

**Avonworth School District
Financial Statements
June 30, 2016**

**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, 2016, 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.

Report on the Financial Statements (Cont'd)

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, 2016, 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 20, 2016

Avonworth School District
Management's Discussion and Analysis
June 30, 2016

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, 2016. 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 this MD&A.

Financial Highlights

The School District had expenditure increases during the 2015/2016 school year in two major areas - salaries and benefits. Teacher contractual increases were minimized due to the retirement of several senior teachers while employer retirement contributions had a material impact on the planned increase to the School District's general fund budget.

The Board of School Directors approved the 2015/2016 budget with a millage rate of 18.67 which was the same rate imposed for the 2014/2015 school year. Real estate tax revenue for 2015/2016 was \$17,738,035 representing an increase of about \$1,271,000 from the 2014/2015 collections. The increase was the direct result of the build-out of a new senior community within the School District. Real estate taxes represent 64.3% of total general fund revenue for the School District. The School District continued to see an increase in the collection of earned income taxes (EIT) which rose to \$2,468,280 in 2015/2016 from \$2,402,414 in the prior year. EIT collections have increased approximately 41% since the 2011/2012 fiscal year largely due to a state-mandated change in tax collectors and collection procedures. Real estate transfer taxes collected were \$304,000 more than budgeted due to both the residential senior (over 55) community build-out and the unanticipated sale of a large commercial property within the School District. State subsidies increased by approximately \$372,000 primarily due to the increase in the state mandated retirement contributions of \$281,000. Federal funds received of \$202,064 decreased by \$26,000 from the prior year due to a reduction in Title I funding. Overall, total general fund revenues recorded in 2015/2016 were in excess of budgeted revenues by \$1,177,203 or 4.3%.

Total general fund expenditures for 2015/2016 were \$27,007,724, an increase of \$435,969 over the prior year. Wages increased approximately \$154,000 and benefits increased \$578,895 over 2014/2015. The increase from salaries paid was less than the historical average due to retirement of senior teachers and the elimination of an administrative position. The employer retirement contribution rate increased 20.7% (from 21.40% to 25.84%) representing the primary reason for the increase in benefit expense. Supply, book and purchased services expenditures were about the same amount as the prior year. Debt service payments were \$247,000 less than prior year due to savings realized from the refinancing. Overall, total general fund expenses for the year were \$730,029 less than budgeted, or 2.6%.

Actual results in operations showed revenues being more than expenditures by \$1,481,134 resulting in the School District having a year-end fund balance of \$5,023,324 which \$1,000,000 has been committed to assist in paying future retirement rate increases.

**Avonworth School District
Management's Discussion and Analysis
June 30, 2016**

Financial Highlights (Cont'd)

The School District's food service (proprietary) fund showed a loss of \$14,475 for the 2015/2016 school year, an improvement over the 2014/2015 school year where the fund showed a loss of \$38,767. Revenues, consisting of lunch/breakfast sales and government subsidiaries, totaled \$590,160. Operating expenses, consisting of mostly labor costs, food and other supplies, totaled \$604,635. After adjusting the net position for the adopted GASB Statement No. 68, (accounting and financial reporting for pensions) the June 30, 2016 year-ending net position for this fund is (\$612,219).

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.

**Avonworth School District
Management's Discussion and Analysis
June 30, 2016**

Using the Annual Financial Report (Cont'd)

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

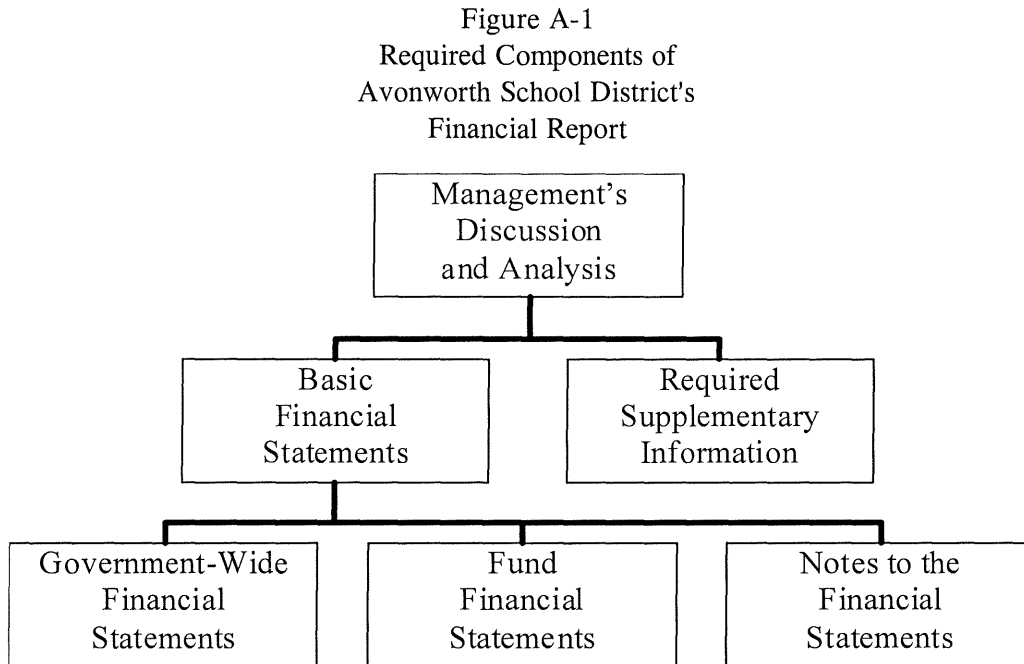


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

**Avonworth School District
Management's Discussion and Analysis
June 30, 2016**

Using the Annual Financial Report (Cont'd)

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

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

Overview of Financial Statements

Government-Wide Statements

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

**Avonworth School District
Management's Discussion and Analysis
June 30, 2016**

Overview of Financial Statements (Cont'd)

Government-Wide Statements (Cont'd)

The two government-wide statements report the School District's net position and how they have changed. Net position, the difference between the School District's assets and liabilities, are 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 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 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, 2016**

Overview of Financial Statements (Cont'd)

Fund Financial Statements (Cont'd)

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

Fiduciary funds - The School District is the trustee, or fiduciary, for some scholarship funds. All of the School District's fiduciary activities are reported in 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 \$(25,268,759) at June 30, 2016 and a deficit \$(25,642,682) at June 30, 2015.

Table A-1
Years Ended June 30, 2016 and 2015
Net Position

	2016			2015		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Current and Other Assets	\$ 12,792,025	\$ (42,254)	\$ 12,749,771	\$ 11,518,483	\$ 512,790	\$ 12,031,273
Capital Assets	<u>40,121,459</u>	<u>6,114</u>	<u>40,127,573</u>	<u>40,294,796</u>	<u>8,325</u>	<u>40,303,121</u>
Total Assets	<u>52,913,484</u>	<u>(36,140)</u>	<u>52,877,344</u>	<u>51,813,279</u>	<u>521,115</u>	<u>52,334,394</u>
Deferred Outflows of Resources	<u>5,479,010</u>	<u>82,161</u>	<u>5,561,171</u>	<u>3,723,442</u>	<u>49,835</u>	<u>3,773,277</u>
Current and Other Liabilities	4,010,835	10,784	4,021,619	3,047,906	554,248	3,602,154
Noncurrent Liabilities						
Due in One Year	1,679,754	-	1,679,754	1,511,162	-	1,511,162
Due in More Than One Year	<u>77,121,401</u>	<u>643,500</u>	<u>77,764,901</u>	<u>73,621,588</u>	<u>573,449</u>	<u>74,195,037</u>
Total Liabilities	<u>82,811,990</u>	<u>654,284</u>	<u>83,466,274</u>	<u>78,180,656</u>	<u>1,127,697</u>	<u>79,308,353</u>
Deferred Inflows of Resources	<u>237,044</u>	<u>3,956</u>	<u>241,000</u>	<u>2,401,003</u>	<u>40,997</u>	<u>2,442,000</u>

**Avonworth School District
Management's Discussion and Analysis
June 30, 2016**

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

Table A-1 (Cont'd)
Years Ended June 30, 2016 and 2015
Net Position

	2016			2015		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Net Position						
Net Investment in Capital Assets	\$ 1,885,719	\$ 6,114	\$ 1,891,833	\$ 2,150,727	\$ 8,325	\$ 2,159,052
Unrestricted	<u>(26,542,259)</u>	<u>(618,333)</u>	<u>(27,160,592)</u>	<u>(27,195,665)</u>	<u>(606,069)</u>	<u>(27,801,734)</u>
Total Net Position	<u>\$(24,656,540)</u>	<u>\$(612,219)</u>	<u>\$(25,268,759)</u>	<u>\$(25,044,938)</u>	<u>\$(597,744)</u>	<u>\$(25,642,682)</u>

The School District's negative net position is due to the required GASB Statement No. 68 accounting for the School District's defined benefit pension liability. Capital assets (buildings, land, and equipment) represent 76% of the governmental assets while general bond obligations and the recognition of the defined pension liability represent 95% of the governmental liabilities. An analysis of the above shows that the primary reasons for the variances from year ending 2015 to year ending 2016 to be the following:

- Current assets increased approximately \$718,000 because of an increase in cash and short-term investments along with an increase in property taxes receivable and debt service reimbursement due from the state.
- Capital assets decreased due to the recording of depreciation expense.
- Current liabilities increased due to additional amounts accrued for accounts payable and accrued salaries and benefits.
- Long-term liabilities increased by approximately \$3.5 million for the accrual of the School District's net pension liability as required by GASB Statement No. 68 combined with a decrease in bonds payable due to principal being paid during 2015/2016.

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 2016 and 2015.

**Avonworth School District
Management's Discussion and Analysis
June 30, 2016**

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

Total revenues for governmental activities increased approximately \$1,775,000 from the prior year. Collection of local property taxes increased approximately \$1,311,556 over the prior year due to new residential property construction. Operating grants increased due to the increased state pension and social security subsidies to offset approximately one-half of the increased costs.

Total expenses for governmental activities increased \$782,499, or 2.8%. A number of factors contributed to this increase with the biggest contributors being contractual salary increases along with benefits increases (which includes the state mandated increase in the employer retirement rate). School District debt service decreased from the prior year due to savings realized from the refinancing of previously issued general obligation bonds.

Table A-2
Years Ended June 30, 2016 and 2015
Changes in Net Position

	2016			2015		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues						
Program Revenues						
Charges for Services	\$ -	\$ 383,265	\$ 383,265	\$ -	\$ 357,132	\$ 357,132
Operating Grants and Contrib.	3,864,798	206,491	4,071,289	3,555,208	186,281	3,741,489
Capital Grants and Contrib.	230,346	-	230,346	251,774	-	251,774
General Revenues						
Property Taxes	18,361,509	-	18,361,509	17,049,953	-	17,049,953
Other Taxes	3,147,264	-	3,147,264	3,030,346	-	3,030,346
Grants, Subs. and Contribs.						
Unrestricted	2,753,907	-	2,753,907	2,688,661	-	2,688,661
Other	147,238	404	147,642	153,620	6	153,626
Total Revenues	28,505,062	590,160	29,095,222	26,729,562	543,419	27,272,981
Expenses						
Instruction	17,585,608	-	17,585,608	16,392,314	-	16,392,314
Instructional Student Support	1,589,078	-	1,589,078	1,846,109	-	1,846,109
Admin. and Financial Support Svcs.	2,970,270	-	2,970,270	3,076,424	-	3,076,424
Operation and Maintenance of						
Plant Services	1,967,372	-	1,967,372	2,190,792	-	2,190,792
Pupil Transportation	1,435,689	-	1,435,689	1,496,751	-	1,496,751
Student Activities	1,092,097	-	1,092,097	922,450	-	922,450
Community Services	5,911	-	5,911	8,938	-	8,938
Interest on Long-Term Debt	1,470,639	-	1,470,639	1,478,399	-	1,478,399
Food Services	-	604,635	604,635	-	582,186	582,186
Total Expenses	28,116,664	604,635	28,721,299	27,412,177	582,186	27,994,363

**Avonworth School District
Management's Discussion and Analysis
June 30, 2016**

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

Table A-2 (Cont'd)
Years Ended June 30, 2016 and 2015
Changes in Net Position

	2016			2015		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Increase (Decrease) in Net Position	\$ 388,398	\$ (14,475)	\$ 373,923	\$ (682,615)	\$ (38,767)	\$ (721,382)
Beginning Net Position	(25,044,938)	(597,744)	(25,642,682)	(24,362,323)	(558,977)	(24,921,300)
Ending Net Position	<u>\$(24,656,540)</u>	<u>\$(612,219)</u>	<u>\$(25,268,759)</u>	<u>\$(25,044,938)</u>	<u>\$(597,744)</u>	<u>\$(25,642,682)</u>

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

Table A-3 shows the School District's largest functions - instructional programs, instructional student support, administrative, operation and maintenance of plant, pupil transportation, student activities, community services, 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, 2016 and 2015
Governmental Activities

Functions/Programs	2016		2015	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$17,585,608	\$14,894,195	\$16,392,314	\$13,989,853
Instructional Student Support	1,589,078	1,410,123	1,846,109	1,657,374
Admin. and Financial Support Svcs.	2,970,270	2,777,056	3,076,424	2,927,077
Operation and Maintenance of Plant Svcs.	1,967,372	1,869,748	2,190,792	2,108,721
Pupil Transportation	1,435,689	801,825	1,496,751	821,008
Student Activities	1,092,097	1,022,369	922,450	865,599

**Avonworth School District
Management's Discussion and Analysis
June 30, 2016**

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

Table A-3 (Cont'd)
Years Ended June 30, 2016 and 2015
Governmental Activities

	2016		2015	
Functions/Programs	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Community Services	\$ 5,911	\$ 5,911	\$ 8,938	\$ 8,938
Interest on Long-Term Debt	<u>1,470,639</u>	<u>1,240,293</u>	<u>1,478,399</u>	<u>1,226,625</u>
Total Governmental Activities	<u>\$28,116,664</u>	24,021,520	<u>\$27,412,177</u>	23,605,195
Less:				
Unrestricted Grants, Subsidies		<u>(2,753,907)</u>		<u>(2,688,661)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$21,267,613</u>		<u>\$20,916,534</u>

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District. For the 2015/2016 school year, the food service department operated at a net loss of \$14,475. This was an improvement over the prior year as this program strives to increase participation levels while controlling the ever increasing labor and product costs due to federal government mandates in the school lunch program.

Table A-4
Years Ended June 30, 2016 and 2015
Business-Type Activities

	2016		2015	
Functions/Programs	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	<u>\$604,635</u>	\$14,879	<u>\$582,186</u>	\$38,773
Less:				
Investment Earnings		<u>(404)</u>		<u>(6)</u>
Total Business-Type Activities		<u>\$14,475</u>		<u>\$38,767</u>

**Avonworth School District
Management's Discussion and Analysis
June 30, 2016**

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

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

School District Funds

At June 30, 2016, the School District's general fund reported a fund balance of \$5,023,324, which is an increase of \$2,453,838 from the amount projected based on the adopted 2015/2016 budget. The primary reasons for this increase is specific to the following:

- The actual year-ending fund balance from the previous year was \$546,606 higher than shown when the budget was adopted.
- Total expenditures for the year were \$730,029 less than projected, which was within 2.6% of the budget. The majority of this variance was in support services where staff was either eliminated or replaced with lower wage employees due to retirements. Additionally, student transportation was less than budgeted due to the elimination of three special education runs which were in place during the prior school year.
- Lastly, revenues received were higher than budgeted by \$1,177,203, or 4.3%. Local revenues exceeded budget by \$1,060,406 where the higher than expected values of new residential property resulted in both higher property and real estate transfer taxes. Additionally, the School District was aggressive in pursuing grant opportunities which resulted in additional private source revenues.

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 the planned replacement of the synthetic turf and bleacher addition at the School District's athletic stadium 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 2015/2016, \$155,055 of the budgetary reserve was utilized to cover the amount expended in excess of the budget in the area of technology equipment and the support of School District athletics and activities.

**Avonworth School District
Management's Discussion and Analysis
June 30, 2016**

Capital Assets and Debt Administration

Capital Assets

At June 30, 2016, the School District had \$40,121,459 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

	2016	2015
Land and Land Improvements	\$ 1,409,264	\$ 1,517,128
Buildings and Building Improvements	37,372,259	37,650,431
Furniture and Equipment	730,570	701,363
Construction in Progress	609,366	425,874

Debt Administration

As of July 1, 2015, the School District included in its long-term liabilities \$40,759,192 for general obligation bonds and notes payable. During the year, the School District made principal payments of \$1,173,717 while recording a decrease in the accretion of interest on capital appreciation bonds in the amount of \$130,701. The net result of the above transactions resulted in an ending balance of \$39,454,774 of which \$1,462,448 is due within one year. Additionally, the School District paid \$31,812 as required under a capital lease agreement with Laurel Capital. The balance owing under the lease is \$40,483.

Table A-6
Outstanding Debt

General Obligation Bonds/Notes	As of 06/30/16	As of 06/30/15
Bonds - Series of 1999B	\$ 2,386,241	\$ 2,713,240
Bonds - Series 2011	4,115,000	4,475,000
Bonds - Series of 2013	9,235,000	9,255,000
Bonds - Series of 2014	5,095,000	5,140,000
Bonds - Series of 2015A-1	9,925,000	9,925,000
Bonds - Series of 2015A-2	5,430,000	5,485,000
Bonds - Series of 2015B	2,700,000	3,165,000
Notes - Series of 2008	568,533	600,952

**Avonworth School District
Management's Discussion and Analysis
June 30, 2016**

Capital Assets and Debt Administration (Cont'd)

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

Economic Factors and Next Year's Budgets 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 an increase in enrollment due to residential development within Ohio Township (one of the five municipalities which make up the School District). The School District believes that it has positioned itself to accommodate any future enrollment increases due to the opening of a new primary center in August 2014 which houses kindergarten through second grade. These grade levels were relocated from the School District's elementary school allowing for more flexibility. Planning is underway to move the sixth grade from the middle school building to the elementary school for the 2017/2018 school year.

A second "senior community" development in Ohio Township is being constructed with occupancy beginning in the fall of 2017 with the development being completed in 2018. It is anticipated that this development will generate significant new tax revenues as the homes are sold.

The revenue budget for the 2016/2017 fiscal year is \$28,862,579, which is \$373,721 more than the revenue recorded in 2015/2016. The projected increase is the result of an increase in assessed property value due to new residential construction and an increase in state reimbursements for debt, social security and retirement.

The expenditure budget for the 2016/2017 year of \$28,862,579 is approximately \$1.85 million more than the actual expenditures recorded for 2015/2016, a 6.8% increase. The budget includes approximately \$1.3 million for salaries and benefit increases with the biggest benefit impact in pension contribution requirements due to a 16.2% increase in the employer rate. Savings of approximately \$300,000 from the refinancing of prior bond issues resulted in a reduction in debt service in 2015/2016 so the 2016/2017 debt service budget was increased by this amount. This budget includes \$200,000 being 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.

**Avonworth School District
Management's Discussion and Analysis
June 30, 2016**

Economic Factors and Next Year's Budgets and Rates (Cont'd)

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 2016/2017 was 2.4% and is projected to be 2.5% for the 2017/2018 budget year. The School District did not increase its property tax rate for 2016/2017. It should be noted that school districts are given an exception to this rule for the annual increase in the Public School Employees' Retirement System (PSERS) employer contribution rate. It is important to note that this rate is projected to continue to increase for the next few years.

The comparison of revenue and expenditure categories is as follows:

Table A-7

	Budgeted Revenue 2016/2017	Actual Revenue 2015/2016
Local	76.4%	76.8%
State	23.0%	22.5%
Federal/Other	0.6%	0.7%
	Budgeted Expenditures 2016/2017	Actual Expenditures 2015/2016
Instruction	57.0%	58.1%
Support Services	28.8%	28.7%
Noninstructional	3.2%	3.4%
Fund Transfers/Debt	11.0%	9.8%

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, 2016

Exhibit 1

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 8,523,218	\$ 446,201	\$ 8,969,419
Taxes Receivable, Net	2,002,445	-	2,002,445
Internal Balances	542,695	(542,695)	-
Due from Other Governments	973,818	35,573	1,009,391
Other Receivables	54,166	-	54,166
Inventories	-	18,311	18,311
Prepaid Items	209,170	-	209,170
Other Current Assets	17,053	356	17,409
Long-Term Prepayments, Net of Amortization	469,460	-	469,460
Capital Assets not Being Depreciated			
Land	806,288	-	806,288
Construction in Progress	609,366	-	609,366
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	602,976	-	602,976
Buildings and Building Improvements	37,372,259	-	37,372,259
Furniture and Equipment	<u>730,570</u>	<u>6,114</u>	<u>736,684</u>
TOTAL ASSETS	<u>52,913,484</u>	<u>(36,140)</u>	<u>52,877,344</u>
DEFERRED OUTFLOWS OF RESOURCES			
Amounts Related to Pensions	4,805,908	82,161	4,888,069
Deferred Charge on Refunding	<u>673,102</u>	<u>-</u>	<u>673,102</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,479,010</u>	<u>82,161</u>	<u>5,561,171</u>
LIABILITIES			
Due to Other Governments	2,068	-	2,068
Accounts Payable	1,056,201	-	1,056,201
Accrued Salaries and Benefits	2,583,011	-	2,583,011
Payroll Deductions and Withholdings	13,396	-	13,396
Other Current Liabilities	356,159	10,784	366,943
Noncurrent Liabilities			
Due Within One Year	1,679,754	-	1,679,754
Due in More Than One Year			
Notes Payable	534,817	-	534,817
Capital Leases	26,207	-	26,207
Compensated Absences	325,685	-	325,685
Bonds Payable	37,496,507	-	37,496,507
Other Post-Employment Benefits	181,685	-	181,685
Net Pension Liability	<u>38,556,500</u>	<u>643,500</u>	<u>39,200,000</u>
TOTAL LIABILITIES	<u>82,811,990</u>	<u>654,284</u>	<u>83,466,274</u>
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to Pensions	<u>237,044</u>	<u>3,956</u>	<u>241,000</u>
NET POSITION			
Net Investment in Capital Assets	1,885,719	6,114	1,891,833
Unrestricted	<u>(26,542,259)</u>	<u>(618,333)</u>	<u>(27,160,592)</u>
TOTAL NET POSITION	<u>\$(24,656,540)</u>	<u>\$(612,219)</u>	<u>\$(25,268,759)</u>

See Accompanying Notes

**Avonworth School District
Statement of Activities
Year Ended June 30, 2016**

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern- mental Activities	Business- Type Activities	
Governmental Activities							
Instruction	\$17,585,608	\$ -	\$2,691,413	\$ -	\$(14,894,195)	\$ -	\$(14,894,195)
Instructional Student Support	1,589,078	-	178,955	-	(1,410,123)	-	(1,410,123)
Administrative and Financial Support Services	2,970,270	-	193,214	-	(2,777,056)	-	(2,777,056)
Operation and Maintenance of Plant Services	1,967,372	-	97,624	-	(1,869,748)	-	(1,869,748)
Pupil Transportation	1,435,689	-	633,864	-	(801,825)	-	(801,825)
Student Activities	1,092,097	-	69,728	-	(1,022,369)	-	(1,022,369)
Community Services	5,911	-	-	-	(5,911)	-	(5,911)
Interest on Long-Term Debt	<u>1,470,639</u>	<u>-</u>	<u>-</u>	<u>230,346</u>	<u>(1,240,293)</u>	<u>-</u>	<u>(1,240,293)</u>
Total Governmental Activities	<u>28,116,664</u>	<u>-</u>	<u>3,864,798</u>	<u>230,346</u>	<u>(24,021,520)</u>	<u>-</u>	<u>(24,021,520)</u>
Business-Type Activities							
Food Service	<u>604,635</u>	<u>383,265</u>	<u>206,491</u>	<u>-</u>	<u>-</u>	<u>(14,879)</u>	<u>(14,879)</u>
Total Primary Government	<u>\$28,721,299</u>	<u>\$383,265</u>	<u>\$4,071,289</u>	<u>\$230,346</u>	<u>(24,021,520)</u>	<u>(14,879)</u>	<u>(24,036,399)</u>
General Revenues							
Taxes							
Property Taxes Levied for General Purposes, Net					18,361,509	-	18,361,509
Earned Income Taxes					2,526,040	-	2,526,040
Real Estate Transfer Taxes					584,921	-	584,921
Other Taxes Levied for General Purposes, Net					36,303	-	36,303
Grants, Subsidies and Contributions not Restricted					2,753,907	-	2,753,907
Investment Earnings					18,399	404	18,803
Miscellaneous Income					<u>128,839</u>	<u>-</u>	<u>128,839</u>
Total General Revenues					<u>24,409,918</u>	<u>404</u>	<u>24,410,322</u>
Changes in Net Position					388,398	(14,475)	373,923
Net Position - July 1, 2015					<u>(25,044,938)</u>	<u>(597,744)</u>	<u>(25,642,682)</u>
Net Position - June 30, 2016					<u>\$(24,656,540)</u>	<u>\$(612,219)</u>	<u>\$(25,268,759)</u>

See Accompanying Notes

**Avonworth School District
Balance Sheet
Governmental Funds
June 30, 2016**

Exhibit 3

	General Fund	Capital Projects Fund	Non- major Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$5,801,250	\$1,625,447	\$1,096,521	\$ 8,523,218
Taxes Receivable, Net	2,002,445	-	-	2,002,445
Due from Other Funds	542,695	-	-	542,695
Due from Other Governments	973,818	-	-	973,818
Other Receivables	54,166	-	-	54,166
Prepaid Items	209,170	-	-	209,170
Other Current Assets	<u>17,053</u>	<u>-</u>	<u>-</u>	<u>17,053</u>
TOTAL ASSETS	<u>\$9,600,597</u>	<u>\$1,625,447</u>	<u>\$1,096,521</u>	<u>\$12,322,565</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Due to Other Governments	\$ 2,068	\$ -	\$ -	\$ 2,068
Accounts Payable	457,955	598,246	-	1,056,201
Accrued Salaries and Benefits	2,583,011	-	-	2,583,011
Payroll Deductions and Withholdings	<u>13,396</u>	<u>-</u>	<u>-</u>	<u>13,396</u>
Total Liabilities	<u>3,056,430</u>	<u>598,246</u>	<u>-</u>	<u>3,654,676</u>
Deferred Inflows of Resources				
Unavailable Revenues - Property Taxes	<u>1,520,843</u>	<u>-</u>	<u>-</u>	<u>1,520,843</u>
Fund Balances				
Nonspendable	209,170	-	-	209,170
Restricted	-	1,027,201	-	1,027,201
Committed	1,000,000	-	1,096,521	2,096,521
Unassigned	<u>3,814,154</u>	<u>-</u>	<u>-</u>	<u>3,814,154</u>
Total Fund Balances	<u>5,023,324</u>	<u>1,027,201</u>	<u>1,096,521</u>	<u>7,147,046</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$9,600,597</u>	<u>\$1,625,447</u>	<u>\$1,096,521</u>	<u>\$12,322,565</u>

See Accompanying Notes

Avonworth School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Exhibit 4

Total Fund Balances - Governmental Funds		\$ 7,147,046
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$56,518,145, and the accumulated depreciation is \$16,396,686.</p>		40,121,459
<p>Property taxes receivable will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore, are deferred inflows in the funds.</p>		1,520,843
<p>Premium and discount on bonds issued are capitalized and amortized over the life of the bonds in the statement of net position.</p>		(195,923)
<p>Deferred loss on bonds refunded is capitalized and amortized over the life of the bonds in the statement of position and reported as deferred outflows of resources in the statement of net position.</p>		673,102
<p>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.</p>		469,460
<p>The other post-employment benefits obligation is an asset as of the fiscal year end and is not considered an available financial resource for fund financial statements.</p>		(181,685)
<p>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:</p>		
Bonds Payable	\$(38,886,241)	
Accrued Interest on the Bonds	(356,159)	
Capital Leases Payable	(40,483)	
Notes Payable	(568,533)	
Compensated Absences	(371,790)	(40,223,206)

Avonworth School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Exhibit 4

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

Net Pension Liability	\$(38,556,500)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds.

Deferred Outflows of Resources Related to Pensions	\$ 4,805,908	
Deferred Inflows of Resources Related to Pensions	<u>(237,044)</u>	<u>4,568,864</u>

Total Net Position - Governmental Activities	\$ <u>(24,656,540)</u>
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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, 2016

Exhibit 5

	General Fund	Capital Projects Fund	Non- major Funds	Total Governmental Funds
Revenues				
Local Sources	\$21,882,306	\$ 3,667	\$ 641	\$21,886,614
State Sources	6,404,488	-	-	6,404,488
Federal Sources	<u>202,064</u>	<u>-</u>	<u>-</u>	<u>202,064</u>
 Total Revenues	 <u>28,488,858</u>	 <u>3,667</u>	 <u>641</u>	 <u>28,493,166</u>
 Expenditures				
Instruction	15,703,343	-	-	15,703,343
Support Services	7,760,366	-	-	7,760,366
Noninstructional Services	915,588	-	-	915,588
Capital Outlay	-	1,058,524	-	1,058,524
Debt Service	2,587,058	-	27,601	2,614,659
Refunds of Prior Year's Receipts	<u>41,369</u>	<u>-</u>	<u>-</u>	<u>41,369</u>
 Total Expenditures	 <u>27,007,724</u>	 <u>1,058,524</u>	 <u>27,601</u>	 <u>28,093,849</u>
 Net Changes in Fund Balances	 1,481,134	 (1,054,857)	 (26,960)	 399,317
 Fund Balances - July 1, 2015	 <u>3,542,190</u>	 <u>2,082,058</u>	 <u>1,123,481</u>	 <u>6,747,729</u>
 Fund Balances - June 30, 2016	 <u>\$ 5,023,324</u>	 <u>\$ 1,027,201</u>	 <u>\$1,096,521</u>	 <u>\$ 7,147,046</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, 2016**

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ 399,317

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	\$(1,246,210)	
Capital Outlays	<u>1,072,873</u>	(173,337)

Because some property taxes will not be collected for several months after the School District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues increased by this amount this year. 53,265

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. (38,067)

Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,484,231

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	12,416	
Other Post-Employment Benefits	<u>(67,942)</u>	(55,526)

**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, 2016**

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 the Bonds	\$ (103,902)	
Accretion of Interest on the School District's Capital Appreciation Bonds	<u>(148,001)</u>	\$ (251,903)

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

Amortization of Discount, Premium and Deferred Loss on Refunding		(55,889)
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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.

School District Pension Contributions to PSERS	2,812,981	
Cost of Benefits Earned	<u>(3,786,674)</u>	<u>(973,693)</u>

Change in Net Position of Governmental Activities		\$ <u>388,398</u>
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See Accompanying Notes

**Avonworth School District
Statement of Net Position
Proprietary Funds
June 30, 2016**

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 446,201
Due from Other Governments	35,573
Inventories	18,311
Other Current Assets	<u>356</u>
Total Current Assets	<u>500,441</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>6,114</u>
TOTAL ASSETS	<u>506,555</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Relating to Pensions	<u>82,161</u>
LIABILITIES	
Current Liabilities	
Due to Other Funds	542,695
Unearned Revenues	<u>10,784</u>
Total Current Liabilities	<u>553,479</u>
Noncurrent Liabilities	
Net Pension Liability	<u>643,500</u>
TOTAL LIABILITIES	<u>1,196,979</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Relating to Pensions	<u>3,956</u>
NET POSITION	
Net Investment in Capital Assets	6,114
Unrestricted	<u>(618,333)</u>
TOTAL NET POSITION	<u>\$ (612,219)</u>

See Accompanying Notes

Avonworth School District
Statement of Revenues, Expenses and Changes
in Net Position
Proprietary Funds
Year Ended June 30, 2016

Exhibit 8

	Food Service Fund
Operating Revenues	
Food Service Revenue	\$ <u>383,265</u>
Operating Expenses	
Salaries	230,354
Employee Benefits	98,533
Other Purchased Services	228
Supplies	272,212
Depreciation	2,211
Dues and Fees	<u>1,097</u>
Total Operating Expenses	<u>604,635</u>
Operating Income (Loss)	<u>(221,370)</u>
Nonoperating Revenues (Expenses)	
Earnings on Investments	404
State Sources	50,897
Federal Sources	<u>155,594</u>
Total Nonoperating Revenues (Expenses)	<u>206,895</u>
Change in Net Position	(14,475)
Net Position - July 1, 2015	<u>(597,744)</u>
Net Position - June 30, 2016	<u>\$(612,219)</u>

See Accompanying Notes

**Avonworth School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2016**

Exhibit 9

	Food Service Fund
Cash Flows from Operating Activities	
Cash Received from Users	\$ 383,110
Cash Payments to Employees for Services	(328,205)
Cash Payments to Suppliers for Goods and Services	(247,111)
Cash Payments to Other Operating Expenses	<u>(1,098)</u>
Net Cash Used for Operating Activities	<u>(193,304)</u>
Cash Flows from Non-Capital Financing Activities	
State Sources	51,003
Federal Sources	129,497
Loans Received	<u>(6,851)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>173,649</u>
Cash Flows from Investing Activities	
Earnings on Investments	<u>404</u>
Net Decrease in Cash and Cash Flows	(19,251)
Cash and Cash Equivalents - July 1, 2015	<u>465,452</u>
Cash and Cash Equivalents - June 30, 2016	<u>\$ 446,201</u>

**Avonworth School District
Statement of Cash Flows
Proprietary Fund Types
Year Ended June 30, 2016**

Exhibit 9

	Food Service Fund
Operating Income (Loss)	<u>\$(221,370)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation	2,211
Change in Pension Expense and Net Pension Liability	684
Donated Commodities	27,502
Advances to Other Funds	(156)
(Increase) Decrease in Inventories	(2,039)
Increase (Decrease) in Accounts Payable	<u>(136)</u>
Total Adjustments	<u>28,066</u>
Cash Used for Operating Activities	<u>\$(193,304)</u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2016, the School District received \$33,722 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, 2016

Exhibit 10

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	<u>\$1,435</u>	<u>\$88,428</u>
LIABILITIES		
Other Current Liabilities	<u>-</u>	<u>88,428</u>
NET POSITION		
Restricted for Scholarships	<u>\$1,435</u>	<u>\$ -</u>

See Accompanying Notes

**Avonworth School District
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2016**

Exhibit 11

	Private Purpose Trust Fund
Additions	\$ _____ -
Deductions	
Scholarships Awarded	<u>1,000</u>
Change in Net Position	(1,000)
Net Position - July 1, 2015	<u>2,435</u>
Net Position - June 30, 2016	<u>\$ 1,435</u>

See Accompanying Notes

Avonworth School District
Notes to Financial Statements
June 30, 2016

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, 2016

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

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

1. Governmental Funds

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

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

The *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 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 *debt service fund* accounts for the resources accumulated and payments made for principal and interest of 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.

Avonworth School District
Notes to Financial Statements
June 30, 2016

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

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

3. Fiduciary Funds

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

The *private purpose trust fund* is used to account for resources of monies contributed to the School District for scholarships. The Dan Ulanowicz Scholarship Fund is considered a private purpose trust fund.

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.

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.

Avonworth School District
Notes to Financial Statements
June 30, 2016

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

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

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

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

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

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

D. Joint 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

Avonworth School District
Notes to Financial Statements
June 30, 2016

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

D. Joint Venture (Cont'd)

School District's financial obligation to Beattie for the year ended June 30, 2016, was \$228,900 which was paid in the year ended June 30, 2016 to Beattie and reported in the School District's general fund. The School District has no equity interest in Beattie as of June 30, 2016. 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.

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, 2016.

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

Avonworth School District
Notes to Financial Statements
June 30, 2016

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

G. Budgets (Cont'd)

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, 2016.

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, 2016 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.

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

Avonworth School District
Notes to Financial Statements
June 30, 2016

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

K. Capital Assets (Cont'd)

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
June 30, 2016

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

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 two 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. The other is the government-wide statement of net position which is related to the participation in the cost sharing defined benefit pension plan. 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 one item reported in the government-wide statement of net position relating to the cost sharing defined benefit pension plan. 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, 2016

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

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.

**Avonworth School District
Notes to Financial Statements
June 30, 2016**

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

P. Equity Classifications (Cont'd)

Fund Statements - Fund Balance (Cont'd)

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

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

The purposes of the nonspendable, restricted, and committed fund balances as of June 30, 2016, are as follows:

1. The nonspendable fund balance in the general fund of \$209,170 is for prepaid expenses as of June 30, 2016.
2. The restricted fund balance in the capital projects fund of \$1,027,201 is for capital expenditures relating to the 2014 general obligation bonds.
3. 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.
4. The purpose of committed fund balance in the capital reserve fund of \$1,096,521 is for future capital expenditures.

Note 2 - Deposits and Investments

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the

**Avonworth School District
Notes to Financial Statements
June 30, 2016**

Note 2 - Deposits and Investments (Cont'd)

Custodial Credit Risk - Deposits (Cont'd)

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, 2016, \$1,662,370 of the School District's bank balance of \$1,912,370 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>\$1,662,370</u>
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As of June 30, 2016, the School District had the following investments:

Investments	Fair Value
PSDLAF	<u>\$7,296,763</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 operates in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. The fund uses amortized cost to report net position to compute share prices. The fund maintains 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.

**Avonworth School District
Notes to Financial Statements
June 30, 2016**

Note 3 - 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 2015/2016 was 18.67 mills (\$18.67 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied is as follows:

Tax Levy Date	July 1, 2015
2% Discount Period	Through August 31, 2015
Face Payment Period	September 1 – October 31, 2015
10% Penalty Period	November 1, Until Liated
Lien Filing Date	July 1, 2016

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.

Note 4 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2016, the following amounts are due from other governmental units:

	Governmental Funds	Business-Type Funds	Totals
Federal (through the state)	\$ (398)	\$31,664	\$ 31,266
State	<u>974,216</u>	<u>3,909</u>	<u>978,125</u>
	<u>\$973,818</u>	<u>\$35,573</u>	<u>\$1,009,391</u>

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

Avonworth School District
Notes to Financial Statements
June 30, 2016

Note 5 - Capital Assets (Cont'd)

	Balance 07/01/15	Additions	Disposals	Transfers	Balance 06/30/16
Governmental Activities					
Capital Assets not being Depreciated					
Land	\$ 806,288	\$ -	\$ -	\$ -	\$ 806,288
Construction in Progress	<u>425,874</u>	<u>1,014,021</u>	<u>-</u>	<u>(830,529)</u>	<u>609,366</u>
Total Capital Assets not being Depreciated	<u>1,232,162</u>	<u>1,014,021</u>	<u>-</u>	<u>(830,529)</u>	<u>1,415,654</u>
Capital Assets Being Depreciated					
Land Improvements	2,238,727	-	-	-	2,238,727
Buildings and Building Improvements	50,576,897	18,254	-	771,641	51,366,792
Furniture and Equipment	<u>1,468,310</u>	<u>40,598</u>	<u>(70,824)</u>	<u>58,888</u>	<u>1,496,972</u>
Total Capital Assets Being Depreciated	<u>54,283,934</u>	<u>58,852</u>	<u>(70,824)</u>	<u>830,529</u>	<u>55,102,491</u>
Less Accumulated Depreciation					
Land Improvements	1,527,887	107,864	-	-	1,635,751
Buildings and Building Improvements	12,926,466	1,068,067	-	-	13,994,533
Furniture and Equipment	<u>766,947</u>	<u>70,279</u>	<u>70,824</u>	<u>-</u>	<u>766,402</u>
Total Accumulated Depreciation	<u>15,221,300</u>	<u>1,246,210</u>	<u>70,824</u>	<u>-</u>	<u>16,396,686</u>
Total Capital Assets Being Depreciated, Net	<u>39,062,634</u>	<u>(1,187,358)</u>	<u>-</u>	<u>830,529</u>	<u>38,705,805</u>
Governmental Activities Capital Assets, Net	<u>\$40,294,796</u>	<u>\$ (173,337)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$40,121,459</u>
Business Activities					
Furniture and Equipment	\$ 133,767	\$ -	\$ -	\$ -	\$ 133,767
Less Accumulated Depreciation	<u>125,442</u>	<u>2,211</u>	<u>-</u>	<u>-</u>	<u>127,653</u>
Business-Type Capital Assets, Net	<u>\$ 8,325</u>	<u>\$ (2,211)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,114</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Instruction	\$1,132,261
Instructional Student Support	674
Administration and Financial Support Services	15,582
Operation and Maintenance of Plant Services	15,525
Student Activities	<u>82,168</u>
Total Depreciation Expense	<u>\$1,246,210</u>

Avonworth School District
Notes to Financial Statements
June 30, 2016

Note 5 - Capital Assets (Cont'd)

Business-Type Activities

Food Service \$ 2,211

Note 6 - Interfund Balances

Interfund balances at June 30, 2016 were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$542,695	\$ -
Proprietary Fund		
Food Service Fund	<u> -</u>	<u>542,695</u>
	<u>\$542,695</u>	<u>\$542,695</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.

Note 7 - Long-Term Debt

The following are changes in the long-term liabilities for the year ended June 30, 2016:

	Balance 07/01/15	Additions	Reductions	Balance 06/30/16	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$40,158,240	\$148,001	\$1,420,000	\$38,886,241	\$1,585,657
Plus: Bond Premium	521,383	-	40,114	481,269	-
Less: Bond Discount	<u>(302,620)</u>	<u> -</u>	<u>(17,274)</u>	<u>(285,346)</u>	<u> -</u>
Total Bonds Payable	<u>40,377,003</u>	<u>148,001</u>	<u>1,442,840</u>	<u>39,082,164</u>	<u>1,585,657</u>
General Obligation Notes	600,952	-	32,419	568,533	33,716
Capital Leases	72,295	-	31,812	40,483	14,276
Compensated Absences	<u>384,206</u>	<u> -</u>	<u>12,416</u>	<u>371,790</u>	<u>46,105</u>
Governmental Activity					
Long-Term Liabilities	<u>\$41,434,456</u>	<u>\$148,001</u>	<u>\$1,519,487</u>	<u>\$40,062,970</u>	<u>\$1,679,754</u>

**Avonworth School District
Notes to Financial Statements
June 30, 2016**

Note 7 - Long-Term Debt (Cont'd)

General Obligation Bonds

Capital Projects - Series of 1999B

Capital Appreciation Bonds of \$2,300,636 due in varying installments through March 15, 2022, yield ranging from 5.10% to 5.70% \$ 2,386,241

Capital Projects - Refunding Series of 2011

Original issue amount of \$5,690,000 due in varying installments through March 15, 2025, interest from 1.3% to 5.0% 4,115,000

Capital Projects - Series of 2013

Original issue amount of \$9,275,000 due in varying installments through March 15, 2035, interest from 1.0% to 4.5% 9,235,000

Capital Projects - Series of 2014

Original issue amount of \$5,140,000 due in varying installments through March 15, 2036, interest from 0.35% to 3.875% 5,095,000

Capital Projects - Refunding Series of 2015A-1

Original issue amount of \$9,925,000 due in varying installments through March 15, 2031, interest from 2.0% to 3.125% 9,925,000

Capital Projects - Refunding Series of 2015A-2

Original issue amount of \$5,485,000 due in varying installments through March 15, 2026, interest from 2.0% to 2.50% 5,430,000

Avonworth School District
Notes to Financial Statements
June 30, 2016

Note 7 - Long-Term Debt (Cont'd)

General Obligation Bonds (Cont'd)

Capital Projects - Refunding Series of 2015B

Original issue amount of \$3,165,000 due in varying installments through March 15, 2022, interest from 0.50% to 2.0% \$ 2,700,000

\$38,886,241

General Obligation Notes

Series of 2008 in the amount of \$773,975; payable in semi-annual installments; final payment due October 25, 2028, interest from 3.0% - 4.6% \$ 568,533

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

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2016, including interest, sinking fund payments and accretion on the capital appreciation bonds, are as follows:

Year Ended June 30,	General Obligation				Totals
	Bonds		Notes		
	Principal	Interest	Principal	Interest	
2017	\$ 1,314,414	\$ 1,557,972	\$ 33,716	\$ 23,750	\$ 2,929,852
2018	1,373,076	1,540,539	35,012	22,417	2,971,044
2019	1,397,282	1,516,275	36,309	20,990	2,970,856
2020	1,437,012	1,478,044	37,976	19,481	2,972,513
2021	1,483,028	1,439,378	39,458	17,859	2,979,723
2022-2026	9,105,211	5,157,708	225,079	61,834	14,549,832
2027-2031	10,935,000	3,348,601	160,983	11,224	14,455,808
2032-2036	<u>10,425,000</u>	<u>1,126,162</u>	-	-	<u>11,551,162</u>
Totals	37,470,023	17,164,679	568,533	177,555	55,380,790
Accretion to Date	<u>1,416,218</u>	<u>(1,416,218)</u>	-	-	-
	<u>\$38,886,241</u>	<u>\$15,748,461</u>	<u>\$568,533</u>	<u>\$177,555</u>	<u>\$55,380,790</u>

**Avonworth School District
Notes to Financial Statements
June 30, 2016**

Note 8 - Capital Leases

The School District has entered into a lease agreement as lessee for financing the acquisition of equipment, mainly telephone and communications equipment. This lease agreement qualifies as a 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 assets acquired through the capital lease are as follows:

	Governmental Activities
Asset	
Machinery and Equipment	\$170,428
Less: Accumulated Depreciation	<u>(113,352)</u>
Total	<u>\$ 57,076</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

Year Ended June 30,	Governmental Activities
2017	\$15,252
2018	15,252
2019	<u>12,710</u>
Total Minimum Lease Payments	43,214
Less: Amount Representing Interest	<u>(2,731)</u>
Present Value of Minimum Lease Payments	<u>\$40,483</u>

Note 9 - 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

Avonworth School District
Notes to Financial Statements
June 30, 2016

Note 9 - Public School Employees' Retirement System (PSERS) (Cont'd)

A. Summary of Significant Accounting Policies (Cont'd)

Pensions (Cont'd)

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.state.pa.us.

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
Notes to Financial Statements
June 30, 2016

Note 9 - Public School Employees' Retirement System (PSERS) (Cont'd)

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

2. Benefits Provided (Cont'd)

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, 2016 was 25.0% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$2,941,194 for the year ended June 30, 2016.

**Avonworth School District
Notes to Financial Statements
June 30, 2016**

Note 9 - Public School Employees' Retirement System (PSERS) (Cont'd)

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

At June 30, 2016, the School District reported a liability of \$39,200,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014 to June 30, 2015. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the School District's proportion was 0.0905%, which was an increase of 0.0042% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School District recognized pension expense of \$3,915,571. At June 30, 2016, 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
Net difference between expected and actual experience	\$ -	\$162,000
Net difference between projected and actual investment earnings	-	79,000
Changes in proportions	1,876,000	-
Difference between employer contributions and proportionate share of total contributions	70,875	-
Contributions subsequent to the measurement date	<u>2,941,194</u>	<u>-</u>
	<u>\$4,888,069</u>	<u>\$241,000</u>

\$2,941,194 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, 2016. 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,	
2017	\$ 298,571
2018	298,571

**Avonworth School District
Notes to Financial Statements
June 30, 2016**

Note 9 - Public School Employees' Retirement System (PSERS) (Cont'd)

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

Year Ended June 30,	
2019	\$ 298,571
2020	<u>810,162</u>
	<u>\$1,705,875</u>

1. Actuarial Assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the System's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - effected average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1.00%, and merit or seniority increase of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. For disabled annuitants the RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the Board at its March 11, 2011 Board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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.

**Avonworth School District
Notes to Financial Statements
June 30, 2016**

Note 9 - Public School Employees' Retirement System (PSERS) (Cont'd)

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

1. Actuarial Assumptions (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public markets global equity	22.5%	4.8%
Private markets (equity)	15.0%	6.6%
Private real estate	12.0%	4.5%
Global fixed income	7.5%	2.4%
U.S. long treasuries	3.0%	1.4%
TIPS	12.0%	1.1%
High yield bonds	6.0%	3.3%
Cash	3.0%	0.7%
Absolute return	10.0%	4.9%
Risk parity	10.0%	3.7%
MLPs/Infrastructure	5.0%	5.2%
Commodities	8.0%	3.1%
Financing (LIBOR)	<u>(14.0)%</u>	1.1%
	<u>100%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

2. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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.

**Avonworth School District
Notes to Financial Statements
June 30, 2016**

Note 9 - Public School Employees' Retirement System (PSERS) (Cont'd)

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

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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	(In thousands)		
	1.00% Decrease	Current Discount Rate 7.50%	1.00% Increase 8.50%
School District's proportionate share of the net pension liability	\$48,318	\$39,200	\$31,537

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.state.pa.us.

Note 10 - 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, 2016 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 11 - Post-Employment Healthcare Plan

A. Plan Description

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

**Avonworth School District
Notes to Financial Statements
June 30, 2016**

Note 11 - Post-Employment Healthcare Plan (Cont'd)

A. Plan Description (Cont'd)

teachers; administrators; support staff; and custodians. 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.

In the absence of a retirement incentive, the School District does not provide post-retirement medical coverage. At this time, there is no retirement incentive currently in place. However, the School District has had incentives in the past but those incentives have been infrequent.

Generally speaking, when an incentive has been in place, the incentive called for the School District to provide a specified monthly amount to be used toward the purchase of health coverage. In addition, the monthly amount would 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 PPOBlue or an HMO called Keystone Blue which is provided through the Allegheny County Schools Health Insurance Consortium (ACSHIC). The plan is administered by Highmark. Effective January 1, 2015, Keystone HMO became an EPO and the PPOBlue became Community Blue Flex PPO.

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. Retirees who retired prior to 2007 are provided with benefits for their lifetime, if they make the required contributions. Retirees who retired after 2007 can stay on the dental and vision plans until they are 65 or their retirement incentive is expired. There are currently 5 retirees who have grandfathered coverage.

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.

Life Insurance

Retiree life insurance benefits are not provided.

**Avonworth School District
Notes to Financial Statements
June 30, 2016**

Note 11 - Post-Employment Healthcare Plan (Cont'd)

A. Plan Description (Cont'd)

For the year ended June 30, 2016, the School District contributed \$45,761. Plan members receiving benefits contributed \$37,320. The plan is financed on a pay-as-you-go basis.

B. Annual OPEB Cost and Net OPEB Obligation

The School District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (funding excess) over a period not to exceed thirty years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the School District's net OPEB obligation.

Annual Required Contribution	\$124,196
Interest on Net OPEB Obligation	4,550
Adjustment to Annual Required Contribution	<u>(6,578)</u>
Annual OPEB Cost (Expense)	122,168
Contributions Made	<u>(54,226)</u>
Increase in OPEB Obligation	67,942
Net OPEB Obligation - Beginning of Year	<u>113,743</u>
Net OPEB Obligation - End of Year	<u>\$181,685</u>

The School District's OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the years ended June 30, 2016, 2015 and 2014, is as follows.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
06/30/16	\$122,168	44.39%	\$181,685
06/30/15	123,146	55.46%	113,743
06/30/14	116,872	79.35%	58,899

Avonworth School District
Notes to Financial Statements
June 30, 2016

Note 11 - Post-Employment Healthcare Plan (Cont'd)

C. Funded Status and Funding Progress

As of July 1, 2014, the actuarial accrued liability for benefits was \$1,006,775 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$11,780,000 and the ratio of unfunded actuarial accrued liability to the covered payroll was 8.55%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

D. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 4.00%; an actual healthcare cost increase of 7% effective July 1, 2016 and decreasing by 1/4% per year to an ultimate rate of 4.5% and an inflation rate of 2.75%. The method used to determine the actuarial value of assets is not applicable since there are no plan assets. The unfunded actuarial accrued liability is being amortized using the level dollar method. The amortization period for the most recent actuarial valuation is thirty years. The period is open.

Note 12 - 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 \$2,339,864 and \$2,250,972 for the years ended June 30, 2016 and 2015, respectively.

Avonworth School District
Notes to Financial Statements
June 30, 2016

Note 12 - Risk Management (Cont'd)

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, 2016, the net position of the Consortium was \$43,916,293 of which \$421,157 is attributable to the School District.

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 13 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2016 was \$1,984,763.

This includes \$1,511,982 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 \$472,781 to the federal government for social security and Medicare taxes for the year ended June 30, 2016. 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 14 - 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 prior lease in the current fiscal year were \$50,508.

Total future lease payments to be made by the School District under the above lease are as follows:

Year Ended June 30,	Amount
2017	\$ 50,508
2018	50,508

Avonworth School District
Notes to Financial Statements
June 30, 2016

Note 14 - Operating Lease (Cont'd)

Year Ended June 30,	Amount
2019	\$ 50,508
2020	<u>50,508</u>
	<u>\$202,032</u>

Note 15 - 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.

Note 16 - Construction Commitment

As of June 30, 2016, the School District had construction commitments of approximately \$116,250 for building projects. It is anticipated these projects will be completed by August 2016.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

Avonworth School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$17,200,000	\$17,200,000	\$17,738,035	\$ 538,035
Public Utility Realty Taxes	18,200	18,200	21,515	3,315
Local Services Taxes	22,000	22,000	14,788	(7,212)
Amusement Taxes	1,700	1,700	-	(1,700)
Earned Income Taxes	2,450,000	2,450,000	2,468,279	18,279
Real Estate Transfer Taxes	280,000	280,000	584,921	304,921
Delinquencies on Taxes	530,000	530,000	669,339	139,339
Earnings on Investments	20,000	20,000	14,091	(5,909)
Other Local Revenues				
Revenue from Student Activities	40,000	40,000	40,221	221
Federal Revenues from IUs	100,000	100,000	185,674	85,674
Contributions and Donations from Private Sources	15,000	15,000	56,825	41,825
Rentals	35,000	35,000	51,053	16,053
Miscellaneous	<u>110,000</u>	<u>110,000</u>	<u>37,565</u>	<u>(72,435)</u>
Total Revenues from Local Sources	<u>20,821,900</u>	<u>20,821,900</u>	<u>21,882,306</u>	<u>1,060,406</u>
State Sources				
Basic Instruct. and Oper. Subsidies				
Basic Instructional Subsidy	2,550,606	2,550,606	2,450,163	(100,443)
Tuition	-	-	23,020	23,020
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	679,188	679,188	695,434	16,246
Subsidies for Noneduc. Programs				
Transportation (Regular and Add'l.)	690,469	690,469	633,864	(56,605)
Rentals and Sinking Fund Payments	273,000	273,000	230,346	(42,654)
Health Services	32,515	32,515	34,586	2,071
State Property Tax Reduction Allocation	246,919	246,919	246,919	-
Ready to Learn Block Grants	-	-	95,393	95,393
Other State Grants	-	-	10,000	10,000
Social Security Payments	452,000	452,000	472,781	20,781
State Retirement Revenue	<u>1,363,058</u>	<u>1,363,058</u>	<u>1,511,982</u>	<u>148,924</u>
Total Revenues from State Sources	<u>6,287,755</u>	<u>6,287,755</u>	<u>6,404,488</u>	<u>116,733</u>

**Avonworth School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues (Cont'd)				
Federal Sources				
Restricted Grants-in-Aid from the Fed. Gov't. through the Commonwealth				
Title I	\$ 147,000	\$ 147,000	\$ 140,830	\$ (6,170)
Title II	55,000	55,000	60,683	5,683
Medical Assistance - Administration	<u> -</u>	<u> -</u>	<u> 551</u>	<u> 551</u>
Total Revenues from Federal Sources	<u>202,000</u>	<u>202,000</u>	<u>202,064</u>	<u> 64</u>
Total Revenues	<u>27,311,655</u>	<u>27,311,655</u>	<u>28,488,858</u>	<u>1,177,203</u>
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	6,866,606	6,792,606	6,779,682	12,924
Employee Benefits	3,642,215	3,665,069	3,665,069	-
Purchased Prof. and Tech. Services	121,177	150,177	149,722	455
Purchased Property Services	57,178	63,890	63,890	-
Other Purchased Services	342,290	409,325	406,225	3,100
Supplies	469,345	431,405	413,133	18,272
Property	<u> 3,141</u>	<u> 19,380</u>	<u> 19,200</u>	<u> 180</u>
Total Regular Programs	<u>11,501,952</u>	<u>11,531,852</u>	<u>11,496,921</u>	<u> 34,931</u>
Special Programs				
Personal Services				
Salaries	1,817,466	1,838,989	1,838,989	-
Employee Benefits	945,123	945,123	940,610	4,513
Purchased Prof. and Tech. Services	209,966	287,966	287,498	468
Other Purchased Services	820,774	721,251	671,343	49,908
Supplies	<u> 135,278</u>	<u> 135,278</u>	<u> 124,858</u>	<u> 10,420</u>
Total Special Programs	<u> 3,928,607</u>	<u> 3,928,607</u>	<u> 3,863,298</u>	<u> 65,309</u>

**Avonworth School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Instruction (Cont'd)				
Vocational Education Programs				
Other Purchased Services	\$ <u>249,836</u>	\$ <u>307,204</u>	\$ <u>292,794</u>	\$ <u>14,410</u>
Other Instructional Programs				
Personal Services				
Salaries	38,200	38,200	15,720	22,480
Employee Benefits	5,845	5,845	5,246	599
Other Purchased Services	31,898	31,898	29,364	2,534
Supplies	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total Other Instructional Programs	<u>76,443</u>	<u>76,443</u>	<u>50,330</u>	<u>26,113</u>
Total Instruction	<u>15,756,838</u>	<u>15,844,106</u>	<u>15,703,343</u>	<u>140,763</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	622,143	590,247	585,386	4,861
Employee Benefits	323,803	323,803	299,155	24,648
Purchased Prof. and Tech. Services	26,538	58,434	48,277	10,157
Other Purchased Services	4,400	4,400	4,360	40
Supplies	67,753	67,753	47,186	20,567
Other Objects	<u>2,793</u>	<u>2,793</u>	<u>1,859</u>	<u>934</u>
Total Pupil Personnel	<u>1,047,430</u>	<u>1,047,430</u>	<u>986,223</u>	<u>61,207</u>
Instructional Staff				
Personal Services				
Salaries	265,249	169,850	130,962	38,888
Employee Benefits	124,386	86,792	82,254	4,538
Purchased Property Services	1,356	1,356	-	1,356
Other Purchased Services	4,300	4,300	1,076	3,224
Supplies	89,553	89,553	83,021	6,532
Other Objects	<u>12,500</u>	<u>12,500</u>	<u>9,584</u>	<u>2,916</u>
Total Instructional Staff	<u>497,344</u>	<u>364,351</u>	<u>306,897</u>	<u>57,454</u>

**Avonworth School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Administration				
Personal Services				
Salaries	\$ 880,266	\$ 1,005,266	\$ 995,216	\$ 10,050
Employee Benefits	456,924	494,518	476,343	18,175
Purchased Prof. and Tech. Services	210,448	199,547	199,495	52
Purchased Property Services	9,853	9,853	5,143	4,710
Other Purchased Services	50,363	51,863	48,606	3,257
Supplies	59,491	59,491	43,561	15,930
Other Objects	<u>23,092</u>	<u>26,492</u>	<u>26,576</u>	<u>(84)</u>
Total Administration	<u>1,690,437</u>	<u>1,847,030</u>	<u>1,794,940</u>	<u>52,090</u>
Pupil Health				
Personal Services				
Salaries	125,712	124,161	119,350	4,811
Employee Benefits	98,452	98,452	97,824	628
Purchased Prof. and Tech. Services	1,339	1,339	852	487
Purchased Property Services	554	554	-	554
Other Purchased Services	-	1,384	1,384	-
Supplies	<u>4,520</u>	<u>4,687</u>	<u>4,575</u>	<u>112</u>
Total Pupil Health	<u>230,577</u>	<u>230,577</u>	<u>223,985</u>	<u>6,592</u>
Business				
Personal Services				
Salaries	182,063	184,307	184,307	-
Employee Benefits	117,121	117,121	117,005	116
Purchased Prof. and Tech. Services	20,923	30,056	30,056	-
Purchased Property Services	19,111	12,611	12,537	74
Other Purchased Services	8,367	5,367	4,763	604
Supplies	5,653	3,775	2,650	1,125
Other Objects	<u>1,884</u>	<u>1,884</u>	<u>320</u>	<u>1,564</u>
Total Business	<u>355,122</u>	<u>355,121</u>	<u>351,638</u>	<u>3,483</u>

**Avonworth School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	\$ 569,105	\$ 591,970	\$ 591,970	\$ -
Employee Benefits	392,263	401,525	401,525	-
Purchased Prof. and Tech. Services	3,675	6,225	6,163	62
Purchased Property Services	480,158	495,658	485,895	9,763
Other Purchased Services	118,628	119,255	119,254	1
Supplies	317,736	234,736	233,220	1,516
Property	28,991	90,192	90,192	-
Other Objects	<u>2,772</u>	<u>3,270</u>	<u>3,270</u>	<u>-</u>
Total Oper. and Maint. of Plant Svcs.	<u>1,913,328</u>	<u>1,942,831</u>	<u>1,931,489</u>	<u>11,342</u>
Student Transportation Services				
Other Purchased Services	<u>1,631,091</u>	<u>1,604,991</u>	<u>1,435,689</u>	<u>169,302</u>
Central				
Personal Services				
Salaries	6,120	720	674	46
Employee Benefits	500	500	52	448
Purchased Prof. and Tech. Services	273,129	252,929	252,895	34
Purchased Property Services	100,630	95,930	95,741	189
Other Purchased Services	1,163	1,163	-	1,163
Supplies	46,700	44,700	40,601	4,099
Property	203,235	300,535	299,600	935
Other Objects	<u>1,509</u>	<u>1,509</u>	<u>-</u>	<u>1,509</u>
Total Central	<u>632,986</u>	<u>697,986</u>	<u>689,563</u>	<u>8,423</u>
Other				
Personal Services				
Employee Benefits	35,876	35,876	12,463	23,413
Other Purchased Services	<u>32,645</u>	<u>32,645</u>	<u>27,479</u>	<u>5,166</u>
Total Other	<u>68,521</u>	<u>68,521</u>	<u>39,942</u>	<u>28,579</u>

Avonworth School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (Cont'd)				
Support Services (Cont'd)				
Total Support Services	<u>\$ 8,066,836</u>	<u>\$ 8,158,838</u>	<u>\$ 7,760,366</u>	<u>\$ 398,472</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	516,494	493,894	488,011	5,883
Employee Benefits	152,768	155,368	155,329	39
Purchased Prof. and Tech. Services	17,556	40,056	39,984	72
Purchased Property Services	24,988	24,988	18,757	6,231
Other Purchased Services	84,382	61,882	57,175	4,707
Supplies	95,115	148,268	147,088	1,180
Property	15,000	15,000	2,284	12,716
Other Objects	<u>1,807</u>	<u>1,807</u>	<u>1,049</u>	<u>758</u>
Total Student Activities	<u>908,110</u>	<u>941,263</u>	<u>909,677</u>	<u>31,586</u>
Community Services				
Other Purchased Services	<u>9,874</u>	<u>9,874</u>	<u>5,911</u>	<u>3,963</u>
Total Noninstructional Services	<u>917,984</u>	<u>951,137</u>	<u>915,588</u>	<u>35,549</u>
Debt Service				
Interest	1,216,245	1,216,245	1,135,344	80,901
Refunds of Prior Year's Receipts	40,000	41,500	41,369	131
Redemption of Principal	<u>1,539,850</u>	<u>1,480,982</u>	<u>1,451,714</u>	<u>29,268</u>
Total Debt Service	<u>2,796,095</u>	<u>2,738,727</u>	<u>2,628,427</u>	<u>110,300</u>
Total Expenditures	<u>27,537,753</u>	<u>27,692,808</u>	<u>27,007,724</u>	<u>685,084</u>
Other Financing Uses				
Budgetary Reserve	<u>200,000</u>	<u>44,945</u>	-	<u>44,945</u>
Total Expenditures and Other Financing Uses	<u>27,737,753</u>	<u>27,737,753</u>	<u>27,007,724</u>	<u>730,029</u>

**Avonworth School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Net Change in Fund Balance	\$ (426,098)	\$ (426,098)	\$ 1,481,134	\$1,907,232
Fund Balance - July 1, 2015	<u>2,995,584</u>	<u>2,995,584</u>	<u>3,542,190</u>	<u>546,606</u>
Fund Balance - June 30, 2016	<u>\$ 2,569,486</u>	<u>\$ 2,569,486</u>	<u>\$ 5,023,324</u>	<u>\$2,453,838</u>

Avonworth School District
Required Supplementary Information
Other Post-Employment Benefits
June 30, 2016

Schedule of Funding Progress for Retiree Health Plan

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (AVA/AAL)	Covered Payroll	UAAL as Percentage of Covered Payroll
07/01/08	\$ -	\$1,427,606	\$1,427,606	0.0%	\$ 9,265,000	15.40%
07/01/10	-	1,073,878	1,073,878	0.0%	10,647,476	10.09%
07/01/12	-	979,954	979,954	0.0%	10,950,117	8.95%
07/01/14	-	1,006,775	1,006,775	0.0%	11,780,000	8.55%

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

	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 2,863,182	\$ 2,335,134
Contributions in Relation to the Contractually Required Contribution	<u>2,863,182</u>	<u>2,335,134</u>
Contribution Deficiency (Excess)	\$ <u> -</u>	\$ <u> -</u>
School District's Covered-Employee Payroll	\$11,614,282	\$11,597,198
Contributions as a Percentage of Covered Employee Payroll	24.65%	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.

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

	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.0905%	0.0863%	0.0845%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$39,200	\$34,158	\$34,591
School District's Covered Employee Payroll	\$11,597	\$11,008	\$10,847
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	338.01%	310.30%	318.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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.