



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

AUDIT REPORT

JUNE 30, 2021

AVON GROVE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

November 5, 2021

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, 2021, 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. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation

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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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Avon Grove School District's June 30, 2020 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 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of a Matter

As discussed in Notes 1 and 19 to the financial statements, in 2021, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84. Our opinion is not modified with respect to this matter.

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 18 and the schedule of the District's proportionate share of the net pension liability - PSERS, schedule of District pension contributions - PSERS, schedule of the District's proportionate share of the net OPEB liability - PSERS, schedule of District OPEB contributions - PSERS, and schedule of changes in the net OPEB liability and related ratios - single employer plan on pages 65 through 69 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

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appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on pages 74 and 75 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 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 5, 2021 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, 2021**

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, 2021. 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 17.

FUTURE FINANCING

The District entered into new financings during the 2020 - 2021 fiscal year. The District issued General Obligation Bonds Series A of 2021, Series B of 2021, and Series C of 2021 in March 2021. Series A of 2021 was issued in the amount of \$50,000,000, and provides funds to support the construction of a new high school facility. Series B of 2021 was issued in the amount of \$7,460,000 and provides funds to terminate the District's outstanding interest rate swaps. Series C of 2021 was issued in the amount of \$4,305,000 to refund the General Obligation Bonds Series A of 2012. One additional borrowing is anticipated in the spring of 2022 that will fund the final phase of the District's construction project in an amount that will be determined based on the final costs of the project.

FINANCIAL HIGHLIGHTS

During the summer of 2020, the District began the construction phase of a project to construct a new high school facility. As of June 30, 2021, construction costs incurred during the year totaled \$38,933,553, and related architectural design and construction management costs totaled \$1,140,290. Other costs incurred during the year related to the project, including insurance policies,

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

geotechnical surveys, legal fees, permits and impact fees, and other services, totaled \$2,207,527. The costs of this project were financed from proceeds from the General Obligation Bonds Series of 2018 issued in December 2018 and the General Obligation Bonds Series A of 2021 issued in March of 2021.

During 2020 - 2021, the District also began focusing heavily on its next major capital project, which is the renovation of the existing high school and the conversion of the building into a middle school. Architectural and design services for the building renovation totaled \$679,167 for the year, and in June 2021, the District awarded bids for the renovation totaling \$16,048,601. The selected contractors are expected to begin the renovation work in 2022 after the new high school facility is completed and the existing high school is vacated.

Additionally, the COVID-19 pandemic had a significant financial impact on the District. From the beginning of the mandated shutdown in the spring of 2020 and throughout the following fiscal year, the District acted in a number of strategic ways to ensure that students could receive instruction effectively when they could not attend school in-person, and that buildings could be operated safely for all staff and students during the period of in-person instruction. Staff were placed on special assignments to serve as technology coaches and mentor their peers in virtual instruction techniques, to evaluate and respond to ever-changing guidance on health and safety protocols from a multitude of organizations, and to monitor and assist students to ensure that all students had access to the resources they needed to learn from home. Teachers collectively spent thousands of hours reviewing and revising their in-person curriculum and adapting it to an online environment. Additional custodial staff were contracted to provide disinfection and cleaning services, and the District invested significant funds in personal protective equipment, acrylic glass barriers, disinfecting wipes, hand sanitizer, social distancing tools, and other supplies to mitigate the spread of COVID-19. Hundreds of student Chromebooks and other technology devices were purchased to ensure that students had access to technology resources, and more than 400 mobile hotspots were used throughout the year to provide a stable internet connection for students without home internet access. The District also bolstered its contracted substitute teaching staff by more than 20 positions to ensure classrooms could be sufficiently covered due to teacher absences and vacancies. Overall, the District's 2020 - 2021 COVID-19 response costs totaled \$3,353,285.

To support local education agencies with the heavy financial burden of effectively responding to the pandemic, the federal government issued a number of grants that were distributed through various state and local governments. In total, these grants funded \$1,937,147 of the District's total COVID-19 response costs. The District was also able to strategically utilize funding from its Title I, Title II, and Title IV grants to assist with the curriculum and instructional components of its pandemic response. These Title grants provided an additional \$144,404 of funding.

	COVID-19 Response Costs		
	Locally Funded	Grant Funded	Total 2020 - 2021
Instruction:			
Regular programs	\$ 641,246	\$ 28,845	\$ 670,091
Special programs	1,475	29,889	31,364
Nonpublic programs	-	146	146
Total Instruction	642,721	58,880	701,601

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

(cont'd)	COVID-19 Response Costs		
	Locally Funded	Grant Funded	Total 2020 - 2021
Support services:			
Pupil personnel services	119	133,636	133,755
Instructional staff services	66,128	758,664	824,792
Administrative services	5,111	186,272	191,383
Pupil health	9,974	149,695	159,669
Business services	7,431	-	7,431
Operation and maintenance of plant services	386,142	105,000	491,142
Central support services	151,408	689,404	840,812
Total Support Services	<u>626,313</u>	<u>2,022,671</u>	<u>2,648,984</u>
Operation of noninstructional services:			
Student activities	2,700	-	2,700
Totals	<u>\$ 1,271,734</u>	<u>\$ 2,081,551</u>	<u>\$ 3,353,285</u>

Overall, the District ended the 2020 - 2021 fiscal year with a \$1,521,929 decrease in overall net position. The District's net deficit totaled \$69,099,194 at June 30, 2021. The District's General Fund ended the 2020 - 2021 fiscal year with an increase in fund balance of \$3,424,839. The increase is the result of a number of factors, including stronger than expected tax collections and other revenue sources, and operational savings in student transportation due to the COVID-19 pandemic. Table A-5 will provide more detail to the General Fund budget vs. actual variances. The Capital Projects Fund realized an increase in fund balance of \$16,743,075 due to a bond issuance in March 2021, with proceeds from the bond issue remaining unspent at year end. The receipt of these bond proceeds was offset by a significant increase in capital expenditures as the District entered into the construction phase of the new high school project in the summer of 2020. Overall, expenditures and non-financing related other financing uses in the Capital Projects Fund increased by \$48,050,637, or 1,002 percent, from the prior year.

The 2021 - 2022 budget approved in June 2021 included the appropriation of \$4,827,644 of fund balance, which has been included as a portion of the assigned fund balance. Other assigned fund balance amounts include a reserve for future capital projects (\$3,000,000), future losses from real estate tax appeals (\$1,000,000) and future increases in pupil service costs (\$500,000). The General Fund reported a positive total fund balance at June 30, 2021 of \$23,171,039. The Capital Projects Fund reported a positive total fund balance of \$56,142,462, of which \$1,182,455 is nonspendable and relates to prepaid expenditures, and \$54,960,007 is restricted for capital projects.

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.

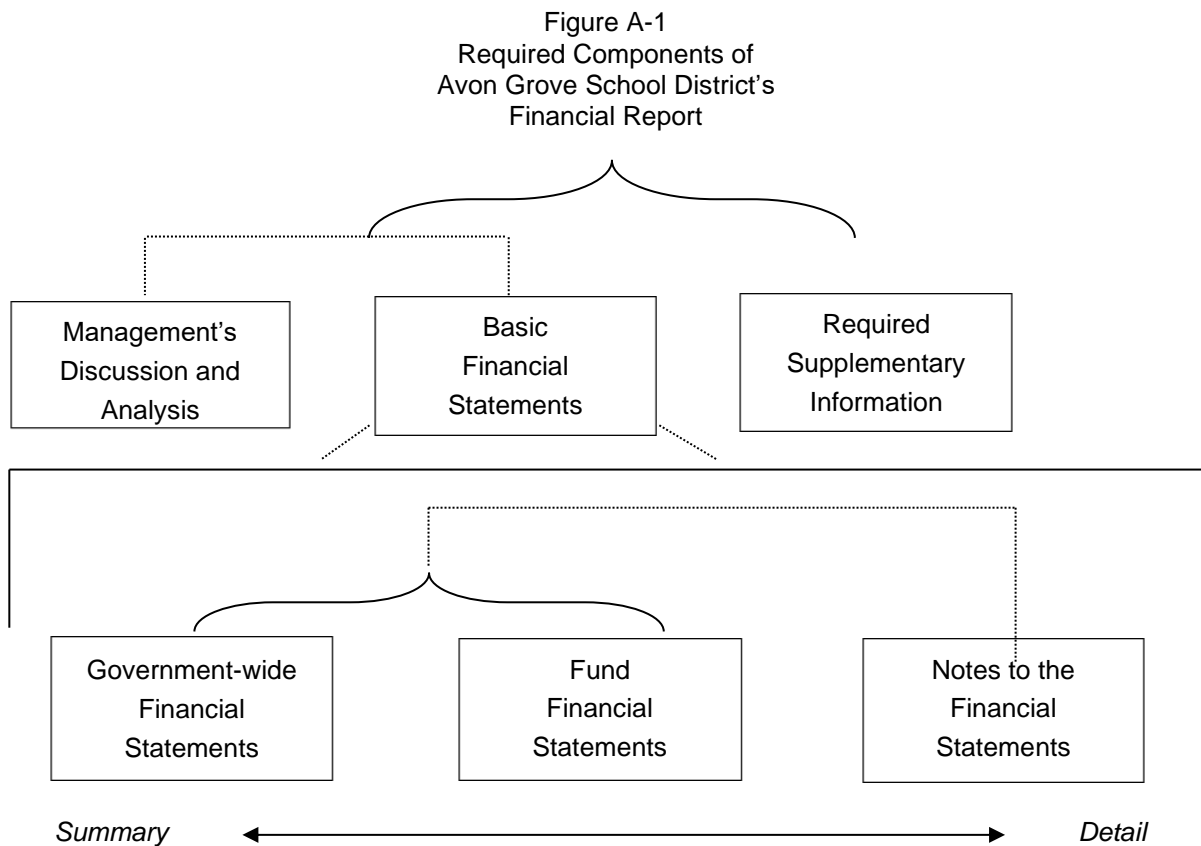
- The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

- 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.
- Custodial 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.

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



**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

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 the MD&A explains the structure and contents of each of the statements.

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	Custodial Funds
Scope	Entire District (except custodial 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 Fiduciary Net Position – Custodial Fund Statement of Changes in Fiduciary Net Position – Custodial fund
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, 2021**

OVERVIEW OF FINANCIAL STATEMENTS

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

During the 2014 - 2015 year, the District implemented Governmental 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 other postemployment benefits ("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 11 years, the PSERS employer contribution rate has risen significantly, from 5.6 percent in 2010 - 2011 to 34.51 percent in 2020 - 2021. 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, 2021**

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, 2021**

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.

- *Custodial 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 2020 - 2021 and 2019 - 2020 follows:

**Table A-1
STATEMENT OF NET POSITION
Fiscal Years Ended June 30, 2021 and June 30, 2020**

	Governmental Activities	Business-type Activities	Totals	
			2021	2020
ASSETS:				
Current and other assets	\$ 103,726,597	\$ 653,842	\$104,380,439	\$ 76,970,446
Capital assets	89,577,527	22,401	89,599,928	48,750,843
TOTAL ASSETS	193,304,124	676,243	193,980,367	125,721,289
Deferred Outflows of Resources	20,950,485	312,339	21,262,824	27,072,420
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 214,254,609	\$ 988,582	\$215,243,191	\$152,793,709
LIABILITIES:				
Current liabilities	\$ 23,227,683	\$ 122,121	\$ 23,349,804	\$ 27,885,821
Long-term liabilities	246,531,053	2,086,030	248,617,083	180,675,219
TOTAL LIABILITIES	269,758,736	2,208,151	271,966,887	208,561,040
Deferred Inflows of Resources	12,259,398	116,100	12,375,498	11,809,934
NET POSITION (DEFICIT):				
Net investment in capital assets	31,566,277	22,401	31,588,678	36,023,397
Restricted	-	-	-	3,228,420
Unrestricted (Deficit)	(99,329,802)	(1,358,070)	(100,687,872)	(106,829,082)
	(67,763,525)	(1,335,669)	(69,099,194)	(67,577,265)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 214,254,609	\$ 988,582	\$215,243,191	\$152,793,709

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

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 Statement No. 68 and 75, respectively. Of the \$271,966,887 in total liabilities, \$138,107,920, or 50.8 percent, is related to the net pension and OPEB liabilities. An amount of \$112,963,702, or 41.5 percent is related to the District's outstanding bonds.

Current assets increased compared to 2019 - 2020 due to higher cash and equivalent and investment balances held at June 30, 2021 compared to the prior year. This increase is attributed largely to the unspent bond proceeds remaining from the District's bond issuance in March 2021. Long-term liabilities increased correspondingly due to this bond issuance.

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, 2021 and 2020**

	June 30, 2021		June 30, 2020	
	Total Services	Net Services	Total Services	Net Services
PROGRAM EXPENSES				
Governmental Activities:				
Instruction	\$ 61,256,796	\$ 48,619,262	\$ 63,366,696	\$ 53,086,959
Instructional student support	9,207,540	7,468,061	8,277,784	6,854,148
Administration	9,266,977	8,320,833	7,976,276	7,035,449
Maintenance	3,150,814	2,922,118	3,455,877	3,255,405
Pupil transportation	4,833,743	2,726,679	5,395,480	3,279,187
Student activities	1,106,982	860,815	1,200,494	889,122
Community services	-	-	54,422	53,905
Scholarships and awards	14,653	14,653	16,825	16,825
Interest and fiscal charges	1,624,922	1,272,464	1,545,720	1,194,511
Swap termination fees	8,616,800	8,616,800	-	-
Total Governmental Activities	<u>99,079,227</u>	<u>80,821,685</u>	<u>91,289,574</u>	<u>75,665,511</u>
Business-type Activities:				
Food service	<u>1,666,338</u>	<u>(971)</u>	<u>2,003,833</u>	<u>121,975</u>
Total Business-type Activities	<u>1,666,338</u>	<u>(971)</u>	<u>2,003,833</u>	<u>121,975</u>
Total Primary Government	<u>\$100,745,565</u>	<u>\$ 80,820,714</u>	<u>\$ 93,293,407</u>	<u>\$ 75,787,486</u>

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

**Table A-3
CHANGES IN NET POSITION
For the Years Ended June 30, 2021 and 2020**

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program Revenues:						
Charges for services	\$ 370,295	\$ 440,493	\$ 88,707	\$ 765,861	\$ 459,002	\$ 1,206,354
Operating grants	17,887,247	15,183,570	1,578,602	1,115,997	19,465,849	16,299,567
Total Program Revenues	<u>18,257,542</u>	<u>15,624,063</u>	<u>1,667,309</u>	<u>1,881,858</u>	<u>19,924,851</u>	<u>17,505,921</u>
General Revenues and Transfers:						
Taxes	60,797,838	57,989,208	-	-	60,797,838	57,989,208
Grants and entitlements	18,158,439	18,158,130	-	-	18,158,439	18,158,130
Investment earnings	156,107	1,242,410	454	5,223	156,561	1,247,633
Miscellaneous	185,947	183,368	-	-	185,947	183,368
Transfers	(1,607)	(1,828)	1,607	1,828	-	-
Total General Revenues and Transfers	<u>79,296,724</u>	<u>77,571,288</u>	<u>2,061</u>	<u>7,051</u>	<u>79,298,785</u>	<u>77,578,339</u>
TOTAL REVENUES	<u>97,554,266</u>	<u>93,195,351</u>	<u>1,669,370</u>	<u>1,888,909</u>	<u>99,223,636</u>	<u>95,084,260</u>
EXPENSES						
Program Services:						
Instruction	61,256,796	63,366,696	-	-	61,256,796	63,366,696
Support Services:						
Instructional staff support	9,207,540	8,277,784	-	-	9,207,540	8,277,784
Administration	9,266,977	7,976,276	-	-	9,266,977	7,976,276
Maintenance	3,150,814	3,455,877	-	-	3,150,814	3,455,877
Pupil transportation	4,833,743	5,395,480	-	-	4,833,743	5,395,480
Student activities	1,106,982	1,200,494	-	-	1,106,982	1,200,494
Community services	-	54,422	-	-	-	54,422
Scholarships and awards	14,653	16,825	-	-	14,653	16,825
Interest/fiscal charges	1,624,922	1,545,720	-	-	1,624,922	1,545,720
Swap termination fees	8,616,800	-	-	-	8,616,800	-
Food service	-	-	1,666,338	2,003,833	1,666,338	2,003,833
TOTAL EXPENSES	<u>99,079,227</u>	<u>91,289,574</u>	<u>1,666,338</u>	<u>2,003,833</u>	<u>100,745,565</u>	<u>93,293,407</u>
CHANGE IN NET POSITION	<u>\$ (1,524,961)</u>	<u>\$ 1,905,777</u>	<u>\$ 3,032</u>	<u>\$ (114,924)</u>	<u>\$ (1,521,929)</u>	<u>\$ 1,790,853</u>

Fund Balances

At June 30, 2021, the District's governmental funds reported a combined fund balance of \$79,313,502, which is an increase of \$20,167,914 from June 30, 2020.

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

General Fund:

The District ended the 2020 - 2021 fiscal year with a fund balance of \$23,171,040 in the General Fund. Of this amount, \$5,998,719 has been committed for future retirement contributions. There is \$9,327,644 assigned for future facilities improvements, balancing the 2021 - 2022 budget, offsetting future losses from real estate tax appeals, and funding increased costs for special education and pupil service functions. An amount of \$17,491 represents prepaid expenditures which are considered non-spendable, and the remaining \$7,827,186 is unassigned.

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, 2021 and 2020**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
General fund	\$ 23,171,040	\$ 19,746,201	\$ 3,424,839
Capital projects fund	<u>56,142,462</u>	<u>39,399,387</u>	<u>16,743,075</u>
Total	<u>\$ 79,313,502</u>	<u>\$ 59,145,588</u>	<u>\$ 20,167,914</u>

General Fund Budget

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

**Table A-5
ANALYSIS OF BUDGET VS. ACTUAL REVENUES AND EXPENDITURES
For the Year Ended June 30, 2021**

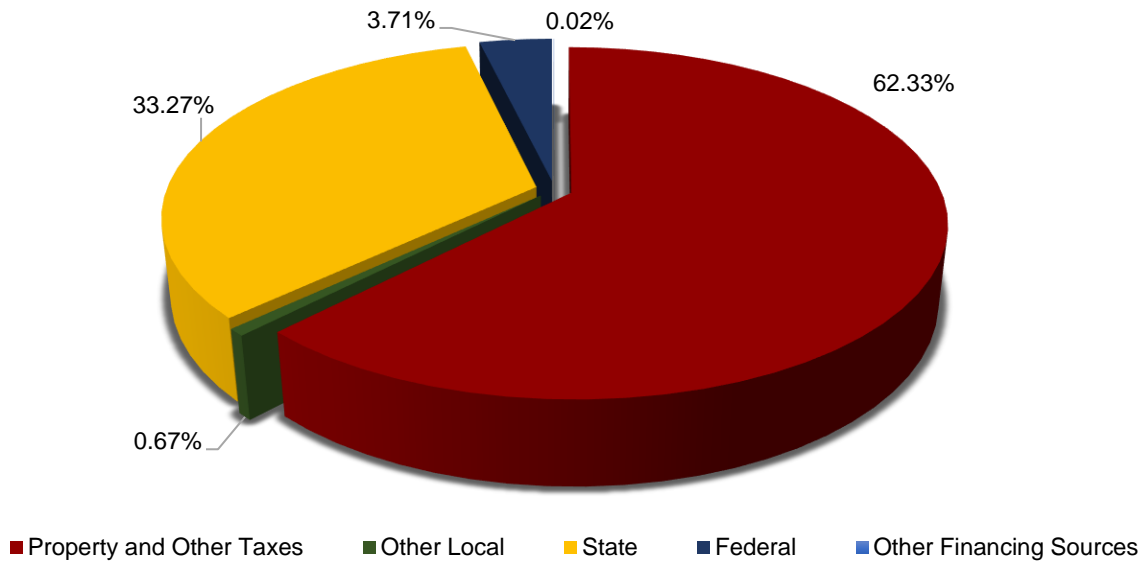
	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES AND PROCEEDS	\$ 93,267,634	\$ 97,687,511	\$ 4,419,877
EXPENDITURES AND TRANSFERS	<u>99,331,571</u>	<u>94,262,672</u>	<u>5,068,899</u>
NET	<u>\$ (6,063,937)</u>	<u>\$ 3,424,839</u>	<u>\$ (9,488,776)</u>

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

**Table A-5
ANALYSIS OF BUDGET VS. ACTUAL REVENUES AND EXPENDITURES
For the Year Ended June 30, 2021**

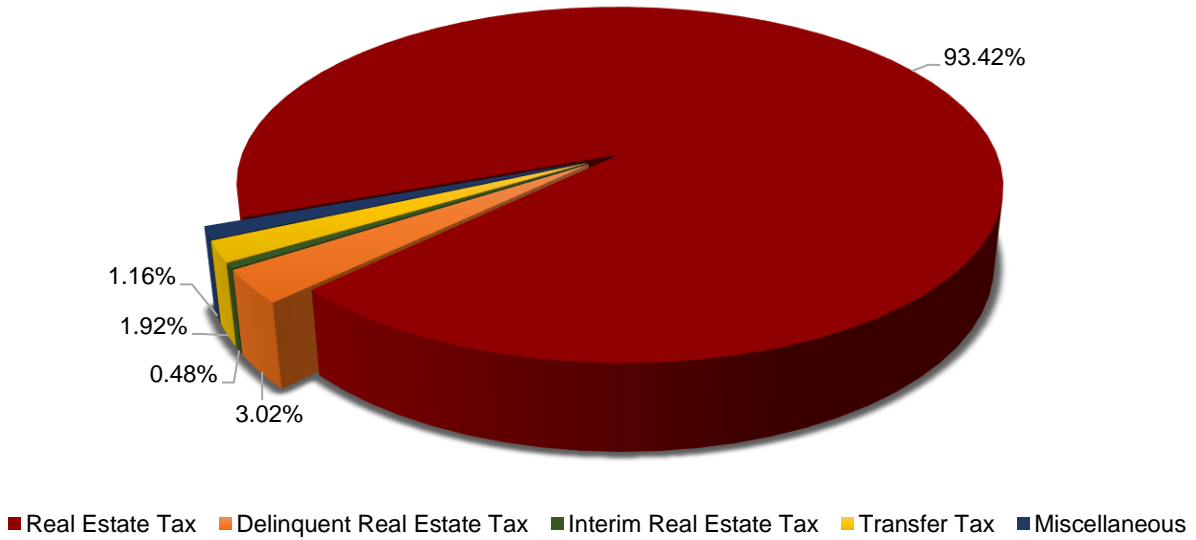
(cont'd)	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Contributing Line Items:			
<u>Revenues and Proceeds</u>			
Local revenue	\$ 60,757,342	\$ 61,543,753	\$ 786,411
State revenue	31,210,152	32,502,390	1,292,238
Federal revenue	1,300,140	3,623,227	2,323,087
Proceeds from asset disposition	-	3,413	3,413
Proceeds from insurance recoveries	-	14,728	14,728
Total	<u>\$ 93,267,634</u>	<u>\$ 97,687,511</u>	<u>\$ 4,419,877</u>
<u>Expenditures and Other Financing Uses</u>			
Salaries	\$ 33,879,001	\$ 33,478,246	\$ 400,755
Benefits	22,376,548	21,962,072	414,476
Professional services	9,286,441	9,166,955	119,486
Repair/maintenance/rental	2,016,895	2,208,397	(191,502)
Transportation/insurance/tuition	19,355,682	16,470,101	2,885,581
Supplies/books/software/fuel	2,789,355	2,502,262	287,093
Capital purchases	-	651,014	(651,014)
Bond interest/dues/fees	5,330,649	2,524,023	2,806,626
Bond principal/transfers	4,297,000	5,299,602	(1,002,602)
Total	<u>\$ 99,331,571</u>	<u>\$ 94,262,672</u>	<u>\$ 5,068,899</u>

The chart below demonstrates the breakdown of the 2020 - 2021 General Fund revenues.

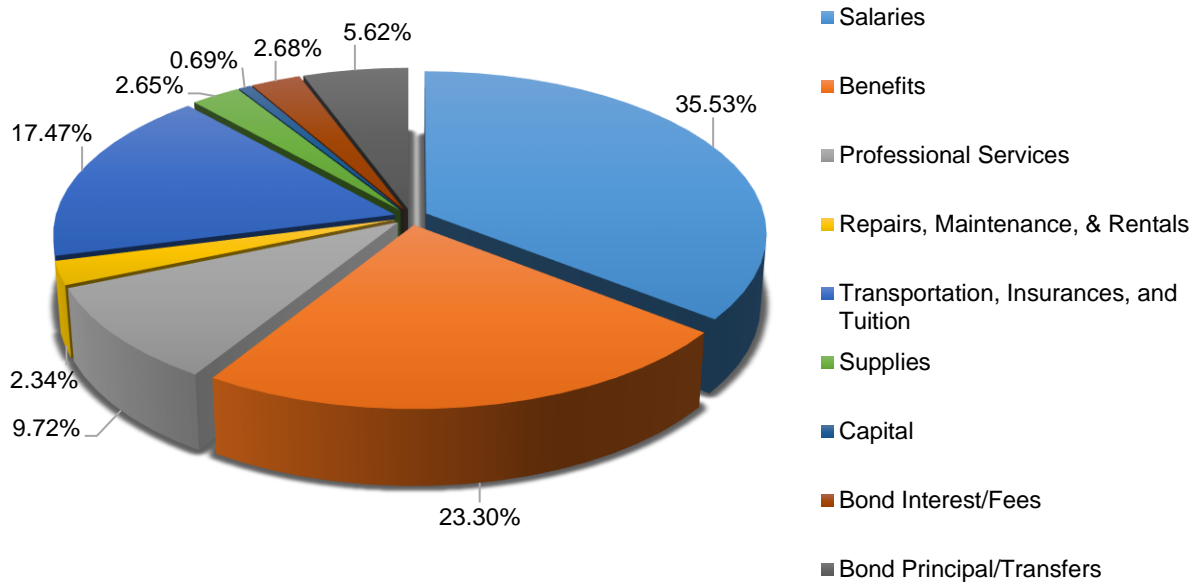


**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

The chart below demonstrates the breakdown of the 2020 - 2021 local revenues.



The chart below demonstrates the breakdown of the 2020 - 2021 General Fund expenditures.



**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

Food Service Fund:

Food service fund revenues exceeded expenses by \$3,032.

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2021, the District had \$89,577,527 in governmental activities and \$22,401 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 \$40,856,341 from governmental activities and a net decrease of \$7,256 from business-type activities from June 30, 2020.

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

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Capital Assets Not Being Depreciated						
Land	\$ 11,035,789	\$ 11,035,789	\$ -	\$ -	\$ 11,035,789	\$ 11,035,789
Construction-in-progress	47,575,322	4,592,682	-	-	47,575,322	4,592,682
Total Capital Assets Not Being Depreciated	<u>58,611,111</u>	<u>15,628,471</u>	<u>-</u>	<u>-</u>	<u>58,611,111</u>	<u>15,628,471</u>
Capital Assets Being Depreciated						
Buildings and improvements, net of depreciation	27,541,386	29,689,935	-	-	27,541,386	29,689,935
Furniture and equipment, net of depreciation	3,425,030	3,402,780	22,401	29,657	3,447,431	3,432,437
Total Capital Assets Being Depreciated, Net	<u>30,966,416</u>	<u>33,092,715</u>	<u>22,401</u>	<u>29,657</u>	<u>30,988,817</u>	<u>33,122,372</u>
Total Assets, Net	<u>\$ 89,577,527</u>	<u>\$ 48,721,186</u>	<u>\$ 22,401</u>	<u>\$ 29,657</u>	<u>\$ 89,599,928</u>	<u>\$ 48,750,843</u>

Debt Administration

Bond Obligations – As of June 30, 2021, the District has outstanding bond obligations of \$112,963,702. During the year, \$7,720,000 of principal payments were made on the existing bond obligations, including \$4,620,000 of principal on the GOB Series A of 2012 that was refunded by the issuance of the GOB Series C of 2021. The total par value of the GOB Series 2021 bonds issued in March 2021 was \$61,765,000, of which \$50,000,000 (Series A of 2021) was issued to provide funds for the high school construction project, \$7,460,000 (Series B of 2021) was issued to terminate the District's outstanding interest rate swaps, and \$4,305,000 (Series C of 2021) was issued to refund the GOB Series A of 2012.

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2021**

Other obligations include accrued vacation pay and sick leave for specific employees of the District amounting to \$1,786,683. 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.

Act 1 of 2006 provides for the District to limit budget increases to an established 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 2021 - 2022 fiscal year has been established at 4.0 percent. This index legislatively restricts the District's ability to increase revenues.

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 either through 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, 2021
(With Summarized Comparative Data for June 30, 2020)

	Governmental Activities	Business-type Activities	Totals	
			2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 13,554,837	\$ 121,749	\$ 13,676,586	\$ 4,127,904
Investments	83,359,567	110,067	83,469,634	68,266,813
Taxes receivable, net of allowance	1,324,013	-	1,324,013	1,432,126
Due from other governments	4,104,159	272,571	4,376,730	2,761,116
Internal balances	(72,371)	72,371	-	-
Other receivables	94,446	9,605	104,051	79,551
Inventories	-	67,479	67,479	66,776
Prepaid expenses	1,199,946	-	1,199,946	74,160
Other current assets	162,000	-	162,000	162,000
Land	11,035,789	-	11,035,789	11,035,789
Construction in progress	47,575,322	-	47,575,322	4,592,682
Buildings and improvements, net	27,541,386	-	27,541,386	29,689,935
Furniture and equipment, net	3,425,030	22,401	3,447,431	3,432,437
TOTAL ASSETS	193,304,124	676,243	193,980,367	125,721,289
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred pension and other postemployment benefit contributions	11,983,953	200,902	12,184,855	11,851,686
Deferred outflows - pension and other postemployment benefits	8,966,532	111,437	9,077,969	3,413,339
Deferred outflow - interest rate swap	-	-	-	11,807,395
TOTAL DEFERRED OUTFLOWS OF RESOURCES	20,950,485	312,339	21,262,824	27,072,420
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$214,254,609	\$ 988,582	\$215,243,191	\$152,793,709
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 3,643,043	\$ 9,483	\$ 3,652,526	\$ 2,264,578
Accrued salaries, payroll withholdings, and benefits	8,768,081	37,227	8,805,308	8,300,298
Accrued interest payable	497,065	-	497,065	244,329
Construction retainage payable	3,909,564	-	3,909,564	16,209
Contractor funds held in escrow	250,034	-	250,034	250,009
Unearned revenues	1,779,132	74,729	1,853,861	1,416,281
Other liabilities	120,866	-	120,866	75,394
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable, net	4,168,152	-	4,168,152	3,418,477
Capital lease payable	12,071	-	12,071	11,554
Accumulated compensated absences	79,675	682	80,357	81,297
Derivative instrument - interest rate swap	-	-	-	11,807,395
Portion due or payable after one year:				
Bonds payable, net	108,795,550	-	108,795,550	46,113,979
Capital lease payable	7,287	-	7,287	19,358
Accumulated compensated absences	1,657,561	48,765	1,706,326	1,643,474
Net other postemployment benefits liability	25,215,216	85,704	25,300,920	21,789,408
Net pension liability	110,855,439	1,951,561	112,807,000	111,109,000
TOTAL LIABILITIES	269,758,736	2,208,151	271,966,887	208,561,040
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows - pension and other postemployment benefits	12,225,898	116,100	12,341,998	11,742,933
Deferred amounts on bond refunding	33,500	-	33,500	67,001
TOTAL DEFERRED INFLOWS OF RESOURCES	12,259,398	116,100	12,375,498	11,809,934
NET POSITION (DEFICIT):				
Net investment in capital assets	31,566,277	22,401	31,588,678	36,023,397
Restricted for capital projects	-	-	-	3,228,420
Unrestricted (Deficit)	(99,329,802)	(1,358,070)	(100,687,872)	(106,829,082)
TOTAL NET DEFICIT	(67,763,525)	(1,335,669)	(69,099,194)	(67,577,265)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$214,254,609	\$ 988,582	\$215,243,191	\$152,793,709

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

**AVON GROVE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Comparative Data for the Year Ended June 30, 2020)**

	Program Revenues			Net Revenue (Expense) and Changes in Net Deficit				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2021	2020
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 61,256,796	\$ 231,229	\$ 12,406,305	\$ -	\$ (48,619,262)	\$ -	\$ (48,619,262)	\$ (53,086,959)
Instructional student support	9,207,540	-	1,739,479	-	(7,468,061)	-	(7,468,061)	(6,854,148)
Administrative and financial support services	9,266,977	-	946,144	-	(8,320,833)	-	(8,320,833)	(7,035,449)
Operation and maintenance of plant services	3,150,814	30,564	198,132	-	(2,922,118)	-	(2,922,118)	(3,255,405)
Pupil transportation	4,833,743	-	2,107,064	-	(2,726,679)	-	(2,726,679)	(3,279,187)
Student activities	1,106,982	108,502	137,665	-	(860,815)	-	(860,815)	(889,122)
Community services	-	-	-	-	-	-	-	(53,905)
Scholarships and awards	14,653	-	-	-	(14,653)	-	(14,653)	(16,825)
Interest on long-term debt	1,624,922	-	352,458	-	(1,272,464)	-	(1,272,464)	(1,194,511)
Swap termination fees	8,616,800	-	-	-	(8,616,800)	-	(8,616,800)	-
TOTAL GOVERNMENTAL ACTIVITIES	99,079,227	370,295	17,887,247	-	(80,821,685)	-	(80,821,685)	(75,665,511)
BUSINESS-TYPE ACTIVITIES:								
Food service	1,666,338	88,707	1,578,602	-	-	971	971	(121,975)
TOTAL BUSINESS-TYPE ACTIVITIES	1,666,338	88,707	1,578,602	-	-	971	971	(121,975)
TOTAL PRIMARY GOVERNMENT	\$100,745,565	\$ 459,002	\$ 19,465,849	\$ -	(80,821,685)	971	(80,820,714)	(75,787,486)
GENERAL REVENUES AND TRANSFERS								
Property taxes levied for general purposes					59,563,437	-	59,563,437	57,123,062
Taxes levied for specific purposes					1,234,401	-	1,234,401	866,146
Grants and entitlements not restricted to specific programs					18,158,439	-	18,158,439	18,158,130
Investment earnings					156,107	454	156,561	1,247,633
Miscellaneous					185,947	-	185,947	183,368
Transfers					(1,607)	1,607	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					79,296,724	2,061	79,298,785	77,578,339
CHANGE IN NET POSITION					(1,524,961)	3,032	(1,521,929)	1,790,853
NET DEFICIT, BEGINNING OF YEAR					(66,238,564)	(1,338,701)	(67,577,265)	(69,368,118)
NET DEFICIT, END OF YEAR					\$ (67,763,525)	\$ (1,335,669)	\$ (69,099,194)	\$ (67,577,265)

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

**AVON GROVE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021
(With Summarized Comparative Data for June 30, 2020)**

	General Fund	Capital Projects Fund	Totals	
			2021	2020
ASSETS				
Cash and cash equivalents	\$ 13,554,837	\$ -	\$ 13,554,837	\$ 3,879,287
Investments	22,708,411	58,492,119	81,200,530	66,260,512
Taxes receivable, net of allowance	1,324,013	-	1,324,013	1,432,126
Due from other funds	-	1,023,429	1,023,429	87,822
Due from other governments	4,104,159	-	4,104,159	2,636,660
Other receivables	53,296	41,150	94,446	66,250
Prepaid expenditures	17,491	1,182,455	1,199,946	74,160
TOTAL ASSETS	\$ 41,762,207	\$ 60,739,153	\$ 102,501,360	\$ 74,436,817
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 2,567,365	\$ 437,093	\$ 3,004,458	\$ 1,654,449
Accrued salaries, payroll withholdings, and benefits	8,768,081	-	8,768,081	8,290,210
Accumulated compensated absences	79,675	-	79,675	79,548
Construction retainage payable	-	3,909,564	3,909,564	16,209
Contractor funds held in escrow	-	250,034	250,034	250,009
Due to other funds	4,251,394	-	4,251,394	2,366,375
Other liabilities	120,866	-	120,866	75,394
Unearned revenues	1,779,132	-	1,779,132	1,334,779
TOTAL LIABILITIES	17,566,513	4,596,691	22,163,204	14,066,973
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues - delinquent taxes	1,024,654	-	1,024,654	1,112,278
Unavailable revenues - state sources	-	-	-	111,978
TOTAL DEFERRED INFLOWS OF RESOURCES	1,024,654	-	1,024,654	1,224,256
FUND BALANCES:				
Nonspendable	17,491	1,182,455	1,199,946	74,160
Restricted for capital projects	-	54,960,007	54,960,007	39,359,209
Committed for future retirement contributions	5,998,719	-	5,998,719	5,998,719
Assigned	9,327,644	-	9,327,644	7,124,988
Unassigned	7,827,186	-	7,827,186	6,588,512
TOTAL FUND BALANCES	23,171,040	56,142,462	79,313,502	59,145,588
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 41,762,207	\$ 60,739,153	\$ 102,501,360	\$ 74,436,817

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, 2021**

TOTAL GOVERNMENTAL FUND BALANCES \$ 79,313,502

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	47,575,322	
Buildings and improvements	27,541,386	
Furniture and equipment	<u>3,425,030</u>	89,577,527

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	(112,963,702)	
Capital lease payable	(19,358)	
Accumulated compensated absences	(1,657,561)	
Accrued interest payable	(497,065)	
Net other postemployment benefits liability	(25,215,216)	
Net pension liability	<u>(110,855,439)</u>	(251,208,341)

Internal service funds that serve the governmental activities of the District are reported as proprietary funds at the fund level, but governmental activities at the entity-wide level. 4,838,046

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. 1,024,654

Refunded debt resulted in deferred inflows of resources which will be amortized over the life of new debt but do not represent current rights. (33,500)

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	11,983,953	
Deferred outflows - pension and other postemployment benefits	8,966,532	
Deferred inflows of resources:		
Deferred inflows - pension and other postemployment benefits	<u>(12,225,898)</u>	<u>8,724,587</u>

NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$ (67,763,525)

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, 2021
(With Summarized Comparative Data for the Year Ended June 30, 2020)

	Major Funds		Totals	
	General Fund	Capital Projects Fund	2021	2020
REVENUES				
Local sources	\$ 61,543,753	\$ 25,368	\$ 61,569,121	\$ 59,712,812
State sources	32,502,390	-	32,502,390	31,898,836
Federal sources	3,623,227	-	3,623,227	1,269,084
TOTAL REVENUES	97,669,370	25,368	97,694,738	92,880,732
EXPENDITURES				
Current:				
Instruction	59,222,770	-	59,222,770	59,156,296
Support services	26,401,616	2,126,910	28,528,526	25,067,003
Operation of noninstructional services	1,109,221	-	1,109,221	1,223,082
Capital outlays	-	42,132,595	42,132,595	3,310,212
Debt service	5,329,308	-	5,329,308	4,912,085
TOTAL EXPENDITURES	92,062,915	44,259,505	136,322,420	93,668,678
DEFICIENCY OF REVENUES UNDER EXPENDITURES	5,606,455	(44,234,137)	(38,627,682)	(787,946)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	-	61,765,000	61,765,000	-
Bond premiums	-	10,780,105	10,780,105	-
Bond discounts	-	(540,444)	(540,444)	-
Payment of debt - refunding	-	(4,649,794)	(4,649,794)	-
Proceeds from swap issuance	-	-	-	126,100
Swap termination fees	-	(8,616,800)	(8,616,800)	-
Transfers in	-	2,197,995	2,197,995	1,977,200
Transfers out	(2,199,602)	-	(2,199,602)	(1,979,028)
Proceeds from asset disposition	3,413	-	3,413	417
Proceeds from insurance recoveries	14,728	41,150	55,878	-
Refunds of prior year revenues	(155)	-	(155)	(152)
TOTAL OTHER FINANCING SOURCES (USES)	(2,181,616)	60,977,212	58,795,596	124,537
NET CHANGE IN FUND BALANCES	3,424,839	16,743,075	20,167,914	(663,409)
FUND BALANCES, BEGINNING OF YEAR	19,746,201	39,399,387	59,145,588	59,808,997
FUND BALANCES, END OF YEAR	<u>\$ 23,171,040</u>	<u>\$ 56,142,462</u>	<u>\$ 79,313,502</u>	<u>\$ 59,145,588</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, 2021**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 20,167,914
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 (\$44,566,315) exceeded depreciation expense (\$3,709,974).	40,856,341
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 decreased by this amount this year.	(199,602)
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.	(63,419,692)
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.	33,501
In the statement of activities, compensated absences (vacation 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 less than current period compensated absences earned.	(57,502)
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.	1,168,656
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.	(252,736)
Pension and OPEB expense in the statement of activities differ 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 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.	<u>178,159</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,524,961)</u>

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, 2021**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final Budget		
REVENUES				
Local sources	\$ 60,757,342	\$ 60,757,342	\$ 61,543,753	\$ 786,411
State sources	31,210,152	31,210,152	32,502,390	1,292,238
Federal sources	1,300,140	1,300,140	3,623,227	2,323,087
TOTAL REVENUES	<u>93,267,634</u>	<u>93,267,634</u>	<u>97,669,370</u>	<u>4,401,736</u>
EXPENDITURES				
Instruction:				
Regular programs	44,843,156	44,771,182	42,828,989	1,942,193
Special programs	14,219,962	14,181,620	13,637,450	544,170
Vocational programs	2,715,777	2,717,427	2,717,427	-
Other instructional programs	88,036	99,497	36,347	63,150
Nonpublic programs	6,000	6,000	2,557	3,443
Total Instruction	<u>61,872,931</u>	<u>61,775,726</u>	<u>59,222,770</u>	<u>2,552,956</u>
Support services:				
Pupil personnel services	4,610,302	4,804,466	4,701,162	103,304
Instructional staff services	2,940,923	3,427,423	3,366,665	60,758
Administrative services	4,570,026	4,450,963	4,419,756	31,207
Pupil health	988,678	1,050,011	1,039,210	10,801
Business services	931,577	941,091	907,731	33,360
Operation and maintenance of plant services	3,951,992	4,345,657	4,276,423	69,234
Student transportation services	6,617,867	4,804,416	4,799,676	4,740
Central support services	2,111,150	2,795,491	2,751,318	44,173
Other support services	216,078	140,162	139,675	487
Total Support Services	<u>26,938,593</u>	<u>26,759,680</u>	<u>26,401,616</u>	<u>358,064</u>
Operation of noninstructional services:				
Student activities	1,361,473	1,289,199	1,094,568	194,631
Community services	75,400	400	-	400
Scholarships and awards	17,500	17,500	14,653	2,847
Total Operation of Noninstructional Services	<u>1,454,373</u>	<u>1,307,099</u>	<u>1,109,221</u>	<u>197,878</u>
Debt service	5,913,674	5,329,309	5,329,308	1
TOTAL EXPENDITURES	<u>96,179,571</u>	<u>95,171,814</u>	<u>92,062,915</u>	<u>3,108,899</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,911,937)</u>	<u>(1,904,180)</u>	<u>5,606,455</u>	<u>7,510,635</u>
OTHER FINANCING USES				
Transfer to other funds	(1,192,000)	(2,199,602)	(2,199,602)	-
Proceeds from asset disposition	-	-	3,413	3,413
Proceeds from insurance recoveries	-	-	14,728	14,728
Refund of prior year revenue	-	(155)	(155)	-
Budgetary reserve	(1,960,000)	(1,960,000)	-	1,960,000
TOTAL OTHER FINANCING USES	<u>(3,152,000)</u>	<u>(4,159,757)</u>	<u>(2,181,616)</u>	<u>1,978,141</u>
NET CHANGE IN FUND BALANCE	(6,063,937)	(6,063,937)	3,424,839	9,488,776
FUND BALANCE, BEGINNING OF YEAR	<u>19,746,201</u>	<u>19,746,201</u>	<u>19,746,201</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 13,682,264</u>	<u>\$ 13,682,264</u>	<u>\$ 23,171,040</u>	<u>\$ 9,488,776</u>

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

**AVON GROVE SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2021 AND 2020**

	Food Service Fund		Internal Service Fund	
	2021	2020	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 121,749	\$ 248,617	\$ -	\$ -
Investments	110,067	294,680	2,159,037	1,711,621
Due from other funds	72,371	-	3,155,594	2,366,375
Due from other governments	272,571	124,456	-	-
Other receivables	9,605	13,301	-	-
Inventories	67,479	66,776	-	-
Other assets	-	-	162,000	162,000
Total Current Assets	653,842	747,830	5,476,631	4,239,996
PROPERTY AND EQUIPMENT:				
Furniture and equipment	119,461	119,461	-	-
Accumulated depreciation	(97,060)	(89,804)	-	-
Net Property and Equipment	22,401	29,657	-	-
TOTAL ASSETS	676,243	777,487	5,476,631	4,239,996
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred pension and other postemployment benefit contributions	200,902	195,218	-	-
Deferred outflows - pension and other postemployment benefits	111,437	58,392	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	312,339	253,610	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 988,582	\$ 1,031,097	\$ 5,476,631	\$ 4,239,996
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ 9,483	\$ 39,523	\$ 638,585	\$ 570,606
Accrued salaries, payroll withholdings, and benefits	37,227	10,088	-	-
Due to other funds	-	87,822	-	-
Accumulated compensated absences	682	1,749	-	-
Unearned revenues	74,729	81,502	-	-
Long-term liabilities				
Portion due or payable after one year:				
Accumulated compensated absences	48,765	43,288	-	-
Net other postemployments liability	85,704	87,382	-	-
Net pension liability	1,951,561	1,922,186	-	-
TOTAL LIABILITIES	2,208,151	2,273,540	638,585	570,606
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows - pension and other postemployment benefits	116,100	96,258	-	-
NET POSITION (DEFICIT):				
Investment in capital assets	22,401	29,657	-	-
Unrestricted (Deficit)	(1,358,070)	(1,368,358)	4,838,046	3,669,390
Total Net Position (Deficit)	(1,335,669)	(1,338,701)	4,838,046	3,669,390
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 988,582	\$ 1,031,097	\$ 5,476,631	\$ 4,239,996

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, 2021 AND 2020

	Food Service Fund		Internal Service Fund	
	2021	2020	2021	2020
OPERATING REVENUES				
Food service revenues	\$ 88,707	\$ 765,861	\$ -	\$ -
Charges for health insurance	-	-	6,539,219	6,473,773
Total Operating Revenues	<u>88,707</u>	<u>765,861</u>	<u>6,539,219</u>	<u>6,473,773</u>
OPERATING EXPENSES				
Salaries	580,234	608,215	-	-
Employee benefits	421,402	449,490	5,372,009	6,350,019
Purchased professional and technical services	17,221	27,651	-	-
Other operating expenses	4,613	6,115	-	-
Supplies	635,612	904,128	-	-
Depreciation	7,256	8,234	-	-
Total Operating Expenses	<u>1,666,338</u>	<u>2,003,833</u>	<u>5,372,009</u>	<u>6,350,019</u>
OPERATING (LOSS) INCOME	<u>(1,577,631)</u>	<u>(1,237,972)</u>	<u>1,167,210</u>	<u>123,754</u>
NONOPERATING REVENUES				
Earnings on investments	454	5,223	1,446	45,636
Contributions and donations	32,136	11,420	-	-
State sources	152,509	174,650	-	-
Federal sources	1,393,957	929,927	-	-
Total Nonoperating Revenues	<u>1,579,056</u>	<u>1,121,220</u>	<u>1,446</u>	<u>45,636</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	1,425	(116,752)	1,168,656	169,390
Transfers in	<u>1,607</u>	<u>1,828</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	3,032	(114,924)	1,168,656	169,390
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(1,338,701)</u>	<u>(1,223,777)</u>	<u>3,669,390</u>	<u>3,500,000</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ (1,335,669)</u>	<u>\$ (1,338,701)</u>	<u>\$ 4,838,046</u>	<u>\$ 3,669,390</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, 2021 AND 2020**

	Food Service Fund		Internal Service Fund	
	2021	2020	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 85,630	\$ 802,700	\$ 5,750,000	\$ 4,800,000
Payments to suppliers	(554,648)	(782,493)	(5,304,030)	(6,383,430)
Payments to employees	(1,141,470)	(916,043)	-	-
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(1,610,488)	(895,836)	445,970	(1,583,430)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State sources	153,387	172,515	-	-
Federal sources	1,111,423	721,534	-	-
Donations and contributions	32,136	11,420	-	-
Transfers in	1,607	1,828	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,298,553	907,297	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Earnings on investments	454	5,223	1,446	45,636
(Purchase) Sale of investments	184,613	(5,223)	(447,416)	1,537,794
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	185,067	-	(445,970)	1,583,430
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(126,868)	11,461	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	248,617	237,156	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 121,749	\$ 248,617	\$ -	\$ -
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES:				
Operating (loss) income	\$ (1,577,631)	\$ (1,237,972)	\$ 1,167,210	\$ 123,754
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities:				
Depreciation	7,256	8,234	-	-
Donated commodities	133,541	126,469	-	-
Decrease (Increase) in:				
Due from other funds	(72,371)	33,027	(789,219)	(1,673,773)
Other receivables	3,696	5,122	-	-
Inventories	(703)	(7,813)	-	-
Deferred outflows - pension and OPEB contributions	(5,684)	(5,660)	-	-
Deferred outflows - pension and OPEB	(53,045)	49,977	-	-
Increase (Decrease) in:				
Accounts payable	(30,040)	36,745	67,979	(33,411)
Accrued salaries, payroll withholdings, and benefits	27,139	(7,519)	-	-
Due to other funds	(87,822)	87,822	-	-
Unearned revenues	(6,773)	31,717	-	-
Compensated absences	4,410	6,175	-	-
Net other postemployment benefits liability	(1,678)	1,643	-	-
Net pension liability	29,375	(51,882)	-	-
Deferred inflows - pension and OPEB	19,842	28,079	-	-
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	\$ (1,610,488)	\$ (895,836)	\$ 445,970	\$ (1,583,430)
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity:				
USDA donated commodities	\$ 133,541	\$ 126,469	\$ -	\$ -

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

**AVON GROVE SCHOOL DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION - CUSTODIAL FUND
JUNE 30, 2021 AND 2020**

	<u>2021</u>	<u>2020 (Restated)</u>
ASSETS:		
Cash	\$ 152,139	\$ 164,343
Accounts receivable	<u>1,447</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 153,586</u>	<u>\$ 164,343</u>
LIABILITIES AND NET POSITION:		
LIABILITIES		
Accounts payable	<u>\$ 1,982</u>	<u>\$ 569</u>
TOTAL LIABILITIES	<u>1,982</u>	<u>569</u>
NET POSITION	<u>151,604</u>	<u>163,774</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 153,586</u>	<u>\$ 164,343</u>

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

**AVON GROVE SCHOOL DISTRICT
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUND
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020 (Restated)
ADDITIONS		
Membership dues and other student fees	\$ 285	\$ -
Fundraising activities	43,372	72,793
Contributions and donations	1,250	150
TOTAL ADDITIONS	\$ 44,907	\$ 72,943
 DEDUCTIONS		
Facilities rentals for student events	\$ 22,175	\$ 3,122
Equipment rentals for student events	600	-
Contracted services	2,145	50,708
Student club supplies and materials	8,408	648
Student event meals and refreshments	1,036	3,174
National association membership dues and registrations	412	335
Charitable donations	1,756	1,707
Student club field trips and registrations	31	15,576
Transfers to other funds	20,514	-
TOTAL DEDUCTIONS	57,077	75,270
NET DECREASE IN FIDUCIARY NET POSITION	(12,170)	(2,327)
FIDUCIARY NET POSITION - BEGINNING BALANCE	163,774	166,101
FIDUCIARY NET POSITION - ENDING BALANCE	\$ 151,604	\$ 163,774

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 goods in connection with the proprietary fund's principal ongoing operations. The District

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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.

Custodial Fund

Custodial 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 custodial fund using the economic resources measurement focus. The custodial fund accounts for funds held on behalf of students of the District.

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."

Taxes receivable are presented net of allowances for estimated uncollectibles of \$28,292. The allowance for uncollectible accounts is based upon historical data established according to

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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 - September 30	-	Discount period, 2% of gross levy
October 1 - November 30	-	Face period
December 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 2020 - 2021 was 32.71 mills (\$32.71 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, 2020, 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.

Implementation of GASB Statement

During the year ended June 30, 2021, the District implemented GASB Statement No. 84, "Fiduciary Activities." GASB Statement No. 84 provides guidance regarding the identification of fiduciary activities and the financial reporting for those activities. It requires that state and local

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

governments classify fiduciary activities based on a number of criteria, including the level of control the government has over the fiduciary assets, whether the fiduciary assets are derived from the government's own-source revenues or from non-exchange transactions, the level of administrative involvement the government has with the fiduciary activities, and whether the assets are held in a trust or are for the benefit of an entity that is not part of the financial reporting entity.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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 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.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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, 2021, the carrying amount of the District's deposits was \$13,828,725, and the bank balance was \$14,958,736. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$14,708,736 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.

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, 2021 was \$83,469,634. Of the investments, \$4,694,000 is invested in non-negotiable certificates of deposits with maturities of less than one year, and \$1,998,630 is invested in U.S. Treasury Bills with maturities of less than one year. The remaining \$76,777,004 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.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

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, 2021, 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.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 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>4,592,682</u>	<u>42,982,640</u>	<u>-</u>	<u>47,575,322</u>
Total Capital Assets Not Being Depreciated	<u>15,628,471</u>	<u>42,982,640</u>	<u>-</u>	<u>58,611,111</u>
Capital assets being depreciated:				
Buildings and improvements	83,814,156	300,984	-	84,115,140
Furniture and equipment	<u>9,826,345</u>	<u>1,282,691</u>	<u>51,066</u>	<u>11,057,970</u>
Total Capital Assets Being Depreciated	<u>93,640,501</u>	<u>1,583,675</u>	<u>51,066</u>	<u>95,173,110</u>
Less accumulated depreciation for:				
Buildings and improvements	54,124,221	2,449,533	-	56,573,754
Furniture and equipment	<u>6,423,565</u>	<u>1,260,441</u>	<u>51,066</u>	<u>7,632,940</u>
Total accumulated depreciation	<u>60,547,786</u>	<u>3,709,974</u>	<u>51,066</u>	<u>64,206,694</u>
Total Capital Assets Being Depreciated, Net	<u>33,092,715</u>	<u>(2,126,299)</u>	<u>-</u>	<u>30,966,416</u>
Governmental Activities Assets, Net	<u>\$48,721,186</u>	<u>\$40,856,341</u>	<u>\$ -</u>	<u>\$89,577,527</u>
<u>Business-type Activities</u>				
Capital assets being depreciated:				
Furniture and equipment	\$ 119,461	\$ -	\$ -	\$ 119,461
Less accumulated depreciation	<u>89,804</u>	<u>7,256</u>	<u>-</u>	<u>97,060</u>
Business-type Capital Assets, Net	<u>\$ 29,657</u>	<u>\$ (7,256)</u>	<u>\$ -</u>	<u>\$ 22,401</u>

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

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

Governmental Activities:

Instruction	\$ 2,895,531
Instructional student support	251,438
Administrative and financial support services	282,202
Operation and maintenance of plant services	118,068
Pupil transportation	132,515
Student activities	<u>30,220</u>

Total Depreciation Expense - Governmental Activities \$ 3,709,974

Business-type Activities:

Food Service	<u>\$ 7,256</u>
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NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2021 is as follows:

Receivable To	Amount	Payable From	Amount
Food Service Fund	\$ 72,371	General Fund	\$ 72,371
Capital Projects Fund	1,023,429	General Fund	1,023,429
Internal Service Fund	<u>3,155,594</u>	General Fund	<u>3,155,594</u>
	<u>\$ 4,251,394</u>		<u>\$ 4,251,394</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 \$2,197,995 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 \$1,607 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, 2021:

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due In One Year
Bonds payable, net	\$ 49,532,456	\$ 72,004,661	\$ 8,573,415	\$112,963,702	\$ 4,168,152
Capital lease payable	30,912	-	11,554	19,358	12,071
Accumulated compensated absences	1,679,734	57,502	-	1,737,236	79,675
Derivative instrument - interest rate swap	11,807,395	-	11,807,395	-	-
Net OPEB liability	21,702,026	3,513,190	-	25,215,216	-
Net pension liability	109,186,814	1,668,625	-	110,855,439	-
TOTALS	<u>\$193,939,337</u>	<u>\$ 77,243,978</u>	<u>\$20,392,364</u>	<u>\$250,790,951</u>	<u>\$ 4,259,898</u>

The following summarizes the changes in the long-term liabilities of business-type activities for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due In One Year
Accumulated compensated absences	\$ 45,037	\$ 4,410	\$ -	\$ 49,447	\$ 682
Net OPEB liability	87,382	-	1,678	85,704	-
Net pension liability	1,922,186	29,375	-	1,951,561	-
TOTALS	<u>\$ 2,054,605</u>	<u>\$ 33,785</u>	<u>\$ 1,678</u>	<u>\$ 2,086,712</u>	<u>\$ 682</u>

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	\$ 99,975,000
Unamortized discount	(788,601)
Unamortized premium	<u>13,777,303</u>
Bonds payable, net	<u>\$112,963,702</u>

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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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.	\$ 450,000
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.	775,000
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.	750,000
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.	36,235,000
Series A of 2021, maturing through November 15, 2041, bearing interest ranging from 0.25% to 4.00%, interest payable semi-annually on May 15 and November 15. This Series A of 2021 provided funds to finance various capital projects of the District and pay the costs of issuing the bonds.	50,000,000
Series B of 2021, maturing through November 15, 2041, bearing interest ranging from 0.30% to 4.00%, interest payable semi-annually on May 15 and November 15. This Series B of 2021 provided funds to terminate the District's Series 2020 and Series 2021 interest rate swaps.	7,460,000
Series C of 2021, maturing through November 15, 2027, bearing interest ranging from 0.25% to 4.00%, interest payable semi-annually on May 15 and November 15. This Series C of 2021 provided funds to refund the Series A of 2012 bonds. Issuance of the Series C of 2021 resulted in total cash flow savings of \$234,063 and present value savings of \$191,415.	<u>4,305,000</u>
TOTAL	<u>\$99,975,000</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>
2022	\$ 3,360,000	\$ 3,912,249	\$ 7,272,249
2023	3,225,000	3,839,700	7,064,700
2024	3,285,000	3,754,525	7,039,525
2025	3,385,000	3,656,600	7,041,600
2026	3,505,000	3,536,375	7,041,375
2027 - 2031	20,150,000	15,131,025	35,281,025
2032 - 2036	25,350,000	9,987,838	35,337,838
2037 - 2041	30,785,000	4,563,100	35,348,100
2042	6,930,000	138,600	7,068,600
	<u>\$ 99,975,000</u>	<u>\$ 48,520,012</u>	<u>\$ 148,495,012</u>

NOTE 8 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 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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

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.

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 Membership Class T-D, 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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

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, 2021 was 33.51 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 \$11,335,422 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$112,807,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2020, the District's proportion was 0.2291 percent, which was a decrease of 0.0084 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$10,744,663. At June 30, 2021, 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	\$ 4,958,000	\$ -
Changes in proportions	549,000	3,683,000
Difference between employer contributions and proportionate share of total contributions	317,873	-
Difference between expected and actual experience	295,000	2,704,000
Contributions subsequent to the date of measurement	<u>11,335,422</u>	<u>-</u>
	<u>\$ 17,455,295</u>	<u>\$ 6,387,000</u>

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

An amount of \$11,335,422 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, 2022. 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>	
2022	\$ (1,543,125)
2023	(737,864)
2024	539,862
2025	<u>1,474,000</u>
	<u>\$ (267,127)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward the system's total pension liability as of the June 30, 2019 actuarial valuation to June 30, 2020 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
- 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, 2020 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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

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	15.0%	5.2%
Private equity	15.0%	7.2%
Fixed income	36.0%	1.1%
Commodities	8.0%	1.8%
Absolute return	10.0%	2.5%
Infrastructure/MLPs	6.0%	5.7%
Real estate	10.0%	5.5%
Risk parity	8.0%	3.3%
Cash	6.0%	(1.0%)
Financing (LIBOR)	(14.0%)	(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, 2020.

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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

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 Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net pension liability	\$ 139,566,000	\$ 112,807,000	\$ 90,138,000

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 9 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 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.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 AVON GROVE SCHOOL DISTRICT POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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, 2020, the following employees were covered by the benefit terms:

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

Total OPEB Liability

The District's total OPEB liability of \$20,346,920 was measured as of July 1, 2020, and was determined by rolling forward the District's total OPEB liability as of the July 1, 2019 actuarial valuation to July 1, 2020.

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 2020 - 2023. Rates gradually decrease from 5.40 percent in 2024 to 4.00 percent in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
- Actuarial cost method – entry age normal

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 AVON GROVE SCHOOL DISTRICT POSTEMPLOYMENT BENEFITS PLAN (cont'd)

- Interest rate – 1.86 percent based on the S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2020
- 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, 2020	\$ 16,738,408
Changes for the year:	
Service cost	779,244
Interest	578,265
Changes of assumptions	2,818,424
Benefit payment	<u>(567,421)</u>
Net changes	<u>3,608,512</u>
Total OPEB Liability – June 30, 2021	<u>\$ 20,346,920</u>

Changes of assumptions include the change in the discount rate from 3.36 percent to 1.86 percent. The trend assumption was updated.

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 (0.86 percent) or one percentage point higher (2.86 percent) than the current discount rate:

	<u>1% Decrease 0.86%</u>	<u>Current Discount Rate 1.86%</u>	<u>1% Increase 2.86%</u>
Total OPEB liability	\$ 22,424,870	\$ 20,346,920	\$ 18,486,032

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 AVON GROVE SCHOOL DISTRICT POSTEMPLOYMENT BENEFITS PLAN (cont'd)

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 3.0%)	Current Trend Rates (5.5% Decreasing to 4.0%)	1% Increase (6.5% Decreasing to 5.0%)
Total OPEB liability	\$ 17,628,816	\$ 20,346,920	\$ 23,640,154

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$1,029,550. At June 30, 2021, 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	\$ 2,636,542	\$ 831,653
Difference between expected and actual experience	-	4,799,345
Contributions subsequent to the date of measurement	<u>572,052</u>	<u>-</u>
	<u>\$ 3,208,594</u>	<u>\$ 5,630,998</u>

An amount of \$572,052 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:

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 AVON GROVE SCHOOL DISTRICT POSTEMPLOYMENT BENEFITS PLAN (cont'd)

<u>Year Ended June 30,</u>	
2022	\$ (327,959)
2023	(327,959)
2024	(327,959)
2025	(327,959)
2026	(327,959)
Thereafter	<u>(1,354,661)</u>
Total	<u>\$(2,994,456)</u>

NOTE 10 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 24½ or more years of service, or
- Are a disability retiree, or
- 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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (cont'd)

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, 2021 was 0.82 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 \$277,381 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$4,954,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2019 to June 30, 2020. 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, 2020, the District's proportion was 0.2293 percent, which was a decrease of 0.0082 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$221,420. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected experience	\$ 46,000	\$ -
Changes of assumptions	202,000	109,000
Changes in proportion	57,000	215,000
Differences between projected and actual investment earnings	9,000	-
Difference between employer contributions and proportionate share of total contributions	7,554	-
Contributions subsequent to the date of measurement	<u>277,381</u>	<u>-</u>
	<u>\$ 598,935</u>	<u>\$ 324,000</u>

An amount of \$277,381 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, 2022. 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>	
2022	\$ (13,584)
2023	(14,584)
2024	(15,584)
2025	41,256
2026	8,028
Thereafter	<u>(7,978)</u>
	<u>\$ (2,446)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by rolling forward the PSERS system's total OPEB liability as of June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (cont'd)

- Actuarial cost method – entry age normal, level percent of pay
- Investment return – 2.66 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, 2020 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, 2018 determined the employer contribution rate for fiscal year 2021.
- 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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (cont'd)

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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	50.3%	(1.0%)
U.S. core fixed income	46.5%	(0.1%)
Non-U.S. developed fixed	3.2%	(0.1%)
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.66 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 2.66 percent, which represents the S&P 20-year Municipal Bond Rate at June 30, 2020, 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, 2020, 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, 2020, 93,693 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2020, 688 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 10 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (cont'd)

The following presents the system's net OPEB liability for June 30, 2020, 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	\$ 4,954,000	\$ 4,954,000	\$ 4,955,000

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 1.66%</u>	<u>Current Discount Rate 2.66%</u>	<u>1% Increase 3.66%</u>
District's proportionate share of the net OPEB liability	\$ 5,649,000	\$ 4,954,000	\$ 4,379,000

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 11 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 9)	\$ 20,346,920
PSERS Plan (See Note 10)	<u>4,954,000</u>
Total	<u>\$ 25,300,920</u>

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11 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 8)	\$ 11,335,422	\$ 6,119,873	\$ 6,387,000
OPEB – District Plan (See Note 9)	572,052	2,636,542	5,630,998
OPEB – PSERS (See Note 10)	<u>277,381</u>	<u>321,554</u>	<u>324,000</u>
Total	<u>\$ 12,184,855</u>	<u>\$ 9,077,969</u>	<u>\$ 12,341,998</u>

NOTE 12 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, 2021:

Year Ending June 30,

2022	\$ 154,201
2023	<u>34,517</u>
	<u>\$ 188,718</u>

Rental expense for the year ended June 30, 2021 was \$297,686

NOTE 13 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.

The assets acquired through the capital lease are as follows:

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 CAPITAL LEASE - LESSEE (cont'd)

ASSET	
Equipment – Konica Minolta Copiers	\$ 56,835
Less: Accumulated depreciation	<u>(39,311)</u>
Equipment, net	<u>\$ 17,524</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

<u>Year Ending June 30,</u>	
2022	\$ 12,678
2023	7,396
Less: Amount representing interest	<u>(716)</u>
Total	<u>\$ 19,358</u>

NOTE 14 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, 2021, the District’s share of debt and operating costs was \$2,717,427. 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 15 FUND BALANCES

As of June 30, 2021, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid expenditures	\$ 17,491	\$ 1,182,455	\$ 1,199,946
Restricted:			
Capital projects	-	54,960,007	54,960,007
Committed:			
Future retirement contributions	5,998,719	-	5,998,719

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 FUND BALANCES (cont'd)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assigned:			
Subsequent year's budget	4,827,644	-	4,827,644
Future projects	3,000,000	-	3,000,000
Real estate tax appeal losses	1,000,000	-	1,000,000
Pupil services expenditures	500,000	-	500,000
Unassigned	<u>7,827,186</u>	-	<u>7,827,186</u>
Total Fund Balances	<u>\$ 23,171,039</u>	<u>\$ 56,142,462</u>	<u>\$ 79,313,502</u>

NOTE 16 CONTINGENCIES AND COMMITMENTS

Construction Commitments

As of June 30, 2021, 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 06/30/2021</u>	<u>Commitments</u>
High school construction	\$ 94,913,235	\$ 44,103,239	\$ 50,809,996
High school construction - offsite improvements	1,855,300	7,300	1,848,000
Middle school renovation	<u>17,867,641</u>	<u>782,919</u>	<u>17,084,722</u>
Totals	<u>\$ 114,636,176</u>	<u>\$ 44,893,458</u>	<u>\$ 69,742,718</u>

In addition, the District has incurred costs totaling \$2,681,864 that were not under a formal contract at June 30, 2021.

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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 17 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 2020 - 2021 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 18 DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amounts of \$99,329,802, \$1,358,070, and \$1,358,070, 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 19 PRIOR PERIOD ADJUSTMENTS

The District has increased its July 1, 2019 net position in the custodial fund by \$166,101 due to the effects of implementing GASB Statement No. 84, "Fiduciary Activities." Amounts previously recorded as liabilities are now recognized as net position.

NOTE 20 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through November 5, 2021, 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, 2020	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	0.2291%	0.2375%	0.2377%	0.2330%	0.2399%	0.2384%	0.2360%
District's proportion of the net pension liability - dollar value	\$ 112,807,000	\$ 111,109,000	\$ 114,108,000	\$ 115,075,000	\$ 118,887,000	\$ 103,264,000	\$ 93,411,000
District's covered employee payroll	\$ 32,994,928	\$ 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	341.89%	338.99%	353.93%	371.01%	382.69%	336.63%	310.11%
Plan fiduciary net position as a percentage of the total pension liability	54.32%	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 CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2021</u>	<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	\$ 11,335,422	\$ 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>11,335,422</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 33,826,983	\$ 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	33.51%	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, 2020	June 30, 2019	June 30, 2018	June 30, 2017
District's proportion of the net OPEB liability	0.2293%	0.2375%	0.2377%	0.2330%
District's proportion of the net OPEB liability - dollar value	\$ 4,954,000	\$ 5,051,000	\$ 4,956,000	\$ 4,747,000
District's covered employee payroll	\$ 32,994,928	\$ 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	15.01%	15.41%	15.37%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	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, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 277,381	\$ 277,157	\$ 272,044	\$ 267,592
Contributions in related to the contractually required contribution	<u>277,381</u>	<u>277,157</u>	<u>272,044</u>	<u>267,592</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 33,826,983	\$ 32,994,928	\$ 32,776,368	\$ 32,239,975
Contributions as a percentage of covered employee payroll	0.82%	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, 2020	July 1, 2019	July 1, 2018	July 1, 2017
<u>TOTAL OPEB LIABILITY</u>				
Service cost	\$ 779,244	\$ 866,165	\$ 816,724	\$ 1,079,004
Interest	578,265	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	2,818,424	(631,867)	44,442	(415,796)
Benefit payments	(567,421)	(592,074)	(579,300)	(731,345)
NET CHANGE IN TOTAL OPEB LIABILITY	3,608,512	(1,148,025)	831,429	(4,171,042)
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	16,738,408	17,886,433	17,055,004	21,226,046
TOTAL OPEB LIABILITY, END OF YEAR	\$ 20,346,920	\$ 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	\$ 20,346,920	\$ 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%	0.00%
Covered employee payroll	\$ 30,811,258	\$ 30,811,258	\$ 30,046,491	\$ 30,046,491
District's net OPEB liability as a percentage of covered payroll	66.04%	54.33%	59.53%	56.76%

NOTES TO SCHEDULE

Changes of Assumptions

The discount rate changed from 3.36% to 1.86%. The trend assumption was updated.

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 5, 2021

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon November 5, 2021.

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 5, 2021

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

Report on Compliance for Major Federal Programs

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 programs for the year ended June 30, 2021. The District's major federal programs are 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 programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (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 programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Major Federal Programs

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 programs for the year ended June 30, 2021.

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, 2021**

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 REVENUE 07/01/20	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/21	PASSED THROUGH TO SUB-RECIPIENTS
U.S. Department of Education											
<u>Passed through Pennsylvania Department of Education</u>											
Title I - Improving Basic Programs	I	84.010	013-20-0017	08/12/19-09/30/20	\$ 230,424	\$ 65,836	\$ 40,257	\$ 25,579	\$ 25,579	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-21-0017	08/25/20-09/30/21	482,597	305,455	-	431,539	431,539	126,084	-
Total CFDA #84.010						371,291	40,257	457,118	457,118	126,084	-
Title II - Supporting Effective Instructions	I	84.367	020-20-0017	08/12/19-09/30/20	91,129	39,223	10,266	28,957	28,957	-	-
Title II - Supporting Effective Instructions	I	84.367	020-21-0017	08/25/20-09/30/21	109,455	30,767	-	89,555	89,555	58,788	-
Total CFDA #84.367						69,990	10,266	118,512	118,512	58,788	-
Title III - English Language Acquisition Grants	I	84.365	010-20-0017	08/12/19-09/30/20	77,876	27,813	16,140	11,673	11,673	-	-
Title III - English Language Acquisition Grants	I	84.365	010-21-0017	08/25/20-09/30/21	89,648	64,034	-	79,614	79,614	15,580	-
Total CFDA #84.365						91,847	16,140	91,287	91,287	15,580	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-20-0017	08/12/19-09/30/20	20,172	8,645	449	8,196	8,196	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-21-0017	08/25/20-09/30/21	17,305	4,944	-	15,724	15,724	10,780	-
Total CFDA #84.424						13,589	449	23,920	23,920	10,780	-
<u>Subgrant from U.S. Department of Education</u>											
<u>Passed through Chester County Intermediate Unit (CCIU)</u>											
IDEA Part B	I	84.027	062-20-0024	07/01/19-09/30/20	505,143	202,057	202,057	-	-	-	-
IDEA Part B	I	84.027	062-21-0024	07/01/20-09/30/21	543,445	362,297	-	543,445	543,445	181,148	-
Total IDEA Part B - CCIU						564,354	202,057	543,445	543,445	181,148	-
<u>Passed through Pennsylvania Training and Technical Assistance Network (PaTTAN)</u>											
IDEA Part B - Transition Discoveries Grant	I	84.027	14491736	12/01/20-06/30/21	7,500	3,750	-	1,469	1,469	(2,281)	-
Total IDEA Part B - PaTTAN						3,750	-	1,469	1,469	(2,281)	-
Total CFDA #84.027						568,104	202,057	544,914	544,914	178,867	-
<u>Passed through Chester County Intermediate Unit (CCIU)</u>											
IDEA Part B 619	I	84.173	131-210024B	07/01/20-06/30/21	2,912	2,912	-	2,912	2,912	-	-
Total CFDA #84.173						2,912	-	2,912	2,912	-	-
Total Special Education Cluster						571,016	202,057	547,826	547,826	178,867	-
<u>Passed through Pennsylvania Department of Education</u>											
<u>Education Stabilization Fund:</u>											
Governor's Emergency Education Relief Fund	I	84.425C	252-20-0017	03/12/20-09/30/21	37,355	37,355	-	37,355	37,355	-	-
Total CFDA #84.425C						37,355	-	37,355	37,355	-	-
Elementary and Secondary School Emergency Relief:											
CARES Act - ESSER I	I	84.425D	200-20-0017	03/12/20-09/30/21	187,418	39,456	-	187,418	187,418	147,962	-
CRRSA - ESSER II	I	84.425D	200-21-0017	03/12/20-09/30/23	1,773,814	-	-	979,525	979,525	979,525	-
Total ESSER - PDE						39,456	-	1,166,943	1,166,943	1,127,487	-
<u>Passed through Pennsylvania Commission on Crime and Delinquency (PCCD)</u>											
CARES Act - ESSER I	I	84.425D	2020-ES-01-3593	03/13/20-09/30/22	169,077	168,414	-	169,077	169,077	663	-
Total ESSER I - PCCD						168,414	-	169,077	169,077	663	-
Total CFDA #84.425D						207,870	-	1,336,020	1,336,020	1,128,150	-
Total CFDA #84.425						245,225	-	1,373,375	1,373,375	1,128,150	-
Total U.S. Department of Education						1,362,958	269,169	2,612,038	2,612,038	1,518,249	-

**AVON GROVE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

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 REVENUE 07/01/20	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (DEFERRED) REVENUE 06/30/21	PASSED THROUGH TO SUB-RECIPIENTS
U.S. Department of Agriculture											
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	133,541	-	133,541	133,541	-	-
Passed through Pennsylvania Department of Education											
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	73,310	73,310	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	741,453	-	828,817	828,817	87,364	-
National School Lunch Program - Emergency Operating Costs	I	10.555	N/A	07/01/20-06/30/21	N/A	-	-	33,150	33,150	33,150	-
Total CFDA #10.555						814,763	73,310	861,967	861,967	120,514	-
Breakfast Program	I	10.553	N/A	07/01/19-06/30/20	N/A	46,345	46,345	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	N/A	250,315	-	272,831	272,831	22,516	-
Total CFDA #10.553						296,660	46,345	272,831	272,831	22,516	-
Total Child Nutrition Cluster						1,244,964	119,655	1,268,339	1,268,339	143,030	-
Total U.S. Department of Agriculture						1,244,964	119,655	1,268,339	1,268,339	143,030	-
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	07/01/20-06/30/21	12,352	8,729	7,324	12,352	12,352	10,947	-
Total CFDA #93.778						8,729	7,324	12,352	12,352	10,947	-
Total U.S. Department of Health and Human Services						8,729	7,324	12,352	12,352	10,947	-
Federal Emergency Management Agency											
Passed through Pennsylvania Emergency Management Agency											
Disaster Grants - Public Assistance	I	97.036	N/A	07/01/20-06/30/21	48,750	48,750	39,032	9,718	9,718	-	-
Total CFDA #97.036						48,750	39,032	9,718	9,718	-	-
Total Federal Emergency Management Agency						48,750	39,032	9,718	9,718	-	-
U.S. Treasury Department											
Passed through Pennsylvania Commission on Crime and Delinquency (PCCD)											
Coronavirus Relief Funds	I	21.019	2020-CS-01-33789	03/01/20-10/30/20	342,447	342,447	-	342,447	342,447	-	-
Total Coronavirus Relief Funds - PCCD						342,447	-	342,447	342,447	-	-
Passed through Chester County Intermediate Unit (CCIU)											
Coronavirus Relief Funds	I	21.019	19947	03/01/20-12/30/21	333,986	333,986	-	333,986	333,986	-	-
Total Coronavirus Relief Funds - CCIU						333,986	-	333,986	333,986	-	-
Total CFDA #21.019						676,433	-	676,433	676,433	-	-
Total U.S. Treasury Department						676,433	-	676,433	676,433	-	-
TOTAL FEDERAL AWARDS						\$ 3,341,834	\$ 435,180	\$ 4,578,880	\$ 4,578,880	\$ 1,672,226	\$ -

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 2020 - 2021 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, 2021 was \$438,304.

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 programs:

CFDA Numbers

Name of Federal Program or Cluster

84.425, 21.019

Education Stabilization Fund, Coronavirus Relief Funds

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.