



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

AUDIT REPORT

JUNE 30, 2022

AVON GROVE SCHOOL DISTRICT

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AVON GROVE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

November 4, 2022

Members of the Board
Avon Grove School District
West Grove, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

Members of the Board
Avon Grove School District

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of a Matter

As discussed in Notes 1 and 18 to the financial statements, the Avon Grove School District has adopted the requirements of GASB Statement No. 87, "Lease Accounting." The purpose of this statement is to increase the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as an operating lease. As a result, the District has restated its governmental activities net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in our report dated November 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 19, and schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions, schedule of the District's proportionate share of the net OPEB liability, schedule of District OPEB contributions, and schedule of changes in the District's net OPEB liability - single employer plan on pages 66 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform*

Members of the Board
Avon Grove School District

Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2022, 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, 2022**

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, 2022. 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 18.

FUTURE FINANCING

The District issued General Obligation Bond Series of 2022 in April of 2022. Series of 2022 was issued in the amount of \$24,955,000, and provides funds to support the final phase of construction of a new high school facility, and to provide funds to renovate the existing high school and convert it into a grade 6 – 8 middle school. This is the final borrowing in a series of three bond issues to finance the construction and renovation project, and no future borrowings are anticipated at this time.

FINANCIAL HIGHLIGHTS

During the summer of 2020, the District began the construction phase of a project to construct a new high school facility. Construction continued on the facility through the 2020-2021 and 2021-2022 fiscal years, with the building opening in September 2022. As of June 30, 2022, construction costs incurred during the year totaled \$36,946,464, and related architectural design and construction management costs totaled \$920,359. Other costs incurred during the year related to the project, including insurance policies, geotechnical surveys, legal fees, permits and impact fees, the installation of equipment, furniture purchases, and other services, totaled \$1,679,749. In addition, as part of the high school facility construction, the District began work on various roadway improvements to the roads surrounding the facility. Total costs incurred during 2021-2022 for these roadway improvements totaled \$637,569. The

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**

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 2021-2022, the District also began the construction phase of its next major capital project, which is the renovation of the existing high school and the conversion of the building into a middle school. Construction costs for the year ended June 30, 2022 for this project totaled \$3,550,369. Architectural and design services for the building renovation totaled \$259,288, and ancillary costs for the project totaled \$317,341. The building is scheduled to be re-opened in the fall of 2023, with the grades being realigned to include grades 6 - 8.

Additionally, the COVID-19 pandemic's effects continued to be felt in the 2021-2022 school year. With students returning to the classroom full-time in the fall of 2021, and many of those students being in the classroom for the first time in almost eighteen months, the District put resources in place to make sure students' academic, social, and emotional needs were met, and that the systems and support structures in place to help students learn were adequately staffed. Several key resources included:

- Creating 14 reading and math specialist positions to provide individualized or small-group instruction for students struggling in those content areas
- Adding positions for school counselors and nurses to ensure students' mental and physical health needs were being met
- Contracting behavioral support counselors and analysts to work with students presenting trends of problematic behaviors, and working with those students to improve their behavior
- Increasing staffing levels of psychologists and caseworkers to evaluate students to determine if they required specialized services, and connect students and their families with needed resources outside of the District
- Hosting an after-school program for students to receive assistance with homework and other studies
- Adding an additional teaching position for English language learning students

These initiatives were funded by federal COVID relief grants authorized by the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act of 2021, and the American Rescue Plan (ARP) Act of 2021. These grants were designed to assist local education agencies in preparing for and responding to the COVID-19 pandemic, and to provide support for students whose education was disrupted by the pandemic shutdown in 2020. A summary of expenditures funded by these grants follows.

	CRRSA ESSER II	ARP ESSER III	Total ESSER Funding
Instruction:			
Regular programs	\$ -	\$ 1,844,261	\$ 1,844,261
Special programs	-	154,823	154,823
Other instructional programs	-	124,535	124,535
Total Instruction	-	2,123,619	2,123,619

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**

	CRRSA ESSER II	ARP ESSER III	Total ESSER Funding
Support services:			
Pupil personnel services	367,762	188,340	556,102
Instructional staff services	14,898	8,097	22,995
Administrative services	52,751	-	52,751
Pupil health	44,209	-	44,209
Operation and maintenance of plant services	4,560	-	4,560
Central support services	30,216	-	30,216
Total Support Services	514,396	196,437	710,833
Totals	\$ 514,396	\$ 2,320,056	\$ 2,834,452

Overall, the District ended the 2021-2022 fiscal year with a \$10,722,105 increase in overall net position. The District's net deficit totaled \$58,350,413 at June 30, 2022. The District's General Fund ended the 2021-2022 fiscal year with an increase in fund balance of \$3,693,822. The increase is the result of a number of factors, including stronger than expected tax collections and other revenue sources, and operational savings in the areas of salaries and benefits, charter school tuition, and student transportation. Table A-5 will provide more detail to the General Fund budget vs. actual variances. The Capital Projects Fund realized a decrease in fund balance of \$18,756,933 due to capital spending for the high school construction and middle school renovation projects outpacing the inflow of bond proceeds from the final bond issuance. The Food Service Fund realized an increase in net position of \$1,005,095 due to the waivers granted by the federal government authorizing all students to receive free meals for 2021-2022, and all claimable meals being reimbursed at the full free meal rate.

The 2022-2023 budget approved in June 2022 included the appropriation of \$5,089,477 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 (\$5,500,000), future losses from real estate tax appeals (\$1,300,000) and future increases in special education and pupil service costs (\$500,000). The General Fund reported a positive total fund balance at June 30, 2022 of \$26,864,862. The Capital Projects Fund reported a positive total fund balance of \$37,385,529, of which \$387,667 is nonspendable and relates to prepaid expenditures, and \$36,997,862 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.
- 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.

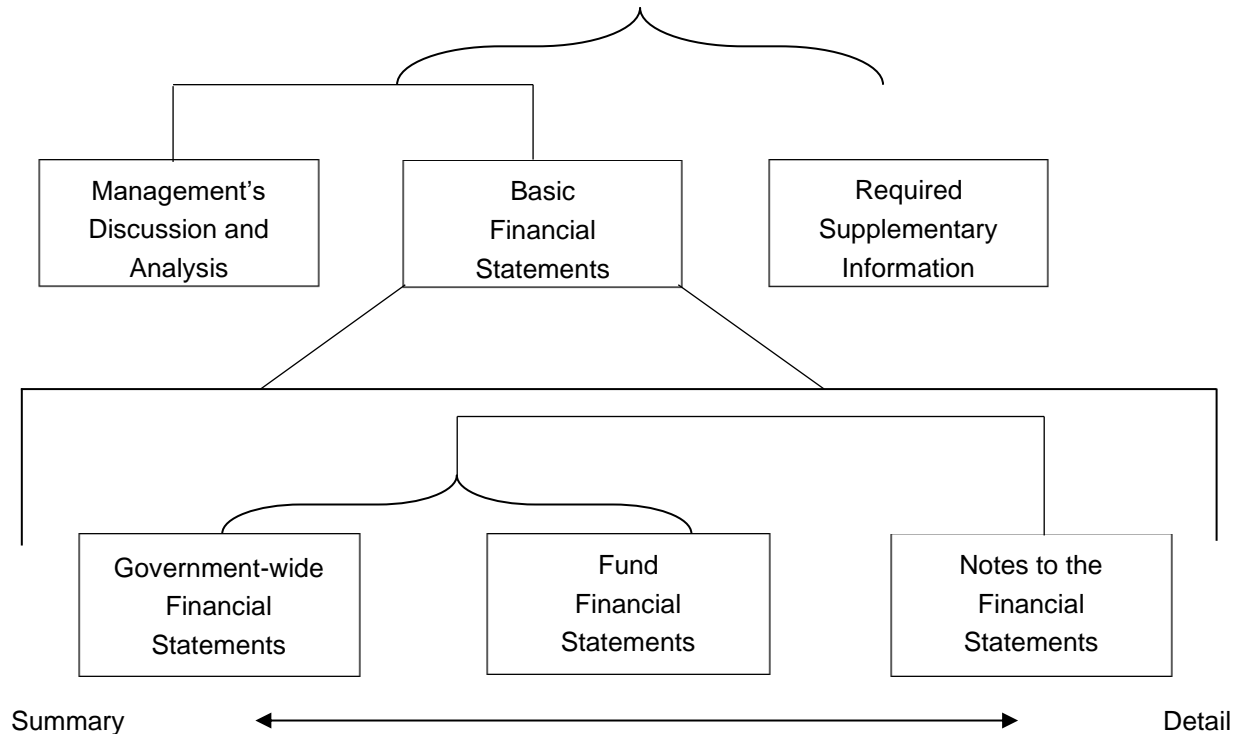
**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**

- 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 custodian 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:

Figure A-1
Required Components of
Avon Grove School District's
Financial Report



**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**

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

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, 2022**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

While both the net pension liability and the net OPEB liability are significant to the District's financial statements, they are liabilities the District has limited control over. Over the last twelve years, the PSERS employer contribution rate has risen significantly, from 5.6 percent in 2010-2011 to 34.94 percent in 2021-2022. 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 37 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, 2022**

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, 2022**

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 2021-2022 and 2020-2021 follows:

**Table A-1
STATEMENT OF NET POSITION
Fiscal Years Ended June 30, 2022 and June 30, 2021**

	Governmental Activities	Business-type Activities	Totals	
			2022	2021
ASSETS:				
Current and other assets	\$ 93,933,232	\$ 1,625,554	\$ 95,558,786	\$104,380,439
Capital assets	132,076,225	49,110	132,125,335	89,814,717
TOTAL ASSETS	226,009,457	1,674,664	227,684,121	194,195,156
Deferred Outflows of Resources	23,864,684	368,260	24,232,944	21,262,824
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 249,874,141	\$ 2,042,924	\$251,917,065	\$215,457,980
LIABILITIES:				
Current liabilities	\$ 28,957,696	\$ 205,528	\$ 29,163,224	\$ 23,514,189
Long-term liabilities	252,994,579	1,837,592	254,832,171	248,640,811
TOTAL LIABILITIES	281,952,275	2,043,120	283,995,395	272,155,000
Deferred Inflows of Resources	25,941,705	330,378	26,272,083	12,375,498
NET POSITION (DEFICIT):				
Net investment in capital assets	38,145,537	49,110	38,194,647	31,615,354
Unrestricted (Deficit)	(96,165,376)	(379,684)	(96,545,060)	(100,687,872)
	(58,019,839)	(330,574)	(58,350,413)	(69,072,518)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$ 249,874,141	\$ 2,042,924	\$251,917,065	\$215,457,980

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

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**

District's net pension and OPEB liabilities as required by GASB No. 68 and 75, respectively. Of the \$283,995,395 in total liabilities, \$122,271,341, or 43.1 percent, is related to the net pension and OPEB liabilities. \$135,823,416, or 47.8 percent is related to the District's outstanding bonds.

Current assets decreased compared to 2020-2021 due to lower cash and equivalent and investment balances held at June 30, 2022 compared to the prior year. This decrease is attributed largely to the decrease in investments held in the Capital Projects Fund as the District's capital spending outpaced the inflow of proceeds from bond issuances and other funding sources. Long-term liabilities increased due to the issuance of the General Obligation Bond Series of 2022, offset by the decrease in the net pension liability. Due to investment returns and the results of an updated actuarial study, the District's share of the net pension liability decreased to \$97,633,000, a decrease of \$15,174,000 from the prior year, and is the lowest net pension liability recorded since the June 30, 2014 measurement date.

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, 2022 and 2021**

	June 30, 2022		June 30, 2021	
	Total Services	Net Services	Total Services	Net Services
PROGRAM EXPENSES				
Governmental Activities:				
Instruction	\$ 60,509,931	\$ 46,383,777	\$ 61,256,796	\$ 48,619,262
Instructional student support	8,208,186	6,635,777	9,207,540	7,468,061
Administration	9,860,351	8,291,993	9,266,977	8,320,833
Maintenance	4,189,044	3,992,142	3,150,814	2,922,118
Pupil transportation	6,086,055	4,077,155	4,833,743	2,726,679
Student activities	1,239,714	847,513	1,106,982	860,815
Community services	26,686	25,667	-	-
Scholarships and awards	18,748	18,748	14,653	14,653
Interest and fiscal charges	2,955,410	1,956,628	1,624,922	1,272,464
Swap termination fees	-	-	8,616,800	8,616,800
Total Governmental Activities	<u>93,094,125</u>	<u>72,229,400</u>	<u>99,079,227</u>	<u>80,821,685</u>
Business-type Activities:				
Food service	2,325,118	(1,004,988)	1,666,338	(971)
Total Business-type Activities	<u>2,325,118</u>	<u>(1,004,988)</u>	<u>1,666,338</u>	<u>(971)</u>
Total Primary Government	<u>\$ 95,419,243</u>	<u>\$ 71,224,412</u>	<u>\$100,745,565</u>	<u>\$ 80,820,714</u>

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**

**Table A-3
CHANGES IN NET POSITION
For the Years Ended June 30, 2022 and 2021**

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program Revenues:						
Charges for services	\$ 528,853	\$ 370,295	\$ 303,237	\$ 88,707	\$ 832,090	\$ 459,002
Operating grants	20,335,872	17,887,247	3,026,869	1,578,602	23,362,741	19,465,849
Total Program Revenues	<u>20,864,725</u>	<u>18,257,542</u>	<u>3,330,106</u>	<u>1,667,309</u>	<u>24,194,831</u>	<u>19,924,851</u>
General Revenues and Transfers:						
Taxes	63,244,789	60,797,838	-	-	63,244,789	60,797,838
Grants and entitlements	18,455,583	18,158,439	-	-	18,455,583	18,158,439
Investment earnings	108,958	156,107	107	454	109,065	156,561
Miscellaneous	137,080	185,947	-	-	137,080	185,947
Transfers	-	(1,607)	-	1,607	-	-
Total General Revenues and Transfers	<u>81,946,410</u>	<u>79,296,724</u>	<u>107</u>	<u>2,061</u>	<u>81,946,517</u>	<u>79,298,785</u>
TOTAL REVENUES	<u>102,811,135</u>	<u>97,554,266</u>	<u>3,330,213</u>	<u>1,669,370</u>	<u>106,141,348</u>	<u>99,223,636</u>
EXPENSES						
Program Services:						
Instruction	60,509,931	61,256,796	-	-	60,509,931	61,256,796
Support Services:						
Instructional staff support	8,208,186	9,207,540	-	-	8,208,186	9,207,540
Administration	9,860,351	9,266,977	-	-	9,860,351	9,266,977
Maintenance	4,189,044	3,150,814	-	-	4,189,044	3,150,814
Pupil transportation	6,086,055	4,833,743	-	-	6,086,055	4,833,743
Student activities	1,239,714	1,106,982	-	-	1,239,714	1,106,982
Community services	26,686	-	-	-	26,686	-
Scholarships and awards	18,748	14,653	-	-	18,748	14,653
Interest/fiscal charges	2,955,410	1,624,922	-	-	2,955,410	1,624,922
Swap termination fees	-	8,616,800	-	-	-	8,616,800
Food service	-	-	2,325,118	1,666,338	2,325,118	1,666,338
TOTAL EXPENSES	<u>93,094,125</u>	<u>99,079,227</u>	<u>2,325,118</u>	<u>1,666,338</u>	<u>95,419,243</u>	<u>100,745,565</u>
CHANGE IN NET POSITION	<u>\$ 9,717,010</u>	<u>\$ (1,524,961)</u>	<u>\$ 1,005,095</u>	<u>\$ 3,032</u>	<u>\$ 10,722,105</u>	<u>\$ (1,521,929)</u>

Fund Balances

At June 30, 2022, the District's governmental funds reported a combined fund balance of \$64,250,391, which is a decrease of \$15,063,111 from June 30, 2021.

General Fund:

The District ended the 2021-2022 fiscal year with a fund balance of \$26,864,862 in the General Fund. Of this amount, \$5,998,719 has been committed for future retirement contributions. \$12,389,477 is

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**

assigned for future facilities improvements, balancing the 2022-2023 budget, offsetting future losses from real estate tax appeals, and funding increased costs for special education and pupil service functions. \$17,781 represents prepaid expenditures which are considered non-spendable, and the remaining \$8,458,885 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, 2022 and 2021**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>
General fund	\$ 26,864,862	\$ 23,171,040	\$ 3,693,822
Capital projects fund	<u>37,385,529</u>	<u>56,142,462</u>	<u>(18,756,933)</u>
Total	<u>\$ 64,250,391</u>	<u>\$ 79,313,502</u>	<u>\$(15,063,111)</u>

General Fund Budget

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

**Table A-5
ANALYSIS OF BUDGET VS. ACTUAL REVENUES AND EXPENDITURES
For the Year Ended June 30, 2022**

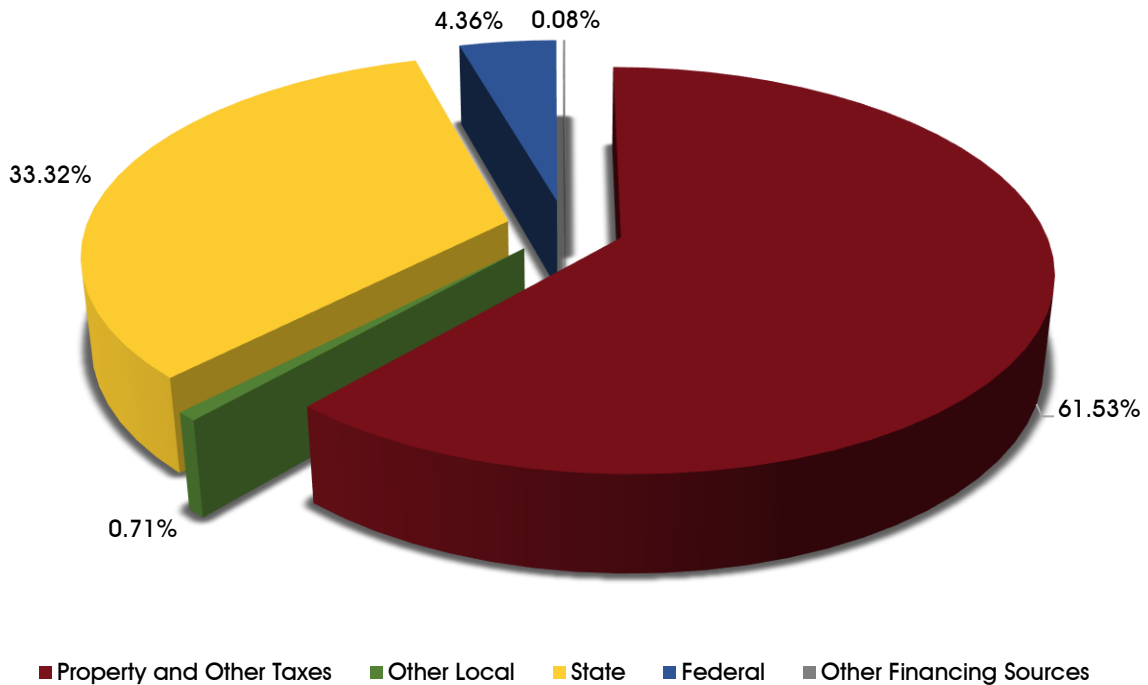
	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES AND PROCEEDS	\$ 99,230,247	\$ 102,721,772	\$ 3,491,525
EXPENDITURES AND TRANSFERS	104,057,891	99,027,950	5,029,941
NET	<u>\$ (4,827,644)</u>	<u>\$ 3,693,822</u>	<u>\$ 8,521,466</u>
Contributing Line Items:			
<u>Revenues and Proceeds</u>			
Local revenue	\$ 63,288,674	\$ 63,935,240	\$ 646,566
State revenue	31,261,213	34,227,481	2,966,268
Federal revenue	4,680,360	4,474,309	(206,051)
Proceeds from asset disposition	-	3,058	3,058
Proceeds from insurance recoveries	-	1,000	1,000
Proceeds from lease issuance	-	80,684	80,684
Total	<u>\$ 99,230,247</u>	<u>\$ 102,721,772</u>	<u>\$ 3,491,525</u>

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**

**Table A-5
ANALYSIS OF BUDGET VS. ACTUAL REVENUES AND EXPENDITURES
For the Year Ended June 30, 2022**

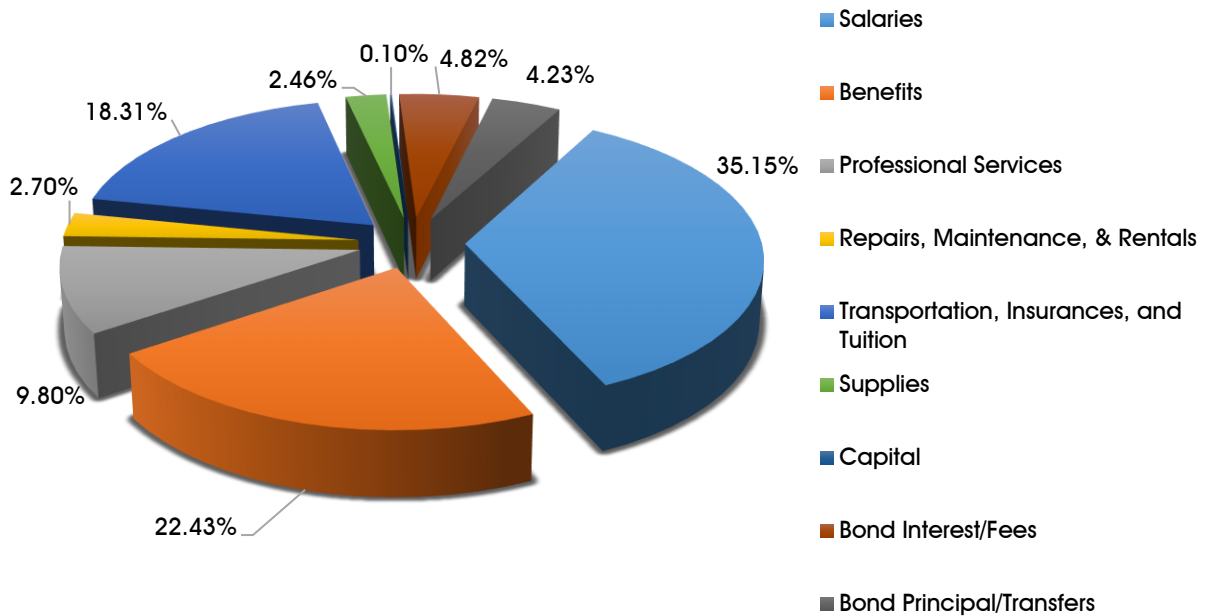
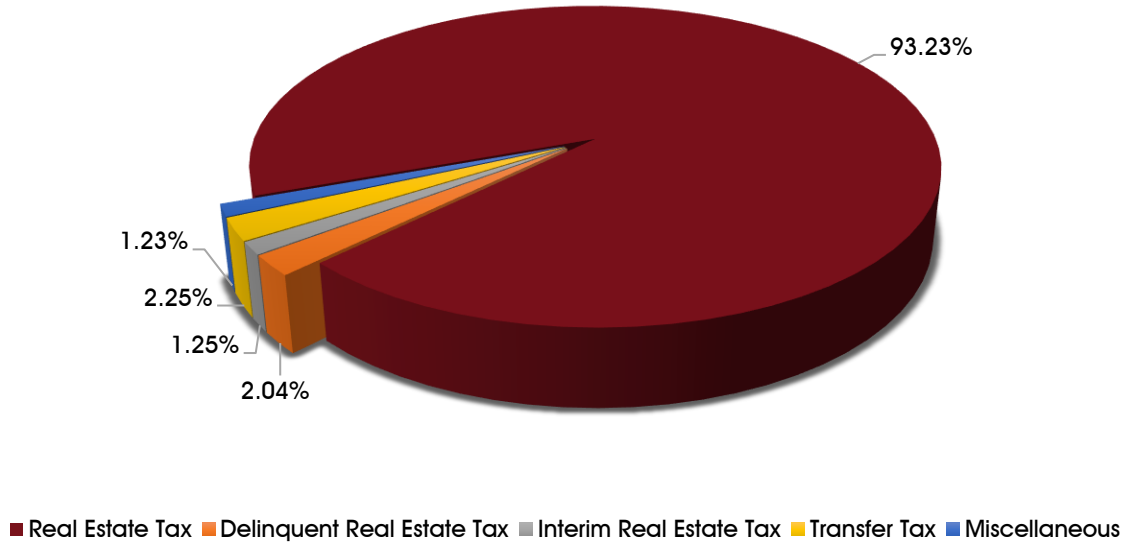
(cont'd)	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Expenditures and Transfers</u>			
Salaries	\$ 34,350,769	\$ 34,800,445	\$ (449,676)
Benefits	22,345,366	22,215,636	129,730
Professional services	9,965,491	9,707,289	258,202
Repair/maintenance/rental	2,145,792	2,677,180	(531,388)
Transportation/insurance/tuition	19,604,572	18,136,481	1,468,091
Supplies/books/software/fuel	2,620,269	2,431,780	188,489
Capital purchases	-	95,665	(95,665)
Bond interest/dues/fees	8,824,452	4,774,744	4,049,708
Bond principal/transfers	4,201,180	4,188,730	12,450
Total	\$ 104,057,891	\$ 99,027,950	\$ 5,029,941

The chart below demonstrates the breakdown of the 2021-2022 General Fund revenues.



**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**

The next chart demonstrates the breakdown of the 2021-2022 local revenues.



The chart above demonstrates the breakdown of the 2021-2022 General Fund expenditures.

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**

CAPITAL ASSET AND DEBT ADMINISTRATION

At June 30, 2022, the District had \$131,969,559 in governmental activities and \$49,110 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 \$42,392,032 from governmental activities and a net increase of \$26,709 from business-type activities from June 30, 2021.

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

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Capital Assets Not Being Depreciated						
Land	\$ 11,035,789	\$ 11,035,789	\$ -	\$ -	\$ 11,035,789	\$ 11,035,789
Construction-in-progress	91,891,799	47,575,322	-	-	91,891,799	47,575,322
Total Capital Assets Not Being Depreciated	<u>102,927,588</u>	<u>58,611,111</u>	<u>-</u>	<u>-</u>	<u>102,927,588</u>	<u>58,611,111</u>
Capital Assets Being Depreciated						
Buildings and improvements, net of depreciation	26,164,001	27,541,386	-	-	26,164,001	27,541,386
Furniture and equipment, net of depreciation	2,877,970	3,425,030	49,110	22,401	2,927,080	3,447,431
Total Capital Assets Being Depreciated, Net	<u>29,041,971</u>	<u>30,966,416</u>	<u>49,110</u>	<u>22,401</u>	<u>29,091,081</u>	<u>30,988,817</u>
Total Assets, Net	<u>\$ 131,969,559</u>	<u>\$ 89,577,527</u>	<u>\$ 49,110</u>	<u>\$ 22,401</u>	<u>\$ 132,018,669</u>	<u>\$ 89,599,928</u>

Debt Administration

Bond Obligations – As of June 30, 2022, the District has outstanding bond obligations of \$135,823,416. During the year, \$3,360,000 of principal payments were made on the existing bond obligations, and the total par value of the GOB Series 2022 bonds issued in April 2022 was \$24,955,000.

Other obligations include accrued vacation pay and sick leave for specific employees of the District amounting to \$1,609,170. More detailed information about long-term liabilities is included in the notes to the financial statements.

FACTORS BEARING ON AVON GROVE SCHOOL DISTRICT'S FUTURE

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

**AVON GROVE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - UNAUDITED (CONT'D)
JUNE 30, 2022**

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 2022-2023 fiscal year has been established at 4.5 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. This petition was denied on October 14, 2021, and the taxpayer subsequently filed an appeal. The appeal has not been heard yet, and results of the appeal should be available in 2022-2023. Should the appeal 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 by either increases in other revenue sources or decreases in expenditures.

CONTACTING THE SCHOOL FINANCIAL MANAGEMENT

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

AVON GROVE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022
(With Summarized Comparative Data for June 30, 2021)

	Governmental Activities	Business-type Activities	Totals	
			2022	2021*
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 12,771,765	\$ 301,334	\$ 13,073,099	\$ 13,676,586
Investments	75,290,863	610,174	75,901,037	83,469,634
Taxes receivable, net of allowance	1,265,922	-	1,265,922	1,324,013
Due from other governments	4,262,290	334,150	4,596,440	4,376,730
Internal balances	(311,287)	311,287	-	-
Other receivables	86,231	11,815	98,046	104,051
Inventories	-	56,794	56,794	67,479
Prepaid expenses	405,448	-	405,448	1,199,946
Other current assets	162,000	-	162,000	162,000
Leased buildings and equipment, net	106,666	-	106,666	214,789
Land	11,035,789	-	11,035,789	11,035,789
Construction in progress	91,891,799	-	91,891,799	47,575,322
Buildings and improvements, net	26,164,001	-	26,164,001	27,541,386
Furniture and equipment, net	2,877,970	49,110	2,927,080	3,447,431
TOTAL ASSETS	226,009,457	1,674,664	227,684,121	194,195,156
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred pension and other postemployment benefit contributions	12,599,134	212,478	12,811,612	12,184,855
Deferred outflows - pension and other postemployment benefits	11,265,550	155,782	11,421,332	9,077,969
TOTAL DEFERRED OUTFLOWS OF RESOURCES	23,864,684	368,260	24,232,944	21,262,824
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$249,874,141	\$ 2,042,924	\$251,917,065	\$215,457,980
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)				
LIABILITIES:				
Accounts payable	\$ 7,619,300	\$ 47,435	\$ 7,666,735	\$ 3,652,526
Accrued salaries, payroll withholdings, and benefits	8,942,630	5,033	8,947,663	8,805,308
Accrued interest payable	485,522	-	485,522	497,065
Construction retainage payable	4,220,392	-	4,220,392	3,909,564
Contractor funds held in escrow	250,302	-	250,302	250,034
Unearned revenues	2,318,576	151,028	2,469,604	1,853,861
Other liabilities	139,551	-	139,551	120,866
Long-term liabilities				
Portion due or payable within one year:				
Bonds payable, net	4,820,662	-	4,820,662	4,168,152
Lease liability	61,655	-	61,655	176,456
Accumulated compensated absences	99,106	2,032	101,138	80,357
Portion due or payable after one year:				
Bonds payable, net	131,002,754	-	131,002,754	108,795,550
Lease liability	50,044	-	50,044	31,015
Accumulated compensated absences	1,457,046	50,986	1,508,032	1,706,326
Net other postemployment benefits liability	24,540,786	97,555	24,638,341	25,300,920
Net pension liability	95,943,949	1,689,051	97,633,000	112,807,000
TOTAL LIABILITIES	281,952,275	2,043,120	283,995,395	272,155,000
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows - pension and other postemployment benefits	25,941,705	330,378	26,272,083	12,341,998
Deferred amounts on bond refunding	-	-	-	33,500
TOTAL DEFERRED INFLOWS OF RESOURCES	25,941,705	330,378	26,272,083	12,375,498
NET POSITION (DEFICIT):				
Net investment in capital assets	38,145,537	49,110	38,194,647	31,615,354
Unrestricted (Deficit)	(96,165,376)	(379,684)	(96,545,060)	(100,687,872)
TOTAL NET DEFICIT	(58,019,839)	(330,574)	(58,350,413)	(69,072,518)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (DEFICIT)	\$249,874,141	\$ 2,042,924	\$251,917,065	\$215,457,980

* - Restated - see Notes 1 and 18.

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

**AVON GROVE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(With Summarized Comparative Data for the Year Ended June 30, 2021)**

	Program Revenues				Net (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals	
							2022	2021
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 60,509,931	\$ 213,731	\$13,912,423	\$ -	\$ (46,383,777)	\$ -	\$ (46,383,777)	\$ (48,619,262)
Instructional student support	8,208,186	-	1,572,409	-	(6,635,777)	-	(6,635,777)	(7,468,061)
Administrative and financial support services	9,860,351	-	1,568,358	-	(8,291,993)	-	(8,291,993)	(8,320,833)
Operation and maintenance of plant services	4,189,044	75,138	121,764	-	(3,992,142)	-	(3,992,142)	(2,922,118)
Pupil transportation	6,086,055	-	2,008,900	-	(4,077,155)	-	(4,077,155)	(2,726,679)
Student activities	1,239,714	239,984	152,217	-	(847,513)	-	(847,513)	(860,815)
Community services	26,686	-	1,019	-	(25,667)	-	(25,667)	-
Scholarships and awards	18,748	-	-	-	(18,748)	-	(18,748)	(14,653)
Interest on long-term debt	2,955,410	-	998,782	-	(1,956,628)	-	(1,956,628)	(1,272,464)
Swap termination fees	-	-	-	-	-	-	-	(8,616,800)
TOTAL GOVERNMENTAL ACTIVITIES	93,094,125	528,853	20,335,872	-	(72,229,400)	-	(72,229,400)	(80,821,685)
BUSINESS-TYPE ACTIVITIES:								
Food service	2,325,118	303,237	3,026,869	-	-	1,004,988	1,004,988	971
TOTAL BUSINESS-TYPE ACTIVITIES	2,325,118	303,237	3,026,869	-	-	1,004,988	1,004,988	971
TOTAL PRIMARY GOVERNMENT	\$ 95,419,243	\$ 832,090	\$23,362,741	\$ -	(72,229,400)	1,004,988	(71,224,412)	(80,820,714)
GENERAL REVENUES								
Property taxes levied for general purposes					61,745,447	-	61,745,447	59,563,437
Taxes levied for specific purposes					1,499,342	-	1,499,342	1,234,401
Grants and entitlements not restricted to specific programs					18,455,583	-	18,455,583	18,158,439
Investment earnings					108,958	107	109,065	156,561
Miscellaneous					137,080	-	137,080	185,947
TOTAL GENERAL REVENUES					81,946,410	107	81,946,517	79,298,785
CHANGE IN NET POSITION					9,717,010	1,005,095	10,722,105	(1,521,929)
NET DEFICIT, BEGINNING OF YEAR, RESTATED					(67,736,849)	(1,335,669)	(69,072,518)	(67,550,589)
NET DEFICIT, END OF YEAR					\$(58,019,839)	\$ (330,574)	\$(58,350,413)	\$(69,072,518)

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

**AVON GROVE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022
(With Summarized Comparative Data for June 30, 2021)**

	General Fund	Capital Projects Fund	Totals	
			2022	2021
ASSETS				
Cash and cash equivalents	\$ 12,771,765	\$ -	\$ 12,771,765	\$ 13,554,837
Investments	27,867,491	45,463,432	73,330,923	81,200,530
Taxes receivable, net of allowance	1,265,922	-	1,265,922	1,324,013
Due from other funds	8,934	-	8,934	1,023,429
Due from other governments	4,262,290	-	4,262,290	4,104,159
Other receivables	86,231	-	86,231	94,446
Prepaid expenditures	17,781	387,667	405,448	1,199,946
TOTAL ASSETS	\$ 46,280,414	\$ 45,851,099	\$ 92,131,513	\$ 102,501,360
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 2,952,129	\$ 3,985,942	\$ 6,938,071	\$ 3,004,458
Accrued salaries, payroll withholdings, and benefits	8,942,630	-	8,942,630	8,768,081
Accumulated compensated absences	99,106	-	99,106	79,675
Construction retainage payable	-	4,220,392	4,220,392	3,909,564
Contractor funds held in escrow	-	250,302	250,302	250,034
Due to other funds	3,900,567	8,934	3,909,501	4,251,394
Other liabilities	139,551	-	139,551	120,866
Unearned revenues	2,318,576	-	2,318,576	1,779,132
TOTAL LIABILITIES	18,352,559	8,465,570	26,818,129	22,163,204
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenues - delinquent taxes	1,062,993	-	1,062,993	1,024,654
TOTAL DEFERRED INFLOWS OF RESOURCES	1,062,993	-	1,062,993	1,024,654
FUND BALANCES:				
Nonspendable	17,781	387,667	405,448	1,199,946
Restricted for capital projects	-	36,997,862	36,997,862	54,960,007
Committed for future retirement contributions	5,998,719	-	5,998,719	5,998,719
Assigned	12,389,477	-	12,389,477	9,327,644
Unassigned	8,458,885	-	8,458,885	7,827,186
TOTAL FUND BALANCES	26,864,862	37,385,529	64,250,391	79,313,502
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 46,280,414	\$ 45,851,099	\$ 92,131,513	\$ 102,501,360

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, 2022**

TOTAL GOVERNMENTAL FUND BALANCES \$ 64,250,391

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:

Leased buildings and equipment, net	\$ 106,666	
Land	11,035,789	
Construction in progress	91,891,799	
Buildings and improvements, net	26,164,001	
Furniture and equipment, net	<u>2,877,970</u>	132,076,225

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	(135,823,416)	
Lease liability	(111,699)	
Accumulated compensated absences	(1,457,046)	
Accrued interest payable	(485,522)	
Net other postemployment benefits liability	(24,540,786)	
Net pension liability	<u>(95,943,949)</u>	(258,362,418)

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. 5,029,991

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. 1,062,993

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	12,599,134	
Deferred outflows - pension and other postemployment benefits	11,265,550	
Deferred inflows of resources:		
Deferred inflows - pension and other postemployment benefits	<u>(25,941,705)</u>	<u>(2,077,021)</u>

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES \$ (58,019,839)

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, 2022
(With Summarized Comparative Data for the Year Ended June 30, 2021)

	Major Funds		Totals	
	General Fund	Capital Projects Fund	2022	2021
REVENUES				
Local sources	\$ 63,935,240	\$ 63,975	\$ 63,999,215	\$ 61,569,121
State sources	34,227,481	-	34,227,481	32,502,390
Federal sources	4,474,309	-	4,474,309	3,623,227
TOTAL REVENUES	102,637,030	63,975	102,701,005	97,694,738
EXPENDITURES				
Current:				
Instruction	61,836,850	-	61,836,850	59,222,770
Support services	27,719,773	2,199,843	29,919,616	28,528,526
Operation of noninstructional services	1,370,348	-	1,370,348	1,109,221
Capital outlays	-	44,646,693	44,646,693	42,132,595
Debt service	7,272,249	-	7,272,249	5,329,308
TOTAL EXPENDITURES	98,199,220	46,846,536	145,045,756	136,322,420
DEFICIENCY OF REVENUES UNDER EXPENDITURES	4,437,810	(46,782,561)	(42,344,751)	(38,627,682)
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	-	24,955,000	24,955,000	61,765,000
Bond premiums	-	2,369,911	2,369,911	10,780,105
Bond discounts	-	(193,401)	(193,401)	(540,444)
Payment of debt - refunding	-	-	-	(4,649,794)
Proceeds from extended term financing	80,684	-	80,684	-
Swap termination fees	-	-	-	(8,616,800)
Transfers in	-	828,730	828,730	2,197,995
Transfers out	(828,730)	-	(828,730)	(2,199,602)
Proceeds from asset disposition	3,058	-	3,058	3,413
Proceeds from insurance recoveries	1,000	65,388	66,388	55,878
Refunds of prior year revenues	-	-	-	(155)
TOTAL OTHER FINANCING SOURCES (USES)	(743,988)	28,025,628	27,281,640	58,795,596
NET CHANGE IN FUND BALANCES	3,693,822	(18,756,933)	(15,063,111)	20,167,914
FUND BALANCES, BEGINNING OF YEAR	23,171,040	56,142,462	79,313,502	59,145,588
FUND BALANCES, END OF YEAR	\$ 26,864,862	\$ 37,385,529	\$ 64,250,391	\$ 79,313,502

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, 2022**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (15,063,111)
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/amortization expense. This is the amount by which capital outlays (\$45,751,742) exceeded depreciation/amortization expense (\$3,451,256).	42,300,486
Because some revenues will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable revenues increased by this amount this year.	38,339
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.	(22,763,942)
Governmental funds report deferred bond refunding option proceeds as other financing sources. However, these amounts are reported on the statement of net position as deferred inflows of resources and amortized over the life of the refunding debt.	33,500
In the statement of activities, compensated absences (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 more than current period compensated absences earned.	200,515
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.	191,945
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.	11,543
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>4,784,312</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 9,717,010</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, 2022**

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final Budget		Positive (Negative)
REVENUES				
Local sources	\$ 63,288,674	\$ 63,288,674	\$ 63,935,240	\$ 646,566
State sources	31,261,213	31,261,213	34,227,481	2,966,268
Federal sources	4,680,360	4,680,360	4,474,309	(206,051)
TOTAL REVENUES	<u>99,230,247</u>	<u>99,230,247</u>	<u>102,637,030</u>	<u>3,406,783</u>
EXPENDITURES				
Instruction:				
Regular programs	44,686,414	46,585,633	45,284,057	1,301,576
Special programs	15,159,617	14,362,402	13,674,186	688,216
Vocational programs	2,681,007	2,627,155	2,621,564	5,591
Other instructional programs	88,155	316,642	254,096	62,546
Nonpublic programs	3,945	6,892	2,947	3,945
Total Instruction	<u>62,619,138</u>	<u>63,898,724</u>	<u>61,836,850</u>	<u>2,061,874</u>
Support services:				
Pupil personnel services	4,706,017	5,365,779	5,013,385	352,394
Instructional staff services	3,032,254	3,013,977	2,633,506	380,471
Administrative services	4,712,208	4,876,194	4,624,307	251,887
Pupil health	991,042	1,068,759	998,733	70,026
Business services	965,657	1,049,253	1,023,608	25,645
Operation and maintenance of plant services	4,083,488	4,776,032	4,598,073	177,959
Student transportation services	6,693,386	6,072,920	5,974,222	98,698
Central support services	2,157,365	2,465,951	2,171,662	294,289
Other support services	216,078	683,203	682,277	926
Total Support Services	<u>27,557,495</u>	<u>29,372,068</u>	<u>27,719,773</u>	<u>1,652,295</u>
Operation of noninstructional services:				
Student activities	1,387,339	1,451,778	1,324,273	127,505
Community services	75,500	27,828	27,327	501
Scholarships and Awards	17,500	19,581	18,748	833
Total Operation of Noninstructional Services	<u>1,480,339</u>	<u>1,499,187</u>	<u>1,370,348</u>	<u>128,839</u>
Debt service	7,422,249	7,272,249	7,272,249	-
TOTAL EXPENDITURES	<u>99,079,221</u>	<u>102,042,228</u>	<u>98,199,220</u>	<u>3,843,008</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>151,026</u>	<u>(2,811,981)</u>	<u>4,437,810</u>	<u>7,249,791</u>
OTHER FINANCING SOURCES AND USES				
Transfer to other funds	(841,180)	(841,180)	(828,730)	(12,450)
Proceeds from asset disposition	-	-	3,058	3,058
Proceeds from insurance recoveries	-	-	1,000	1,000
Proceeds from lease issuance	-	-	80,684	80,684
Budgetary reserve	(4,137,490)	(1,174,483)	-	1,174,483
TOTAL OTHER FINANCING SOURCES AND USES	<u>(4,978,670)</u>	<u>(2,015,663)</u>	<u>(743,988)</u>	<u>1,246,775</u>
NET CHANGE IN FUND BALANCE	(4,827,644)	(4,827,644)	3,693,822	8,521,466
FUND BALANCE, BEGINNING OF YEAR	<u>23,171,040</u>	<u>23,171,040</u>	<u>23,171,040</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 18,343,396</u>	<u>\$ 18,343,396</u>	<u>\$ 26,864,862</u>	<u>\$ 8,521,466</u>

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

AVON GROVE SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022 AND 2021

	Food Service Fund		Internal Service Fund	
	2022	2021	2022	2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 301,334	\$ 121,749	\$ -	\$ -
Investments	610,174	110,067	1,959,940	2,159,037
Due from other funds	311,287	72,371	3,589,280	3,155,594
Due from other governments	334,150	272,571	-	-
Other receivables	11,815	9,605	-	-
Inventories	56,794	67,479	-	-
Other assets	-	-	162,000	162,000
Total Current Assets	1,625,554	653,842	5,711,220	5,476,631
PROPERTY AND EQUIPMENT:				
Furniture and equipment	153,461	119,461	-	-
Accumulated depreciation	(104,351)	(97,060)	-	-
Net Property and Equipment	49,110	22,401	-	-
TOTAL ASSETS	1,674,664	676,243	5,711,220	5,476,631
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred pension and other postemployment benefit contributions	212,478	200,902	-	-
Deferred outflows - pension and other postemployment benefits	155,782	111,437	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	368,260	312,339	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,042,924	\$ 988,582	\$ 5,711,220	\$ 5,476,631
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ 47,435	\$ 9,483	\$ 681,229	\$ 638,585
Accrued salaries, payroll withholdings, and benefits	5,033	37,227	-	-
Accumulated compensated absences	2,032	682	-	-
Unearned revenues	151,028	74,729	-	-
Long-term liabilities				
Portion due or payable after one year:				
Accumulated compensated absences	50,986	48,765	-	-
Net other postemployments liability	97,555	85,704	-	-
Net pension liability	1,689,051	1,951,561	-	-
TOTAL LIABILITIES	2,043,120	2,208,151	681,229	638,585
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows - pension and other postemployment benefits	330,378	116,100	-	-
NET POSITION (DEFICIT):				
Investment in capital assets	49,110	22,401	-	-
Unrestricted (Deficit)	(379,684)	(1,358,070)	5,029,991	3,669,390
Total Net Position (Deficit)	(330,574)	(1,335,669)	5,029,991	4,838,046
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 2,042,924	\$ 988,582	\$ 5,711,220	\$ 5,476,631

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, 2022 AND 2021

	Food Service Fund		Internal Service Fund	
	2022	2021	2022	2021
OPERATING REVENUES				
Food service revenues	\$ 303,237	\$ 88,707	\$ -	\$ -
Charges for health insurance	-	-	6,683,686	6,539,219
Total Operating Revenues	<u>303,237</u>	<u>88,707</u>	<u>6,683,686</u>	<u>6,539,219</u>
OPERATING EXPENSES				
Salaries	647,118	580,234	-	-
Employee benefits	385,093	421,402	6,494,362	5,372,009
Purchased professional and technical services	27,436	17,221	-	-
Other operating expenses	3,144	4,613	-	-
Supplies	1,255,036	635,612	-	-
Depreciation	7,291	7,256	-	-
Total Operating Expenses	<u>2,325,118</u>	<u>1,666,338</u>	<u>6,494,362</u>	<u>5,372,009</u>
OPERATING INCOME (LOSS)	<u>(2,021,881)</u>	<u>(1,577,631)</u>	<u>189,324</u>	<u>1,167,210</u>
NONOPERATING REVENUES				
Earnings on investments	107	454	2,621	1,446
Contributions and donations	11,385	32,136	-	-
State sources	217,648	152,509	-	-
Federal sources	2,797,836	1,393,957	-	-
Total Nonoperating Revenues	<u>3,026,976</u>	<u>1,579,056</u>	<u>2,621</u>	<u>1,446</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	1,005,095	1,425	191,945	1,168,656
Transfers in	-	1,607	-	-
CHANGE IN NET POSITION	1,005,095	3,032	191,945	1,168,656
NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>(1,335,669)</u>	<u>(1,338,701)</u>	<u>4,838,046</u>	<u>3,669,390</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ (330,574)</u>	<u>\$ (1,335,669)</u>	<u>\$ 5,029,991</u>	<u>\$ 4,838,046</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, 2022 AND 2021**

	Food Service Fund		Internal Service Fund	
	2022	2021	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 286,542	\$ 85,630	\$ 6,250,000	\$ 5,750,000
Payments to suppliers	(1,027,987)	(554,648)	(6,451,718)	(5,304,030)
Payments to employees	(1,392,052)	(1,141,470)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(2,133,497)</u>	<u>(1,610,488)</u>	<u>(201,718)</u>	<u>445,970</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
State sources	337,678	153,387	-	-
Federal sources	2,498,019	1,111,423	-	-
Donations and contributions	11,385	32,136	-	-
Transfers in	-	1,607	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>2,847,082</u>	<u>1,298,553</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(34,000)	-	-	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(34,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Earnings on investments	107	454	2,621	1,446
(Purchase) Sale of investments	(500,107)	184,613	199,097	(447,416)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(500,000)</u>	<u>185,067</u>	<u>201,718</u>	<u>(445,970)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	179,585	(126,868)	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>121,749</u>	<u>248,617</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 301,334</u>	<u>\$ 121,749</u>	<u>\$ -</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (2,021,881)	\$ (1,577,631)	\$ 189,324	\$ 1,167,210
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	7,291	7,256	-	-
Donated commodities	208,993	133,541	-	-
Decrease (Increase) in:				
Due from other funds	(238,916)	(72,371)	(433,686)	(789,219)
Other receivables	(2,210)	3,696	-	-
Inventories	10,685	(703)	-	-
Deferred outflows - pension and OPEB contributions	(11,576)	(5,684)	-	-
Deferred outflows - pension and OPEB	(44,345)	(53,045)	-	-
Increase (Decrease) in:				
Accounts payable	37,951	(30,040)	42,644	67,979
Accrued salaries, payroll withholdings, and benefits	(32,194)	27,139	-	-
Due to other funds	-	(87,822)	-	-
Unearned revenues	(14,485)	(6,773)	-	-
Compensated absences	3,571	4,410	-	-
Net other postemployment benefits liability	11,851	(1,678)	-	-
Net pension liability	(262,510)	29,375	-	-
Deferred inflows - pension and OPEB	214,278	19,842	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (2,133,497)</u>	<u>\$ (1,610,488)</u>	<u>\$ (201,718)</u>	<u>\$ 445,970</u>
SUPPLEMENTAL DISCLOSURE				
Noncash noncapital financing activity:				
USDA donated commodities	<u>\$ 208,993</u>	<u>\$ 133,541</u>	<u>\$ -</u>	<u>\$ -</u>

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

AVON GROVE SCHOOL DISTRICT
STATEMENTS OF FIDUCIARY NET POSITION - CUSTODIAL FUND
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS:		
Cash	\$ 186,135	\$ 152,139
Accounts receivable	<u>250</u>	<u>1,447</u>
TOTAL ASSETS	<u><u>186,385</u></u>	<u><u>153,586</u></u>
LIABILITIES AND NET POSITION:		
LIABILITIES		
Accounts payable	<u>12,884</u>	<u>1,982</u>
TOTAL LIABILITIES	<u>12,884</u>	<u>1,982</u>
NET POSITION	<u>173,501</u>	<u>151,604</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 186,385</u></u>	<u><u>\$ 153,586</u></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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ADDITIONS		
Membership dues and other student fees	\$ 220	\$ 285
Fundraising activities	162,356	43,372
Contributions and donations	13,121	1,250
Transfers in	<u>2,690</u>	<u>-</u>
TOTAL ADDITIONS	<u>178,387</u>	<u>44,907</u>
DEDUCTIONS		
Facilities rentals for student events	20,500	22,175
Equipment rentals for student events	1,699	600
Field trip transportation	7,139	-
Field trip lodging and travel expenses	26,999	-
Contracted services	39,063	2,145
Student club supplies and materials	32,623	8,408
Student event meals and refreshments	9,993	1,036
National association membership dues	1,672	412
Charitable donations	2,342	1,756
Student scholarships	575	-
Student club field trips and registrations	13,812	31
Transfers out	<u>73</u>	<u>20,514</u>
TOTAL DEDUCTIONS	<u>156,490</u>	<u>57,077</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	21,897	(12,170)
FIDUCIARY NET POSITION - BEGINNING BALANCE	<u>151,604</u>	<u>163,774</u>
FIDUCIARY NET POSITION - ENDING BALANCE	<u>\$ 173,501</u>	<u>\$ 151,604</u>

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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Basis of Presentation

Entity-wide Financial Statements

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

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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Revenue Recognition

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

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

Expenditure Recognition

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

Proprietary Funds

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

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The District operates two proprietary funds: an enterprise fund and an internal service fund. The principal

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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. 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 \$37,321. The allowance for uncollectible accounts is based upon historical data established according to experience and other factors which, in the judgment of District management, deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

Property Taxes

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

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

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

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

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

The District's taxes are billed and collected by the District. The tax on real estate for public school purposes for fiscal year 2021-2022 was 33.52 mills (\$33.52 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.

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.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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
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.

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.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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. 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.

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.

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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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, 2021, 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, 2022, the District implemented GASB Statement No. 87, "Leases." GASB No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the new guidance, governments leasing assets under lease agreements meeting certain criteria recognize a lease liability and an intangible right-to-use asset. The District leases copiers and modular classrooms through lease agreements that are subject to the requirements of GASB No. 87.

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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank's failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2022, the carrying amount of the District's deposits was \$13,259,234, and the bank balance was \$13,421,014. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$13,171,014 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured, and the collateral held by the depository's agent was not in the District's name.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Investments

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

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

The carrying value of the District's investments at June 30, 2022 was \$75,901,037. Of the investments, \$3,212,288 is invested in non-negotiable certificates of deposits with maturities of less than one year, and \$7,245,845 is invested in U.S. Treasury Bills with maturities of less than one year. The remaining \$65,442,904 is invested in 2a7-like pools. The amortized cost, which approximates fair value of the pool, is determined by the pool's share price. The District has no regulatory oversight for the pools, which are governed by the Board of Trustees. PSDLAF is administered by PMA Financial Network, Inc., and the pool is audited annually by PricewaterhouseCoopers LLP, an independent certified public accounting firm. INVEST is administered by the Pennsylvania Treasury.

Credit Risk

The District has an investment policy that limits its investment choices in local government investment pools only to the extent it is rated in the highest rating category by a nationally recognized rating agency. As of June 30, 2022, PSDLAF and INVEST were rated as AAAm by a nationally recognized statistical rating organization.

NOTE 4 UNEARNED REVENUES

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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$11,035,789	\$ -	\$ -	\$ 11,035,789
Construction-in-progress	47,575,322	44,316,477	-	91,891,799
Total Capital Assets Not Being Depreciated	<u>58,611,111</u>	<u>44,316,477</u>	<u>-</u>	<u>102,927,588</u>
Capital assets being depreciated:				
Buildings and improvements	84,115,140	731,622	-	84,846,762
Furniture and equipment	11,057,970	622,959	69,598	11,611,331
Total Capital Assets Being Depreciated	<u>95,173,110</u>	<u>1,354,581</u>	<u>69,598</u>	<u>96,458,093</u>
Less accumulated depreciation for:				
Buildings and improvements	56,573,754	2,109,007	-	58,682,761
Furniture and equipment	7,632,940	1,153,442	53,021	8,733,361
Total accumulated depreciation	<u>64,206,694</u>	<u>3,262,449</u>	<u>53,021</u>	<u>67,416,122</u>
Total Capital Assets Being Depreciated, Net	<u>30,966,416</u>	<u>(1,907,868)</u>	<u>16,577</u>	<u>29,041,971</u>
Governmental Activities Assets, Net	<u>\$89,577,527</u>	<u>\$42,408,609</u>	<u>\$ 16,577</u>	<u>\$ 131,969,559</u>
<u>Business-type Activities</u>				
Capital assets being depreciated:				
Furniture and equipment	\$ 119,461	\$ 34,000	\$ -	\$ 153,461
Less accumulated depreciation	97,060	7,291	-	104,351
Business-type Capital Assets, Net	<u>\$ 22,401</u>	<u>\$ 26,709</u>	<u>\$ -</u>	<u>\$ 49,110</u>

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

<u>Governmental Activities:</u>	
Instruction	\$ 2,556,948
Instructional student support	196,143
Administrative and financial support services	239,461
Operation and maintenance of plant services	104,316
Pupil transportation	135,537
Student activities	30,044
Total Depreciation Expense - Governmental Activities	<u>\$ 3,262,449</u>
<u>Business-type Activities:</u>	
Food Service	<u>\$ 7,291</u>

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2022 is as follows:

Receivable To	Amount	Payable From	Amount
General Fund	\$ 8,934	Capital Projects Fund	\$ 8,934
Food Service Fund	311,287	General Fund	311,287
Internal Service Fund	<u>3,589,280</u>	General Fund	<u>3,589,280</u>
	<u>\$ 3,909,501</u>		<u>\$ 3,909,501</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 \$828,730 during the year from the general fund to the capital projects fund for the purpose of funding future capital projects.

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, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due In One Year
Bonds payable, net	\$112,963,702	\$ 27,131,510	\$ 4,271,796	\$135,823,416	\$ 4,820,662
Lease liability	207,471	80,684	176,456	111,699	61,655
Accumulated compensated absences	1,737,236	-	181,084	1,556,152	99,106
Net OPEB liability	25,215,216	-	674,430	24,540,786	-
Net pension liability	<u>110,855,439</u>	-	<u>14,911,490</u>	<u>95,943,949</u>	-
TOTALS	<u>\$250,979,064</u>	<u>\$ 27,212,194</u>	<u>\$20,215,256</u>	<u>\$257,976,002</u>	<u>\$ 4,981,423</u>

The following summarizes the changes in the long-term liabilities of business-type activities for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due In One Year
Accumulated compensated absences	\$ 49,447	\$ 3,571	\$ -	\$ 53,018	\$ 2,032
Net OPEB liability	85,704	11,851	-	97,555	-
Net pension liability	<u>1,951,561</u>	-	<u>262,510</u>	<u>1,689,051</u>	-
TOTALS	<u>\$ 2,086,712</u>	<u>\$ 15,422</u>	<u>\$ 262,510</u>	<u>\$ 1,839,624</u>	<u>\$ 2,032</u>

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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

Bonds payable are comprised of the following:

Bonds payable, at face	\$121,570,000
Unamortized discount	(910,024)
Unamortized premium	<u>15,163,440</u>
 Bonds payable, net	 <u>\$135,823,416</u>

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

General Obligation Bonds

Series of 2012, maturing through November 15, 2022, bearing interest at 2.00%, interest payable semi-annually on May 15 and November 15. This Series of 2012 provided funds to refund the Series of 2007 bonds.	\$ 225,000
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.	35,540,000
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.	49,910,000
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 2021 and Series 2022 interest rate swaps.	7,215,000
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.	3,725,000
Series of 2022, maturing through November 15, 2041, bearing of 4.00%, interest payable semi-annually on May 15 and November 15. This Series of 2022 provided funds to finance various capital projects of the District and pay the costs of issuing the bonds.	<u>24,955,000</u>
 TOTAL	 <u>\$121,570,000</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>
2023	\$ 3,970,000	\$ 4,446,938	\$ 8,416,938
2024	4,175,000	4,722,925	8,897,925
2025	4,305,000	4,589,400	8,894,400
2026	4,465,000	4,432,375	8,897,375
2027	4,645,000	4,251,475	8,896,475
2028 - 2032	26,690,000	17,808,688	44,498,688
2033 - 2037	33,085,000	11,438,800	44,523,800
2038 - 2042	40,235,000	4,245,200	44,480,200
	<u>\$121,570,000</u>	<u>\$ 55,935,801</u>	<u>\$177,505,801</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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E"), and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service.

For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested, and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

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

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

Member Contributions

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

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

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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

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

Members who joined the system after June 30, 2019 automatically contribute at the Membership Class T-G rate of 5.50 percent (base rate) of the member's qualifying compensation, plus another 2.75 percent of the member's qualifying compensation into a defined contribution plan, for a total contribution rate of 8.25 percent. Members hired after June 30, 2019 who elect Class T-H membership contribute 4.50 percent to the defined benefit plan, plus an additional 3.00 percent to the defined contribution plan, for a total contribution rate of 7.50 percent. Members hired after June 30, 2019 also have the option of enrolling in Class DC, which requires a contribution of 7.50 percent of the member's qualifying compensation, and is invested solely in the defined contribution plan.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2022 was 33.99 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 \$11,999,546 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$97,633,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2021, the District's proportion was 0.2378 percent, which was an increase of 0.0087 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$6,610,994. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ -	\$ 15,541,000
Changes in proportions	3,140,000	2,030,000
Difference between employer contributions and proportionate share of total contributions	189,301	-
Difference between expected and actual experience	72,000	1,283,000
Changes in assumption	4,736,000	-
Contributions subsequent to the date of measurement	<u>11,999,546</u>	<u>-</u>
	<u>\$ 20,136,847</u>	<u>\$ 18,854,000</u>

An amount of \$11,999,546 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, 2023. 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>	
2023	\$ (3,093,430)
2024	(1,767,704)
2025	(834,565)
2026	<u>(5,021,000)</u>
	<u>\$ (10,716,699)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2021 was determined by rolling forward the system's total pension liability as of the June 30, 2020 actuarial valuation to June 30, 2021 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 – 7.00 percent, including inflation of 2.50 percent
- Salary growth – effective average of 4.50 percent, comprised of inflation of 2.50 percent and 2.00 percent for real wage growth and for merit or seniority increases

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

- Mortality rates were based on a blend of the 50 percent PubT-2010 and 50 percent PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale
- The discount rate used to measure the total pension liability decreased from 7.25 percent as of June 30, 2020 to 7.00 percent as of June 30, 2021
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00 percent to 4.50 percent
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75 percent and 2.25 percent to 2.50 percent and 2.00 percent, respectively
 - Mortality rates - Previously 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. Effective with the June 30, 2021 actuarial valuation, mortality rates are based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2021 valuation were based on the experience study that was performed for the five-year period ended June 30, 2020.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global public equity	27.0%	5.2%
Private equity	12.0%	7.3%
Fixed income	35.0%	1.8%

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 8 PENSION PLAN (cont'd)

<u>Asset Class</u>	<u>Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
(cont'd)		
Commodities	10.0%	2.0%
Absolute return	8.0%	3.1%
Infrastructure/MLPs	8.0%	5.1%
Real estate	10.0%	4.7%
Cash	3.0%	0.1%
Leverage	(13.0%)	0.1%
	<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, 2022.

Discount Rate

The discount used to measure the total pension liability was 7.00 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 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
District's proportionate share of the net pension liability	\$ 127,147,000	\$ 97,633,000	\$ 71,893,000

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.pfers.pa.gov.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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.

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.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

At July 1, 2021, the following employees were covered by the benefit terms:

Active participants	439
Retired participants currently receiving benefits	<u>46</u>
	<u>485</u>

Total OPEB Liability

The District's total OPEB liability of \$18,999,341 was measured as of July 1, 2021, and was determined by rolling forward the District's total OPEB liability as of the July 1, 2020 actuarial valuation to July 1, 2021.

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 2021 - 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
- Interest rate – 2.28 percent based on the S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2021
- 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 assumed preretirement and postretirement using 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, 2021	\$ 20,346,920
Changes for the year:	
Service cost	1,084,556
Interest	392,862
Difference between expected and actual experience	(1,493,070)

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

	<u>Total OPEB Liability</u>
(cont'd)	
Changes of assumptions	(759,875)
Benefit payment	<u>(572,052)</u>
Net changes	<u>(1,347,579)</u>
Total OPEB Liability – June 30, 2022	<u>\$ 18,999,341</u>

Changes of assumptions include the change in the discount rate from 1.86 percent to 2.28 percent.

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 (1.28 percent) or one percentage point higher (3.28 percent) than the current discount rate:

	<u>1% Decrease 1.28%</u>	<u>Current Discount Rate 2.28%</u>	<u>1% Increase 3.28%</u>
Total OPEB liability	\$ 20,864,654	\$ 18,999,341	\$ 17,316,281

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:

	<u>1% Decrease (4.5% Decreasing to 3.0%)</u>	<u>Current Trend Rates (5.5% Decreasing to 4.0%)</u>	<u>1% Increase (6.5% Decreasing to 5.0%)</u>
Total OPEB liability	\$ 16,696,502	\$ 18,999,341	\$ 21,754,745

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$988,534. At June 30, 2022, 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 9 AVON GROVE SCHOOL DISTRICT POSTEMPLOYMENT BENEFITS PLAN (cont'd)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 2,416,566	\$ 1,458,946
Difference between expected and actual experience	-	5,716,137
Contributions subsequent to the date of measurement	<u>529,641</u>	<u>-</u>
	<u>\$ 2,946,207</u>	<u>\$ 7,175,083</u>

An amount of \$529,641 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, 2023. 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>	
2023	\$ (488,884)
2024	(488,884)
2025	(488,884)
2026	(488,884)
2027	(488,884)
Thereafter	<u>(2,314,097)</u>
Total	<u>\$(4,758,517)</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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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, 2021 there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance Eligibility Criteria

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

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the Health Options Program ("HOP") or employer-sponsored health insurance program

Pension Plan Description

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

Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2021, 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, 2022 was 0.80 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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$282,425 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$5,639,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, 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, 2020 to June 30, 2021. 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, 2021, the District's proportion was 0.2379 percent, which was an increase of 0.0086 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of \$335,470. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected experience	\$ 52,000	\$ -
Changes of assumptions	601,000	75,000
Changes in proportion	197,000	168,000
Differences between projected and actual investment earnings	11,000	-
Difference between employer contributions and proportionate share of total contributions	6,465	-
Contributions subsequent to the date of measurement	<u>282,425</u>	<u>-</u>
	<u>\$ 1,149,890</u>	<u>\$ 243,000</u>

An amount of \$282,425 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, 2023. 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 10 PSERS HEALTH INSURANCE PREMIUM ASSISTANCE PROGRAM (cont'd)

Year Ended June 30,

2023	\$ 88,470
2024	86,470
2025	145,310
2026	111,082
2027	93,076
Thereafter	<u>100,057</u>
	<u>\$ 624,465</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2021 was determined by rolling forward the PSERS system's total OPEB liability as of June 30, 2020 to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry age normal, level percent of pay
- Investment return – 2.18 percent based on the S&P 20-year Municipal Bond Rate
- Salary growth – Effective average of 4.50 percent, comprised of inflation of 2.50 percent and 2.00 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 a blend of 50 percent PubT-2010 and 50 percent PubG-2010 Retiree Tables for Males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 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, 2021 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2019 determined the employer contribution rate for fiscal year 2022.
- Cost method: amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method: market value.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

- Participation rate: 63 percent of eligible retirees are assumed to elect premium assistance.
- Mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code, employer contribution rates for premium assistance are established to provide reserves in the health 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	79.8%	0.1%
U.S. core fixed income	17.5%	0.7%
Non-U.S. developed fixed	2.7%	(0.3%)
	<u>100.00%</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, 2021.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.18 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 2.18 percent, which represents the S&P 20-year Municipal Bond Rate at June 30, 2021, was applied to all projected benefit payments to measure the total OPEB liability.

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

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

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, 2021, 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, 2021, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2021, 611 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.

The following presents the system's net OPEB liability for June 30, 2021, calculated using current healthcare cost trends, as well as what the system's net OPEB liability would be if its healthcare cost trends were one percentage point lower or one percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 5,639,000	\$ 5,639,000	\$ 5,640,000

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 2.28 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 (1.18 percent) or one percentage-point higher (3.18 percent) than the current rate:

	<u>1% Decrease 1.18%</u>	<u>Current Discount Rate 2.18%</u>	<u>1% Increase 3.18%</u>
District's proportionate share of the net OPEB liability	\$ 6,472,000	\$ 5,639,000	\$ 4,954,000

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.

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

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

	<u>Net OPEB Liability</u>
District Plan (See Note 9)	\$ 18,999,341
PSERS Plan (See Note 10)	<u>5,639,000</u>
Total	<u>\$ 24,638,341</u>

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)	\$ 11,999,546	\$ 8,137,301	\$ 18,854,000
OPEB – District Plan (See Note 9)	529,641	2,416,566	7,175,083
OPEB – PSERS (See Note 10)	<u>282,425</u>	<u>867,465</u>	<u>243,000</u>
Total	<u>\$ 12,811,612</u>	<u>\$ 11,421,332</u>	<u>\$ 26,272,083</u>

NOTE 12 LEASES

The District leases certain copy machines and modular classrooms under various lease agreements that are reported in accordance with GASB Statement No. 87, "Leases."

On December 15, 2017, the District entered into a lease agreement for six high-volume copy machines. The non-cancellable lease term is for a five-year period ending on December 15, 2022, with payments due monthly of \$4,773. The lease payments include an interest rate of 4.38 percent.

On January 15, 2018, the District entered into a lease agreement for 23 copy machines. The non-cancellable lease term is for a five-year period ending on January 15, 2023, with payments due monthly of \$1,057. The lease payments include an interest rate of 4.38 percent.

On June 4, 2021, the District entered into a lease agreement for 24 multi-function digital copiers. The non-cancellable lease term is for a five-year period ending June 4, 2026, with payments due monthly of \$1,464. The lease payments include an interest rate of 3.40 percent.

On August 11, 2017, the District entered into a lease agreement for six modular classrooms located at its elementary school. The non-cancellable lease term is for a four-year period

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 LEASES (cont'd)

ended August 10, 2021. Subsequent to the expiration of the non-cancellable period, the lease was continued on a month-to-month basis. Payments are due monthly on this lease in the amount of \$5,083, which includes an interest rate of 4.00 percent.

On June 17, 2019, the District entered into a lease agreement for two modular classrooms located at its middle school. The non-cancellable lease period is for a three-year period ended June 17, 2022. Subsequent to the expiration of the non-cancellable period, the lease was continued on a month-to-month basis. Payments are due monthly on this lease in the amount of \$1,350, which includes an interest rate of 4.00 percent.

On August 1, 2019, the District entered into a lease agreement for ten modular classrooms located at its high school. The non-cancellable lease period is for a three-year period ending July 31, 2022. Subsequent to year end at the end of the lease term, the lease was terminated, and the modular classrooms were removed and returned to the lessor. Payments are due monthly on this lease in the amount of \$5,880, which includes an interest rate of 4.00 percent.

Presented below are summaries of lease payment requirements to maturity by years, and lease asset activity:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2023	\$ 61,655	\$ 2,227	\$ 63,882
2024	16,118	1,452	17,570
2025	16,675	895	17,570
2026	17,251	319	17,570
	<u>\$ 111,699</u>	<u>\$ 4,893</u>	<u>\$ 116,592</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Leased assets being depreciated:				
Leased buildings	\$ 924,621	\$ -	\$ -	\$ 924,621
Leased equipment	313,599	80,684	-	394,283
Total Leased Assets Being Depreciated	<u>1,238,220</u>	<u>80,684</u>	<u>-</u>	<u>1,318,904</u>
Less accumulated depreciation for:				
Leased buildings	809,138	109,951	-	919,089
Leased equipment	214,293	78,856	-	293,149
Total accumulated depreciation	<u>1,023,431</u>	<u>188,807</u>	<u>-</u>	<u>1,212,238</u>
Total Leased Assets Being Depreciated, Net	<u>214,789</u>	<u>(108,123)</u>	<u>-</u>	<u>106,666</u>
Governmental Activities Assets, Net	<u>\$ 214,789</u>	<u>\$ (108,123)</u>	<u>\$ -</u>	<u>\$ 106,666</u>

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 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, 2022, the District’s share of debt and operating costs was \$2,621,564. 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 14 FUND BALANCES

As of June 30, 2022, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid expenditures	\$ 17,781	\$ 387,667	\$ 405,448
Restricted:			
Capital projects	-	36,997,862	36,997,862
Committed:			
Future retirement contributions	5,998,719	-	5,998,719
Assigned:			
Subsequent year’s budget	5,089,477	-	5,089,477
Future projects	5,500,000	-	5,500,000
Real estate tax appeal losses	1,300,000	-	1,300,000
Pupil services expenditures	500,000	-	500,000
Unassigned	<u>8,458,885</u>	-	<u>8,458,885</u>
Total Fund Balances	<u>\$ 26,864,862</u>	<u>\$ 37,385,529</u>	<u>\$ 64,250,391</u>

NOTE 15 CONTINGENCIES AND COMMITMENTS

Construction Commitments

As of June 30, 2022, the District had ongoing construction projects yet to be completed. The commitments and amounts completed to date are as follows:

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 15 CONTINGENCIES AND COMMITMENTS (cont'd)

	<u>Project Amount</u>	<u>Completed as of 06/30/2022</u>	<u>Commitments</u>
High school construction	\$ 95,196,903	\$ 81,970,062	\$ 13,226,841
High school construction – offsite improvements	1,855,300	644,869	1,210,431
Middle school renovation	17,867,641	4,592,576	13,275,065
Elementary school window replacements	<u>38,130</u>	<u>5,338</u>	<u>32,792</u>
Totals	<u>\$ 114,957,974</u>	<u>\$ 87,212,845</u>	<u>\$ 27,745,129</u>

In addition, the District has incurred costs totaling \$4,678,954 that were not under a formal contract at June 30, 2022. These costs include insurance, building and other permit fees, legal fees, and other expenses of a similar nature.

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.

Standby Letter of Credit

On June 7, 2022, the District issued an irrevocable standby letter of credit in the amount of \$892,568 for the purpose of securing collateral required by the Commonwealth of Pennsylvania Department of Transportation (“PennDOT”) while the District makes certain roadway improvements in conjunction with the construction of a new high school facility. PennDOT is the named beneficiary of the letter of credit. The letter of credit expires on May 12, 2023, and will be renewed on an annual basis until PennDOT no longer requires the letter of credit for collateralization. As of June 30, 2022, no amounts were drawn on the letter of credit.

NOTE 16 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

AVON GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 16 RISK MANAGEMENT (cont'd)

which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2021-2022 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 17 DEFICIT NET POSITION

For governmental activities, business-type activities, and the food service fund, the unrestricted net deficit amounts of \$96,165,376, \$379,684, and \$379,684, 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 18 CHANGE IN ACCOUNTING PRINCIPLE

The District has increased its July 1, 2020 net position of its governmental activities by \$26,676 due to the effects of implementing GASB Statement No. 87, "Leases." Assets previously contracted under operating leases are now treated as leased assets for governmental activities. Net position has been increased for the amount of lease assets that exceeded the value of the corresponding lease liability and the prior outstanding capital lease liability.

NOTE 19 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through November 4, 2022, 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, 2021	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	0.2378%	0.2291%	0.2375%	0.2377%	0.2330%	0.2399%	0.2384%	0.2360%
District's proportion of the net pension liability - dollar value	\$ 97,633,000	\$ 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	\$ 33,826,983	\$ 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	288.62%	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	63.67%	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, 2022</u>	<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	\$ 11,999,546	\$ 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>11,999,546</u>	<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>	<u>\$ -</u>
District's covered-employee payroll	\$ 35,303,166	\$ 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	33.99%	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, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
District's proportion of the net OPEB liability	0.2379%	0.2293%	0.2375%	0.2377%	0.2330%
District's proportion of the net OPEB liability - dollar value	\$ 5,639,000	\$ 4,954,000	\$ 5,051,000	\$ 4,956,000	\$ 4,747,000
District's covered employee payroll	\$ 33,826,983	\$ 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	16.67%	15.01%	15.41%	15.37%	15.30%
Plan fiduciary net position as a percentage of the total OPEB liability	5.30%	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 CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)
Health Insurance Premium Assistance Program**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Contractually required contribution	\$ 282,425	\$ 277,381	\$ 277,157	\$ 272,044	\$ 267,592
Contributions in related to the contractually required contribution	<u>282,425</u>	<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>	<u>\$ -</u>
District's covered employee payroll	\$ 35,303,166	\$ 33,826,983	\$ 32,994,928	\$ 32,776,368	\$ 32,239,975
Contributions as a percentage of covered-employee payroll	0.80%	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, 2021	July 1, 2020	July 1, 2019	July 1, 2018	July 1, 2017
<u>TOTAL OPEB LIABILITY</u>					
Service cost	\$ 1,084,556	\$ 779,244	\$ 866,165	\$ 816,724	\$ 1,079,004
Interest	392,862	578,265	549,270	549,563	545,531
Changes of benefit terms	-	-	-	-	483,830
Differences between expected and actual experience	(1,493,070)	-	(1,339,519)	-	(5,132,266)
Changes of assumptions	(759,875)	2,818,424	(631,867)	44,442	(415,796)
Benefit payments	(572,052)	(567,421)	(592,074)	(579,300)	(731,345)
NET CHANGE IN TOTAL OPEB LIABILITY	(1,347,579)	3,608,512	(1,148,025)	831,429	(4,171,042)
TOTAL OPEB LIABILITY, BEGINNING OF YEAR	20,346,920	16,738,408	17,886,433	17,055,004	21,226,046
TOTAL OPEB LIABILITY, END OF YEAR	\$ 18,999,341	\$ 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	\$ 18,999,341	\$ 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%	0.00%
Covered employee payroll	\$ 32,606,170	\$ 30,811,258	\$ 30,811,258	\$ 30,046,491	\$ 30,046,491
District's net OPEB liability as a percentage of covered payroll	58.27%	66.04%	54.33%	59.53%	56.76%

NOTES TO SCHEDULE

Changes of Assumptions

The discount rate changed from 1.86% to 2.18%.

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 4, 2022

Members of the Board
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, 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2022.

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") as a basis for designing 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.

Members of the Board
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 financial statements. 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 4, 2022

Members of the Board
Avon Grove School District
West Grove, Pennsylvania

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the Avon Grove School District's ("the District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

In our opinion, the District compiled, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("*Uniform Guidance*"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

Members of the Board
Avon Grove School District

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of its major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

Members of the Board
Avon Grove School District

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2022**

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 (UNEARNED) REVENUE 07/01/21	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/22	PASSED THROUGH TO SUB-RECIPIENTS
U.S. Department of Education											
Passed through Pennsylvania Department of Education											
Title I - Improving Basic Programs	I	84.010	013-21-0017	08/25/20-09/30/21	\$ 482,597	\$ 177,142	\$ 126,084	\$ 51,058	\$ 51,058	\$ -	\$ -
Title I - Improving Basic Programs	I	84.010	013-22-0017	08/25/21-09/30/22	410,543	263,921	-	341,687	341,687	77,766	-
Total CFDA #84.010						441,063	126,084	392,745	392,745	77,766	-
Title II - Supporting Effective Instructions	I	84.367	020-21-0017	08/25/20-09/30/21	109,455	78,688	58,788	19,900	19,900	-	-
Title II - Supporting Effective Instructions	I	84.367	020-22-0017	08/25/21-09/30/22	86,424	49,145	-	57,895	57,895	8,750	-
Total CFDA #84.367						127,833	58,788	77,795	77,795	8,750	-
Title III - English Language Acquisition Grants	I	84.365	010-21-0017	08/25/20-09/30/21	89,648	25,614	15,580	8,899	8,899	(1,135)	-
Title III - English Language Acquisition Grants	I	84.365	010-22-0017	08/25/21-09/30/22	80,577	51,155	-	70,962	70,962	19,807	-
Total CFDA #84.365						76,769	15,580	79,861	79,861	18,672	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-21-0017	08/25/20-09/30/21	17,305	12,361	10,780	1,581	1,581	-	-
Title IV - Student Support and Academic Enrichment	I	84.424	144-22-0017	08/25/21-09/30/22	36,123	25,787	-	23,561	23,561	(2,226)	-
Total CFDA #84.424						38,148	10,780	25,142	25,142	(2,226)	-
Subgrant from U.S. Department of Education											
Passed through Chester County Intermediate Unit (CCIU)											
IDEA Part B	I	84.027	062-21-0024	07/01/20-09/30/21	543,445	181,148	181,148	-	-	-	-
IDEA Part B	I	84.027	062-22-0024	07/01/21-09/30/22	533,030	35,535	-	533,030	533,030	497,495	-
IDEA Part B - ARP	I	84.027	062-22-0024	07/01/21-06/30/23	128,555	8,570	-	128,555	128,555	119,985	-
Total IDEA Part B - CCIU						225,253	181,148	661,585	661,585	617,480	-
Passed through Pennsylvania Training and Technical Assistance Network (PaTTAN)											
IDEA Part B - Transition Discoveries Grant	I	84.027	14,491,736	12/01/20-06/30/22	7,500	3,750	(2,281)	4,850	4,850	(1,181)	-
IDEA Part B - Transition Discoveries Grant	I	84.027	14491736-2	09/01/21-06/30/22	7,500	3,750	-	-	-	(3,750)	-
IDEA Part B - Secondary MTSS Grant	I	84.027	062-22-0033	07/01/21-06/30/22	20,000	-	-	3,739	3,739	3,739	-
Total IDEA Part B - PaTTAN						7,500	(2,281)	8,589	8,589	(1,192)	-
Total CFDA #84.027						232,753	178,867	670,174	670,174	616,288	-
Passed through Chester County Intermediate Unit (CCIU)											
IDEA Part B 619	I	84.173	131-220024B	07/01/21-06/30/22	1,872	1,872	-	1,872	1,872	-	-
Total CFDA #84.173						1,872	-	1,872	1,872	-	-
Total Special Education Cluster						234,625	178,867	672,046	672,046	616,288	-
Passed through Pennsylvania Department of Education											
Education Stabilization Fund:											
Elementary and Secondary School Emergency Relief:											
CARES Act - ESSER I	I	84.425D	200-20-0017	03/12/20-09/30/21	187,418	147,962	147,962	-	-	-	-
CRRSA - ESSER II	I	84.425D	200-21-0017	03/12/20-09/30/23	1,773,814	1,320,048	979,525	514,396	514,396	173,873	-
ARP - ESSER III	I	84.425U	223-21-0017	03/12/20-09/30/24	3,587,912	1,630,869	-	2,126,021	2,126,021	495,152	-
ARP - ESSER III 7% Learning Loss Set Aside	I	84.425U	225-21-0017	03/12/20-09/30/24	199,187	36,216	-	154,198	154,198	117,982	-
ARP - ESSER III 7% After School Program Set Aside	I	84.425U	225-21-0017	03/12/20-09/30/24	39,837	7,243	-	-	-	(7,243)	-
ARP - ESSER III 7% Summer School Program Set Aside	I	84.425U	225-21-0017	03/12/20-09/30/24	39,837	7,243	-	39,837	39,837	32,594	-
ARP HCY II - Homeless Children and Youth	I	84.425W	181-21-2019	03/12/20-09/30/24	53,501	4,115	-	-	-	(4,115)	-
Total ESSER - PDE						3,153,696	1,127,487	2,834,452	2,834,452	808,243	-

**AVON GROVE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

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 (UNEARNED) REVENUE 07/01/21	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 06/30/22	PASSED THROUGH TO SUB-RECIPIENTS
Passed through Pennsylvania Commission on Crime and Delinquency (PCCD)											
CARES Act - ESSER I	I	84.425D	2020-ES-01-3593	03/13/20-09/30/22	169,077	663	663	-	-	-	-
Total ESSER I - PCCD						663	663	-	-	-	-
Total CFDA #84.425D						1,468,673	1,128,150	514,396	514,396	173,873	-
Total CFDA #84.425U						1,681,571	-	2,320,056	2,320,056	638,485	-
Total CFDA #84.425						3,154,359	1,128,150	2,834,452	2,834,452	808,243	-
Total U.S. Department of Education						4,072,797	1,518,249	4,082,041	4,082,041	1,527,493	-
U.S. Department of Agriculture											
National School Lunch Program											
Value of U.S.D.A. Donated Commodities	I	10.555	N/A	07/01/21-06/30/22	N/A	208,993	-	208,993	208,993	-	-
Passed through Pennsylvania Department of Education											
National School Lunch Program	I	10.555	N/A	07/01/20-06/30/21	N/A	87,364	87,364	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/21-06/30/22	N/A	1,947,906	-	2,224,540	2,224,540	276,634	-
National School Lunch Program - Emergency Operating Costs	I	10.555	N/A	07/01/20-06/30/21	33,150	33,150	33,150	-	-	-	-
National School Lunch Program - Supply Chain Assistance	I	10.555	N/A	07/01/21-06/30/22	98,913	98,913	-	8,129	8,129	(90,784)	-
National School Lunch Program - P-EBT Local Admin Funds	I	10.555	N/A	07/01/21-06/30/22	3,063	3,063	-	3,063	3,063	-	-
Total CFDA #10.555						2,170,396	120,514	2,235,732	2,235,732	185,850	-
Breakfast Program	I	10.553	N/A	07/01/20-06/30/21	N/A	22,516	22,516	-	-	-	-
Breakfast Program	I	10.553	N/A	07/01/21-06/30/22	N/A	305,106	-	353,111	353,111	48,005	-
Total CFDA #10.553						327,622	22,516	353,111	353,111	48,005	-
Total Child Nutrition Cluster						2,707,011	143,030	2,797,836	2,797,836	233,855	-
Total U.S. Department of Agriculture						2,707,011	143,030	2,797,836	2,797,836	233,855	-
U.S. Department of Health and Human Services											
Passed through PA Department of Public Welfare											
Title XIX Medical Assistance Program	I	93.778	N/A	07/01/21-06/30/22	14,031	14,031	10,947	14,550	14,550	11,466	-
Total CFDA #93.778						14,031	10,947	14,550	14,550	11,466	-
Total U.S. Department of Health and Human Services						14,031	10,947	14,550	14,550	11,466	-
Federal Emergency Management Agency											
Passed through Pennsylvania Emergency Management Agency											
Disaster Grants - Public Assistance	I	97.036	N/A	07/01/20-06/30/22	65,000	-	16,250	-	-	16,250	-
Total CFDA #97.036						-	16,250	-	-	16,250	-
Total Federal Emergency Management Agency						-	16,250	-	-	16,250	-
TOTAL FEDERAL AWARDS						\$ 6,793,839	\$ 1,688,476	\$ 6,894,427	\$ 6,894,427	\$ 1,789,064	\$ -

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 2021-2022 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, 2022 was \$377,718.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Awards

Internal control over major program:

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

Type of auditor's 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 No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

84.425D, 84.425U, 84.425W

Elementary and Secondary School Emergency Relief Fund

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

\$ 750,000

Auditee qualified as low-risk auditee?

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.