180	\$ 92,269,242	\$ 290,062
EXPENDITURES AND OTHER USES	98,134,333	91,103,515	7,030,818
NET	<u>\$ (6,155,153)</u>	<u>\$ 1,165,727</u>	<u>\$ (7,320,860)</u>
Contributing Line Items:			
<u>Revenues and Other Sources</u>			
Local revenue	\$ 60,169,515	\$ 59,100,905	\$ (1,068,610)
State revenue	30,719,665	31,898,836	1,179,171
Federal revenue	1,090,000	1,269,084	179,084
Proceeds from asset disposition	-	417	417
Total	<u>\$ 91,979,180</u>	<u>\$ 92,269,242</u>	<u>\$ 290,062</u>

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2020**

**Table A-5
ANALYSIS OF BUDGET VS. ACTUAL REVENUES AND EXPENDITURES
For the Year Ended June 30, 2020**

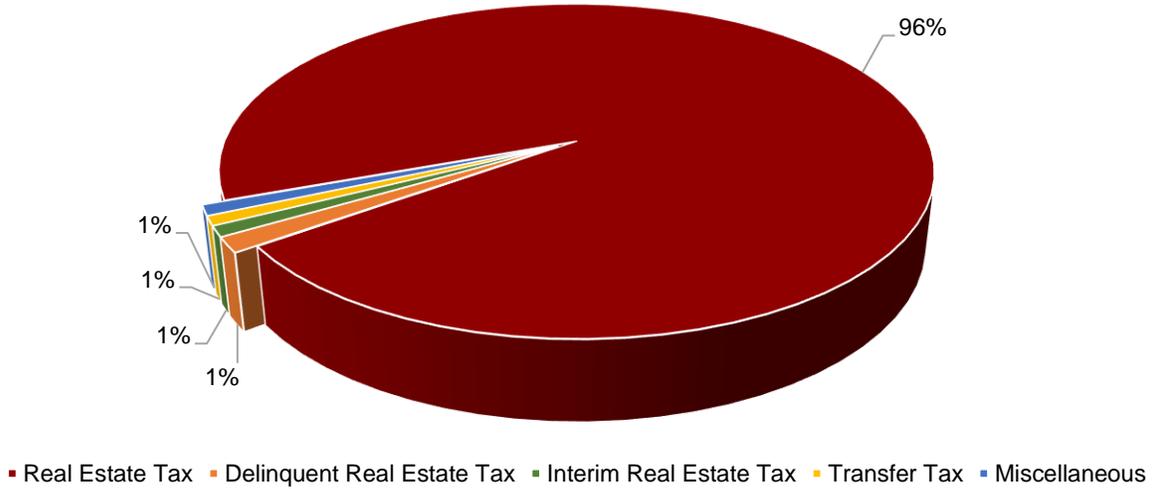
(cont'd)	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Expenditures and Transfers</u>			
Salaries	\$ 33,387,439	\$ 32,609,810	\$ 777,629
Benefits	21,658,178	21,328,542	329,636
Professional services	10,031,333	8,962,734	1,068,599
Repair/maintenance/rental	2,140,624	1,696,322	444,302
Transportation/insurance/tuition	19,402,290	17,180,607	2,221,683
Supplies/books/software/fuel	2,618,569	2,069,388	549,181
Bond interest/dues/fees	3,438,700	2,272,084	1,166,616
Bond principal/transfers	5,457,200	4,984,028	473,172
Total	<u>\$ 98,134,333</u>	<u>\$ 91,103,515</u>	<u>\$ 7,030,818</u>

The chart below demonstrates the breakdown of the 2019-2020 General Fund revenues.

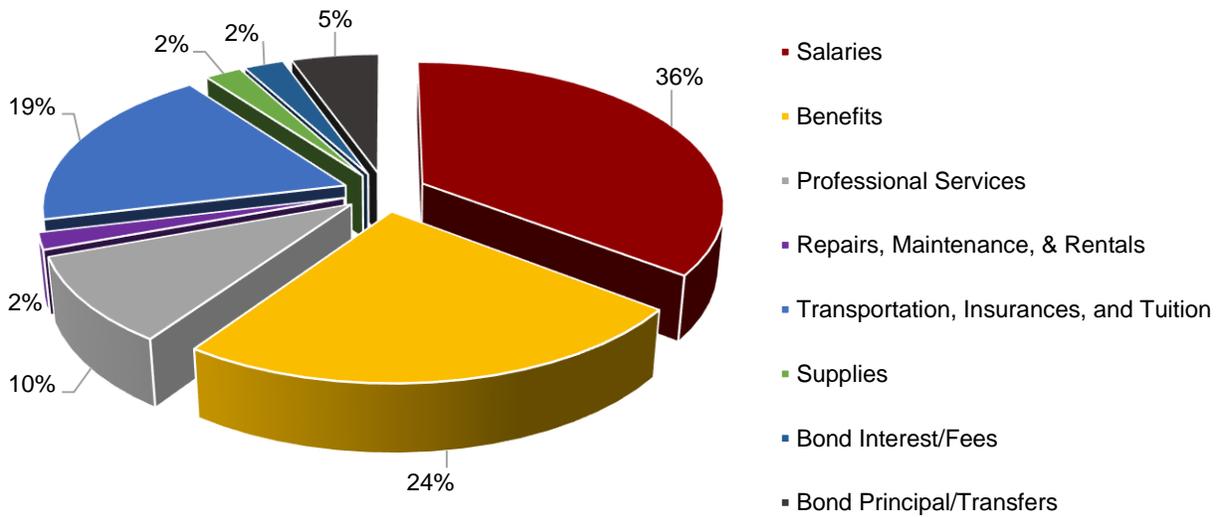


**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2020**

The next chart demonstrates the breakdown of the 2019-2020 local revenues.



The chart below demonstrates the breakdown of the 2019-2020 General Fund expenditures.



**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2020, the District had \$48,721,186 in governmental activities and \$29,657 in business-type activities invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$608,324 from governmental activities and a net decrease of \$8,234 from business-type activities from June 30, 2019.

**Table A-6
CAPITAL ASSETS, NET OF DEPRECIATION**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Capital Assets Not Being Depreciated						
Land	\$ 11,035,789	\$ 11,035,789	\$ -	\$ -	\$ 11,035,789	\$ 11,035,789
Construction-in-progress	4,592,682	1,688,361	-	-	4,592,682	1,688,361
Total Capital Assets Not Being Depreciated	<u>15,628,471</u>	<u>12,724,150</u>	<u>-</u>	<u>-</u>	<u>15,628,471</u>	<u>12,724,150</u>
Capital Assets Being Depreciated						
Buildings and improvements, net of depreciation	29,689,935	31,479,734	-	-	29,689,935	31,479,734
Furniture and equipment, net of depreciation	3,402,780	3,908,978	29,657	37,891	3,432,437	3,946,869
Total Capital Assets Being Depreciated, Net	<u>33,092,715</u>	<u>35,388,712</u>	<u>29,657</u>	<u>37,891</u>	<u>33,122,372</u>	<u>35,426,603</u>
Total Assets, Net	<u>\$ 48,721,186</u>	<u>\$ 48,112,862</u>	<u>\$ 29,657</u>	<u>\$ 37,891</u>	<u>\$ 48,750,843</u>	<u>\$ 48,150,753</u>

Debt Administration

Bond Obligations – As of June 30, 2020, the District has outstanding bond obligations of \$45,930,000. During the year, \$3,005,000 of principal payments were made on the existing bond obligations.

Other obligations include accrued vacation pay and sick leave for specific employees of the District amounting to \$1,724,771. More detailed information about long-term liabilities is included in the notes to the financial statements.

FACTORS BEARING ON AVON GROVE SCHOOL DISTRICT'S FUTURE

Factors that will affect the future finances of the District are employee health benefits, PSERS projected retirement rates, real estate tax appeals, reduced state revenue, and enrollment fluctuations of charter school students.

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2020**

Act 1 of 2006 provides for the District to limit budget increases to an establish index that changes from year to year. The budget process is limited unless budget exceptions are approved by the Pennsylvania Department of Education. The index for the District for the budget process of 2007-2008 was 5.4 percent. The index provided by the Pennsylvania Department of Education for the 2020-2021 fiscal year has been established at 3.5 percent. This low index will make it difficult to balance the 2020-2021 budget without using a portion of the District's fund balance.

In addition, one of the District's largest taxpayers has filed a petition to receive tax exempt status with the Court of Common Pleas of Chester County. Should the petition be granted, the District will lose over \$400,000 per year in local tax revenues. The loss of this revenue will need to be compensated for through either increases in other revenue sources or decreases in expenditures.

CONTACTING THE SCHOOL FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, parents, students, investors, and creditors with a general overview of the District's finances and to show the accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Business Office, Avon Grove School District, 375 South Jennersville Road, West Grove, PA 19390.

AVON GROVE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020
(With Summarized Comparative Data for June 30, 2019)

	Governmental Activities	Business-type Activities	Totals	
			2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 3,879,287	\$ 248,617	\$ 4,127,904	\$ 1,808,242
Investments	67,972,133	294,680	68,266,813	69,397,601
Taxes receivable, net of allowance	1,432,126	-	1,432,126	1,293,688
Due from other governments	2,636,660	124,456	2,761,116	2,755,299
Internal balances	87,822	(87,822)	-	-
Other receivables	66,250	13,301	79,551	42,233
Inventories	-	66,776	66,776	58,963
Prepaid expenses	74,160	-	74,160	5,837
Other current assets	162,000	-	162,000	162,000
Land	11,035,789	-	11,035,789	11,035,789
Construction-in-progress	4,592,682	-	4,592,682	1,688,361
Buildings and improvements, net	29,689,935	-	29,689,935	31,479,734
Furniture and equipment, net	3,402,780	29,657	3,432,437	3,946,869
TOTAL ASSETS	125,031,624	689,665	125,721,289	123,674,616
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred pension and other postemployment benefit contributions	11,656,468	195,218	11,851,686	11,549,214
Deferred outflows - pension and other postemployment benefits	3,354,947	58,392	3,413,339	6,305,382
Deferred outflow - interest rate swap	11,807,395	-	11,807,395	4,412,029
TOTAL DEFERRED OUTFLOWS OF RESOURCES	26,818,810	253,610	27,072,420	22,266,625
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$151,850,434	\$ 943,275	\$152,793,709	\$145,941,241
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 2,225,055	\$ 39,523	\$ 2,264,578	\$ 2,580,288
Accrued salaries, payroll withholdings, and benefits	8,290,210	10,088	8,300,298	6,894,692
Accrued interest payable	244,329	-	244,329	253,717
Construction retainage payable	16,209	-	16,209	-
Contractor funds held in escrow	250,009	-	250,009	-
Unearned revenues	1,334,779	81,502	1,416,281	906,219
Other liabilities	75,394	-	75,394	81,564
Long-term liabilities:				
Portion due or payable within one year:				
Bonds payable, net	3,418,477	-	3,418,477	3,323,477
Capital lease payable	11,554	-	11,554	11,060
Accumulated compensated absences	79,548	1,749	81,297	65,034
Derivative instrument - interest rate swap	11,807,395	-	11,807,395	2,084,431
Portion due or payable after one year:				
Bonds payable, net	46,113,979	-	46,113,979	49,532,456
Capital lease payable	19,358	-	19,358	30,912
Accumulated compensated absences	1,600,186	43,288	1,643,474	1,470,495
Derivative instrument - interest rate swap	-	-	-	2,327,598
Net other postemployment benefits liability	21,702,026	87,382	21,789,408	22,842,433
Net pension liability	109,186,814	1,922,186	111,109,000	114,108,000
TOTAL LIABILITIES	206,375,322	2,185,718	208,561,040	206,512,376
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows - pension and other postemployment benefits	11,646,675	96,258	11,742,933	8,696,482
Deferred amounts on bond refunding	67,001	-	67,001	100,501
TOTAL DEFERRED INFLOWS OF RESOURCES	11,713,676	96,258	11,809,934	8,796,983
NET POSITION (DEFICIT):				
Net investment in capital assets	35,993,740	29,657	36,023,397	34,621,539
Restricted for capital projects	3,228,420	-	3,228,420	2,468,828
Unrestricted (Deficit)	(105,460,724)	(1,368,358)	(106,829,082)	(106,458,485)
TOTAL NET DEFICIT	(66,238,564)	(1,338,701)	(67,577,265)	(69,368,118)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$151,850,434	\$ 943,275	\$152,793,709	\$145,941,241

The accompanying notes are an integral part of these financial statements.

**AVON GROVE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Comparative Data for the Year Ended June 30, 2019)**

	Expenses	Program Revenues			Net (Expense) and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2020	2019
GOVERNMENTAL ACTIVITIES:								
Instruction	\$63,366,696	\$ 211,437	\$10,068,300	\$ -	\$(53,086,959)	\$ -	\$(53,086,959)	\$(55,614,837)
Instructional student support	8,277,784	-	1,423,636	-	(6,854,148)	-	(6,854,148)	(6,499,856)
Administrative and financial support services	7,976,276	-	940,827	-	(7,035,449)	-	(7,035,449)	(7,194,429)
Operation and maintenance of plant services	3,455,877	53,074	147,398	-	(3,255,405)	-	(3,255,405)	(3,813,020)
Pupil transportation	5,395,480	-	2,116,293	-	(3,279,187)	-	(3,279,187)	(4,516,099)
Student activities	1,200,494	175,982	135,390	-	(889,122)	-	(889,122)	(929,741)
Community services	54,422	-	517	-	(53,905)	-	(53,905)	(36,115)
Scholarships and awards	16,825	-	-	-	(16,825)	-	(16,825)	(13,623)
Interest on long-term debt	1,545,720	-	351,209	-	(1,194,511)	-	(1,194,511)	(506,795)
TOTAL GOVERNMENTAL ACTIVITIES	91,289,574	440,493	15,183,570	-	(75,665,511)	-	(75,665,511)	(79,124,515)
BUSINESS-TYPE ACTIVITIES:								
Food service	2,003,833	765,861	1,115,997	-	-	(121,975)	(121,975)	68,408
TOTAL BUSINESS-TYPE ACTIVITIES	2,003,833	765,861	1,115,997	-	-	(121,975)	(121,975)	68,408
TOTAL PRIMARY GOVERNMENT	\$93,293,407	\$ 1,206,354	\$16,299,567	\$ -	(75,665,511)	(121,975)	(75,787,486)	(79,056,107)
GENERAL REVENUES AND TRANSFERS								
Property taxes levied for general purposes					57,123,062	-	57,123,062	55,372,401
Taxes levied for specific purposes					866,146	-	866,146	921,523
Grants and entitlements not restricted to specific programs					18,158,130	-	18,158,130	17,913,742
Investment earnings					1,242,410	5,223	1,247,633	1,419,851
Miscellaneous					183,368	-	183,368	470,197
Transfers					(1,828)	1,828	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					77,571,288	7,051	77,578,339	76,097,714
CHANGE IN NET POSITION					1,905,777	(114,924)	1,790,853	(2,958,393)
NET DEFICIT, BEGINNING OF YEAR					(68,144,341)	(1,223,777)	(69,368,118)	(66,409,725)
NET DEFICIT, END OF YEAR					\$(66,238,564)	\$ (1,338,701)	\$(67,577,265)	\$(69,368,118)

The accompanying notes are an integral part of these financial statements.

**AVON GROVE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020
(With Summarized Comparative Data for June 30, 2019)**

	General Fund	Capital Projects Fund	Totals	
			2020	2019
ASSETS				
Cash and cash equivalents	\$ 3,879,287	\$ -	\$ 3,879,287	\$ 1,571,086
Investments	26,196,170	40,064,342	66,260,512	65,858,729
Taxes receivable, net of allowance	1,432,126	-	1,432,126	1,293,688
Due from other funds	87,822	-	87,822	12,637
Due from other governments	2,636,660	-	2,636,660	2,714,902
Other receivables	66,250	-	66,250	23,810
Prepaid expenditures	33,982	40,178	74,160	5,837
	<u>\$34,332,297</u>	<u>\$40,104,520</u>	<u>\$74,436,817</u>	<u>\$71,480,689</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,215,534	\$ 438,915	\$ 1,654,449	\$ 1,973,493
Accrued salaries, payroll withholdings, and benefits	8,290,210	-	8,290,210	6,877,085
Accumulated compensated absences	79,548	-	79,548	64,888
Construction retainage payable	-	16,209	16,209	-
Contractor funds held in escrow	-	250,009	250,009	-
Due to other funds	2,366,375	-	2,366,375	738,266
Other liabilities	75,394	-	75,394	81,564
Unearned revenues	1,334,779	-	1,334,779	856,434
TOTAL LIABILITIES	<u>13,361,840</u>	<u>705,133</u>	<u>14,066,973</u>	<u>10,591,730</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues - delinquent taxes	1,112,278	-	1,112,278	1,079,962
Unavailable revenues - state sources	111,978	-	111,978	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,224,256</u>	<u>-</u>	<u>1,224,256</u>	<u>1,079,962</u>
FUND BALANCES:				
Nonspendable	33,982	40,178	74,160	5,837
Restricted for capital projects	-	39,359,209	39,359,209	41,223,611
Committed for future retirement contributions	5,998,719	-	5,998,719	5,998,719
Assigned	7,124,988	-	7,124,988	6,741,204
Unassigned	6,588,512	-	6,588,512	5,839,626
TOTAL FUND BALANCES	<u>19,746,201</u>	<u>39,399,387</u>	<u>59,145,588</u>	<u>59,808,997</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$34,332,297</u>	<u>\$40,104,520</u>	<u>\$74,436,817</u>	<u>\$71,480,689</u>

The accompanying notes are an integral part of these financial statements.

**AVON GROVE SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2020**

TOTAL GOVERNMENTAL FUND BALANCES \$ 59,145,588

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 11,035,789	
Construction-in-progress	4,592,682	
Buildings and improvements	29,689,935	
Furniture and equipment	<u>3,402,780</u>	48,721,186

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Bonds payable, net	(49,532,456)	
Capital lease payable	(30,912)	
Accumulated compensated absences	(1,600,186)	
Accrued interest payable	(244,329)	
Derivative instrument - interest rate swap	(11,807,395)	
Net other postemployment benefits liability	(21,702,026)	
Net pension liability	<u>(109,186,814)</u>	(194,104,118)

Internal service funds who serve the governmental activities of the District are reported as proprietary funds at the fund level but governmental activities at the entity-wide level. 3,669,390

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds. 1,224,256

Refunded debt resulted in deferred inflows of resources which will be amortized over the life of new debt but do not represent current rights. (67,001)

Deferred inflows and outflows related to the District's net pension and net other postemployment benefits liabilities are based on the differences between actuarially determined actual and expected District's amount of the total pension and postemployment benefits liabilities, pension and benefit contributions made after the measurement date of the respective plans, investment returns, changes in the actuarially determined proportion of the net pension and postemployment benefit liabilities, and other factors. These amounts will be amortized over the estimated remaining average service life of the employees.

Deferred outflows of resources:		
Deferred pension and other postemployment benefit contributions	11,656,468	
Deferred outflows - pension and other postemployment benefits	3,354,947	
Deferred inflows of resources:		
Deferred inflows - pension and other postemployment benefits	<u>(11,646,675)</u>	3,364,740

The change in the fair market value of the District's interest rate swaps represents a deferred outflow of resources that will be recognized in a future period, and, therefore, is not recorded in the funds. 11,807,395

NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (66,238,564)

These accompanying notes are an integral part of these financial statements.

AVON GROVE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Comparative Information for the Year Ended June 30, 2019)

	General Fund	Capital Projects Fund	Totals	
			2020	2019
REVENUES				
Local sources	\$ 59,100,905	\$ 611,907	\$ 59,712,812	\$ 58,424,471
State sources	31,898,836	-	31,898,836	31,041,573
Federal sources	1,269,084	-	1,269,084	1,510,764
TOTAL REVENUES	<u>92,268,825</u>	<u>611,907</u>	<u>92,880,732</u>	<u>90,976,808</u>
EXPENDITURES				
Current:				
Instruction	59,156,296	-	59,156,296	60,861,320
Support services	23,843,702	1,223,301	25,067,003	26,492,937
Operation of noninstructional services	1,212,252	10,830	1,223,082	1,305,279
Capital outlays	-	3,310,212	3,310,212	4,012,031
Debt service	4,912,085	-	4,912,085	3,930,309
TOTAL EXPENDITURES	<u>89,124,335</u>	<u>4,544,343</u>	<u>93,668,678</u>	<u>96,601,876</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,144,490</u>	<u>(3,932,436)</u>	<u>(787,946)</u>	<u>(5,625,068)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	-	-	-	36,245,000
Bond premiums	-	-	-	4,216,110
Bond discounts	-	-	-	(317,144)
Proceeds from swap issuance	-	126,100	126,100	400,859
Transfers in	-	1,977,200	1,977,200	1,850,000
Transfers out	(1,979,028)	-	(1,979,028)	(1,851,175)
Proceeds from asset disposition	417	-	417	16,735
Refunds of prior year revenues	(152)	-	(152)	(381)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,978,763)</u>	<u>2,103,300</u>	<u>124,537</u>	<u>40,560,004</u>
NET CHANGE IN FUND BALANCES	1,165,727	(1,829,136)	(663,409)	34,934,936
FUND BALANCES, BEGINNING OF YEAR	<u>18,580,474</u>	<u>41,228,523</u>	<u>59,808,997</u>	<u>24,874,061</u>
FUND BALANCES, END OF YEAR	<u>\$ 19,746,201</u>	<u>\$ 39,399,387</u>	<u>\$ 59,145,588</u>	<u>\$ 59,808,997</u>

The accompanying notes are an integral part of these financial statements.

**AVON GROVE SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (663,409)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$4,792,999) exceeded depreciation expense (\$3,738,030) and construction-in-progress placed in service (\$446,645) during the year. 608,324

Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable revenues increased by this amount this year. 144,294

Debt proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Governmental funds report bond discounts as other financing uses and bond premiums as other financing sources. However, these amounts are reported on the statement of net position as deferred charges and credits and are amortized over the life of the debt. This amount is the net effect of these differences. 3,334,537

Governmental funds report deferred bond refunding option proceeds as other financing sources. However, these amounts are reported on the statement of net position as deferred inflows of resources and amortized over the life of the refunding debt. 33,500

In the statement of activities, compensated absences (vacations and sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which current period amounts paid were more than current period compensated absences (168,407)

Activity in the internal service fund is recorded at the fund level in the proprietary funds but is reported in the governmental activities in the entity-wide statements. 169,390

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. 9,388

Pension and OPEB expense in the statement of activities differs from the amount reported in the governmental funds because pension and OPEB expenses are recognized on the statement of activities based on the District's expense of the District plan and District's proportionate share of the expense of the cost-sharing pension plan, whereas pension and OPEB expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists. (1,561,840)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,905,777

The accompanying notes are an integral part of these financial statements.

**AVON GROVE SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final Budget		
REVENUES				
Local sources	\$ 60,169,515	\$ 60,169,515	\$ 59,100,905	\$ (1,068,610)
State sources	30,719,665	30,719,665	31,898,836	1,179,171
Federal sources	1,090,000	1,090,000	1,269,084	179,084
TOTAL REVENUES	<u>91,979,180</u>	<u>91,979,180</u>	<u>92,268,825</u>	<u>289,645</u>
EXPENDITURES				
Instruction:				
Regular programs	43,834,376	43,777,742	42,597,953	1,179,789
Special programs	14,885,799	14,885,808	13,310,512	1,575,296
Vocational programs	3,105,591	3,158,057	3,158,057	-
Other instructional programs	94,390	94,890	81,869	13,021
Nonpublic programs	4,500	7,905	7,905	-
Total Instruction	<u>61,924,656</u>	<u>61,924,402</u>	<u>59,156,296</u>	<u>2,768,106</u>
Support services:				
Pupil personnel services	4,513,101	4,445,003	4,246,423	198,580
Instructional staff services	2,568,390	2,647,502	2,647,502	-
Administrative services	4,567,800	4,568,244	4,318,098	250,146
Pupil health	960,785	964,644	964,644	-
Business services	894,637	892,987	877,076	15,911
Operation and maintenance of plant services	4,082,555	4,069,704	3,497,828	571,876
Student transportation services	6,655,264	6,644,664	5,249,634	1,395,030
Central support services	1,971,229	1,972,590	1,872,765	99,825
Other support services	216,542	218,192	169,732	48,460
Total Support Services	<u>26,430,303</u>	<u>26,423,530</u>	<u>23,843,702</u>	<u>2,579,828</u>
Operation of noninstructional services:				
Student activities	1,347,589	1,351,834	1,141,031	210,803
Community services	75,000	75,000	54,396	20,604
Scholarships and awards	17,500	20,282	16,825	3,457
Total Operation of Noninstructional Services	<u>1,440,089</u>	<u>1,447,116</u>	<u>1,212,252</u>	<u>234,864</u>
Debt service	4,912,085	4,912,085	4,912,085	-
TOTAL EXPENDITURES	<u>94,707,133</u>	<u>94,707,133</u>	<u>89,124,335</u>	<u>5,582,798</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,727,953)</u>	<u>(2,727,953)</u>	<u>3,144,490</u>	<u>5,872,443</u>
OTHER FINANCING USES				
Transfer to other funds	(2,452,200)	(2,452,048)	(1,979,028)	(473,020)
Proceeds from asset disposition	-	-	417	417
Refund of prior year revenue	-	(152)	(152)	-
Budgetary reserve	(975,000)	(975,000)	-	975,000
TOTAL OTHER FINANCING USES	<u>(3,427,200)</u>	<u>(3,427,200)</u>	<u>(1,978,763)</u>	<u>502,397</u>
NET CHANGE IN FUND BALANCE	(6,155,153)	(6,155,153)	1,165,727	7,320,880
FUND BALANCE, BEGINNING OF YEAR	<u>18,580,474</u>	<u>18,580,474</u>	<u>18,580,474</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,425,321</u>	<u>\$ 12,425,321</u>	<u>\$ 19,746,201</u>	<u>\$ 7,320,880</u>

The accompanying notes are an integral part of these financial statements.

AVON GROVE SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020 AND 2019

	Food Service Fund		Internal Service Fund	
	2020	2019	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 248,617	\$ 237,156	\$ -	\$ -
Investments	294,680	289,457	1,711,621	3,249,415
Due from other funds	-	33,027	2,366,375	692,602
Due from other governments	124,456	40,397	-	-
Other receivables	13,301	18,423	-	-
Inventories	66,776	58,963	-	-
Other assets	-	-	162,000	162,000
Total Current Assets	747,830	677,423	4,239,996	4,104,017
PROPERTY AND EQUIPMENT:				
Furniture and equipment	119,461	119,461	-	-
Accumulated depreciation	(89,804)	(81,570)	-	-
Net Property and Equipment	29,657	37,891	-	-
TOTAL ASSETS	777,487	715,314	4,239,996	4,104,017
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred pension and other postemployment benefit contributions	195,218	189,558	-	-
Deferred outflows - pension and other postemployment benefits	58,392	108,369	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	253,610	297,927	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,031,097	\$ 1,013,241	\$ 4,239,996	\$ 4,104,017
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 39,523	\$ 2,778	\$ 570,606	\$ 604,017
Accrued salaries, payroll withholdings, and benefits	10,088	17,607	-	-
Due to other funds	87,822	-	-	-
Accumulated compensated absences	1,749	146	-	-
Unearned revenues	81,502	49,785	-	-
Long-term liabilities:				
Portion due or payable after one year:				
Accumulated compensated absences	43,288	38,716	-	-
Net other postemployment liability	87,382	85,739	-	-
Net pension liability	1,922,186	1,974,068	-	-
TOTAL LIABILITIES	2,273,540	2,168,839	570,606	604,017
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows - pension and other postemployment benefits	96,258	68,179	-	-
NET POSITION (DEFICIT):				
Investment in capital assets	29,657	37,891	-	-
Unrestricted (Deficit)	(1,368,358)	(1,261,668)	3,669,390	3,500,000
TOTAL NET POSITION (DEFICIT)	(1,338,701)	(1,223,777)	3,669,390	3,500,000
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 1,031,097	\$ 1,013,241	\$ 4,239,996	\$ 4,104,017

The accompanying notes are an integral part of these financial statements.

AVON GROVE SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Food Service Fund		Internal Service Fund	
	2020	2019	2020	2019
OPERATING REVENUES				
Food service revenues	\$ 765,861	\$ 1,065,028	\$ -	\$ -
Charges for health insurance	-	-	6,473,773	6,257,770
Total Operating Revenues	<u>765,861</u>	<u>1,065,028</u>	<u>6,473,773</u>	<u>6,257,770</u>
OPERATING EXPENSES				
Salaries	608,215	606,010	-	-
Employee benefits	449,490	435,818	6,350,019	6,183,299
Purchased professional and technical services	27,651	18,810	-	-
Other operating expenses	6,115	8,109	-	-
Supplies	904,128	1,018,296	-	-
Depreciation	8,234	9,955	-	-
Total Operating Expenses	<u>2,003,833</u>	<u>2,096,998</u>	<u>6,350,019</u>	<u>6,183,299</u>
OPERATING (LOSS) INCOME	<u>(1,237,972)</u>	<u>(1,031,970)</u>	<u>123,754</u>	<u>74,471</u>
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	5,223	6,555	45,636	72,097
Contributions and donations	11,420	1,112	-	-
State sources	174,650	173,557	-	-
Federal sources	929,927	925,709	-	-
Total Nonoperating Revenues	<u>1,121,220</u>	<u>1,106,933</u>	<u>45,636</u>	<u>72,097</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	(116,752)	74,963	169,390	146,568
Transfers in	<u>1,828</u>	<u>1,175</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(114,924)	76,138	169,390	146,568
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(1,223,777)</u>	<u>(1,299,915)</u>	<u>3,500,000</u>	<u>3,353,432</u>
NET POSITION (DEFICIT), END OF YEAR	<u><u>\$ (1,338,701)</u></u>	<u><u>\$ (1,223,777)</u></u>	<u><u>\$ 3,669,390</u></u>	<u><u>\$ 3,500,000</u></u>

The accompanying notes are an integral part of these financial statements.

**AVON GROVE SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	Food Service Fund		Internal Service Fund	
	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 802,700	\$ 1,050,701	\$ 4,800,000	\$ 5,999,999
Payments to suppliers	(782,493)	(925,830)	(6,383,430)	(6,102,232)
Payments to employees	(916,043)	(1,164,636)	-	-
NET CASH USED BY OPERATING ACTIVITIES	(895,836)	(1,039,765)	(1,583,430)	(102,233)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State sources	172,515	180,495	-	-
Federal sources	721,534	905,805	-	-
Donations and contributions	11,420	1,112	-	-
Transfers in	1,828	1,175	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	907,297	1,088,587	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Earnings on investments	5,223	6,555	45,636	72,097
(Purchase) sale of investments	(5,223)	(6,452)	1,537,794	30,136
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	103	1,583,430	102,233
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,461	48,925	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	237,156	188,231	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 248,617	\$ 237,156	\$ -	\$ -
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH USED BY OPERATING ACTIVITIES:				
Operating (loss) income	\$ (1,237,972)	\$ (1,031,970)	\$ 123,754	\$ 74,471
Adjustments to reconcile operating (loss) income to net cash used by operating activities:				
Depreciation	8,234	9,955	-	-
Donated commodities	126,469	120,024	-	-
Decrease (Increase) in:				
Due from other funds	33,027	(33,027)	(1,673,773)	(257,771)
Other receivables	5,122	(15,167)	-	-
Inventories	(7,813)	(3,417)	-	-
Other assets	-	-	-	(20,000)
Deferred outflows - pension and OPEB contributions	(5,660)	(7,899)	-	-
Deferred outflows - pension and OPEB	49,977	38,689	-	-
Increase (Decrease) in:				
Accounts payable	36,745	2,778	(33,411)	101,067
Accrued salaries, payroll withholdings, and benefits	(7,519)	(3,533)	-	-
Due to other funds	87,822	(149,550)	-	-
Unearned revenues	31,717	840	-	-
Compensated absences	6,175	38,862	-	-
Net other postemployment benefits liability	1,643	3,616	-	-
Net pension liability	(51,882)	(16,730)	-	-
Deferred inflows - pension and OPEB	28,079	6,764	-	-
NET CASH USED BY OPERATING ACTIVITIES	\$ (895,836)	\$ (1,039,765)	\$ (1,583,430)	\$ (102,233)
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity:				
USDA donated commodities	\$ 126,469	\$ 120,024	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

**AVON GROVE SCHOOL DISTRICT
STATEMENTS OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS:		
Cash	<u>\$ 164,343</u>	<u>\$ 170,712</u>
TOTAL ASSETS	<u><u>\$ 164,343</u></u>	<u><u>\$ 170,712</u></u>
 LIABILITIES AND NET POSITION:		
LIABILITIES		
Accounts payable	\$ 569	\$ 4,611
Due to student groups	<u>163,774</u>	<u>166,101</u>
TOTAL LIABILITIES	<u>164,343</u>	<u>170,712</u>
NET POSITION	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 164,343</u></u>	<u><u>\$ 170,712</u></u>

The accompanying notes are an integral part of these financial statements.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Avon Grove School District ("the District") operates two elementary schools, one middle school, and one senior high school to provide education and related services to the residents of Penn, London Grove, New London, Franklin, and London Britain Townships and the Boroughs of Avondale and West Grove. The District operates under current standards prescribed by the Pennsylvania Department of Education in accordance with the provisions of the School Laws of Pennsylvania as a school district of the third class. The District operates under a locally elected nine-member Board form of government.

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

Reporting Entity

GASB's *Codification of Governmental Accounting and Financial Reporting Standards* ("GASB Codification") established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

Basis of Presentation

Entity-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements include the financial activities of the primary government, except for fiduciary funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds in the following paragraphs. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental program. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The entity-wide financial statements report net position in one of three components: net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from the capital projects fund. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The **Capital Projects Fund** is used to account for the acquisition, construction, and renovation of major capital facilities and their related capital assets and to account for funds set aside for future capital needs.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Liabilities for compensated absences are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District does not attempt to allocate all "building-wide costs" to the proprietary fund. Thus, general fund expenditures which partially benefit the proprietary fund (utilities, janitorial services, insurance, etc.) are not recognized proportionately within the proprietary fund. Similarly, the proprietary fund does not recognize a cost for the building space it occupies.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

goods in connection with the proprietary fund's principal ongoing operations. The District operates two proprietary funds: an enterprise fund and an internal service fund. The principal operating revenues of the District's enterprise fund are food service charges. Operating expenses for the District's enterprise fund include food production costs, supplies, and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses. The District's internal service fund accounts for the District's self-insured healthcare costs. The principal operating revenues are premiums charged to other funds, and the principal operating expenses are payments for healthcare claims and related costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets in an agency fund. The agency fund accounts for funds held on behalf of students of the District. It is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments consist of nonnegotiable certificates of deposit, external investment pools, and treasury bonds backed by the federal government. The investments are recorded at amortized cost. Nonnegotiable certificates of deposit, external investment pools, and treasury bonds are nonparticipating interest earning investment contracts which are exempt from measurement at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxes receivable are presented net of allowances for estimated uncollectibles of \$21,319. The allowance for uncollectible accounts is based upon historical data established according to experience and other factors which, in the judgment of District management, deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 - August 31	-	Discount period, 2% of gross levy
September 1 - October 31	-	Face period
November 1 to collection	-	Penalty period, 10% of gross levy
January 15	-	Lien date

An installment payment plan is available to residential property owners, who have been approved as homestead owners by the Chester County Board of Assessments, with three equal installments due as follows:

August 31	-	one third of the gross levy
September 30	-	one third of the gross levy
October 31	-	one third of the gross levy

In order to participate in the installment payment plan, homestead owners must forego the opportunity to make payment at the two percent of gross levy discount rate.

The District's taxes are billed and collected by the District. The tax on real estate for public school purposes for fiscal year 2019-2020 was 31.61 mills (\$31.61 for \$1,000 of assessed valuation) for the entire District.

Inventories

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000; composite assets of more than \$10,000; and critical control assets as defined by District policy. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

School buildings	40 - 50 years
Portable classrooms	20 - 25 years
HVAC systems	20 - 25 years
Interior construction	25 - 30 years
Sprinkler/fire system	20 - 25 years
Outdoor equipment	15 - 20 years
Machinery and tools	10 - 15 years
Kitchen equipment	10 - 15 years
Custodian equipment	5 - 7 years
Furniture and accessories	15 - 20 years
Business machines	5 - 10 years
Copiers	3 - 5 years
Computers	3 - 5 years
Audio visual	7 - 10 years
Communication	5 - 10 years

Compensated Absences

District policies permit employees to accumulate earned but unused vacation, and personal and sick days as stipulated in each bargaining unit's contract. The liability for these compensated absences is recorded as long-term debt in the entity-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are netted against outstanding principal balances and are amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as a deferred inflow or outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortized amounts are amortized using the straight-line method.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position and balance sheet - governmental funds will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time.

The District has several items that qualify for reporting in this category. Pension and other postemployment benefit contributions made subsequent to the measurement date and, therefore, not reflected in the net pension or net other postemployment benefits liabilities under full accrual basis reporting are reported as deferred outflows of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension and other postemployment benefits liabilities are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position. Deferred amounts on the refunding of bonds are reflected as deferred inflows of resources on the entity-wide statement of net position. The fair market value of forward interest rate swaps valued at year end in a liability position are reported as deferred outflows of resources on the entity-wide statement of net position. A portion of the District's delinquent taxes have not been collected within 60 days of year end and, therefore, are not available under modified accrual reporting; as a result, this item is reflected as deferred inflows of resources on the general fund balance sheet. Similarly, a portion of the District's state revenues were not collected within 60 days of year end and are also considered unavailable and reflected as deferred inflows of resources on the general fund balance sheet.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed. When an expenditure is incurred for which committed, assigned, and unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, then unassigned funds, as needed, unless provided otherwise in commitment or assignment actions.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Finance Committee, the Superintendent, or the Director of Business Administration may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Use of Estimates in the Preparation of Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Information

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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

legally required, although project-length financial plans are adopted for all capital projects funds.

The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by District officials on a uniform form furnished by such Department and submitted to the Board of School Directors for approval prior to the beginning of the fiscal year on July 1.

Under the Taxpayer Relief Act, the District must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption, the Board of School Directors may hold a public hearing on the budget, and the Board must give at least 10 days' public notice of its intent to adopt such budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education ("PDE") no later than 85 days prior to the date of the election immediately preceding the fiscal year. The PDE is to compare the proposed percentage increase in the rate of any tax with the District's Index and within 10 days, but no later than 75 days, prior to the upcoming election, and to inform the District whether the proposed percentage increase is less than or equal to the Index. If the PDE determines that a proposed tax increase will exceed the Index, the District must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one or more of the referendum exceptions authorized by the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which PDE approval is required, the District must publish notice of its intent to seek PDE approval not less than one week before submitting its request for approval to the PDE and, if the PDE determines to schedule a public hearing on the request, a notice of the date, time, and place of such hearing. The PDE is required by the Taxpayer Relief Act to rule on the District's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if the PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

To use any of the referendum exceptions for which court approval is required under the Taxpayer Relief Act, the District must petition the court of common pleas no later than 75 days prior to the upcoming election, after giving one week's public notice of the intent to file such petition. The court may schedule a hearing on the petition, and the District must prove by clear and convincing evidence that it qualifies for the exception sought. The Taxpayer Relief Act requires that the court rule on the petition and inform the District of its decision no later than 55

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

days prior to the upcoming election. Such Act provides that the court, in approving the petition, shall determine the dollar amount for which the exception is granted, the tax rate increase required to fund the exception, and the appropriate duration of the tax increase. If the court denies the District's petition, such Act permits the District to submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If the District seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one or more of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the Board of School Directors may not approve an increase in the tax rate greater than the applicable Index.

The above budgetary procedures will not apply if the District adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax rate that exceeds the Index and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days, and made available for public inspection at least 20 days, prior to its adoption, and that at least 10 days' public notice be given of the Board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Legal budgetary control is maintained at the sub-function/major object level. The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank's failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2020, the carrying amount of the District's deposits was \$4,292,247, and the bank balance was \$4,341,546. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$4,091,546 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Investments

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's investment pools, or mutual funds. During the year ended June 30, 2016, the Pennsylvania Legislature passed Act 10 of 2016, which expanded allowable investments to include commercial paper, bankers' acceptances, and negotiable certificates of deposit that are highly rated by at least two national rating agencies.

The District's investments are in the Pennsylvania School District Liquid Asset Fund ("PSDLAF") and the Pennsylvania Treasurer's Program for Local Governments ("INVEST"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PSDLAF and INVEST act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit. Additionally, the District has invested in two certificates of deposit with maturity dates of less than one year.

The carrying value of the District's investments at June 30, 2020 was \$68,266,813. Of the investments, \$1,685,000 is invested in non-negotiable certificates of deposits with maturities of less than one year, and \$4,998,765 is invested in U.S. Treasury Bills with maturities of less than one year. The remaining \$61,583,048 is invested in 2a7-like pools. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The District has no regulatory oversight for the pools, which are governed by the Board of Trustees. PSDLAF is administered by PMA Financial Network, Inc., and the pool is audited annually by PricewaterhouseCoopers LLP, an independent certified public accounting firm. INVEST is administered by the Pennsylvania Treasury.

Credit Risk

The District has an investment policy that limits its investment choices in local government investment pools only to the extent it is rated in the highest rating category by a nationally recognized rating agency. As of June 30, 2020, PSDLAF and INVEST were rated as AAAm by a nationally recognized statistical rating organization.

NOTE 4 UNEARNED REVENUES

Unearned revenues reported in the governmental and proprietary funds, and at the entity-wide level, resulted from revenue received but not yet earned.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$11,035,789	\$ -	\$ -	\$11,035,789
Construction-in-progress	<u>1,688,361</u>	<u>3,350,966</u>	<u>446,645</u>	<u>4,592,682</u>
Total Capital Assets Not Being Depreciated	<u>12,724,150</u>	<u>3,350,966</u>	<u>446,645</u>	<u>15,628,471</u>
Capital assets being depreciated:				
Buildings and improvements	83,163,449	650,707	-	83,814,156
Furniture and equipment	<u>9,035,019</u>	<u>791,326</u>	<u>-</u>	<u>9,826,345</u>
Total Capital Assets Being Depreciated	<u>92,198,468</u>	<u>1,442,033</u>	<u>-</u>	<u>93,640,501</u>
Less accumulated depreciation for:				
Buildings and improvements	51,683,715	2,440,506	-	54,124,221
Furniture and equipment	<u>5,126,041</u>	<u>1,297,524</u>	<u>-</u>	<u>6,423,565</u>
Total accumulated depreciation	<u>56,809,756</u>	<u>3,738,030</u>	<u>-</u>	<u>60,547,786</u>
Total Capital Assets Being Depreciated, Net	<u>35,388,712</u>	<u>(2,295,997)</u>	<u>-</u>	<u>33,092,715</u>
Governmental Activities Assets, Net	<u>\$48,112,862</u>	<u>\$ 1,054,969</u>	<u>\$ 446,645</u>	<u>\$48,721,186</u>
<u>Business-type Activities</u>				
Capital assets being depreciated:				
Furniture and equipment	\$ 119,461	\$ -	\$ -	\$ 119,461
Less accumulated depreciation	<u>81,570</u>	<u>8,234</u>	<u>-</u>	<u>89,804</u>
Business-type Capital Assets, Net	<u>\$ 37,891</u>	<u>\$ (8,234)</u>	<u>\$ -</u>	<u>\$ 29,657</u>

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

<u>Governmental Activities:</u>	
Instruction	\$ 2,990,740
Instructional student support	224,727
Administrative and financial support services	239,500
Operation and maintenance of plant services	100,025
Pupil transportation	150,121
Student activities	<u>32,917</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,738,030</u>
<u>Business-type Activities:</u>	
Food Service	<u>\$ 8,234</u>

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2020 is as follows:

Receivable To	Amount	Payable From	Amount
General Fund	\$ 87,822	Food Service Fund	\$ 87,822
Internal Service Fund	<u>2,366,375</u>	General Fund	<u>2,366,375</u>
	<u>\$ 2,454,197</u>		<u>\$ 2,454,197</u>

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses, as well as transfers determined but not made by year end. The balances generally are paid shortly after year end. There was one transfer of \$1,977,200 during the year from the general fund to the capital projects fund for the purpose of funding future capital projects. In addition, a transfer of \$1,828 was made from the general fund to the food service fund to offset the amount of receivables for delinquent student meal charges that were determined to be uncollectible and were written off during the year.

NOTE 7 GENERAL LONG-TERM LIABILITIES

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due In One Year
Bonds payable, net	\$ 52,855,933	\$ -	\$ 3,323,477	\$ 49,532,456	\$ 3,418,477
Capital lease payable	41,972	-	11,060	30,912	11,554
Accumulated compensated absences	1,496,667	183,067	-	1,679,734	79,548
Derivative instrument - interest rate swap	4,412,029	7,395,366	-	11,807,395	11,807,395
Net OPEB liability	22,756,694	-	1,054,668	21,702,026	-
Net pension liability	<u>112,133,932</u>	<u>-</u>	<u>2,947,118</u>	<u>109,186,814</u>	<u>-</u>
TOTALS	<u>\$193,697,227</u>	<u>\$ 7,578,433</u>	<u>\$ 7,336,323</u>	<u>\$193,939,337</u>	<u>\$ 15,316,974</u>

The following summarizes the changes in the long-term liabilities of business-type activities for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due In One Year
Accumulated compensated absences	\$ 38,862	\$ 6,175	\$ -	\$ 45,037	\$ 1,749
Net OPEB liability	85,739	1,643	-	87,382	-
Net pension liability	<u>1,974,068</u>	<u>-</u>	<u>51,882</u>	<u>1,922,186</u>	<u>-</u>
TOTALS	<u>\$ 2,098,669</u>	<u>\$ 7,818</u>	<u>\$ 51,882</u>	<u>\$ 2,054,605</u>	<u>\$ 1,749</u>

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM LIABILITIES (cont'd)

Governmental activities long-term liabilities are anticipated to be liquidated by the general fund. Business-type activities long-term liabilities are anticipated to be liquidated by the food service fund.

Bonds payable are comprised of the following:

Bonds payable, at face	\$45,930,000
Unamortized discount	(321,897)
Unamortized premium	<u>3,924,353</u>
 Bonds payable, net	 <u>\$49,532,456</u>

Payments of long-term debt are expected to be funded by the general fund.

General Obligation Bonds

Series of 2012, maturing through November 15, 2022, bearing interest at 2.00%, interest payable semi-annually on May 15 and November 15. This Series of 2012 provided funds to refund the Series of 2007 bonds.	\$ 665,000
Series A of 2012, maturing through November 15, 2027, bearing interest ranging from 2.00% to 2.35%, interest payable semi-annually on May 15 and November 15. This Series A of 2012 provided funds to refund the Series A of 2007 bonds.	5,225,000
Series of 2014, maturing through November 15, 2021, bearing interest ranging from 0.30% to 4.00%, interest payable semi-annually on May 15 and November 15. This Series of 2014 provided funds to refund a portion of the Series A of 2009 bonds.	2,320,000
Series of 2015, maturing through August 15, 2021, bearing interest ranging from 2.00% to 4.00%, interest payable semi-annually on February 15 and August 15. This Series of 2015 provided funds to refund a portion of the Series of 2010 bonds.	1,480,000
Series of 2018, maturing through November 15, 2033, bearing interest ranging from 2.00% to 5.00%, interest payable semi-annually on May 15 and November 15. This Series of 2018 provided funds to finance various capital projects of the District and pay the costs of issuing the bonds.	<u>36,240,000</u>
 TOTAL	 <u><u>\$45,930,000</u></u>

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM LIABILITIES (cont'd)

Presented below is a summary of debt requirements to maturity by years:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2021	\$ 3,100,000	\$ 1,821,731	\$ 4,921,731
2022	3,065,000	1,750,359	4,815,359
2023	2,925,000	1,671,140	4,596,140
2024	2,985,000	1,586,468	4,571,468
2025	3,080,000	1,495,404	4,575,404
2026 - 2030	17,385,000	5,484,937	22,869,937
2031 - 2034	13,390,000	1,100,250	14,490,250
	<u>\$ 45,930,000</u>	<u>\$ 14,910,289</u>	<u>\$ 60,840,289</u>

NOTE 8 DERIVATIVE INSTRUMENTS

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2019-2020 financial statements are as follows:

	<u>Cash Flow Hedges</u>		
	<u>Interest Rate Swap Series of 2020</u>	<u>Interest Rate Swap Series of 2021</u>	<u>Total</u>
Change in Fair Value:			
Classification	Deferred outflow	Deferred outflow	Deferred outflow
Amount	\$ (3,916,863)	\$ (3,478,503)	\$ (7,395,366)
Fair Value at June 30, 2020:			
Classification	Debt	Debt	Debt
Amount	\$ (6,001,294)	\$ (5,806,101)	\$ (11,807,395)
Notional Amount	\$ 20,000,000	\$ 20,000,000	\$ 40,000,000

The fair values of the interest rate swaps are estimated using a proprietary pricing service.

Objective and Terms

In December 2018, the District executed two cash settled forward interest rate swaps designed to manage interest rate risk and cost, and are intended to hedge interest rates on the future issuances of the General Obligation Bonds Series of 2020 and Series of 2021, originally scheduled to be issued on June 1, 2020 and June 1, 2021, respectively. The Series of 2020

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 DERIVATIVE INSTRUMENTS (cont'd)

swap was executed on December 19, 2018 and has a mandatory termination date of June 1, 2020. In April 2020, the District elected to extend the effective date and mandatory termination date of the Series of 2020 swap from June 1, 2020 to June 1, 2021. The Series of 2021 swap was executed on December 13, 2018 and has a mandatory termination date of June 1, 2021. The notional amount, effective date, maturity date, terms, and counterparty credit rating follow:

Series	Notational Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating		
					Moody's	S&P	Fitch
2020	\$20,000,000	06/01/21	11/15/41	Pay 2.5386%, receive 80% of 3-month LIBOR	Aa2	AA-	AA
2021	\$20,000,000	06/01/21	11/15/41	Pay 2.5125%, receive 80% of 3-month LIBOR	Aa2	AA-	AA

Risks

Interest rate risk – the District is exposed to interest rate risk on its interest rate swaps. As LIBOR increases, the payment received from the counterparty upon termination of the swap increases, and, as LIBOR decreases, the payment made by the District to the counterparty upon termination of the swap increases.

Basis risk – the District is exposed to basis risk on its interest rate swaps due to the possibility of a mismatch or disruption in the correlation between LIBOR swap rates and termination values versus the long-term, tax exempt bond interest rates the District can issue.

Termination risk – the District's interest rate swaps include a provision that allow the counterparty to the swaps to terminate the swaps at the fair market value at the time of termination if the District's long-term debt credit rating were to decline to BBB+ or below. If a hedging derivative is in a liability position at the time of termination, the District would be liable to the counterparty for a payment equal to the liability.

Market access risk – the District is exposed to market access risk due to unforeseen market conditions or disruptions that could prevent the District from accessing the fixed rate bond market, or from securing acceptable financing terms. In this scenario, the expected cost savings from executing the swaps may not be realized.

NOTE 9 PENSION PLAN

Plan Description

The District contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

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. Benefit terms and contributions may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.pa.gov.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one year of credited service, (b) age 60 with 30 or more years of credited service, or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members and introduced benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E"), and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the 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 may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to two percent or two and one-half percent, depending upon the 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 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.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

Member Contributions

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

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

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

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 33.36 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$11,007,108 for the year ended June 30, 2020.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2020, the District reported a liability of \$111,109,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 0.2375 percent, which was a decrease of 0.0002 percent from its proportion measured as of June 30, 2018.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

For the year ended June 30, 2020, the District recognized pension expense of \$12,325,615. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 318,000
Changes in proportions	1,228,000	1,324,000
Changes of assumptions	1,062,000	-
Difference between employer contributions and proportionate share of total contributions	195,428	-
Difference between expected and actual experience	612,000	3,683,000
Contributions subsequent to the date of measurement	<u>11,007,108</u>	<u>-</u>
	<u>\$ 14,104,536</u>	<u>\$ 5,325,000</u>

An amount of \$11,007,108 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts will be reported as deferred outflows of resources and deferred inflows of resources related to pensions and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2021	\$ 666,141
2022	(1,961,987)
2023	(1,127,726)
2024	<u>196,000</u>
	<u>\$ (2,227,572)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the system's total pension liability as of the June 30, 2018 actuarial valuation to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal, level percentage of pay
- Investment return – 7.25 percent, including inflation of 2.75 percent

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

- Salary growth – effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent 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.

The actuarial assumptions used in the June 30, 2019 valuation were based on the experience study that was performed for the five-year period ended June 30, 2015.

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

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

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternative investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	(20.0%)	0.7%
	<u>100.0%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2019.

AVON GROVE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 9 PENSION PLAN (cont'd)

Discount Rate

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

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

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

	1% Decrease 6.25%	Current Rate Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 138,398,000	\$ 111,109,000	\$ 88,001,000

Pension Plan Fiduciary Net Position

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

NOTE 10 AVON GROVE SCHOOL DISTRICT POSTEMPLOYMENT BENEFITS PLAN

Plan Description

The Avon Grove School District Postemployment Benefits Plan ("the District Plan") is a single employer defined benefit healthcare plan. The District Plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The District Plan does not issue any financial

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 AVON GROVE SCHOOL DISTRICT POSTEMPLOYMENT BENEFITS PLAN (cont'd)

report and is not included in the report of any public employee retirement system or any other entity. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions."

Benefits Provided

The District Plan provides healthcare insurance benefits for retired employees and their dependents. The eligibility requirements and benefits provided are summarized as follows:

Administrators – retired District administrators with at least ten years of service to the District are eligible to receive benefits upon the date of their retirement into PSERS and receive medical, prescription drug, dental, and vision insurance at no cost. Retired professional staff and support staff are eligible to receive medical and prescription drug insurance upon their retirement into PSERS.

Professional staff, retired before July 1, 2013 – retired professional staff are eligible to receive medical and prescription drug insurance benefits. Professional staff retiring before July 1, 2013 pay a percentage of the premium assessed for a single employee ranging from zero to ten percent depending upon the year of retirement, plus twenty to twenty-five percent of the difference between dependent and single employee coverage for their dependent(s), as applicable.

Professional staff, retired on or after July 1, 2013 – retired professional staff are eligible to receive medical and prescription drug insurance benefits. Professional staff retiring on or after July 1, 2013 with thirty years of PSERS credited service and at least twenty-five years of service to the District pay zero percent of the premium for single employees, plus twenty-five percent of the difference between dependent and single employee coverage for their dependent(s), as applicable.

Support staff – retired support staff are eligible to receive medical and prescription drug insurance benefits. Retired support staff with thirty years of PSERS credited service and at least twenty-five years of service to the District pay the same contribution percentage of the premiums as currently active employees.

At July 1, 2019, the following employees were covered by the benefit terms:

Active participants	418
Retired participants currently receiving benefits	<u>57</u>
	<u>475</u>

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 AVON GROVE SCHOOL DISTRICT POSTEMPLOYMENT BENEFITS PLAN (cont'd)

Total OPEB Liability

The District's total OPEB liability of \$16,738,408 was measured as of July 1, 2019, and was determined by rolling forward the District's total OPEB liability as of the July 1, 2018 actuarial valuation to July 1, 2019.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

- Healthcare cost trend rate – 5.50 percent for 2019-2021. Rates gradually decrease from 5.40 percent in 2022 to 3.80 percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Actuarial cost method – Entry age normal
- Interest rate – 3.36 percent based on the S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2019
- Salary increases – 2.50 percent cost of living adjustment, 1.00 percent real wage growth, with a merit increase for professional staff and administrators varying from 0.00 percent to 2.75 percent
- Mortality rates were based upon the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB Liability – June 30, 2019	\$ 17,886,443
Changes for the year:	
Service cost	866,165
Interest	549,270
Difference between expected and actual experience	(1,339,519)
Changes of assumptions	(631,867)
Benefit payment	(592,074)
Net changes	<u>(1,148,025)</u>
Total OPEB Liability – June 30, 2020	<u>\$ 16,738,408</u>

Changes of assumptions include the change in the discount rate from 2.98 percent to 3.36 percent.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 AVON GROVE SCHOOL DISTRICT POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.36 percent) or one percentage point higher (4.36 percent) than the current discount rate:

	1% Decrease <u>2.36%</u>	Current Rate Discount Rate <u>3.36%</u>	1% Increase <u>4.36%</u>
Total OPEB liability	\$ 18,461,549	\$ 16,738,408	\$ 15,198,922

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

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

	1% Decrease (4.5% Decreasing to 2.8%) <u> </u>	Current Trend Rates (5.5% Decreasing to 3.8%) <u> </u>	1% Increase (6.5% Decreasing to 4.8%) <u> </u>
Total OPEB liability	\$ 14,719,757	\$ 16,738,408	\$ 19,161,447

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$870,674. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 38,094	\$ 909,958
Difference between expected and actual Experience	-	5,268,975
Contributions subsequent to the date of Measurement	<u>567,421</u>	<u>-</u>
	<u>\$ 605,515</u>	<u>\$ 6,178,933</u>

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 AVON GROVE SCHOOL DISTRICT POSTEMPLOYMENT BENEFITS PLAN (cont'd)

An amount of \$567,421 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a component of OPEB expense in the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2021	\$ (544,761)
2022	(544,761)
2023	(544,761)
2024	(544,761)
2025	(544,761)
Thereafter	(3,417,034)
Total	\$(6,140,839)

NOTE 11 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM

As a member of the PSERS, District employees are eligible to participate in the postemployment healthcare program offered and administered by the PSERS.

Health Insurance Premium Assistance Program

The PSERS provides premium assistance, which is a governmental cost sharing, multiple-employer other postemployment benefit plan ("OPEB") for all eligible retirees who qualify and elect to participate. Employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

PSERS retirees can participate in the premium assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (cont'd)

- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the Health Options Program ("HOP") or employer-sponsored health insurance program

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the system include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. Benefit terms and contributions may be amended by passing bills in the Pennsylvania Senate and House of Representatives and sending them to the Governor for approval. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2020, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2020 was 0.84 percent of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$277,157 for the year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$5,051,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the system's total OPEB liability as of June 30, 2018 to June 30, 2019. The District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the District's proportion was 0.2375 percent, which was a decrease of 0.0002 percent from its proportion measured as of June 30, 2018.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (cont'd)

For the year ended June 30, 2020, the District recognized OPEB expense of \$239,394. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected Experience	\$ 28,000	\$ -
Changes of assumptions	167,000	150,000
Changes in proportion	72,000	89,000
Differences between projected and actual investment earnings	9,000	-
Difference between employer contributions and proportionate share of total contributions	1,817	-
Contributions subsequent to the date of Measurement	<u>277,157</u>	<u>-</u>
	<u>\$ 554,974</u>	<u>\$ 239,000</u>

An amount of \$277,157 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a component of OPEB expense in the year ended June 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	
2021	\$ (5,606)
2022	(5,606)
2023	(7,606)
2024	(8,606)
2025	49,234
Thereafter	<u>17,007</u>
	<u>\$ 38,817</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2019 was determined by rolling forward the PSERS system's total OPEB liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (cont'd)

- Actuarial cost method – Entry age normal, level percent of pay
- Investment return – 2.79 percent based on the S&P 20-year Municipal Bond Rate
- Salary growth – Effective average of 5.00 percent, comprised of inflation of 2.75 percent and 2.25 percent for real wage growth and for merit or seniority increases
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on 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.
- Participation rate:
 - Eligible retirees will elect to participate pre-age 65 at 50 percent.
 - Eligible retirees will elect to participate post-age 65 at 70 percent.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2020.
- Cost method: amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.
- Participation rate: 63 percent of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back seven years for males and three years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back three years for both genders assuming the population consists of 25 percent males and 75 percent females is used to determine actuarial equivalent benefits.)

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code, employer contribution rates for premium assistance are established to provide reserves in the health

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (cont'd)

insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	13.20%	0.02%
U.S. core fixed income	83.10%	1.00%
Non-U.S. developed fixed	3.70%	0.00%
	100.00%	

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, 2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.79 percent. Under the plan's funding policy, contributions are structured for short-term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short-term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 2.79 percent, which represents the S&P 20-year Municipal Bond Rate at June 30, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual premium assistance. As of June 30, 2019, retirees' premium assistance benefits are not subject to future healthcare cost increases. The annual premium assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (cont'd)

The following presents the system's net OPEB liability for June 30, 2019, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 5,050,000	\$ 5,051,000	\$ 5,052,000

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

The following presents the net OPEB liability, calculated using the discount rate of 2.79 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.79 percent) or one percentage-point higher (3.79 percent) than the current rate:

	<u>1% Decrease 1.79%</u>	<u>Current Rate Discount Rate 2.79%</u>	<u>1% Increase 3.79%</u>
District's proportionate share of the net OPEB liability	\$ 5,457,000	\$ 5,051,000	\$ 4,468,000

OPEB 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 12 SUMMARY OF NET OPEB LIABILITY AND DEFERRED INFLOWS AND OUTFLOWS RELATED TO PENSIONS AND OPEB

The District's aggregate net OPEB liability is as follows:

	<u>Net OPEB Liability</u>
District Plan (See Note 10)	\$ 16,738,408
PSERS Plan (See Note 11)	<u>5,051,000</u>
Total	<u>\$ 21,789,408</u>

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 SUMMARY OF NET OPEB LIABILITY AND DEFERRED INFLOWS AND OUTFLOWS RELATED TO PENSIONS AND OPEB (cont'd)

The District's aggregate deferred inflows and outflows of resources related to pensions and OPEB are as follows:

	<u>Deferred Outflows of Resources - Contributions</u>	<u>Other Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension – PSERS (See Note 9)	\$ 11,007,108	\$ 3,097,428	\$ 5,325,000
OPEB – District Plan (See Note 10)	567,421	38,094	6,178,933
OPEB – PSERS (See Note 11)	<u>277,157</u>	<u>277,817</u>	<u>239,000</u>
Total	<u>\$ 11,851,686</u>	<u>\$ 3,413,339</u>	<u>\$ 11,742,933</u>

NOTE 13 OPERATING LEASES

The District currently is obligated under operating lease agreements for office equipment and modular classrooms. These leases are considered as operating leases for accounting purposes. The following is a summary of the minimum rental costs for the remaining terms at June 30, 2020:

Year Ending June 30,

2021	\$ 205,034
2022	154,201
2023	<u>34,517</u>
	<u>\$ 393,752</u>

Rental expense for the year ended June 30, 2020 was \$297,851.

NOTE 14 CAPITAL LEASE - LESSEE

The District has entered into a lease agreement as a lessee for financing the acquisition of copying equipment used within the District. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the lower of asset value or present value of future minimum lease payments as of the inception date.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 14 CAPITAL LEASE - LESSEE (cont'd)

The assets acquired through the capital lease are as follows:

ASSET	
Equipment – Konica Minolta Copiers	\$ 56,835
Less: Accumulated depreciation	<u>(27,944)</u>
Equipment, net	<u>\$ 28,891</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

<u>Year Ending June 30,</u>	
2021	\$ 12,678
2022	12,678
2023	7,396
Less: Amount representing interest	<u>(1,840)</u>
Total	<u>\$ 30,912</u>

NOTE 15 JOINT VENTURES

The District is a participating member of the Center for Arts Technology (“the Vo-Tech”). The Vo-Tech is run by a joint board consisting of school directors from each member district. The board of directors from each member district must approve the Vo-Tech's annual budget. Each member pays an allocated share of the debt and operating costs of the Vo-Tech based on the number of students from each district. For fiscal year ended June 30, 2020, the District's share of debt and operating costs was \$3,158,057. The Vo-Tech prepares financial statements which are available to the public. The financial statements of the Vo-Tech are available from the Chester County Intermediate Unit located at 455 Boot Road, Downingtown, Pennsylvania 19335.

NOTE 16 FUND BALANCES

As of June 30, 2020, fund balances are composed of the following:

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 16 FUND BALANCES (cont'd)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid expenditures	\$ 33,982	\$ 40,178	\$ 74,160
Restricted:			
Capital projects	-	39,359,209	39,359,209
Committed:			
Future retirement contributions	5,998,719	-	5,998,719
Assigned:			
Subsequent year's budget	4,871,937	-	4,871,937
Future projects	2,253,051	-	2,253,051
Unassigned	<u>6,588,512</u>	<u>-</u>	<u>6,588,512</u>
Total Fund Balances	<u>\$ 19,746,201</u>	<u>\$ 39,399,387</u>	<u>\$ 59,145,588</u>

NOTE 17 CONTINGENCIES AND COMMITMENTS

Construction Commitments

As of June 30, 2020, the District had ongoing construction projects yet to be completed. The commitments and amounts completed to date are as follows:

	<u>Project Amount</u>	<u>Completed as of 06/30/2020</u>	<u>Commitments</u>
High school construction	\$ 94,801,312	\$ 4,029,397	\$ 90,771,915
Middle school renovation	<u>1,646,205</u>	<u>103,752</u>	<u>1,542,452</u>
Totals	<u>\$ 96,447,517</u>	<u>\$ 4,133,149</u>	<u>\$ 92,314,368</u>

In addition, the District has incurred costs totaling \$459,533 that were not under a formal contract at June 30, 2020.

Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 17 CONTINGENCIES AND COMMITMENTS (cont'd)

grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 18 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2019-2020 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 19 DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amounts of \$105,460,724, \$1,368,358, and \$1,368,358, respectively, include the effect of the deferring the recognition of pension and postretirement benefit contributions made subsequent to the measurement date of the net pension and net other postemployment benefits liabilities, the unamortized portion of contributions made in excess of the District's share of its proportionate contributions to its pension plan, and the deferred outflows resulting from the change in the District's share of the net pension liability. This is offset by the District's actuarially determined pension liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

NOTE 20 UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30 2020, economic and operational uncertainties have arisen which may impact the District in fiscal year 2021. There exist uncertainties surrounding the District's operations in the 2020-2021 school year in terms of whether instruction will continue to be remote or hybrid and for what length of time. The uncertainties surrounding the on-site operations will have a direct impact on individual revenue and expense items that are dependent on services being provided to students while on site. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

NOTE 21 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through November 6, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**AVON GROVE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

	MEASUREMENT DATE					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.2375%	0.2377%	0.2330%	0.2399%	0.2384%	0.2360%
District's proportion of the net pension liability - dollar value	\$ 111,109,000	\$ 114,108,000	\$ 115,075,000	\$ 118,887,000	\$ 103,264,000	\$ 93,411,000
District's covered employee payroll	\$ 32,776,368	\$ 32,239,975	\$ 31,017,068	\$ 31,066,045	\$ 30,675,916	\$ 30,121,772
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	338.99%	353.93%	371.01%	382.69%	336.63%	310.11%
Plan fiduciary net position as a percentage of the total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**AVON GROVE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 11,007,108	\$ 10,685,096	\$ 10,232,968	\$ 9,056,984	\$ 7,766,511	\$ 6,288,563
Contributions in relation to the contractually required contribution	<u>11,007,108</u>	<u>10,685,096</u>	<u>10,232,968</u>	<u>9,056,984</u>	<u>7,766,511</u>	<u>6,288,563</u>
Contribution deficiency (excess)	<u>\$ -</u>					
District's covered-employee payroll	\$ 32,994,928	\$ 32,776,368	\$ 32,239,975	\$ 31,017,068	\$ 31,066,045	\$ 30,675,916
Contributions as a percentage of covered-employee payroll	33.36%	32.60%	31.74%	29.20%	25.00%	20.50%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**AVON GROVE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)
Health Insurance Premium Assistance Program**

	MEASUREMENT DATE		
	June 30, 2019	June 30, 2018	June 30, 2017
District's proportion of the net OPEB liability	0.2375%	0.2377%	0.2330%
District's proportion of the net OPEB liability - dollar value	\$ 5,051,000	\$ 4,956,000	\$ 4,747,000
District's covered employee payroll	\$ 32,776,368	\$ 32,239,975	\$ 31,017,068
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	15.41%	15.37%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.56%	5.56%	5.73%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**AVON GROVE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)
Health Insurance Premium Assistance Program**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 277,157	\$ 272,044	\$ 267,592
Contributions in related to the contractually required contribution	<u>277,157</u>	<u>272,044</u>	<u>267,592</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 32,994,928	\$ 32,776,368	\$ 32,239,975
Contributions as a percentage of covered-employee payroll	0.84%	0.83%	0.83%

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**AVON GROVE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS -
SINGLE EMPLOYER PLAN**

	MEASUREMENT DATE		
	July 1, 2019	July 1, 2018	July 1, 2017
<u>TOTAL OPEB LIABILITY</u>			
Service cost	\$ 866,165	\$ 816,724	\$ 1,079,004
Interest	549,270	549,563	545,531
Changes of benefit terms	-	-	483,830
Differences between expected and actual experience	(1,339,519)	-	(5,132,266)
Changes of assumptions	(631,867)	44,442	(415,796)
Benefit payments	(592,074)	(579,300)	(731,345)
NET CHANGE IN TOTAL OPEB LIABILITY	(1,148,025)	831,429	(4,171,042)
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	17,886,433	17,055,004	21,226,046
TOTAL OPEB LIABILITY, END OF YEAR	\$16,738,408	\$17,886,433	\$17,055,004
<u>PLAN FIDUCIARY NET POSITION</u>			
PLAN FIDUCIARY NET POSITION, BEGINNING OF YEAR	\$ -	\$ -	\$ -
PLAN FIDUCIARY NET POSITION, END OF YEAR	\$ -	\$ -	\$ -
DISTRICT'S NET OPEB LIABILITY	\$16,738,408	\$17,886,433	\$17,055,004
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%
Covered employee payroll	\$30,811,258	\$30,046,491	\$30,046,491
District's net OPEB liability as a percentage of covered payroll	54.33%	59.53%	56.76%

NOTES TO SCHEDULE

Changes of Assumptions

The discount rate changed from 2.98% to 3.36%.

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT SUPPLEMENT



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*

November 6, 2020

Board of School Directors
Avon Grove School District
West Grove, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Avon Grove School District ("the District"), West Grove, Pennsylvania, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Directors
Avon Grove School District

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 the 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP



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

November 6, 2020

Board of School Directors
Avon Grove School District
West Grove, Pennsylvania

Report on Compliance for Major Federal Program

We have audited the Avon Grove School District's ("the District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2020. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and 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 the District's major federal program 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 (CFR) 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Board of School Directors
Avon Grove School District

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

Opinion on Major Federal Program

In our opinion, the Avon Grove School District, West Grove, Pennsylvania, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Avon Grove School District, West Grove, Pennsylvania, 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 the District's internal control over compliance.

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

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

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

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

**AVON GROVE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor Project Title	SOURCE CODE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/19	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/20	PASSED THROUGH TO SUB-RECIPIENTS
U.S. Department of Education											
<u>Passed through Pennsylvania Department of Education</u>											
Title I - Grants to Local Education Agencies	I	84.010	013-19-0017	08/24/18-09/30/19	\$ 269,523	\$ 77,007	\$ 58,298	\$ 18,709	\$ 18,709	\$ -	\$ -
Title I - Grants to Local Education Agencies	I	84.010	013-20-0017	08/12/19-09/30/20	230,424	164,589	-	204,845	204,845	40,256	-
Total CFDA #84.010						241,596	58,298	223,554	223,554	40,256	-
Title II - Improving Teacher Quality	I	84.367	020-19-0017	08/24/18-09/30/19	90,301	38,506	24,023	14,483	14,483	-	-
Title II - Improving Teacher Quality	I	84.367	020-20-0017	08/12/19-09/30/20	91,129	51,907	-	62,172	62,172	10,265	-
Total CFDA #84.367						90,413	24,023	76,655	76,655	10,265	-
Title III - Language Inst LEP	I	84.365	010-19-0017	08/24/18-09/30/19	84,742	24,212	11,235	12,977	12,977	-	-
Title III - Language Inst LEP	I	84.365	010-20-0017	08/12/19-09/30/20	77,876	50,063	-	66,203	66,203	16,140	-
Total CFDA #84.365						74,275	11,235	79,180	79,180	16,140	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-19-0017	08/24/18-09/30/19	22,851	16,322	5,616	10,706	10,706	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-20-0017	08/12/19-09/30/20	20,172	11,527	-	11,976	11,976	449	-
Total CFDA #84.424						27,849	5,616	22,682	22,682	449	-
<u>Subgrant from U.S. Department of Education</u>											
<u>Passed through Chester County Intermediate Unit</u>											
IDEA Part B	I	84.027	062-19-0024	07/01/18-09/30/19	515,355	206,142	206,142	-	-	-	-
IDEA Part B	I	84.027	062-20-0024	07/01/19-09/30/20	505,143	303,086	-	505,143	505,143	202,057	-
Total CFDA #84.027						509,228	206,142	505,143	505,143	202,057	-
<u>Passed through Chester County Intermediate Unit</u>											
IDEA Part B 619	I	84.173	131-200024B	07/01/19-09/30/20	1,700	1,700	-	1,700	1,700	-	-
Total CFDA #84.173						1,700	-	1,700	1,700	-	-
Total Special Education Cluster						510,928	206,142	506,843	506,843	202,057	-
Total U.S. Department of Education						945,061	305,314	908,914	908,914	269,167	-
U.S. Department of Agriculture											
<u>Passed through Pennsylvania Department of Agriculture</u>											
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	126,469	-	126,469	126,469	-	-
<u>Passed through Pennsylvania Department of Education</u>											
National School Lunch Program	I	10.555	N/A	07/01/18-06/30/19	N/A	33,049	33,049	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	572,580	-	645,890	645,890	73,310	-
Total CFDA #10.555						732,098	33,049	772,359	772,359	73,310	-
Breakfast Program	I	10.553	N/A	07/01/18-06/30/19	N/A	4,682	4,682	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/19-06/30/20	N/A	111,223	-	157,568	157,568	46,345	-
Total CFDA #10.553						115,905	4,682	157,568	157,568	46,345	-
Total Child Nutrition Cluster						848,003	37,731	929,927	929,927	119,655	-
Total U.S. Department of Agriculture						848,003	37,731	929,927	929,927	119,655	-

Continued on next page.

**AVON GROVE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor Project Title	SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (DEFERRED) REVENUE 07/01/19	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/20	PASSED THROUGH TO SUB- RECIPIENTS
U.S. Department of Health and Human Services											
Passed through Pennsylvania Department of Public Welfare											
Title XIX Medical Assistance Program	I	93.778	N/A	07/01/19-06/30/20	8,372	7,534	6,486	8,372	8,372	7,324	-
Total CFDA #93.778						7,534	6,486	8,372	8,372	7,324	-
Total U.S. Department of Health and Human Services						7,534	6,486	8,372	8,372	7,324	-
Federal Emergency Management Agency											
Passed through Pennsylvania Emergency Management Agency											
Disaster Grants - Public Assistance	I	97.036	N/A	07/01/19-06/30/20	39,033	-	-	39,033	39,033	39,033	-
Total CFDA #97.036						-	-	39,033	39,033	39,033	-
Total Federal Emergency Management Agency						-	-	39,033	39,033	39,033	-
TOTAL FEDERAL AWARDS						\$ 1,800,598	\$ 349,531	\$ 1,886,246	\$ 1,886,246	\$ 435,179	\$ -

Source Code:

I = Indirect Funding

AVON GROVE SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note C. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555 include surplus food consumed by the District during the 2019-2020 fiscal year.

NOTE D ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2020 was \$312,765.

NOTE E INDIRECT COST RATE

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

AVON GROVE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditors' report issued on compliance for major program [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

 Yes X No

Identification of major program:

CFDA Numbers

Name of Federal Program or Cluster

10.553, 10.555

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes No

AVON GROVE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.