

**Avonworth School District  
Financial Statements  
June 30, 2019**

**Avonworth School District  
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**Independent Auditor's Report**

Members of the Board  
Avonworth School District  
Pittsburgh, Pennsylvania

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Avonworth School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Avonworth School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Avonworth School District, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Hosack, Specht, Muetzel & Wood LLP*

HOSACK, SPECHT, MUETZEL & WOOD LLP  
Pittsburgh, Pennsylvania  
December 17, 2019

**Avonworth School District**  
**Management's Discussion and Analysis**  
**June 30, 2019**

The discussion and analysis of Avonworth School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

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

**Financial Highlights**

The School District had planned expenditure increases during the 2018/2019 school year in two major areas; salaries and benefits. The hiring of new teachers, contractual increases and an increase in the employer retirement contribution rate had a material impact on the planned increase to the District's general fund budget.

The Board of School Directors approved the 2018/2019 budget with a millage rate of 19.10 which was an increase of 2.3% from the rate imposed for the 2017/2018 school year. Real estate tax revenue for 2018/2019 was \$20,772,331 representing an increase of \$1,568,453 from the 2017/2018 collections. The increase was due to both the increase in the millage rate (estimated at \$480,000) and the continued build out of a new senior community within the school district combined with new residential housing development. Real Estate taxes represent 63.5% of total general fund revenue for the District. The District continued to see an increase in the collection of Earned Income Taxes (EIT) which rose to \$2,735,935 in 2018/2019 from \$2,628,658 in the prior year. Real Estate Transfer Taxes collected were \$490,331. State subsidies and reimbursements increased by approximately \$113,000 primarily due to retirement expense reimbursements. Federal funds received of \$121,441 decreased by \$18,609 from the prior year due to a reduction in Title funding. Overall, total general fund revenues recorded in 2018/2019 were in excess of budgeted revenues by \$418,754 or 1.3%.

Total general fund expenditures for 2018/2019 were \$32,603,7584, an increase of \$1,205,103 over the prior year. Wages increased approximately \$760,531 and benefits increased \$516,967 over 2017/2018. The employer retirement contribution rate increased from 32.57% to 33.43%. New hires, along with this increase, represent the primary reason for the increase in benefit expense. The year over year changes in other expense areas were negligible. \$975,000 was transferred from the general fund to the capital projects fund to pay for an addition at the HS/MS campus and for future anticipated capital project needs. Overall, total general fund expenses for the year were \$763,753 less than budgeted, or 2.28%.

Actual results in operations showed revenues exceeding expenditures by \$112,175 resulting in the School District having a year-end fund balance of \$5,433,906 of which \$1,000,000 has been reserved to assist in paying future retirement rate increases.

The School District's food service (proprietary) fund operated at a net loss of \$9,334 for the 2018/2019 school year. Revenues, consisting of lunch /breakfast sales and government subsidiaries, totaled \$640,343, a \$49,693 increase over the prior year. Operating expenses, consisting of mostly labor costs, food and other supplies, totaled \$649,677, a \$93,951 increase over the prior year. (Note: expenses were increase by \$53,912 for GASB No. 68 (pension) and GASB No. 75 (OPEB) adjustment). The June 30, 2019 year ending net position for this fund is (\$683,376).

**Avonworth School District  
Management's Discussion and Analysis  
June 30, 2019**

**Using the Annual Financial Report**

The Annual Financial Report consists of a financial section which includes the management's discussion and analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can understand Avonworth School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

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

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

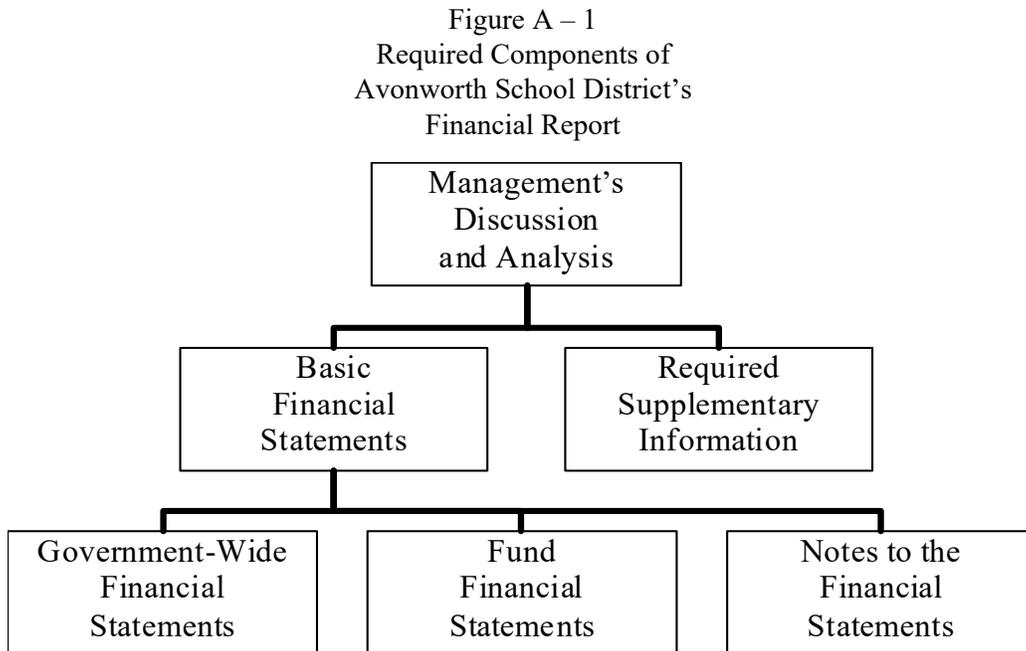


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Avonworth School District  
Management's Discussion and Analysis  
June 30, 2019**

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

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

**Avonworth School District**  
**Management's Discussion and Analysis**  
**June 30, 2019**

**Overview of Financial Statements**

Government-Wide Statements

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

The two government-wide statements report the School District's net position and how they have changed. Net position, the difference between the School District's assets and liabilities, is only one way to measure the School District's financial health or position.

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

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

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

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

Fund Financial Statements

The School District's fund financial statements, which begin with Exhibit 1, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and bond requirements.

*Governmental funds* - Most of the School District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is reconciled in the financial statements.

**Avonworth School District  
Management's Discussion and Analysis  
June 30, 2019**

*Proprietary funds* - These funds are used to account for the School District activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the School District charges customers for services it provides - whether to outside customers or to other units in the School District - these services are generally reported in proprietary funds. The food service fund one of the School District's proprietary funds and is the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows.

*Fiduciary funds* - The School District is the trustee, or fiduciary, for student activity funds and some scholarship funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position on Exhibit 10. We exclude these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations.

**Financial Analysis of the School District as a Whole**

The School District's total net position was a deficit \$(29,307,080) at June 30, 2019 and a deficit \$(27,564,820) at June 30, 2018.

Table A - 1  
Years Ended June 30, 2019 and 2018  
Net Position

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 12,729,990	\$ 400,722	\$ 13,130,712	\$ 12,599,292	\$ (45,933)	\$ 12,553,359
Capital Assets	38,047,424	2,553	38,049,977	38,998,591	3,648	39,002,239
<b>Total Assets</b>	<b>50,777,414</b>	<b>403,275</b>	<b>51,180,689</b>	<b>51,597,883</b>	<b>(42,285)</b>	<b>51,555,598</b>
Deferred Outflows of Resources	8,920,264	118,130	9,038,394	9,901,236	141,824	10,043,060
Current and Other Liabilities	3,795,404	427,662	4,223,066	4,306,862	26,680	4,333,542
Noncurrent Liabilities						
Due Within One Year	1,853,979	-	1,853,979	1,793,922	-	1,793,922
Due in More Than One Year	81,285,449	763,464	82,048,913	81,895,561	712,807	82,608,368
<b>Total Liabilities</b>	<b>86,934,832</b>	<b>1,191,126</b>	<b>88,125,958</b>	<b>87,996,345</b>	<b>739,487</b>	<b>88,735,832</b>

**Avonworth School District  
Management's Discussion and Analysis  
June 30, 2019**

Table A - 1  
Years Ended June 30, 2019 and 2018  
Net Position

	<b>2019</b>			<b>2018</b>		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Deferred Inflows of Resources	<u>1,386,550</u>	<u>13,655</u>	<u>1,400,205</u>	<u>421,709</u>	<u>5,937</u>	<u>427,646</u>
Net Position						
Net Investment in Capital Assets	4,932,092	2,553	4,934,645	4,589,928	3,648	4,593,576
Unrestricted	<u>(33,555,796)</u>	<u>(685,929)</u>	<u>(34,241,725)</u>	<u>(31,508,863)</u>	<u>(649,533)</u>	<u>(32,158,396)</u>
Total Net Position	<u>\$ (28,623,704)</u>	<u>\$ (683,376)</u>	<u>\$ (29,307,080)</u>	<u>\$ (26,918,935)</u>	<u>\$ (645,885)</u>	<u>\$ (27,564,820)</u>

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

Table A-2 summarizes the information in the statement of activities and provides a comparison between fiscal year 2019 and 2018.

Total revenues for governmental activities increased \$1,575,061 from the prior year due primarily to increases in property taxes along with other local income sources (real estate transfer taxes, earned income taxes and investment income).

Total expenses for governmental activities increased 1.76%, or \$562,445. While a number of expense categories has year over year variances (both increases and decreases), the biggest contributors to this increase were wages due to both new hires and contractual requirements along with benefit increase (which includes the state mandated increase in the employer retirement rate) and other employee-related costs.

**Avonworth School District  
Management's Discussion and Analysis  
June 30, 2019**

Table A - 2  
Years Ended June 30, 2019 and 2018  
Changes in Net Position

	<b>2019</b>			<b>2018</b>		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ -	\$ 392,093	\$ 392,093	\$ -	\$ 365,085	\$ 365,085
Operating Grants and Contribs.	4,432,990	245,007	4,677,997	4,390,214	224,807	4,615,021
Capital Grants and Contribs.	289,041	-	289,041	310,567	-	310,567
<b>General Revenues</b>						
Property Taxes	20,627,549	-	20,627,549	19,858,583	-	19,858,583
Other Taxes	4,034,323	-	4,034,323	3,342,094	-	3,342,094
<b>Grants, Subsidies and Contribs.</b>						
Unrestricted	2,831,146	-	2,831,146	2,817,311	-	2,817,311
Investment Earnings	267,353	3,243	270,596	210,691	758	211,449
Miscellaneous	123,907	-	123,907	101,788	-	101,788
<b>Total Revenues</b>	<b><u>32,606,309</u></b>	<b><u>640,343</u></b>	<b><u>33,246,652</u></b>	<b><u>31,031,248</u></b>	<b><u>590,650</u></b>	<b><u>31,621,898</u></b>
<b>Expenses</b>						
Instruction	20,387,635	-	20,387,635	19,742,528	-	19,742,528
Instructional Student Support	2,269,266	-	2,269,266	2,274,786	-	2,274,786
Admin. and Fin. Support Svcs.	3,365,923	-	3,365,923	3,173,958	-	3,173,958
<b>Operation and Maintenance</b>						
of Plant Services	2,099,677	-	2,099,677	2,395,709	-	2,395,709
Pupil Transportation	1,927,788	-	1,927,788	1,866,425	-	1,866,425
Student Activities	1,174,407	-	1,174,407	1,146,575	-	1,146,575
Community Services	7,218	-	7,218	7,370	-	7,370
Interest on Long-Term Debt	1,286,067	-	1,286,067	1,348,185	-	1,348,185
Food Service	-	649,677	649,677	-	555,726	555,726
<b>Total Expenses</b>	<b><u>32,517,981</u></b>	<b><u>649,677</u></b>	<b><u>33,167,658</u></b>	<b><u>31,955,536</u></b>	<b><u>555,726</u></b>	<b><u>32,511,262</u></b>
<b>Increase (Decrease) in Net Position</b>	<b>88,328</b>	<b>(9,334)</b>	<b>78,994</b>	<b>(924,288)</b>	<b>34,924</b>	<b>(889,364)</b>
<b>Beginning Net Position</b>						
(Restated - See Note 2)	<u>(28,712,032)</u>	<u>(674,042)</u>	<u>(29,386,074)</u>	<u>(25,994,647)</u>	<u>(680,809)</u>	<u>(26,675,456)</u>
<b>Ending Net Position</b>	<b><u>\$ (28,623,704)</u></b>	<b><u>\$ (683,376)</u></b>	<b><u>\$ (29,307,080)</u></b>	<b><u>\$ (26,918,935)</u></b>	<b><u>\$ (645,885)</u></b>	<b><u>\$ (27,564,820)</u></b>

**Avonworth School District  
Management's Discussion and Analysis  
June 30, 2019**

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

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

Table A - 3  
Years Ended June 30, 2019 and 2018  
Governmental Activities

	<b>2019</b>		<b>2018</b>	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Instruction	\$ 20,387,635	\$ 17,196,807	\$ 19,742,528	\$ 16,567,778
Instructional Student Support	2,269,266	1,995,920	2,274,786	2,007,124
Admin. and Fin. Support Svcs.	3,365,923	3,109,915	3,173,958	2,944,997
Operation and Maintenance of Plant Services	2,099,677	1,977,503	2,395,709	2,275,804
Pupil Transportation	1,927,788	1,428,029	1,866,425	1,353,865
Student Activities	1,174,407	1,083,532	1,146,575	1,060,199
Community Services	7,218	7,218	7,370	7,370
Interest on Long-Term Debt	<u>1,286,067</u>	<u>997,026</u>	<u>1,348,185</u>	<u>1,037,618</u>
Total Governmental Activities	<u>\$ 32,517,981</u>	27,795,950	<u>\$ 31,955,536</u>	27,254,755
Less:				
Unrestricted Grants, Subsidies		<u>(2,831,146)</u>		<u>(2,817,311)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 24,964,804</u>		<u>\$ 24,437,444</u>

**Avonworth School District  
Management's Discussion and Analysis  
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Table A-4 reflects the activities of the food service program, the only business-type activity of the School District. For the 2018/2019 school year, the food service department operated at a net loss of \$9,334.

Table A - 4  
Years Ended June 30, 2019 and 2018  
Business-Type Activities

	<b>2019</b>		<b>2018</b>	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Functions/Programs				
Food Service	\$ 649,677	\$ 12,577	\$ 555,726	\$ (34,166)
Add/Less:				
Investment Earnings		(3,243)		(758)
Total Business-Type Activities		\$ 9,334		\$ (34,924)

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

**School District Funds**

At June 30, 2019, the School District's general fund reported a fund balance of \$5,433,906, which is an increase of \$2,178,238 from the amount projected based on the adopted 2018/2019 budget. The primary reasons for this increase are specific to the following:

- The actual year-ending fund balance from the previous year was \$995,731 higher than shown when the budget was adopted.
- Total expenditures for the year were \$763,753 less than projected, which was within 2.29% of the budget.
- Lastly, revenues received were higher than budgeted by \$418,754, or 1.29%. Local revenues exceeded budget by \$563,240 primarily due to higher than expected earned income and real estate transfer taxes. Investment earnings were \$132,021 higher than budgeted due to an increase in rates. State/federal revenues were \$144,486 less than budgeted.

**Avonworth School District  
Management's Discussion and Analysis  
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In addition to the general fund, the School District has both a capital reserve fund and a capital projects fund which are part of its governmental activities. Because the School District is actively preparing for and approving capital projects each year, these funds were established to fund and track these projects. Expenses for a STEM lab addition at the high school and bathroom renovations at the elementary school are accounted for in the capital projects fund.

**General Fund Budget**

During the fiscal year, the Board of School Directors (Board) authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the School District. All adjustments are confirmed at the time the annual audit is accepted. This is after the end of the fiscal year and permitted by state law. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary section. Transfers between specific categories of expenditures/other financing uses occur during the year. The most significant transfers occur from the budget reserve category to specific expenditure areas. In 2018/2019, \$400,000 of the budgetary reserve was used to cover transfers to support services for the cost of additional School Resource Officer coverage and to the capital projects fund to be used for the replacement of the high school roof.

**Capital Assets and Debt Administration**

Capital Assets

At June 30, 2019, the School District had \$38,047,424 invested in a broad range of capital assets, including land, buildings, furniture and equipment and construction in progress.

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

	<b>2019</b>	<b>2018</b>
Land and Land Improvements	\$ 1,736,832	\$ 1,884,451
Buildings and Building Improvements	35,506,075	35,220,880
Furniture and Equipment	804,517	827,747
Construction in Progress	-	1,065,513

Debt Administration

As of July 1, 2018, the School District included in its long-term liabilities \$36,300,376 for general obligation bonds and notes payable. During the year, the District issued the Series 2018 Bonds in the amount of \$9,510,000 to refund the Series 2013 Bonds in the amount of \$9,195,000. In addition, the School District made principal payments of \$1,819,271 while recording a decrease in accretion of interest on capital appreciation bonds in the amount of \$149,486. The net result of the above transactions resulted in an ending balance of \$34,945,591 of which \$1,810,939 is due within one year. Additionally, the School District paid off the remaining balance of \$11,528 as required under a capital lease agreement with Laurel Capital.

**Avonworth School District  
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June 30, 2019**

Table A - 6  
Outstanding Debt

General Obligation Bonds/Notes	As of 06/30/19	As of 06/30/18
Bonds - Series of 1999B	\$ 1,328,955	\$ 1,654,469
Bonds - Series of 2011	2,930,000	3,345,000
Bonds - Series of 2013	-	9,195,000
Bonds - Series of 2014	4,780,000	4,905,000
Bonds - Series of 2015A-1	9,820,000	9,855,000
Bonds - Series of 2015A-2	4,870,000	5,070,000
Bonds - Series of 2015B	1,360,000	1,800,000
Bonds - Series of 2018	9,415,000	-
Notes - Series of 2016	441,636	475,907

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

**Economic Factors and Next Year's Budget and Rates**

All of the School District's direct bonded debt is rated "AA-" Stable Outlook by Standard & Poor's (S&P). Some School District backed issues also carry insured ratings for Assured Guaranty rated "AA" by S&P. Additional security for bonds is provided by the Commonwealth of Pennsylvania's Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default of an issue.

The School District continues to see increases in enrollment. The projections from a demographic study completed in February of 2019 show the enrollment growing by approximately 250 students over the next five (5) years. The School District believes that it has positioned itself to accommodate any future enrollment increases but continues to explore options for the high school campus which may include building additions or modifications.

The revenue budget for the 2019/2020 fiscal year is \$33,458,552 which is \$742,793 more than the revenue recorded in 2018/2019. The projected increase is the result of an increase in assessed property value due to new residential construction and an increase in the real estate tax rate along with an increase in state reimbursements for retirement expenses.

**Avonworth School District  
Management's Discussion and Analysis  
June 30, 2019**

The expenditure budget for the 2019/2020 year of \$34,339,313 is approximately \$1.7 million more than the actual expenditures recorded for 2018/2019, a 5.3% increase. The budget includes approximately \$1 million for salaries and benefit increases as four (4) new teaching positions approved. In addition to health insurance coverages the largest benefit impact, at an estimated \$363,000, is due to the increase in the employer pension contributions with the rate set at 34.29% of wages. This budget adds \$300,000 for curriculum purchases and the addition of a full time contracted school resource officer at a cost of \$60,000. Also included in the budget is \$200,000 placed in general contingency. These funds will only be expended if unanticipated expenditures cause the School District to over-expend the budgeted amount in any specific function.

Beginning with the 2007/2008 budget year, the School District, as well as all public school districts in Pennsylvania, was limited as to how much its property tax rate can be increased year after year. The limit (index) for 2019/2020 was 2.3% and is projected to be 2.6% for the 2020/2021 budget year. The District did increase its property tax rate for 2019/2020 by .43 mills setting it at 19.53 mills.

The comparison of revenue and expenditure categories is as follows:

Table A - 7

	Budgeted Revenue 2019/2020	Actual Revenue 2018/2019
Local	77.2%	77.5%
State	22.4%	22.1%
Federal/Other	0.4%	0.4%
	Budgeted Expenditures 2019/2020	Actual Expenditures 2018/2019
Instruction	57.5%	56.6%
Support Services	30.3%	28.4%
Noninstructional Services	3.1%	3.1%
Fund Transfers/Debt/Other	9.1%	11.9%

**Contacting the School District Financial Management**

Our financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional information, please contact Bradley T. Waters, Director of Fiscal Management and Support Services at Avonworth School District, 258 Josephs Lane, Pittsburgh, PA 15237, 412-369-9878.

**Avonworth School District  
Statement of Net Position  
June 30, 2019**

**Exhibit 1**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,811,151	\$ 347,007	\$ 9,158,158
Taxes Receivable, Net	1,631,973	-	1,631,973
Due From Other Governments	1,200,403	40,852	1,241,255
Other Receivables	239,586	-	239,586
Inventories	-	12,663	12,663
Prepaid Items	411,967	-	411,967
Other Current Assets	15,747	200	15,947
Long-Term Prepayments (net of amortization)	419,163	-	419,163
Capital Assets not Being Depreciated			
Land	806,288	-	806,288
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	930,544	-	930,544
Building & Building Improvements	35,506,075	-	35,506,075
Furniture & Equipment	804,517	2,553	807,070
	<u>50,777,414</u>	<u>403,275</u>	<u>51,180,689</u>
<b>TOTAL ASSETS</b>			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Refunding	756,656	-	756,656
Amounts Related to OPEB - District	482,151	-	482,151
Amounts Related to OPEB - PSERS	222,396	3,455	225,851
Amounts Related to Pension	7,459,061	114,675	7,573,736
	<u>8,920,264</u>	<u>118,130</u>	<u>9,038,394</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>LIABILITIES</b>			
Internal Balances	(403,732)	403,732	-
Accounts Payable	524,600	-	524,600
Accrued Salaries and Benefits	3,295,853	-	3,295,853
Unearned Revenues	-	5,633	5,633
Other Current Liabilities	378,683	18,297	396,980
Noncurrent Liabilities:			
Due Within One Year	1,853,979	-	1,853,979
Due in More Than One Year:			
Notes Payable	405,697	-	405,697
Compensated Absences	315,628	-	315,628
Bonds Payable	32,990,692	-	32,990,692
Other Post-Employment Benefits - District	1,151,896	-	1,151,896
Other Post-Employment Benefits - PSERS	1,932,222	31,778	1,964,000
Net Pension Liability	44,489,314	731,686	45,221,000
	<u>86,934,832</u>	<u>1,191,126</u>	<u>88,125,958</u>
<b>TOTAL LIABILITIES</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Amounts Related to OPEB - District	556,205	-	556,205
Amounts Related to OPEB - PSERS	72,803	1,197	74,000
Amounts Related to Pension	757,542	12,458	770,000
	<u>1,386,550</u>	<u>13,655</u>	<u>1,400,205</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>			
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,932,092	2,553	4,934,645
Unrestricted	(33,555,796)	(685,929)	(34,241,725)
	<u>(28,623,704)</u>	<u>(683,376)</u>	<u>(29,307,080)</u>
<b>TOTAL NET POSITION</b>			

See Accompanying Notes

**Avonworth School District  
Statement of Activities  
Year Ended June 30, 2019**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental activities:</b>							
Instruction	\$ 20,387,635	\$ -	\$ 3,190,828	\$ -	\$ (17,196,807)	\$ -	\$ (17,196,807)
Instructional Student Support	2,269,266	-	273,346	-	(1,995,920)	-	(1,995,920)
Administrative and Financial Support Services	3,365,923	-	256,008	-	(3,109,915)	-	(3,109,915)
Operation and Maintenance of Plant Services	2,099,677	-	122,174	-	(1,977,503)	-	(1,977,503)
Pupil Transportation	1,927,788	-	499,759	-	(1,428,029)	-	(1,428,029)
Student Activities	1,174,407	-	90,875	-	(1,083,532)	-	(1,083,532)
Community Services	7,218	-	-	-	(7,218)	-	(7,218)
Interest on Long-Term Debt	1,286,067	-	-	289,041	(997,026)	-	(997,026)
<b>Total Governmental Activities</b>	<b>32,517,981</b>	<b>-</b>	<b>4,432,990</b>	<b>289,041</b>	<b>(27,795,950)</b>	<b>-</b>	<b>(27,795,950)</b>
<b>Business-type activities:</b>							
Food Service	649,677	392,093	245,007	-	-	(12,577)	(12,577)
<b>Total Primary Government</b>	<b>\$ 33,167,658</b>	<b>\$ 392,093</b>	<b>\$ 4,677,997</b>	<b>\$ 289,041</b>	<b>(27,795,950)</b>	<b>(12,577)</b>	<b>(27,808,527)</b>
<b>General Revenues</b>							
<b>Taxes</b>							
Property Taxes Levied for General Purposes, Net					20,627,549	-	20,627,549
Earned Income Taxes					2,735,935	-	2,735,935
Real Estate Transfer Taxes					490,331	-	490,331
Other Taxes Levied for General Purposes, Net					808,057	-	808,057
Grants, Subsidies and Contributions not Restricted					2,831,146	-	2,831,146
Investment Earnings					267,353	3,243	270,596
Miscellaneous Income					123,907	-	123,907
<b>Total General Revenues</b>					<b>27,884,278</b>	<b>3,243</b>	<b>27,887,521</b>
<b>Change in Net Position</b>					<b>88,328</b>	<b>(9,334)</b>	<b>78,994</b>
<b>Net Position - July 1, 2018 (Restated - See Note 2)</b>					<b>(28,712,032)</b>	<b>(674,042)</b>	<b>(29,386,074)</b>
<b>Net Position - June 30, 2019</b>					<b>\$ (28,623,704)</b>	<b>\$ (683,376)</b>	<b>\$ (29,307,080)</b>

See Accompanying Notes

**Avonworth School District  
Balance Sheet  
Governmental Funds  
June 30, 2019**

**Exhibit 3**

	General Fund	Non- Major Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,778,950	\$ 2,032,201	\$ 8,811,151
Taxes Receivable, Net	1,631,973	-	1,631,973
Due from Other Funds	403,732	-	403,732
Due from Other Governments	1,200,403	-	1,200,403
Other Receivables	239,586	-	239,586
Prepaid Items	411,967	-	411,967
Other Current Assets	<u>15,747</u>	<u>-</u>	<u>15,747</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,682,358</u></u>	<u><u>\$ 2,032,201</u></u>	<u><u>\$ 12,714,559</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 524,600	\$ -	\$ 524,600
Accrued Salaries and Benefits	3,295,853	-	3,295,853
Other Current Liabilities	<u>52,534</u>	<u>-</u>	<u>52,534</u>
<b>Total Liabilities</b>	<u>3,872,987</u>	<u>-</u>	<u>3,872,987</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenues - Property Taxes	<u>1,375,465</u>	<u>-</u>	<u>1,375,465</u>
<b>Fund Balances</b>			
Nonspendable	411,967	-	411,967
Committed	1,000,000	2,032,201	3,032,201
Unassigned	<u>4,021,939</u>	<u>-</u>	<u>4,021,939</u>
<b>Total Fund Balances</b>	<u>5,433,906</u>	<u>2,032,201</u>	<u>7,466,107</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 10,682,358</u></u>	<u><u>\$ 2,032,201</u></u>	<u><u>\$ 12,714,559</u></u>

See Accompanying Notes

**Avonworth School District  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2019**

**Exhibit 4**

Total Fund Balances - Governmental Funds \$ 7,466,107

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 as assets in governmental funds. The cost of assets is \$58,315,836, and the accumulated depreciation is \$20,268,412. 38,047,424

Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore are not reported as assets in governmental funds. 1,375,465

Premiums and discounts on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. (261,737)

Deferred charges on refunding bonds issued are amortized over the life of the bonds as deferred outflows of resources in the statement of net position. 756,656

The payment to the joint venture career and technical center is capitalized and amortized over the life of the notes in the statement of net position. 419,163

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

Bonds Payable	\$ (34,503,955)	
Accrued Interest on the Bonds	(326,149)	
Notes Payable	(441,636)	
Compensated Absences	<u>(358,668)</u>	(35,630,408)

**Avonworth School District  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2019**

**Exhibit 4**

Some liabilities including net pension obligations and OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

OPEB Liability - District	(1,151,896)	
OPEB Liability - PSERS	(1,932,222)	
Net Pension Liability	(44,489,314)	(47,573,432)

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	7,459,061	
Deferred Inflows of Resources Related to Pensions	(757,542)	
Deferred Outflows of Resources Related to OPEB - District	482,151	
Deferred Inflows of Resources Related to OPEB - District	(556,205)	
Deferred Outflows of Resources Related to OPEB - PSERS	222,396	
Deferred Inflows of Resources Related to OPEB - PSERS	(72,803)	6,777,058

Total Net Position - Governmental Activities	\$ (28,623,704)
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See Accompanying Notes

**Avonworth School District**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2019**

**Exhibit 5**

	General Fund	Non-Major Funds	Total Governmental Funds
Revenues			
Local Sources	\$ 25,380,440	\$ 35,332	\$ 25,415,772
State Sources	7,213,878	-	7,213,878
Federal Sources	121,441	-	121,441
	<hr/>	<hr/>	<hr/>
Total Revenues	32,715,759	35,332	32,751,091
Expenditures			
Instruction	18,450,482	-	18,450,482
Support Services	9,262,649	115,103	9,377,752
Noninstructional Services	1,026,355	-	1,026,355
Capital Outlay	-	319,308	319,308
Debt Service (Principal & Interest)	2,875,618	8,426	2,884,044
Refunds of Prior Year's Receipts	13,480	-	13,480
	<hr/>	<hr/>	<hr/>
Total Expenditures	31,628,584	442,837	32,071,421
Excess (Deficiency) of Revenues Over Expenditures	<hr/> 1,087,175	<hr/> (407,505)	<hr/> 679,670
Other Financing Sources (Uses)			
Issuance of Bonds	-	9,510,000	9,510,000
(Discount) Premium on Bonds Issued	-	8,495	8,495
Transfers In	-	975,000	975,000
Payment to Refunded Bond Escrow Agent	-	(9,394,972)	(9,394,972)
Transfers Out	(975,000)	-	(975,000)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(975,000)	1,098,523	123,523
Net Change in Fund Balances	112,175	691,018	803,193
Fund Balances - July 1, 2018	<hr/> 5,321,731	<hr/> 1,341,183	<hr/> 6,662,914
Fund Balances - June 30, 2019	<u>\$ 5,433,906</u>	<u>\$ 2,032,201</u>	<u>\$ 7,466,107</u>

See Accompanying Notes

**Avonworth School District  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
to the Statement of Activities  
Year Ended June 30, 2019**

**Exhibit 6**

Total Net Change in Fund Balances - Governmental Funds \$ 803,193

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

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

Depreciation Expense	\$ (1,282,193)	
Capital Outlays	<u>331,026</u>	(951,167)

Because some property taxes and other revenues will not be collected within the current financial resources measurement focus period, they are not considered as "available" revenues in the governmental funds. Unavailable revenues decreased by this amount this year. (131,302)

The payment to the joint venture career and technical center is capitalized and amortized over the life of the notes in the statement of net position. (42,627)

Repayment of bond, note and capital lease payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,830,799

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. The proceeds were: (9,510,000)

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

Compensated Absences	(40,980)	
Other Post-Employment Benefits - District	(97,203)	
Other Post-Employment Benefits - PSERS	<u>10,468</u>	(127,715)

**Avonworth School District  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures  
and Changes in Fund Balances  
to the Statement of Activities  
Year Ended June 30, 2019**

**Exhibit 6**

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

Net Change in Accrued Interest on Bonds	12,892	
Accretion of Interest on Capital Appreciation Bonds	<u>(149,486)</u>	(136,594)

The School Districts' bonded debt was also reduced by an advance refunding of debt. Resources of (\$9,394,972) were paid to the escrow agent for the advance refunding of outstanding bonds (\$9,195,000). The difference between those amounts was \$199,972 and will be amortized as an adjustment of interest expense in the statement of activities over the remaining life of the new debt.

9,394,972

Bond discount, premium and deferred charges on bonds are reported in the statement of revenues and expenditures of governmental funds as expenditures but are capitalized and amortized over the life of the bonds in the statement of activities.

Bond Premium	(8,495)	
Amortization of Discount, Premium and Deferred Loss on Refunding	<u>(61,957)</u>	(70,452)

Governmental funds report School District pension contributions as expenditures. However in the statement of activities the cost of pension benefits earned is reported as pension expense.

District pension contributions to PSERS	4,353,224	
Cost of Benefits Earned	<u>(5,324,003)</u>	<u>(970,779)</u>

Change in Net Position of Governmental Activities		<u><u>\$ 88,328</u></u>
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See Accompanying Notes

**Avonworth School District  
Statement of Net Position  
Proprietary Funds  
June 30, 2019**

**Exhibit 7  
Food  
Service  
Fund**

<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 347,007
Due From Other Governments	40,852
Inventories	12,663
Other Current Assets	<u>200</u>
Total Current Assets	<u>400,722</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>2,553</u>
<b>TOTAL ASSETS</b>	<u><u>403,275</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Amounts Related to Pensions	114,675
Amounts Related to OPEB - PSERS	<u>3,455</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>118,130</u>
<b>LIABILITIES</b>	
Current Liabilities	
Due to Other Funds	403,732
Unearned Revenues	5,633
Other Current Liabilities	<u>18,297</u>
Total Current Liabilities	<u>427,662</u>
Noncurrent Liabilities	
Net Pension Liability	731,686
Net OPEB Liability - PSERS	<u>31,778</u>
Total Noncurrent Liabilities	<u>763,464</u>
<b>TOTAL LIABILITIES</b>	<u><u>1,191,126</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Amounts Related to Pensions	12,458
Amounts Related to OPEB - PSERS	<u>1,197</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>13,655</u>
<b>NET POSITION</b>	
Invested in Capital Assets	2,553
Unrestricted	<u>(685,929)</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ (683,376)</u></u>

See Accompanying Notes

**Avonworth School District**  
**Statement of Revenues, Expenses and Changes**  
**in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2019**

**Exhibit 8**

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ 392,093
<hr/>	
Operating Expenses	
Salaries	206,560
Employee Benefits	168,997
Purchased Prof. and Tech. Services	-
Purchased Property Services	-
Other Purchased Services	426
Supplies	271,866
Depreciation	1,095
Dues and Fees	733
<hr/>	
Total Operating Expenses	649,677
<hr/>	
Operating Income (Loss)	(257,584)
<hr/>	
Nonoperating Revenues (Expenses)	
Earnings on Investments	3,243
State Sources	60,686
Federal Sources	184,321
<hr/>	
Total Nonoperating Revenues (Expenses)	248,250
<hr/>	
Change in Net Position	(9,334)
<hr/>	
Net Position - July 1, 2018 (Restated - See Note 2)	(674,042)
<hr/>	
Net Position - June 30, 2019	\$ (683,376)
<hr/>	

See Accompanying Notes

**Avonworth School District  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2019**

**Exhibit 9**

	Food Service Fund
Cash Flows From Operating Activities	
Cash Received from Users	\$ 390,175
Cash Payments to Employees for Services	(321,645)
Cash Payments to Suppliers for Goods and Services	(230,092)
Cash Payments for Other Operating Expenses	<u>(733)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(162,295)</u>
Cash Flows From Non-Capital Financing Activities	
State Sources	60,299
Federal Sources	137,323
Operating Transfers In (Out) Primary Government	<u>31,169</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>228,791</u>
Cash Flows From Investing Activities	
Earnings on Investments	<u>3,243</u>
Net Increase (Decrease) in Cash and Cash Flows	69,739
Cash and Cash Equivalents - July 1, 2018	<u>277,268</u>
Cash and Cash Equivalents - June 30, 2019	<u><u>\$ 347,007</u></u>

**Avonworth School District  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2019**

**Exhibit 9**

	Food Service Fund
Operating Income (Loss)	\$ (257,584)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation	1,095
Change in Pensions and OPEB Liability	53,912
Donated Commodities	41,215
(Increase) Decrease in Inventories	1,817
Increase (Decrease) in Accounts Payable	(832)
Increase (Decrease) in Deferred Revenue	(2,519)
Increase (Decrease) in Other Current Liabilities	<u>601</u>
 Total Adjustments	 <u>95,289</u>
 Cash Provided by (Used for) Operating Activities	 <u><u>\$ (162,295)</u></u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2019, the School District received \$38,697 of U.S.D.A Donated Commodities in the food service fund.

See Accompanying Notes

**Avonworth School District  
Statement of Net Position  
Fiduciary Funds  
June 30, 2019**

**Exhibit 10**

	Agency Fund
ASSETS	
Cash and Cash Equivalents	\$ 78,926
LIABILITIES	
Other Current Liabilities	<u>78,926</u>
NET POSITION	
Unrestricted	<u>\$ -</u>

See Accompanying Notes

**Avonworth School District**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 1 - Summary of Significant Accounting Policies**

Avonworth School District, located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the Boroughs of Ben Avon, Ben Avon Heights and Emsworth and the Townships of Kilbuck and Ohio. The School District operates under a nine-person elected Board of Directors.

**A. Basic Financial Statements - Government-Wide Statements**

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of Avonworth School District. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. In the government-wide statement of net position, governmental activities are represented on a consolidated basis by column.

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

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

**B. Basic Financial Statements - Fund Financial Statements**

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

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

**Avonworth School District**  
**Notes to Financial Statements**  
**June 30, 2019**

1. Governmental Funds

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

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

The School District also reports as nonmajor governmental funds the following:

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

The *2010 capital projects fund* accounts for financial resources to be used for the acquisition of construction of major capital facilities or equipment (other than those financed by proprietary funds).

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

2. Proprietary Funds

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

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

3. Fiduciary Funds

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

Property taxes, intergovernmental revenues, interest, rent and certain miscellaneous income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end).

**Avonworth School District**  
**Notes to Financial Statements**  
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Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

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

D. Joint Venture

The School District is one of nine-member school districts of the A. W. Beattie Career Center (Beattie). Beattie provides vocational-technical training and education to participating students of the member districts. Beattie is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Beattie's operations are the responsibility of the Joint Committee, which consists of two representatives from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Beattie. The School District's share of annual operating and capital costs for Beattie fluctuates, based on the percentage of enrollment of each member district in the school. The School District's financial obligation to Beattie for the year ended June 30, 2019, was \$285,432 which was paid in the year ended June 30, 2019 to Beattie and reported in the School District's general fund. The School District has no equity interest in Beattie as of June 30, 2019. Complete financial statements for Beattie can be obtained from the administrative offices at 9600 Babcock Boulevard, Allison Park, PA 15101-2091.

E. Cash and Cash Equivalents

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

F. Investments

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

**Avonworth School District**  
**Notes to Financial Statements**  
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G. Budgets

The School Board approves, prior to the beginning of each year, an annual budget on the modified accrual basis of accounting for the general fund. This is the only fund for which a budget is required and for which taxes may be levied. The general fund is the only fund that has an annual budget that has been legally adopted by the School Board. The Public School Code allows the School Board to authorize budget transfer amendments during the year, but only during the last nine months of the fiscal year. The School Board approved various budget transfers throughout the school year. There were no supplemental budgetary appropriations made during the year ended June 30, 2019.

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

H. Receivables and Payables

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

I. Inventories

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

Inventories in governmental funds are stated at cost by the first-in, first-out method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, an estimated value of inventories is reported as an asset in the general fund, if considered material. There was no material inventory balance as of June 30, 2019.

The inventory of the food service fund consists of food supplies and government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies, both valued at cost using the first-in, first-out (FIFO) method. Any unused commodities donated by the federal government at June 30, 2019 are reported as unearned revenue.

J. Prepaid Items

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

**Avonworth School District**  
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**K. Capital Assets**

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

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

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

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

Assets	Years
Buildings	50
Building Improvements	25-30
Land Improvements	20
Furniture	5-10
Vehicles	8
Equipment	5-20

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

**L. Long-Term Obligations**

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

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

**Avonworth School District**  
**Notes to Financial Statements**  
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M. Compensated Absences

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

N. Defining Operating Revenues and Expenses

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

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has four items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, in the government-wide statement of net position, the School District reports deferred outflows of resources as they relate to the cost-sharing defined benefit plan and other post-employment benefits. The School District reports no deferred outflows of resources in the fund financial statements.

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

**Avonworth School District**  
**Notes to Financial Statements**  
**June 30, 2019**

P. Equity Classifications

Government-Wide Statements

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

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

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

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

Fund Statements - Fund Balance

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

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

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

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

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

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

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

**Avonworth School District  
Notes to Financial Statements  
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The purposes of the nonspendable, and committed fund balances as of June 30, 2019, are as follows:

1. The nonspendable fund balance in the general fund of \$411,967 is for prepaid expenses as of June 30, 2019.
2. The purpose of the committed fund balance in the general fund of \$1,000,000 is for future increases in the employer's share of retirement expenditures.
3. The purpose of committed fund balance in the capital reserve fund of \$1,137,422 is for future capital expenditures.
4. The purpose of committed fund balance in the capital projects fund of \$894,779 is for future capital expenditures.

**Note 2 - Restatement of Beginning Net Position**

Avonworth School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, as of July 1, 2016 for the District-Wide OPEB Plan as of July 1, 2018, the beginning net position was restated to properly correct the liability and related deferred outflows and inflows in relation to the PSERS Other Post-Employment Benefit Plan portion. The results of the restatements are summarized below.

	Governmental Activities	Business- Type Activities
Net Position, July 1, 2018 (Previously Reported)	\$ (26,918,935)	\$ (645,885)
Adjustment to properly state the liability of employers for defined benefit other post-employment benefit plans, measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the OPEB Plan's fiduciary net position.	(1,793,097)	(28,157)
Restated Net Position, July 1, 2018	\$ (28,712,032)	\$ (674,042)

**Note 3 - Deposits and Investments**

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

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk.

**Avonworth School District  
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Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2019, \$1,996,060 of the School District's bank balance of \$2,246,060 was exposed to custodial credit risk as follows:

Uninsured and Collateral Held by Pledging	
Bank's Agent not in the School District's Name	<u>\$1,996,060</u>

As of June 30, 2019, the School District had the following investments:

Investments	Fair Value
PSDLAF	<u>\$7,314,009</u>

**Interest Rate Risk** - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

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

**Investments**

The Pennsylvania School District Liquid Asset Fund (PSDLAF) was established as a common law trust, organized under laws of the Commonwealth of Pennsylvania. Shares of the fund are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the fund is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949, as amended. This fund has the characteristics of open-end mutual funds and is not subject to custodial credit risk classification.

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

**Note 4 - Real Estate Taxes**

The municipal tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2018/2019 was 19.10 mills (\$19.10 per \$1,000 assessed valuation).

**Avonworth School District**  
**Notes to Financial Statements**  
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The tax calendar for real estate taxes levied is as follows:

Tax Levy Date	July 1, 2018
2% Discount Period	Through August 31, 2018
Face Payment Period	September 1 - October 31, 2018
10% Penalty Period	November 1, Until Liened
Lien Filing Date	July 1, 2019

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

The amounts shown as delinquent real estate taxes receivable have not been recorded as revenue on the fund statements. These taxes are, however, recorded as deferred inflows of resources on the balance sheet until they are received. The real estate taxes receivable are reported net of the estimated uncollectible amounts which are estimated at approximately 39%. The receivable includes penalty and interest. The amounts reported for this receivable are reported on the balance sheet in the amount of \$1,631,973 net of estimated uncollectible amounts of \$877,478, along with other taxes receivable of \$256,508.

**Note 5 - Due from Other Governments**

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2019, the following amounts are due from other governmental units:

	Governmental Funds	Business-Type Activities	Totals
Federal (through the state)	\$ 3,598	\$ 36,744	\$ 40,342
State	<u>1,196,805</u>	<u>4,108</u>	<u>1,200,913</u>
	<u>\$ 1,200,403</u>	<u>\$ 40,852</u>	<u>\$ 1,241,255</u>

**Note 6 - Capital Assets**

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance 07/01/18	Additions	Transfers	Balance 06/30/19
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 806,288	\$ -	\$ -	\$ 806,288
Construction in Progress	<u>1,065,513</u>	<u>277,796</u>	<u>(1,343,309)</u>	<u>-</u>
Total Capital Assets not Being Depreciated	<u>1,871,801</u>	<u>277,796</u>	<u>(1,343,309)</u>	<u>806,288</u>

**Avonworth School District**  
**Notes to Financial Statements**  
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	Balance 07/01/18	Additions	Transfers	Balance 06/30/19
Governmental Activities				
Capital Assets Being Depreciated				
Land Improvements	3,019,985	-	-	3,019,985
Buildings and Building Improv.	51,366,792	-	1,343,309	52,710,101
Furniture and Equipment	<u>1,726,232</u>	<u>53,230</u>	<u>-</u>	<u>1,779,462</u>
Total Capital Assets Being Depreciated	<u>56,113,009</u>	<u>53,230</u>	<u>1,343,309</u>	<u>57,509,548</u>
Less Accumulated Depreciation				
Land Improvements	1,941,822	147,619	-	2,089,441
Buildings and Building Improv.	16,145,912	1,058,114	-	17,204,026
Furniture and Equipment	<u>898,485</u>	<u>76,460</u>	<u>-</u>	<u>974,945</u>
Total Accumulated Depreciation	<u>18,986,219</u>	<u>1,282,193</u>	<u>-</u>	<u>20,268,412</u>
Total Capital Assets Being Depreciated, Net	<u>37,126,790</u>	<u>(1,228,963)</u>	<u>1,343,309</u>	<u>37,241,136</u>
Governmental Activities Capital Assets, Net	<u>\$ 38,998,591</u>	<u>\$ (951,167)</u>	<u>\$ -</u>	<u>\$ 38,047,424</u>
Business-Type Activities				
Furniture and Equipment	\$ 133,767	\$ -	\$ -	\$ 133,767
Less Accumulated Depreciation and Equipment	<u>130,119</u>	<u>1,095</u>	<u>-</u>	<u>131,214</u>
Business-Type Activities Capital Assets, Net	<u>\$ 3,648</u>	<u>\$ (1,095)</u>	<u>\$ -</u>	<u>\$ 2,553</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$ 1,126,785
Instructional Student Support	674
Administration and Financial Support Services	1,308
Operation and Maintenance of Plant Services	28,811
Student Activities	<u>124,615</u>
Total Depreciation Expense	<u>\$ 1,282,193</u>
Business-Type Activities - Food Service	<u>\$ 1,095</u>

**Avonworth School District**  
**Notes to Financial Statements**  
**June 30, 2019**

**Note 7 - Interfund Balances/Transfers**

At June 30, 2019, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 403,732	\$ -
Proprietary Fund		
Food Service Fund	<u>-</u>	<u>403,732</u>
	<u>\$ 403,732</u>	<u>\$ 403,732</u>

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All the balances above are expected to be collected in the subsequent year.

In addition, the general fund made a transfer to the capital projects fund in the amount of \$975,000 for the purpose of funding further capital projects.

**Note 8 - Long-Term Liabilities**

Long-term liability for the year ended June 30, 2019 was as follows:

	Balance 07/01/18	Additions	Accretion	Reductions	Balance 06/30/19	Due Within One Year
Governmental Activities						
Bonds Payable						
General Obligation Bonds	\$ 35,824,469	\$9,510,000	\$ 149,486	\$ 10,980,000	\$ 34,503,955	\$ 1,775,000
Plus: Bond Premium	401,041	8,495	-	40,379	369,157	-
Less: Bond Discount	<u>(250,798)</u>	<u>-</u>	<u>-</u>	<u>(143,378)</u>	<u>(107,420)</u>	<u>-</u>
Total Bonds Payable	<u>35,974,712</u>	<u>9,518,495</u>	<u>149,486</u>	<u>10,877,001</u>	<u>34,765,692</u>	<u>1,775,000</u>
General Obligation Notes	475,907	-	-	34,271	441,636	35,939
Capital Leases	11,528	-	-	11,528	-	-
Compensated Absences	<u>317,688</u>	<u>40,980</u>	<u>-</u>	<u>-</u>	<u>358,668</u>	<u>43,040</u>
Governmental Activities						
Long-Term Liabilities	<u>\$ 36,779,835</u>	<u>\$9,559,475</u>	<u>\$ 149,486</u>	<u>\$ 10,922,800</u>	<u>\$ 35,565,996</u>	<u>\$ 1,853,979</u>

**Avonworth School District  
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General Obligation Bonds

1999B Capital Appreciation Bonds of \$2,330,636 due in varying installments through March 15, 2022, yield ranging from 5.10% to 5.70%	\$ 1,328,955
Refunding Series of 2011 Bonds of \$5,690,000 due in varying installments through March 15, 2025, yield ranging from 1.3% to 5.0%	2,930,000
Series of 2014 Bonds of \$5,140,000 due in varying installments through March 15, 2036, yield ranging from 0.35% to 3.875%	4,780,000
Series of 2015A-1 Bonds of \$9,925,000 due in varying installments through March 15, 2031, yield ranging from 2.0% to 3.125%	9,820,000
Series of 2015A-2 Bonds of \$5,485,000 due in varying installments through March 15, 2026, yield ranging from 2.0% to 2.50%	4,870,000
Series of 2015B Bonds of \$3,165,000 due in varying installments through March 15, 2022, yield ranging from 0.50% to 2.0%	1,360,000
Refunding Series of 2018 Bonds of \$9,510,000 due in varying installments through March 15, 2035, yield ranging from 2.02% to 3.85%	<u>9,415,000</u>
	<u><u>\$ 34,503,955</u></u>

General Obligation Notes

Series of 2016 in the amount of \$547,043; payable in semi-annual installments; final payment due April 15, 2029, interest from 0.5% to 5.0%	<u><u>\$ 441,636</u></u>
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The debt service source for the above is the debt service fund via transfers from the general fund.

**Avonworth School District**  
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The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2019, including interest, sinking fund payments and accretion on the capital appreciation bonds, are as follows:

Year Ended June 30,	General Obligation Bonds		General Obligation Notes		Totals
	Principal (On Issuance Amount)	Interest	Principal	Interest	
2020	\$ 1,452,012	\$ 1,425,448	\$ 35,939	\$ 15,465	\$ 2,928,864
2021	1,503,029	1,385,482	37,791	13,621	2,939,923
2022	1,525,211	1,350,931	39,644	11,685	2,927,471
2023	1,840,000	967,385	41,681	9,652	2,858,718
2024	1,895,000	910,885	43,719	7,517	2,857,121
2025-2029	10,330,000	3,668,094	242,862	13,850	14,254,806
2030-2034	12,455,000	1,900,074	-	-	14,355,074
2035-2036	2,605,000	117,763	-	-	2,722,763
	33,605,252	11,726,062	441,636	71,790	45,844,740
Accretion to Date	898,703	(898,703)	-	-	-
	<u>\$34,503,955</u>	<u>\$10,827,359</u>	<u>\$ 441,636</u>	<u>\$ 71,790</u>	<u>\$ 45,844,740</u>

On December 18, 2018, the School District issued \$9,510,000 Series 2018 Bonds with interest rates from 2.02% to 3.85% to currently refund the Series 2013 general obligation bonds (\$9,195,000) with interest rates from 1.0% to 4.5%. The net proceeds of \$9,394,972 (after payment of issuance costs) were used to currently refund the above bonds and outstanding interest and provide \$8,420 for future interest costs. As a result, those bonds are considered defeased and the liability for those bonds has been removed as a liability in these financial statements.

The School District currently refunded the 2013 Series bonds to reduce its total debt service payments over sixteen years by \$624,427 and to obtain an economic gain (difference between the present value of the debt service payment on the old and new debt) of approximately \$476,009

**Note 9 – Capital Lease**

The School District entered into a lease agreement as lessee for financing the acquisition of equipment, mainly telephone and communications equipment. This lease agreements qualify as capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The lease was paid in full during the year ended June 30, 2019 and no future payments are due as of June 30, 2019.

**Avonworth School District**  
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**Note 10 - Public School Employees' Retirement System (PSERS)**

A. Summary of Significant Accounting Policies

Pensions

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

B. General Information about the Pension Plan

1. Plan Description

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

2. Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age.

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

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

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

3. Contributions

Member Contributions

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

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation.

Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$4,416,819 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$45,221,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll.

**Avonworth School District**  
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At June 30, 2019, the School District's proportion was 0.0942%, which was an increase of 0.0011% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of \$5,440,148. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 364,000	\$ 700,000
Net difference between projected and actual investment earnings	222,000	-
Change in assumptions	843,000	-
Changes in proportions	1,580,000	70,000
Difference between employer contributions and proportionate share of total contributions	147,917	-
Contributions subsequent to the measurement date	<u>4,416,819</u>	<u>-</u>
	<u>\$ 7,573,736</u>	<u>\$ 770,000</u>

\$4,416,819 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2020	\$ 1,718,738
2021	891,577
2022	(68,462)
2023	<u>(154,936)</u>
	<u>\$2,386,917</u>

**Avonworth School District  
Notes to Financial Statements  
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1. Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability at June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.2%
Fixed Income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLPs	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	<u>-20.0%</u>	0.9%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

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Notes to Financial Statements  
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2. Discount Rate

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

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

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

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	6.25%	7.25%	8.25%
School District's proportionate share of the net pension liability	\$ 56,054	\$ 45,221	\$ 36,060

4. Pension Plan Fiduciary Net Position

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

**Note 11 - Contingent Liabilities**

Avonworth School District participates in a number of federally assisted grant programs, principal of which are Title I and National School Lunch Program. The programs are subject to program compliance audits by the grantors or their representatives. The audits of some of these programs for and including the year ended June 30, 2019 have not yet been conducted. Accordingly, the School District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

**Note 12 - Other Post-Employment Benefit Plan**

A. Plan Description

Avonworth School District administers a single-employer defined benefit OPEB plan ("the Supplemental Health Plan"). The plan provides medical, and in some cases dental and vision, for four groups of employees: teachers; administrators; support staff; and custodians.

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The benefits provided are for the eligible retirees and their spouses through the School District group health insurance plan which covers both active and retired members. Benefit provisions are mostly established through negotiations between the School District and union or group representing the employees. The plan does not issue a publicly available financial report.

Effective for the 2016/2017 fiscal year, a voluntary retirement incentive is in effect for teachers.

In order to be eligible, the teacher must terminate school service by June 30, 2017 and retire under PSERS with at least 15 years of service with the School District.

For a teacher who retires under this incentive, the District will contribute the following amounts towards the premium:

- 6 years at a maximum of \$1,050 per month from July 2017 through June 2023;
- 7 years at a maximum of \$900 per month from July 2017 through June 2024;
- 8 years at a maximum of \$800 per month from July 2017 through June 2025;
- 9 years at a maximum of \$700 per month from July 2017 through June 2026; or
- 10 years at a maximum of \$600 per month from July 2017 through June 2027.

At this time, there is no retirement incentive currently in place for any group other than teachers. However, the School District has had incentives in the past but those incentives have been infrequent. In the absence of a retirement incentive, the School District does not provide post-retirement medical, dental or vision coverage. Consistent with the current teachers' incentive, past incentives that have been in place called for the School District to provide a specified monthly amount to be used towards the purchase of health coverage. The monthly amount would typically be provided for a specified number of years which ranged from 6 to 10 years.

Medical

The School District provides eligible retirees with an option of either a PPO program called Community Blue Flex PPO or an EPO called Keystone Blue Flex which is provided through the Allegheny County Schools Health Insurance Consortium (ACSHIC). The plan is administered by Highmark.

Dental/Vision

Retirees are eligible to remain covered for dental and/or vision benefits. However, retirees and spouses are required to contribute 100% of the premium rate.

Eligibility

Should there be an incentive in place, the eligibility criteria is typically as follows: Employees are eligible for post-retirement medical, dental and vision coverage provided they meet the criteria for either early or normal retirement under PSERS. Employees are eligible for early retirement upon attaining age 55 with at least 25 years of service under PSERS. Normal retirement eligibility occurs upon attaining 35 years of service, age 60 with 30 years of service, or age 62 with 1 year of service.

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Life Insurance

Retiree life insurance benefits are not provided.

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	7
Active employees	<u>164</u>
	<u>171</u>

B. Total OPEB Liability

The School District's total OPEB liability of \$1,151,896 was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

C. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases	2.50%
Discount Rate	3.87%
Healthcare Cost Trend Rates	6.75% for 2018/2019, decreasing 0.25 per year to an ultimate rate of 4.50%

The discount rate was based on the Bond Buyers 20-Bond Index.

Mortality rates were based on the RPH-2014 Total Dataset Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2018.

The actuarial assumptions used in the July 1, 2018 valuation were selected using input from the School District based upon actual experience.

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D. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 1,641,455
Changes for the year:	
Service Cost	122,943
Interest	58,764
Differences between expected and actual experience	(16,721)
Changes of assumptions or other inputs	(535,058)
Benefit Payments	<u>(119,487)</u>
Net Changes	<u>(489,559)</u>
Balance at June 30, 2019	<u>\$ 1,151,896</u>

E. Changes of Assumptions and Other Inputs

- Changed the discount rate from 3.58% to 3.87%.
- Updated the trend rates, mortality improvement scale and assumed a retirement incentive would be offered every 5 years.

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current discount rate:

	1.00% Decrease	Current Discount Rate	1.00% Increase
	2.87%	3.87%	4.87%
Total OPEB Liability	\$ 1,200,402	\$ 1,151,896	\$ 1,091,929

G. Sensitivity of the Total Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or a 1-percentage point higher than the current healthcare cost trend rates:

	1.00% Decrease	Healthcare Cost Trend Rates	1.00% Increase
Total OPEB Liability	\$ 866,146	\$ 1,151,896	\$ 1,015,367

**Avonworth School District**  
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H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the School District recognized OPEB expense of \$177,976. At June 30, 2019, the School District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 268,264	\$ 15,606
Change in assumptions	133,114	540,599
Benefit payments subsequent to the measurement date	80,773	-
	\$ 482,151	\$ 556,205

The \$80,773 amount reported as deferred outflows of resources resulting from the School District's benefit payments subsequent to the measurement date will be recognized as a reduction in next year's total OPEB liability. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	\$ (3,731)
2021	(3,731)
2022	(3,731)
2023	(3,731)
2024	(3,731)
Thereafter	(136,172)
	\$ (154,827)

**Note 13 - Other Post-Employment Benefits - PSERS**

A. Summary of Significant Accounting Policies

Other Post-Employment Benefits

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

**Avonworth School District**  
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B. General Information about the Health Insurance Premium Assistance Program

1. Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

2. Premium Assistance Eligibility Criteria

Retirees of the System 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 HOP or employer-sponsored health insurance program

3. 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. PSERS issues a publicly available financial report that can be obtained at [www.psers.pa.gov](http://www.psers.pa.gov).

4. 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, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$112,453 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$1,964,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the School District's proportion was 0.0942%, which was an increase of 0.0011% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the School District recognized OPEB expense of \$103,349. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 12,000	\$ -
Net difference between projected and actual investment earnings	3,000	-
Changes in assumptions	31,000	74,000
Changes in proportions	66,000	-
Difference between employer contributions and proportionate share of total contributions	1,398	-
Contributions subsequent to the measurement date	<u>112,453</u>	<u>-</u>
	<u>\$ 225,851</u>	<u>\$ 74,000</u>

\$112,453 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	\$ 6,349
2021	6,349
2022	6,349
2023	5,350
2024	5,000
Thereafter	<u>10,001</u>
	<u>\$ 39,398</u>

**Avonworth School District**  
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1. Actuarial Assumptions

The total OPEB liability as of June 30, 2018 was determined by rolling forward the System's total OPEB liability at June 30, 2017 to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return – 2.98%, S&P 20 Year Municipal Bond Rate.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed Healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.
- Participation rate:
  - Eligible retirees will elect to participate pre age 65 at 50%.
  - Eligible retirees will elect to participate post age 65 at 70%.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study that was performed for the five year period ending June 30, 2015.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2017 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board.

**Avonworth School District**  
**Notes to Financial Statements**  
**June 30, 2019**

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.9%	0.03%
US Core Fixed Income	92.8%	1.20%
Non-US Developed Fixed	<u>1.3%</u>	0.04%
	<u>100%</u>	

The above was the Board’s adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2018.

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.98%. 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 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

3. Sensitivity of System Net OPEB Liability to Change in the Healthcare Cost Trend Rates

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, 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, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 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.

**Avonworth School District**  
**Notes to Financial Statements**  
**June 30, 2019**

The following presents the System net OPEB liability, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if its health cost trends were 1 percentage point lower or 1 percentage point higher than the current rate:

	(In Thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
System net OPEB Liability	\$ 1,964	\$ 1,964	\$ 1,964

4. Sensitivity of School 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 2.98%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.98%) or 1 percentage point higher (3.98%) than the current rate:

	(In Thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	1.98%	2.98%	3.98%
School District's proportionate share of the net OPEB liability	\$ 2,234	\$ 1,964	\$ 1,740

5. 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](http://www.psers.pa.gov).

**Note 13 - Risk Management**

The School District is one of forty-six members of the Allegheny County Schools Health Insurance Consortium (Consortium) which purchases health benefits on behalf of participating public school districts. The School District is billed monthly based on employee count and coverage information at rates established by the Consortium at the beginning of each fiscal year. As the Consortium is self-insured, rates are established with the objective of satisfying estimated claims and other costs, as well as maintaining working capital requirements. Contributions to the Consortium totaled \$2,632,212 and \$2,471,743 for the years ended June 30, 2019 and 2018, respectively.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net position or deficiency in net position, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2019, the net position of the Consortium was \$62,172,279 of which \$600,421 is attributable to the School District.

**Avonworth School District**  
**Notes to Financial Statements**  
**June 30, 2019**

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

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

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

**Note 14 - On-Behalf Payments**

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2019 was \$2,734,381.

This includes \$2,226,560 recognized for revenues and expenditures relating to pension contributions for its employees that the Commonwealth of Pennsylvania paid to the Public School Employees' Retirement System (PSERS) for pension and \$507,821 to the federal government for social security and Medicare taxes for the year ended June 30, 2019. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

**Note 15 – Operating Lease**

The School District entered into operating lease agreements for copiers. The current lease term is for sixty (60) months ending June 2020 with monthly payments of \$4,209. Total payments made under the lease in the current fiscal year were \$55,248.

Total future lease payments to be made by the School District under the above lease are \$55,248 for the year ended June 30, 2020.

**Note 16 - Tax Increment Financing Plan**

The School District has entered into a tax increment financing plan with Ohio Township and Allegheny County to provide financing for the development of blighted areas within their respective jurisdictions in order to increase the tax base and improve the general economy. The Mt. Nebo Pointe Tax Increment financing plan is for the financing and construction of infrastructure improvements in connection with a mixed-use commercial development. The School District agrees to contribute and pay over to the Redevelopment Authority for repayment of debt issued by them for the assistance in funding this project, 78% of their share of all incremental real estate taxes realized from increase in market value of taxable real property situated in the tax increment financing district through the tax year 2022. For the year ended June 30, 2019, the School District abated property taxes totaling \$103,578 under this agreement.

**Note 17 - Subsequent Events**

In August 2019, the School District entered into a Sales Agreement to purchase a property adjacent to School land in the amount of \$475,000.

**REQUIRED SUPPLEMENTARY  
INFORMATION SECTION**

**Avonworth School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
<b>Local Sources</b>				
<b>Taxes</b>				
Current Real Estate Taxes	\$ 20,607,000	\$ 20,607,000	\$ 20,772,331	\$ 165,331
Public Utility Realty Taxes	21,500	21,500	22,463	963
Local Services Taxes	22,000	22,000	14,979	(7,021)
Amusement Taxes	-	1,700	-	(1,700)
Earned Income Taxes	3,156,700	2,600,000	2,735,935	135,935
Real Estate Transfer Taxes	-	555,000	490,331	(64,669)
Delinquencies on Taxes	595,000	595,000	770,615	175,615
Earnings on Investments	100,000	100,000	232,021	132,021
<b>Other Local Revenues</b>				
Revenue from Student Activities	40,804	40,804	86,044	45,240
Federal Revenues from IU	-	186,678	217,858	31,180
Contributions & Donations from Private Sources	237,538	50,860	-	(50,860)
Rentals	27,573	27,573	27,949	376
Miscellaneous Revenue	9,085	9,085	9,914	829
<b>Total Revenues from Local Sources</b>	<b>24,817,200</b>	<b>24,817,200</b>	<b>25,380,440</b>	<b>563,240</b>
<b>State Sources</b>				
<b>Basic Instructional &amp; Oper. Subsidies</b>				
Basic Instructional Subsidy	2,681,195	2,681,195	2,584,648	(96,547)
<b>Subsidies for Spec. Educ. Programs</b>				
Special Education of Excep. Pupils	720,367	720,367	725,184	4,817
<b>Subsidies for Noneduc. Programs</b>				
Transportation (Regular & Additional)	650,000	650,000	499,759	(150,241)
Rentals & Sinking Fund Payments	278,000	278,000	289,041	11,041
Ready to Learn Block Grant	-	-	108,288	108,288
Health Services	34,245	33,824	41,555	7,731
School Safety Grant	-	-	25,000	25,000
State Property Tax Reduction	246,498	246,919	246,498	(421)
Social Security Payments	516,476	516,476	499,952	(16,524)
State Retirement Revenue	2,173,024	2,173,024	2,193,953	20,929
<b>Total Revenues from State Sources</b>	<b>7,299,805</b>	<b>7,299,805</b>	<b>7,213,878</b>	<b>(85,927)</b>

**Avonworth School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Federal Sources</b>				
Gov't. through the Commonwealth				
Title I	180,000	180,000	86,486	(93,514)
Title II	-	-	24,465	24,465
Title IV	-	-	10,000	10,000
Medical Assistance - Access	-	-	490	490
	<u>180,000</u>	<u>180,000</u>	<u>121,441</u>	<u>(58,559)</u>
<b>Total Revenues from Federal Sources</b>	<u>180,000</u>	<u>180,000</u>	<u>121,441</u>	<u>(58,559)</u>
<b>Total Revenues</b>	<u>32,297,005</u>	<u>32,297,005</u>	<u>32,715,759</u>	<u>418,754</u>
<b>Expenditures</b>				
<b>Instruction</b>				
<b>Regular Programs</b>				
<b>Personal Services</b>				
Salaries	7,915,553	7,823,687	7,790,678	33,009
Employee Benefits	4,681,879	4,613,879	4,571,191	42,688
Purchased Prof. and Tech. Services	174,264	153,412	141,202	12,210
Purchased Property Services	61,128	61,128	57,561	3,567
Other Purchased Services	421,514	405,934	408,520	(2,586)
Supplies	507,678	507,678	442,609	65,069
Property	52,353	52,353	49,382	2,971
	<u>13,814,369</u>	<u>13,618,071</u>	<u>13,461,143</u>	<u>156,928</u>
<b>Total Regular Programs</b>	<u>13,814,369</u>	<u>13,618,071</u>	<u>13,461,143</u>	<u>156,928</u>
<b>Special Programs</b>				
<b>Personal Services</b>				
Salaries	2,046,639	2,157,286	2,157,285	1
Employee Benefits	1,234,986	1,348,240	1,348,240	-
Purchased Prof. and Tech. Services	321,605	295,783	295,783	-
Other Purchased Services	719,459	749,304	751,207	(1,903)
Supplies	82,020	50,394	46,511	3,883
	<u>4,404,709</u>	<u>4,601,007</u>	<u>4,599,026</u>	<u>1,981</u>
<b>Total Special Programs</b>	<u>4,404,709</u>	<u>4,601,007</u>	<u>4,599,026</u>	<u>1,981</u>
<b>Vocational Education Programs</b>				
Other Purchased Services	294,971	294,971	285,433	9,538
Other Objects	51,391	51,391	51,320	71
	<u>346,362</u>	<u>346,362</u>	<u>336,753</u>	<u>9,609</u>
<b>Total Vocational Education Programs</b>	<u>346,362</u>	<u>346,362</u>	<u>336,753</u>	<u>9,609</u>

**Avonworth School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Other Instructional Programs				
Personal Services				
Salaries	33,991	22,931	15,456	7,475
Employee Benefits	6,195	6,333	6,333	-
Other Purchased Services	18,017	28,939	28,939	-
Supplies	530	530	-	530
Total Other Instructional Programs	<u>58,733</u>	<u>58,733</u>	<u>50,728</u>	<u>8,005</u>
Nonpublic School Programs				
Purchased Prof. and Tech. Services	3,300	1,299	-	1,299
Other Purchased Services	-	2,001	2,832	(831)
Total Nonpublic School Programs	<u>3,300</u>	<u>3,300</u>	<u>2,832</u>	<u>468</u>
Total Instruction	<u>18,627,473</u>	<u>18,627,473</u>	<u>18,450,482</u>	<u>176,991</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	688,908	706,079	706,079	-
Employee Benefits	462,314	445,143	433,434	11,709
Purchased Prof. and Tech. Services	29,040	129,040	121,951	7,089
Other Purchased Services	5,025	5,025	3,905	1,120
Supplies	80,635	80,635	58,425	22,210
Other Objects	2,960	2,960	2,137	823
Total Pupil Personnel	<u>1,268,882</u>	<u>1,368,882</u>	<u>1,325,931</u>	<u>42,951</u>
Instructional Staff				
Personal Services				
Salaries	190,675	190,675	187,478	3,197
Employee Benefits	221,921	192,926	205,103	(12,177)
Purchased Prof. and Tech. Services	125,500	154,495	154,415	80
Purchased Property Services	1,438	1,438	-	1,438
Other Purchased Services	25,350	25,350	8,185	17,165
Supplies	100,100	100,100	56,819	43,281
Other Objects	18,229	18,229	750	17,479
Total Instructional Staff	<u>683,213</u>	<u>683,213</u>	<u>612,750</u>	<u>70,463</u>

**Avonworth School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Administration</b>				
Personal Services				
Salaries	1,099,526	1,099,526	1,097,029	2,497
Employee Benefits	692,145	692,145	634,298	57,847
Purchased Prof. and Tech. Services	230,286	230,286	127,495	102,791
Purchased Property Services	13,203	13,203	7,244	5,959
Other Purchased Services	55,445	55,445	38,416	17,029
Supplies	63,138	63,138	32,436	30,702
Other Objects	30,087	30,087	28,243	1,844
<b>Total Administration</b>	<u>2,183,830</u>	<u>2,183,830</u>	<u>1,965,161</u>	<u>218,669</u>
<b>Pupil Health</b>				
Personal Services				
Salaries	136,750	140,265	140,265	-
Employee Benefits	106,020	102,249	97,196	5,053
Purchased Prof. and Tech. Services	1,419	1,622	1,532	90
Purchased Property Services	587	587	-	587
Other Purchased Services	1,060	1,060	605	455
Supplies	6,550	6,602	6,340	262
<b>Total Pupil Health</b>	<u>252,386</u>	<u>252,385</u>	<u>245,938</u>	<u>6,447</u>
<b>Business</b>				
Personal Services				
Salaries	185,842	185,842	179,092	6,750
Employee Benefits	101,319	111,279	110,782	497
Purchased Prof. and Tech. Services	28,975	48,454	48,454	-
Purchased Property Services	20,255	25,699	25,699	-
Other Purchased Services	8,869	8,869	6,152	2,717
Supplies	5,992	5,992	3,849	2,143
Other Objects	1,997	1,997	790	1,207
<b>Total Business</b>	<u>353,249</u>	<u>388,132</u>	<u>374,818</u>	<u>13,314</u>

**Avonworth School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	648,493	631,610	587,739	43,871
Employee Benefits	481,405	481,405	465,229	16,176
Purchased Prof. and Tech. Services	3,894	3,894	3,230	664
Purchased Property Services	226,924	365,824	364,447	1,377
Other Purchased Services	128,890	128,890	126,109	2,781
Supplies	602,300	458,429	425,205	33,224
Property	29,500	34,472	34,471	1
Other Objects	2,938	2,938	679	2,259
Total Oper. and Maint. of Plant Svcs.	<u>2,124,344</u>	<u>2,107,462</u>	<u>2,007,109</u>	<u>100,353</u>
Student Transportation Services				
Other Purchased Services	<u>1,883,115</u>	<u>1,929,404</u>	<u>1,927,788</u>	<u>1,616</u>
Central				
Personal Services				
Salaries	6,486	6,486	-	6,486
Employee Benefits	530	530	-	530
Purchased Prof. and Tech. Services	348,795	348,795	333,220	15,575
Purchased Property Services	166,993	166,993	121,600	45,393
Other Purchased Services	1,233	1,233	550	683
Supplies	69,720	73,600	73,112	488
Property	238,762	234,882	221,124	13,758
Other Objects	1,599	1,599	-	1,599
Total Central	<u>834,118</u>	<u>834,118</u>	<u>749,606</u>	<u>84,512</u>
Other				
Personal Services				
Employee Benefits	62,316	21,773	21,773	-
Other Purchased Services	<u>34,598</u>	<u>28,852</u>	<u>31,775</u>	<u>(2,923)</u>
Total Other	<u>96,914</u>	<u>50,625</u>	<u>53,548</u>	<u>(2,923)</u>
Total Support Services	<u>9,680,051</u>	<u>9,798,051</u>	<u>9,262,649</u>	<u>535,402</u>

**Avonworth School District  
Schedule of Revenues, Expenditures  
and Changes in Fund Balance  
General Fund – Budget and Actual  
Year Ended June 30, 2019**

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	549,801	557,932	557,932	-
Employee Benefits	166,038	203,791	203,790	1
Purchased Prof. and Tech. Services	19,135	20,233	20,233	-
Purchased Property Services	23,000	23,000	9,190	13,810
Other Purchased Services	76,500	76,500	80,077	(3,577)
Supplies	123,850	146,445	143,476	2,969
Property	15,898	15,898	3,599	12,299
Other Objects	1,802	1,802	840	962
Total Student Activities	<u>976,024</u>	<u>1,045,601</u>	<u>1,019,137</u>	<u>26,464</u>
Community Services				
Other Purchased Services	<u>10,232</u>	<u>10,232</u>	<u>7,218</u>	<u>3,014</u>
Total Noninstructional Services	<u>986,256</u>	<u>1,055,833</u>	<u>1,026,355</u>	<u>29,478</u>
Debt Service				
Interest	1,238,557	1,125,980	1,079,090	46,890
Refunds of Prior Years Receipts	-	-	13,480	(13,480)
Redemption of Principal	<u>1,735,000</u>	<u>1,810,000</u>	<u>1,796,528</u>	<u>13,472</u>
Total Debt Service	<u>2,973,557</u>	<u>2,935,980</u>	<u>2,889,098</u>	<u>46,882</u>
Total Expenditures	<u>32,267,337</u>	<u>32,417,337</u>	<u>31,628,584</u>	<u>788,753</u>
Other Financing Uses				
Fund Transfers				
Capital Projects Fund	700,000	950,000	975,000	(25,000)
Budgetary Reserve	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Uses	<u>1,100,000</u>	<u>950,000</u>	<u>975,000</u>	<u>(25,000)</u>
Total Expenditures and Other Financing Uses	<u>33,367,337</u>	<u>33,367,337</u>	<u>32,603,584</u>	<u>763,753</u>
Net Change in Fund Balance	(1,070,332)	(1,070,332)	112,175	1,182,507
Fund Balance - July 1, 2018	<u>4,326,000</u>	<u>4,326,000</u>	<u>5,321,731</u>	<u>995,731</u>
Fund Balance - June 30, 2019	<u>\$ 3,255,668</u>	<u>\$ 3,255,668</u>	<u>\$ 5,433,906</u>	<u>\$ 2,178,238</u>

**Avonworth School District**  
**Note to the Required Supplementary Information**  
**Budget Comparison**  
**June 30, 2019**

**Note 1 – Budgetary Information**

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

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

**Avonworth School District**  
**Required Supplementary Information**  
**Schedule of Changes in the Total OPEB Liability**  
**and Related Ratios**  
**Last Four Years**

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Total OPEB Liability				
Service cost	\$ 122,943	\$ 121,863	\$ 65,974	\$ -
Interest	58,764	44,735	40,271	-
Difference Between Expected and Actual Experience	(16,721)	-	341,428	-
Changes in Assumptions and Other Inputs	(535,058)	(48,080)	169,417	-
Benefit payments	<u>(119,487)</u>	<u>(46,702)</u>	<u>(54,226)</u>	<u>-</u>
Net Change in Total OPEB Liability	(489,559)	71,816	562,864	-
Total OPEB Liability - Beginning	<u>1,641,455</u>	<u>1,569,639</u>	<u>1,006,775</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$ 1,151,896</u>	<u>\$ 1,641,455</u>	<u>\$ 1,569,639</u>	<u>\$ 1,006,775</u>
Covered-Employee Payroll	\$ 10,669,414	\$ 10,278,122	\$ 10,027,436	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	10.80%	15.97%	15.65%	N/A

Notes to Schedule:

GASB 75 was implemented beginning with fiscal year ended June 30, 2017.

Assumption Changes:

Discount rate used for fiscal year ending:

2019	3.87%
2018	3.58%

For the June 30, 2019 valuation, changes were made to mortality improvement scale, trend rates and assumption of an incentive offered every 5 years was added.

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

**Avonworth School District  
Required Supplementary Information  
Schedule of School District's Contributions  
PSERS  
Last Five Years**

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 4,374,973	\$ 3,996,239	\$ 3,557,531	\$ 2,863,182	\$ 2,335,134
Contributions in Relation to the Contractually Required Contribution	<u>4,374,973</u>	<u>3,996,239</u>	<u>3,557,531</u>	<u>2,863,182</u>	<u>2,335,134</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
School District's Covered Payroll	\$ 13,357,617	\$ 12,681,791	\$ 12,389,516	\$ 11,672,742	\$ 11,597,198
Contributions as a Percentage of Covered Payroll	32.75%	31.51%	28.71%	24.53%	20.14%

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

The covered-payroll amount reported for June 30, 2018 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2019.

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

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.0942%	0.0931%	0.0901%	0.0905%	0.0863%	0.0845%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 45,221	\$ 45,981	\$ 44,651	\$ 39,200	\$ 34,158	\$ 34,591
School District's Covered Payroll	\$ 12,682	\$ 12,389	\$ 11,673	\$ 11,597	\$ 11,008	\$ 10,847
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	356.58%	371.14%	382.52%	338.02%	310.30%	318.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

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

**Avonworth School District  
 Required Supplementary Information  
 Schedule of School District's Contributions  
 PSERS OPEB Plan  
 Last Two Years**

	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 112,453	\$ 106,752
Contributions in Relation to the Contractually Required Contribution	<u>112,453</u>	<u>106,752</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$13,357,617	\$12,681,791
Contributions as a Percentage of Covered Payroll	0.84%	0.84%

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

The covered-payroll amount reported for June 30, 2018 has been revised from the prior year presentation to reflect adjustments processed by PSERS during fiscal year 2019.

**Avonworth School District  
 Required Supplementary Information  
 Schedule of School District's Proportionate Share  
 of the Net OPEB Liability  
 PSERS OPEB Plan  
 Last Two Years  
 (Dollar Amount in Thousands)**

	June 30, 2018	June 30, 2017
School District's Proportion of the Net OPEB Liability (Asset)	0.0942%	0.0931%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,964	\$ 1,897
School District's Covered Payroll	\$ 12,682	\$ 12,389
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	15.49%	15.31%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.56%	5.73%

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