

**Allegheny Valley School District
Financial Statements
June 30, 2019**

**Allegheny Valley School District
Table of Contents**

	Exhibit	Page No.
FINANCIAL SECTION		
Independent Auditor’s Report		1 - 3
Management’s Discussion and Analysis		4 - 14
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	16
Fund Financial Statements		
Balance Sheet – Governmental Funds	3	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4	18 - 19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	6	21 - 22
Statement of Net Position - Proprietary Funds	7	23
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	8	24
Statement of Cash Flows - Proprietary Funds	9	25 - 26
Statement of Net Position – Fiduciary Funds	10	27
Statement of Changes in Net Position – Fiduciary Funds	11	28
Notes to Financial Statements		29 - 59
Required Supplementary Information		
Schedule of Revenues, Expenditures and Changes in Fund Balance - General Fund – Budget and Actual		60 - 66
Note to the Required Supplementary Information		67
Schedule of Changes in the Total OPEB Liability and Related Ratios		68
Schedule of School District’s Contributions – PSERS		69
Schedule of School District’s Proportionate Share of the Net Pension Liability – PSERS		70
Schedule of School District’s Contributions – PSERS OPEB Plan		71
Schedule of School District’s Proportionate Share of the Net OPEB Liability – PSERS OPEB Plan		72

**Allegheny Valley School District
Table of Contents**

SINGLE AUDIT SECTION

Letter of Transmittal		73
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	A	74 - 75
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	B	76 - 77
Schedule of Findings and Questioned Costs	C	78 - 79
Schedule of Expenditures of Federal Awards	D	80 - 81
List of Report Distribution	E	82

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Independent Auditor's Report

Members of the Board
Allegheny Valley School District
Cheswick, 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 Allegheny Valley School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Allegheny Valley 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allegheny Valley School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020, on our consideration of Allegheny Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Allegheny Valley School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Allegheny Valley School District's internal control over financial reporting and compliance.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
February 28, 2020

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

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

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

Financial Highlights

Local revenues constitute the main source of funding for the school district. It constitutes almost seventy three percent of funding for the district. Local revenues increased by \$781,241 from prior year. The major contributors were tax revenue from real estate tax collections which increased by \$581,206, delinquent tax collections increased by \$68,487 and earned income tax collections increased by \$111,482 compared to the prior year.

The district expenditures continue to rise by a modest \$60,954 without the corresponding increase in K-12 enrollment. Staff retirements and eliminating positions through attrition helped contain personnel costs but salaries and benefits still constituted sixty three percent of the expenditures. Retirement rates continued to increase at 33.43%, and other major cost drivers were special education at \$3.03 million, transportation costs of \$1.25 million and debt service costs of \$2.17 million.

In 2016-2017, the ACME construction project was financed with a bond issue and district funds. The project continued in the 2018-2019 school year. The district transferred \$3,500,000 from Capital Reserve to the ACME construction project for construction related expenditures during the year and transferred \$1,659,903 to the Capital Reserve from the General Fund. The school district ended the year with a fund balance of \$10,331,508 of which \$8,700,000 is assigned to defer costs towards future capital projects, healthcare expenditures and retirement contributions.

Using the Annual Financial Report

The Annual Financial Report consists of a financial section and a single audit section, which is issued to comply with federal guidelines as required in the Government Auditing Standards and Uniform Grant Guidance. Within the financial section are 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 Allegheny Valley 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.

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

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

The financial statements also include notes to explain some of the information in the financial statements and provide more detailed data.

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

Figure A – 1
Required Components of
Allegheny Valley School District's
Financial Report

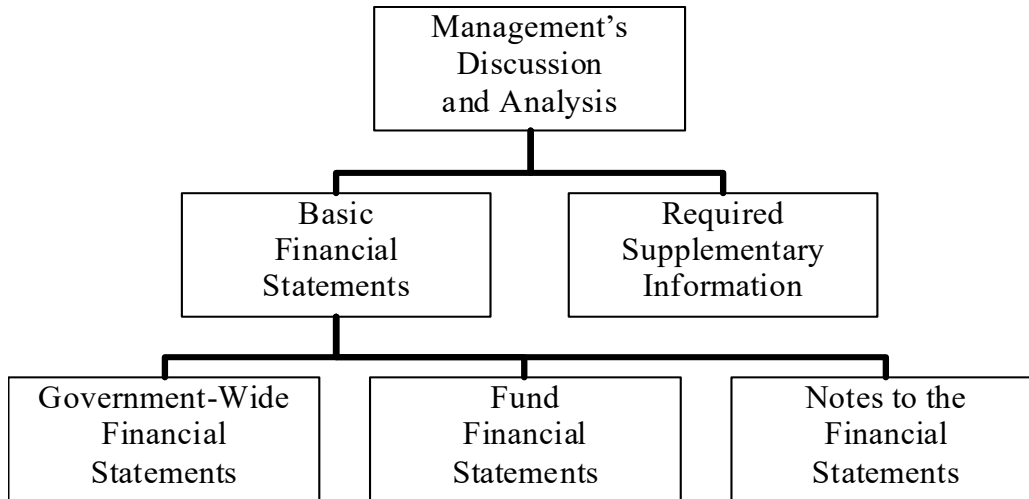


Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents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

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

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

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

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

Overview of Financial Statements

Government-Wide Statements

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

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

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

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

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

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

Fund Financial Statements

The School District's fund financial statements, which begin with Exhibit 3, provide detailed information about the most significant funds - not the School District as a whole. Some funds are required by state law and by 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.

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.

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

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 the statement of changes in fiduciary net position on Exhibit 11. 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 \$(5,478,710) at June 30, 2019 and a deficit \$(6,313,733) at June 30, 2018.

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

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Current and Other Assets	\$ 17,915,663	\$ (204,618)	\$ 17,711,045	\$ 22,115,077	\$ (129,891)	\$ 21,985,186
Capital Assets	<u>40,306,734</u>	<u>11,617</u>	<u>40,318,351</u>	<u>37,403,725</u>	<u>24,140</u>	<u>37,427,865</u>
Total Assets	<u>58,222,397</u>	<u>(193,001)</u>	<u>58,029,396</u>	<u>59,518,802</u>	<u>(105,751)</u>	<u>59,413,051</u>
Deferred Outflows of Resources	<u>4,959,891</u>	<u>127,675</u>	<u>5,087,566</u>	<u>5,518,625</u>	<u>154,039</u>	<u>5,672,664</u>
Current and Other Liabilities	2,770,501	17,084	2,787,585	4,183,207	14,467	4,197,674
Noncurrent Liabilities						
Due Within One Year	1,277,380	-	1,277,380	1,185,505	-	1,185,505
Due in More Than One Year	<u>62,915,161</u>	<u>955,546</u>	<u>63,870,707</u>	<u>64,637,138</u>	<u>1,004,131</u>	<u>65,641,269</u>
Total Liabilities	<u>66,963,042</u>	<u>972,630</u>	<u>67,935,672</u>	<u>70,005,850</u>	<u>1,018,598</u>	<u>71,024,448</u>
Deferred Inflows of Resources	<u>640,748</u>	<u>19,252</u>	<u>660,000</u>	<u>363,640</u>	<u>11,360</u>	<u>375,000</u>

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

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

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Net Position						
Net Investment in Capital Assets	11,827,136	11,617	11,838,753	8,216,092	24,140	8,240,232
Unrestricted	<u>(16,248,638)</u>	<u>(1,068,825)</u>	<u>(17,317,463)</u>	<u>(13,548,155)</u>	<u>(1,005,810)</u>	<u>(14,553,965)</u>
Total Net Position	<u>\$ (4,421,502)</u>	<u>\$ (1,057,208)</u>	<u>\$ (5,478,710)</u>	<u>\$ (5,332,063)</u>	<u>\$ (981,670)</u>	<u>\$ (6,313,733)</u>

Most of the School District's net position is invested in capital assets (buildings, land, and equipment). The remaining unrestricted net position is combined of designated and undesignated amounts. The designated balances are amounts set aside to fund future purchases or capital projects as planned by the School District.

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 largest general revenues are the local taxes (property and earned income) assessed to community taxpayers.

Table A-2 takes the information from that statement, rearranges it slightly, so you can see our total revenues for the year.

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

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
Revenues and Transfers						
Program Revenues						
Charges for Services	\$ -	\$ 172,022	\$ 172,022	\$ -	\$ 175,314	\$ 175,314
Operating Grants and Contribs.	3,589,787	386,247	3,976,034	3,606,492	396,264	4,002,756
Capital Grants and Contribs.	276,302	-	276,302	295,104	-	295,104

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

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

	2019			2018		
	Governmental Activities	Business- Type Activities	Totals	Governmental Activities	Business- Type Activities	Totals
General Revenues						
Property Taxes	15,115,404	-	15,115,404	14,696,417	-	14,696,417
Other Taxes	1,379,111	-	1,379,111	1,383,382	-	1,383,382
Grants, Subsidies and Contribs.						
Unrestricted	2,929,056	-	2,929,056	2,916,949	-	2,916,949
Investment Earnings	438,734	-	438,734	320,244	-	320,244
Other	172,619	-	172,619	88,747	-	88,747
Transfers	-	-	-	(125,495)	125,495	-
Total Revenues	23,901,013	558,269	24,459,282	23,181,840	697,073	23,878,913
Expenses						
Instruction	13,191,495	-	13,191,495	13,182,874	-	13,182,874
Instructional Student Support	1,373,320	-	1,373,320	1,548,128	-	1,548,128
Admin. and Fin. Support Svcs.	2,747,702	-	2,747,702	2,592,989	-	2,592,989
Operation and Maintenance						
of Plant Services	2,576,165	-	2,576,165	2,406,345	-	2,406,345
Pupil Transportation	1,258,174	-	1,258,174	1,257,106	-	1,257,106
Student Activities	893,053	-	893,053	953,802	-	953,802
Community Services	13,059	-	13,059	17,256	-	17,256
Interest on Long-Term Debt	937,484	-	937,484	992,622	-	992,622
Food Service	-	633,807	633,807	-	708,900	708,900
Total Expenses	22,990,452	633,807	23,624,259	22,951,122	708,900	23,660,022
Increase (Decrease) in Net Position	910,561	(75,538)	835,023	230,718	(11,827)	218,891
Beginning Net Position						
(Restated - See Note 2)	(5,332,063)	(981,670)	(6,313,733)	(5,562,781)	(969,843)	(6,532,624)
Ending Net Position	\$ (4,421,502)	\$ (1,057,208)	\$ (5,478,710)	\$ (5,332,063)	\$ (981,670)	\$ (6,313,733)

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

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

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, and interest on debt, as well as each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies and contributions to show the remaining financial needs supported by local taxes and other miscellaneous revenues.

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

Functions/Programs	2019		2018	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Instruction	\$ 13,191,495	\$ 10,745,393	\$ 13,182,874	\$ 10,607,068
Instructional Student Support	1,373,320	1,135,638	1,548,128	1,372,252
Admin. and Fin. Support Svcs.	2,747,702	2,541,462	2,592,989	2,367,059
Operation and Maintenance of Plant Services	2,576,165	2,407,271	2,406,345	2,245,001
Pupil Transportation	1,258,174	787,835	1,257,106	851,854
Student Activities	893,053	832,523	953,802	891,518
Community Services	13,059	13,059	17,256	17,256
Interest on Long-Term Debt	<u>937,484</u>	<u>661,182</u>	<u>992,622</u>	<u>697,518</u>
Total Governmental Activities	<u>\$ 22,990,452</u>	19,124,363	<u>\$ 22,951,122</u>	19,049,526
Less:				
Unrestricted Grants, Subsidies		<u>(2,929,056)</u>		<u>(2,916,949)</u>
Total Needs from Local Taxes and Other Revenues		<u>\$ 16,195,307</u>		<u>\$ 16,132,577</u>

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

Table A-4 reflects the activities of the food service program, the only business-type activity of the School District.

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

Functions/Programs	2019		2018	
	Total Cost (Expense) of Services	Net Cost (Expense) of Services	Total Cost (Expense) of Services	Net Cost (Expense) of Services
Food Service	<u>\$ 633,807</u>	<u>\$ 75,538</u>	<u>\$ 708,900</u>	<u>\$ 137,322</u>

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

School District Funds

At June 30, 2019, the School District's general fund reported a fund balance of \$10,331,508, which is the same as the prior year.

General Fund Budget

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 information section.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2019, the School District's governmental funds had \$40,306,734 invested in a broad range of capital assets, including land, land improvements, buildings, furniture and equipment. This amount represents a net increase (including additions, deletions and depreciation) of \$2,903,009, or 7.8% from last year.

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

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

	2019	2018
Land	\$ 791,812	\$ 791,812
Land Improvements	1,422,319	1,640,306
Buildings and Building Improvements	24,503,060	25,502,373
Furniture and Equipment	958,595	850,711
Construction in Progress	12,630,948	8,618,523

Debt Administration

During the fiscal year, the School District made principal payments of \$1,156,473.

Table A - 6
Outstanding Debt

General Obligation Bonds	As of 06/30/19	As of 06/30/18
Series of 2016	\$ 8,795,000	\$ 8,800,000
Series of 2014	12,140,000	12,996,000
Series of 2013B	7,075,000	7,330,000

Other obligations include capital lease obligations and accrued 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.

Bond Rating

The School District's general obligation bond rating assigned by Moody's is A1 underlying and an A3 enhanced rating. The Commonwealth of Pennsylvania also provides additional security for the bonds through the Act 150 School District Intercept Program. The Act provides for undistributed state aid to be diverted to bond holders in the event of default.

Economic Factors and Next Year's Budgets and Rates

Allegheny Valley School District is projected to continue to experience a modest increase compared to prior years in assessments, the majority resulting from an increase in commercial growth in one of the communities. The School District does not anticipate significant growth in the new future. Student enrollment has leveled off at approximately 940 students.

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

The School District is expected to operate within the Act 1 Index for the budget year 2018/2019. The School District, subsequent to year end has existing contracts with all three unions. The expiration of the professional staff (teachers) contract is June 30, 2022; the administrative assistants' contract is June 30, 2024; and the custodial staff contract is June 30, 2025. This helps with accurate projection of future salaries.

The comparison of revenue and expenditure categories is as follows:

Table A - 7

	Actual Revenues 2018/2019	Actual Revenues 2017/2018
Local	72.5%	71.7%
State	26.2%	27.2%
Federal	1.3%	1.1%
	Actual Expenditures 2018/2019	Actual Expenditures 2017/2018
Instruction	49.1%	52.4%
Support Services	32.1%	34.0%
Noninstructional Services	2.7%	3.2%
Fund Transfers/Debt/Other	16.1%	10.4%

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 and administration's accountability for the money it receives. All correspondence regarding this report can be sent to either Ms. Janice Zastawniak, Public Relations or Mrs. Hamsini Rajgopal, Business Manager at Allegheny Valley School District, 300 Pearl Avenue, Cheswick, PA 15024, 724-274-5300.

Allegheny Valley School District
Statement of Net Position
June 30, 2019

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 14,313,369	\$ 93,416	\$ 14,406,785
Taxes Receivable, Net	2,062,084	-	2,062,084
Internal Balances	337,535	(337,535)	-
Due From Other Governments	1,132,046	11,042	1,143,088
Other Receivables	51,941	15,583	67,524
Inventories	-	12,876	12,876
Prepaid Items	18,688	-	18,688
Capital Assets not Being Depreciated			
Land	791,812	-	791,812
Construction in Progress	12,630,948	-	12,630,948
Capital Assets, Net of Accumulated Depreciation			
Land Improvements	1,422,319	-	1,422,319
Building & Building Improvements	24,503,060	-	24,503,060
Furniture & Equipment	958,595	11,617	970,212
	<u>58,222,397</u>	<u>(193,001)</u>	<u>58,029,396</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	450,177	-	450,177
Amounts Related to OPEB - PSERS	129,063	3,683	132,746
Amounts Related to Pension	4,380,651	123,992	4,504,643
	<u>4,959,891</u>	<u>127,675</u>	<u>5,087,566</u>
LIABILITIES			
Accounts Payable	615,194	65	615,259
Accrued Interest	165,039	-	165,039
Accrued Salaries and Benefits	1,919,591	9,952	1,929,543
Payroll Deductions and Withholdings	22,773	-	22,773
Unearned Revenues	-	2,310	2,310
Other Current Liabilities	47,904	4,757	52,661
Noncurrent Liabilities:			
Due Within One Year	1,277,380	-	1,277,380
Due in More Than One Year:			
Compensated Absences	267,711	-	267,711
Bonds Payable	27,682,142	-	27,682,142
Other Post-Employment Benefits - District	3,107,291	-	3,107,291
Other Post-Employment Benefits - PSERS	1,324,212	39,788	1,364,000
Derivative Instruments	54,563	-	54,563
Net Pension Liability	30,479,242	915,758	31,395,000
	<u>66,963,042</u>	<u>972,630</u>	<u>67,935,672</u>
DEFERRED INFLOWS OF RESOURCES			
Amounts Related to OPEB - PSERS	50,483	1,517	52,000
Amounts Related to Pension	590,265	17,735	608,000
	<u>640,748</u>	<u>19,252</u>	<u>660,000</u>
NET POSITION			
Net Investment in Capital Assets	11,827,136	11,617	11,838,753
Unrestricted	(16,248,638)	(1,068,825)	(17,317,463)
	<u>\$ (4,421,502)</u>	<u>\$ (1,057,208)</u>	<u>\$ (5,478,710)</u>

See Accompanying Notes

Allegheny Valley School District
Statement of Activities
Year Ended June 30, 2019

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
Instruction	\$ 13,191,495	\$ -	\$ 2,446,102	\$ -	\$ (10,745,393)	\$ -	\$ (10,745,393)
Instructional Student Support	1,373,320	-	237,682	-	(1,135,638)	-	(1,135,638)
Administrative and Financial Support Services	2,747,702	-	206,240	-	(2,541,462)	-	(2,541,462)
Operation and Maintenance of Plant Services	2,576,165	-	168,894	-	(2,407,271)	-	(2,407,271)
Pupil Transportation	1,258,174	-	470,339	-	(787,835)	-	(787,835)
Student Activities	893,053	-	60,530	-	(832,523)	-	(832,523)
Community Services	13,059	-	-	-	(13,059)	-	(13,059)
Interest on Long-Term Debt	937,484	-	-	276,302	(661,182)	-	(661,182)
Total Governmental Activities	22,990,452	-	3,589,787	276,302	(19,124,363)	-	(19,124,363)
Business-type activities:							
Food Service	633,807	172,022	386,247	-	-	(75,538)	(75,538)
Total Primary Government	\$ 23,624,259	\$ 172,022	\$ 3,976,034	\$ 276,302	(19,124,363)	(75,538)	(19,199,901)
General Revenues							
Taxes							
Property Taxes Levied for General Purposes, Net					15,115,404	-	15,115,404
Earned Income Taxes					1,176,303	-	1,176,303
Real Estate Transfer Taxes					148,093	-	148,093
Other Taxes Levied for General Purposes, Net					54,715	-	54,715
Grants, Subsidies and Contributions not Restricted					2,929,056	-	2,929,056
Investment Earnings					438,734	-	438,734
Miscellaneous Income					172,619	-	172,619
Total General Revenues					20,034,924	-	20,034,924
Change in Net Position					910,561	(75,538)	835,023
Net Position - July 1, 2018 (Restated - See Note 2)					(5,332,063)	(981,670)	(6,313,733)
Net Position - June 30, 2019					\$ (4,421,502)	\$ (1,057,208)	\$ (5,478,710)

See Accompanying Notes

Allegheny Valley School District
Balance Sheet
Governmental Funds
June 30, 2019

Exhibit 3

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 12,286,494	\$ 267,090	\$ 1,759,785	\$ 14,313,369
Taxes Receivable, Net	2,062,084	-	-	2,062,084
Due from Other Funds	344,325	1,659,903	-	2,004,228
Due from Other Governments	1,132,046	-	-	1,132,046
Other Receivables	45,151	-	-	45,151
Prepaid Items	18,688	-	-	18,688
	<u>15,888,788</u>	<u>1,926,993</u>	<u>1,759,785</u>	<u>19,575,566</u>
TOTAL ASSETS	\$ 15,888,788	\$ 1,926,993	\$ 1,759,785	\$ 19,575,566
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Due to Other Funds	\$ 1,659,903	\$ -	\$ -	\$ 1,659,903
Accounts Payable	154,672	460,522	-	615,194
Accrued Salaries and Benefits	1,919,591	-	-	1,919,591
Payroll Deductions and Withholdings	22,773	-	-	22,773
Other Current Liabilities	47,904	-	-	47,904
	<u>3,804,843</u>	<u>460,522</u>	<u>-</u>	<u>4,265,365</u>
Total Liabilities	3,804,843	460,522	-	4,265,365
Deferred Inflows of Resources				
Unavailable Revenues - Property Taxes	1,752,437	-	-	1,752,437
	<u>1,752,437</u>	<u>-</u>	<u>-</u>	<u>1,752,437</u>
Fund Balances				
Nonspendable	18,688	-	-	18,688
Committed	-	1,466,471	1,759,785	3,226,256
Assigned	8,700,000	-	-	8,700,000
Unassigned	1,612,820	-	-	1,612,820
	<u>10,331,508</u>	<u>1,466,471</u>	<u>1,759,785</u>	<u>13,557,764</u>
Total Fund Balances	10,331,508	1,466,471	1,759,785	13,557,764
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 15,888,788	\$ 1,926,993	\$ 1,759,785	\$ 19,575,566

See Accompanying Notes

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

Exhibit 4

Total Fund Balances - Governmental Funds \$ 13,557,764

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$72,189,396, and the accumulated depreciation is \$31,882,662. 40,306,734

Property taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore are not reported as assets in governmental funds. 1,752,437

Premiums and discounts on bonds issued and refunded are capitalized and amortized over the life of the bonds in the statement of net position. (907,142)

Deferred charges on refunding bonds issued are amortized over the life of the bonds as deferred outflows of resources in the statement of net position. 450,177

Derivative instruments used in governmental activities are not financial resources and therefore are not reported in the governmental funds. (54,563)

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

Bonds Payable	\$ (28,010,000)	
Accrued Interest on the Bonds	(165,039)	
Capital Leases Payable	(12,634)	
Compensated Absences	<u>(297,457)</u>	(28,485,130)

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

OPEB Liability - District	(3,107,291)	
OPEB Liability - PSERS	(1,324,212)	
Net Pension Liability	<u>(30,479,242)</u>	(34,910,745)

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

Exhibit 4

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

Deferred Outflows of Resources Related to Pensions	4,380,651	
Deferred Inflows of Resources Related to Pensions	(590,265)	
Deferred Outflows of Resources Related to OPEB - PSERS	129,063	
Deferred Inflows of Resources Related to OPEB - PSERS	<u>(50,483)</u>	<u>3,868,966</u>
 Total Net Position - Governmental Activities		 <u>\$ (4,421,502)</u>

See Accompanying Notes

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

Exhibit 5

	General Fund	Capital Projects Fund	Nonmajor Funds	Total Governmental Funds
Revenues				
Local Sources	\$ 17,341,785	\$ 23,822	\$ 103,607	\$ 17,469,214
State Sources	6,270,011	-	-	6,270,011
Federal Sources	303,432	-	-	303,432
	<u>23,915,228</u>	<u>23,822</u>	<u>103,607</u>	<u>24,042,657</u>
Total Revenues				
	<u>23,915,228</u>	<u>23,822</u>	<u>103,607</u>	<u>24,042,657</u>
Expenditures				
Instruction	11,743,538	-	-	11,743,538
Support Services	7,678,481	-	-	7,678,481
Noninstructional Services	656,512	-	-	656,512
Capital Outlay	-	4,236,610	119,863	4,356,473
Debt Service (Principal & Interest)	2,172,820	-	-	2,172,820
Refunds of Prior Year's Receipts	3,974	-	-	3,974
	<u>22,255,325</u>	<u>4,236,610</u>	<u>119,863</u>	<u>26,611,798</u>
Total Expenditures				
	<u>22,255,325</u>	<u>4,236,610</u>	<u>119,863</u>	<u>26,611,798</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,659,903</u>	<u>(4,212,788)</u>	<u>(16,256)</u>	<u>(2,569,141)</u>
Other Financing Sources (Uses)				
Transfers In	-	5,159,903	-	5,159,903
Transfers Out	(1,659,903)	-	(3,500,000)	(5,159,903)
	<u>(1,659,903)</u>	<u>5,159,903</u>	<u>(3,500,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)				
	<u>(1,659,903)</u>	<u>5,159,903</u>	<u>(3,500,000)</u>	<u>-</u>
Net Change in Fund Balances	-	947,115	(3,516,256)	(2,569,141)
Fund Balances - July 1, 2018	<u>10,331,508</u>	<u>519,356</u>	<u>5,276,041</u>	<u>16,126,905</u>
Fund Balances - June 30, 2019	<u>\$ 10,331,508</u>	<u>\$ 1,466,471</u>	<u>\$ 1,759,785</u>	<u>\$ 13,557,764</u>

See Accompanying Notes

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

Exhibit 6

Total Net Change in Fund Balances - Governmental Funds \$ (2,569,141)

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 capital outlays exceed depreciation in the period.

Depreciation Expense	\$ (1,439,393)	
Capital Outlays	<u>4,342,402</u>	2,903,009

Because some property taxes will not be collected within the current financial resources measurement focus period, they are not considered as "available" revenues in the governmental funds. Unavailable revenues decreased by this amount this year. (225,512)

Repayment of bond and capital lease payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,156,473

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	(7,137)	
Other Post-Employment Benefits - District	(48,951)	
Other Post-Employment Benefits - PSERS	<u>4,528</u>	(51,560)

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

Exhibit 6

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

Net Change in Accrued Interest on Bonds	7,946
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Governmental funds report changes in investment derivative instruments only when those instruments provide or use financial resources. However, in the statement of activities, changes in the fair value of investment derivative instruments are changes in economic resources and are reported in each period in which there is a change in the fair value of the investment. This is the amount of the change in the fair value of investment derivatives in the current period.

87,842

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

Amortization of Discount, Premium and Deferred Loss on Refunding	70,918
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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.

District Pension Contributions to PSERS	2,836,559	
Cost of Benefits Earned	<u>(3,305,973)</u>	<u>(469,414)</u>

Change in Net Position of Governmental Activities	<u>\$ 910,561</u>
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See Accompanying Notes

Allegheny Valley School District
Statement of Net Position
Proprietary Funds
June 30, 2019

Exhibit 7

	Food Service Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 93,416
Due From Other Governments	11,042
Other Receivables	15,583
Inventories	<u>12,876</u>
Total Current Assets	<u>132,917</u>
Noncurrent Assets	
Furniture and Equipment, Net	<u>11,617</u>
TOTAL ASSETS	<u>144,534</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts Related to OPEB	3,683
Amounts Related to Pensions	<u>123,992</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>127,675</u>
LIABILITIES	
Current Liabilities	
Due to Other Funds	337,535
Accounts Payable	65
Accrued Salaries and Benefits	9,952
Unearned Revenues	2,310
Other Current Liabilities	<u>4,757</u>
Total Current Liabilities	<u>354,619</u>
Noncurrent Liabilities	
OPEB Liability	39,788
Net Pension Liability	<u>915,758</u>
Total Noncurrent Liabilities	<u>955,546</u>
TOTAL LIABILITIES	<u>1,310,165</u>
DEFERRED INFLOWS OF RESOURCES	
Amounts Related to OPEB	1,517
Amounts Related to Pensions	<u>17,735</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>19,252</u>
NET POSITION	
Invested in Capital Assets	11,617
Unrestricted	<u>(1,068,825)</u>
TOTAL NET POSITION	<u><u>\$ (1,057,208)</u></u>

See Accompanying Notes

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

Exhibit 8

		Food Service Fund
Operating Revenues		
Food Service Revenue	\$	172,022
Operating Expenses		
Salaries		245,731
Employee Benefits		103,620
Other Purchased Services		4,636
Supplies		266,898
Depreciation		12,523
Other Operating Expenditures		399
Total Operating Expenses		<u>633,807</u>
Operating Income (Loss)		<u>(461,785)</u>
Nonoperating Revenues (Expenses)		
State Sources		65,057
Federal Sources		321,190
Total Nonoperating Revenues (Expenses)		<u>386,247</u>
Change in Net Position		(75,538)
Net Position - July 1, 2018		<u>(981,670)</u>
Net Position - June 30, 2019	\$	<u><u>(1,057,208)</u></u>

See Accompanying Notes

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

Exhibit 9

	Food Service Fund
Cash Flows From Operating Activities	
Cash Received from Users	\$ 171,701
Cash Payments to Employees for Services	(199,068)
Cash Payments to Suppliers for Goods and Services	(241,167)
Cash Payments for Other Operating Expenses	<u>(399)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(268,933)</u>
Cash Flows From Non-Capital Financing Activities	
State Sources	64,651
Federal Sources	<u>284,311</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>348,962</u>
Net Increase (Decrease) in Cash and Cash Flows	80,029
Cash and Cash Equivalents - July 1, 2018	<u>13,387</u>
Cash and Cash Equivalents - June 30, 2019	<u><u>\$ 93,416</u></u>

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

Exhibit 9

	Food Service Fund
Operating Income (Loss)	<u>\$ (461,785)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Depreciation and Net Amortization	12,523
Change in Pensions and OPEB Liability	(14,329)
Donated Commodities	29,485
(Increase) Decrease in Accounts Receivable	(321)
(Increase) Decrease in Inventories	110
Increase (Decrease) in Accounts Payable	32
Increase (Decrease) in Accrued Salaries Benefits	3,448
Increase (Decrease) in Payroll Deductions/Withholding	(1,603)
Increase (Decrease) in Advances from Other Funds	162,767
Increase (Decrease) in Deferred Revenue	420
Increase (Decrease) in Other Current Liabilities	<u>320</u>
Total Adjustments	<u>192,852</u>
Cash Provided by (Used for) Operating Activities	<u><u>\$ (268,933)</u></u>

Noncash Non-Capital Financing Activities

During the year ended June 30, 2019, the School District received \$29,904 of U.S.D.A Donated Commodities in the food service fund.

See Accompanying Notes

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

Exhibit 10

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 30,088	\$ 44,783
LIABILITIES		
Due to Other Funds	6,790	-
Other Current Liabilities	-	44,783
TOTAL LIABILITIES	6,790	44,783
NET POSITION		
Restricted for Scholarships	\$ 23,298	\$ -

See Accompanying Notes

**Allegheny Valley School District
Statement of Change in Net Position
Fiduciary Funds
Year Ended June 30, 2019**

Exhibit 11

	Private Purpose Trust Fund
Additions	
Gifts and Contributions	\$ 7,510
Interest	<u>252</u>
Total Additions	<u>7,762</u>
Deductions	
Scholarships Awarded	<u>6,000</u>
Change in Net Position	1,762
Net Position - July 1 , 2018	<u>21,536</u>
Net Position - June 30, 2019	<u><u>\$ 23,298</u></u>

See Accompanying Notes

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

Note 1 - Summary of Significant Accounting Policies

Allegheny Valley School District, located in Allegheny County, Pennsylvania, provides public education, kindergarten through twelfth grade, to the residents of the Boroughs of Cheswick and Springdale and the Townships of Harmar and Springdale. 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 Allegheny Valley 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.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

1. Governmental Funds

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

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

2. Proprietary Funds

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

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

3. Fiduciary Funds

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

The *private purpose fund* is used to account for resources of monies contributed to the School District for scholarships. The scholarship funds are considered private purpose trust funds.

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

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e. the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

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 Ventures

The School District is one of nine member school districts of the Forbes Road East Area Vocational-Technical School (“Forbes”). Forbes provides vocational-technical training and education to participating students of the member districts. Forbes is controlled and governed by the Joint Board, which is composed of all the school board members of all of the member districts. Direct oversight of Forbes’ operations is the responsibility of the Joint Committee, which consists of one representative from each participating school district. No member of the Jointure exercises specific control over the fiscal policies or operations of Forbes. The School District’s share of annual operating and capital costs for Forbes fluctuates, based on the percentage of enrollment of each member district in the school. The School District’s financial obligation to Forbes for the year ended June 30, 2019 was \$168,786 which has been reported in the School District’s general fund. The School District has no equity interest in Forbes as of June 30, 2019. Complete financial statements for Forbes can be obtained from the administrative offices at 607 Beatty Road; Monroeville, Pennsylvania 15146.

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. There were no supplemental budgetary appropriations made during the year ended June 30, 2019.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

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

H. Receivables and Payables

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

I. Inventories

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

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

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

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

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	40
Land Improvements	10
Furniture	7
Vehicles	5
Equipment	7
Computer Software	5

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over 5-12 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 premium 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 premium 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.

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.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

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 various 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 in the government-wide statement of net position is related to the participation in the cost sharing defined benefit pension plan and other post-employment benefit plans.

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 various items reported in the government-wide statement of net position relating to the cost sharing defined benefit pension plan and other post-employment plans. The School District also has items, which arise only under the modified accrual basis of accounting, which qualify 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. These amounts are deferred and recognized as inflows of resources in the period that the amount becomes available.

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.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

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

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

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

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

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

The purposes of the restricted, committed and assigned fund balance as of June 30, 2019, are as follows:

1. The nonspendable fund balance in the general fund of \$18,688 is for prepaid items.
2. The committed fund balance in the capital projects fund of \$1,466,471 is committed for future capital needs of the School District.
3. The committed fund balance in the capital reserve fund of \$1,759,785 is committed for future technology capital expenditures of \$892,944 and for future capital projects of \$866,841.
4. The assigned fund balance in the general fund of \$8,700,000 is assigned for future employer retirement costs of \$1,900,000, for future employer healthcare costs of \$1,100,000, for future capital improvements of \$5,400,000, and for swap stabilization of \$300,000.

Note 2 - Restatement of Beginning Net Position

Allegheny Valley School District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*, as of July 1, 2017 for the District-Wide OPEB Plan. As of July 1, 2018, the beginning net position was restated to properly correct the liability and related deferred outflows and inflows in relation to the PSERS Other Post-Employment Benefit Plan portion. The results of the restatements are summarized below.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

	Governmental Activities	Business- Type Activities
Net Position, July 1, 2018 (Previously Reported)	\$ (4,081,903)	\$ (942,534)
Adjustment to properly state the liability of employers for defined benefit other post-employment benefit plans, measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the OPEB Plan's fiduciary net position.	<u>(1,250,160)</u>	<u>(39,136)</u>
Restated Net Position, July 1, 2018	<u>\$ (5,332,063)</u>	<u>\$ (981,670)</u>

Note 3 - Deposits and Investments

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in an event of a bank failure, the government's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. Deposits in excess of amounts covered by the Federal Deposit Insurance Corporation are collateralized in accordance with Act 72 of 1971 of the Pennsylvania State Legislature which requires the institution to pool collateral for all governments and have the collateral held by an approved custodian in the institution's name. As of June 30, 2019, \$1,832,107 of the School District's bank balance of \$2,082,107 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>\$1,832,107</u>

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

Investments	Fair Value
PLGIT	\$ 727,162
PSDLAF	<u>11,938,379</u>
	<u>\$ 12,665,541</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 except for its capital projects bond fund. This fund's investments in U. S. Obligations are permitted but only to the extent that the obligation is within six months from its retirement (due) date.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

Interest Rate Risk Relating to Derivatives – As of June 30, 2019, the School District had investments with the following maturities:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
Investment Derivative Instruments	<u>\$ (54,563)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (54,563)</u>	<u>\$ -</u>

The School District is invested in an interest rate swap with terms as noted below:

Transaction Date	4/20/06	
Effective Date	4/24/06	
Maturity Date	11/1/28	
Terms	School District pays SIFMA and receives 68.5% of LIBOR	
Initial Notional Amount	\$ 14,345,000	
	S&P Rating	Moody's Rating
Bank Counterparty Credit Ratings	A2	A

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) and the Pennsylvania Local Government Investment Trust (PLGIT) were rated AAAM by Standard & Poor's.

Credit risk is the risk the School District will have exposure to a swap counterparty under the swap. Credit Risk is mitigated by several factors, including minimum credit rating criteria and ratings downgrade triggers in the swap documents. The credit ratings for the counterparty are noted above.

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

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

Investments

The Pennsylvania School District Liquid Asset Fund (PSDLAF) and the Pennsylvania Local Government Investment Trust (PLGIT) were established as common law trusts, organized under laws of the Commonwealth of Pennsylvania. Shares of the funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the funds 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.

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

Fair Value of Investments

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School District has the following recurring fair value measurements:

- Investment derivative instruments of (\$54,563) are valued using significant observable inputs (Level 2 inputs).

Note 4 - Real Estate Taxes

The elected tax collectors bill and collect real estate taxes on behalf of the School District based upon assessed values provided by the County. The School District's tax rate for all purposes in 2018/2019 was 20.8377 mills (\$20.84 per \$1,000 assessed valuation). The tax calendar for real estate taxes levied for 2018/2019 is as follows:

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

Taxpayers may also pay these taxes in three equal installments due at face on or before the following dates: August 31, October 31, and November 30.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

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 unavailable revenue on the balance sheet until they are received. The amounts reported for this receivable are reported on the balance sheet in the amount of \$1,752,437 along with other taxes receivable of \$309,647.

Note 5 - Due from Other Governments

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

	Governmental Funds	Business-Type Funds	Totals
Federal (through the state)	\$ 274,390	\$ 10,469	\$ 284,859
State	<u>857,656</u>	<u>573</u>	<u>858,229</u>
	<u>\$ 1,132,046</u>	<u>\$ 11,042</u>	<u>\$ 1,143,088</u>

Note 6 - Capital Assets

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

	Balance 07/01/18	Additions	Deletions	Balance 06/30/19
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 791,812	\$ -	\$ -	\$ 791,812
Construction in Progress	<u>8,618,523</u>	<u>4,012,425</u>	<u>-</u>	<u>12,630,948</u>
Total Capital Assets not Being Depreciated	<u>9,410,335</u>	<u>4,012,425</u>	<u>-</u>	<u>13,422,760</u>
Capital Assets Being Depreciated				
Land Improvements	4,996,538	-	-	4,996,538
Buildings and Building Improvements	47,262,610	-	-	47,262,610
Furniture and Equipment	5,892,865	329,977	-	6,222,842
Vehicles	<u>284,646</u>	<u>-</u>	<u>-</u>	<u>284,646</u>
Total Capital Assets Being Depreciated	<u>58,436,659</u>	<u>329,977</u>	<u>-</u>	<u>58,766,636</u>

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

	Balance 07/01/18	Additions	Deletions	Balance 06/30/19
Less Accumulated Depreciation				
Land Improvements	3,356,232	217,987	-	3,574,219
Buildings and Building Improvements	21,760,237	999,313	-	22,759,550
Furniture and Equipment	5,135,690	211,811	-	5,347,501
Vehicles	<u>191,110</u>	<u>10,282</u>	<u>-</u>	<u>201,392</u>
 Total Accumulated Depreciation	 <u>30,443,269</u>	 <u>1,439,393</u>	 <u>-</u>	 <u>31,882,662</u>
 Total Capital Assets Being Depreciated, Net	 <u>27,993,390</u>	 <u>(1,109,416)</u>	 <u>-</u>	 <u>26,883,974</u>
 Governmental Activities Capital Assets, Net	 <u><u>\$37,403,725</u></u>	 <u><u>\$ 2,903,009</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$40,306,734</u></u>
 Business-Type Activities				
Furniture and Equipment	\$ 476,098	\$ -	\$ -	\$ 476,098
 Less Accumulated Depreciation and Equipment	 <u>451,958</u>	 <u>12,523</u>	 <u>-</u>	 <u>464,481</u>
 Business-Type Activities Capital Assets, Net	 <u><u>\$ 24,140</u></u>	 <u><u>\$ (12,523)</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 11,617</u></u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

Instruction	\$ 1,094,694
Instructional Student Support	33,148
Administration and Financial Support Services	13,454
Operation and Maintenance of Plant Services	48,304
Pupil Transportation	540
Central	18,388
Student Activities	<u>230,865</u>

Total Depreciation Expense \$ 1,439,393

Business-Type Activities - Food Service \$ 12,523

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

Note 7 - Interfund Balances

At June 30, 2019, interfund balances were:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 344,325	\$ 1,659,903
Capital Projects Fund	1,659,903	-
Proprietary Fund		
Food Service	-	337,535
Private Purpose Trust Fund	<u>-</u>	<u>6,790</u>
	<u>\$ 2,004,228</u>	<u>\$ 2,004,228</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 8 - Interfund Transfers

For the year ended June 30, 2019, interfund transfers consisted of the following:

<u>Transfers To</u>	Transfer From		Totals
	General Fund	Non Major Fund	
Capital Projects Fund	<u>\$ 1,659,903</u>	<u>\$ 3,500,000</u>	<u>\$ 5,159,903</u>

The general fund made a transfer to the capital projects fund in the amount of \$1,659,903 for future capital needs of the district.

The capital reserve fund made a transfer to the capital projects fund in the amount of \$3,500,000 for the funding of the Acmetonia Primary School project.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

Note 9 - Long-Term Liabilities

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

	Balance 07/01/18	Additions	Reductions	Balance 06/30/19	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 29,120,000	\$ -	\$ 1,110,000	\$ 28,010,000	\$ 1,235,000
Plus: Bond Premium	1,192,030	-	115,323	1,076,707	-
Less: Bond Discount	<u>(180,724)</u>	<u>-</u>	<u>(11,158)</u>	<u>(169,566)</u>	<u>-</u>
Total Bonds Payable	<u>30,131,306</u>	<u>-</u>	<u>1,214,165</u>	<u>28,917,141</u>	<u>1,235,000</u>
Capital Leases Payable	59,107	-	46,473	12,634	12,634
Compensated Absences	<u>290,320</u>	<u>7,137</u>	<u>-</u>	<u>297,457</u>	<u>29,746</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 30,480,733</u>	<u>\$ 7,137</u>	<u>\$ 1,260,638</u>	<u>\$ 29,227,232</u>	<u>\$ 1,277,380</u>

General Obligation Bonds

Series of 2013B - \$8,065,000 due serially through November 1, 2034; interest payable semi-annually from 0.625% to 3.0%

\$ 7,075,000

Series of 2014 - \$15,320,000 due serially through November 1, 2028; interest payable semi-annually from 3.0% to 5.0%

12,140,000

Series of 2016 - \$8,805,000 due serially through November 1, 2024; interest payable semi-annually from 1.5% to 3.0%

8,795,000

\$ 28,010,000

The debt service source for the above is the debt service fund via transfers from the general fund.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

The annual requirements of School District funds to amortize all debt outstanding (excluding compensated absences) as of June 30, 2019, including interest, are as follows:

Year Ended June 30,	General Obligation Bonds		Totals
	Principal (On Issuance Amount)	Interest	
2020	\$ 1,235,000	\$ 964,169	\$ 2,199,169
2021	1,355,000	909,944	2,264,944
2022	1,430,000	857,094	2,287,094
2023	1,510,000	800,569	2,310,569
2024	1,595,000	734,669	2,329,669
2025-2029	9,105,000	2,602,931	11,707,931
2030-2034	10,795,000	967,452	11,762,452
2035	985,000	14,775	999,775
	<u>\$28,010,000</u>	<u>\$ 7,851,603</u>	<u>\$ 35,861,603</u>

Note 10 – Capital Lease

The School District is currently obligated for the purchase of computer hardware through capital leasing arrangements.

The assets acquired through the capital leases are as follows:

	Governmental Activities
Asset	
Furniture and Equipment	\$ 184,830
Less: Accumulated Depreciation	<u>(114,987)</u>
Total	<u>\$ 69,843</u>

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Year Ended June 30,	Governmental Activities
2020	<u>\$ 13,265</u>
Total minimum lease payments	13,265
Less: Amount representing Interest	<u>(631)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 12,634</u></u>

Note 11 – Operating Leases

The School District is committed under various leases for photocopiers. These leases are considered, for accounting purposes, to be operating leases. Total payments made on these leases for the year ended June 30, 2019 were \$35,064. Future minimum payments for these leases are as follows:

Year Ended June 30,	Amounts
2020	\$ 35,064
2021	<u>32,142</u>
	<u><u>\$ 67,206</u></u>

Note 12 - Public School Employees' Retirement System (PSERS)

A. Summary of Significant Accounting Policies

Pensions

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

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

B. General Information about the Pension Plan

1. Plan Description

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

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.

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.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2019 was 32.60% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School District were \$2,914,158 for the year ended June 30, 2019.

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

At June 30, 2019, the School District reported a liability of \$31,395,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2017 to June 30, 2018. The School District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the School District's proportion was 0.0654%, which was an increase of 0.0009% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the School District recognized pension expense of \$3,370,756. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 253,000	\$ 486,000
Net difference between projected and actual investment earnings	154,000	-
Change in assumptions	585,000	-
Changes in proportions	515,000	122,000
Difference between employer contributions and proportionate share of total contributions	83,485	-
Contributions subsequent to the measurement date	<u>2,914,158</u>	<u>-</u>
	<u>\$ 4,504,643</u>	<u>\$ 608,000</u>

\$2,914,158 reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2020	\$ 808,421
2021	458,024
2022	(171,861)
2023	<u>(112,099)</u>
	<u>\$ 982,485</u>

1. Actuarial Assumptions

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

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 7.25%, includes inflation at 2.75%.
- Salary growth - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

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

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

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

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

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

2. Discount Rate

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

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

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

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

	(In Thousands)		
	1.00% Decrease	Current Discount Rate	1.00% Increase
	6.25%	7.25%	8.25%
School District's proportionate share of the net pension liability	\$ 38,917	\$ 31,395	\$ 25,036

4. Pension Plan Fiduciary Net Position

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

Note 13 - Contingent Liabilities

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

Note 14 - Other Post-Employment Benefit Plan

A. Plan Description

Allegheny Valley School District administers a single-employer defined benefit healthcare plan ("the Supplemental Health Plan"). The plan provides medical benefits for teachers and administrators/supervisors. 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.

The eligibility and the benefits for each group are as follows:

1) Retirement Plan Eligibility

Normal Retirement	Age 62, age 60 with 30 years of service or 35 years of service.
Early Retirement	Age 55 with 25 years of Service.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

2) Supplemental Health Insurance Plan (SHI)

Eligibility for Benefit

Teachers	Age 53 with 30 years, 55 with 25 years or age 62 or disability retirement.
Administrators	Age 53 with 15 years of service.
Support Personnel	Age 62 with 9 years of service.
Service Employees	Age 62 with 20 years of service or at time attained age plus service are at least 90.

Benefit at Retirement

Teachers	School District pays the premium for individual coverage for the medical insurance plan at time of retirement. For each year of service to the School District, the retiree will receive 3.5 months of SHI coverage at retirement. Retirees are permitted to purchase dental and vision insurance at group rates.
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Administrators, Support Personnel
and Service Employees

For employees hired after 12/31/1990, the School District pays the premium for individual coverage for the medical insurance plan at time of retirement until the retiree is age 65 or eligible for Medicare. Retirees are permitted to purchase dental and vision insurance at group rates. For employees hired before 01/01/1990, the School District pays the premium for husband/wife coverage for the medical insurance at the time of retirement until the retiree is age 65 or eligible for Medicare. Retirees are permitted to purchase dental and vision insurance at group rates. Any increases in rates after retirement are paid by the retiree.

Benefit Upon Death After
Retirement

If the spouse dies while covered under the SHI, the School District will continue to pay up to the premium at retirement for the retiree. If the retiree dies prior to Medicare eligibility or before coverage would have expired under the Contract, the spouse is no longer covered under the SHI; however, the spouse will be eligible for coverage until the spouse reaches Medicare eligibility if the spouse pays for their coverage.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

Continuation Coverage

If the retiree is not yet 65 or eligible for Medicare, but the retiree is no longer eligible for SHI, the retiree can purchase coverage until they are Medicare eligible. Retirees may continue medical coverage in the group health plan on a self-pay basis during any period in which the retiree is neither eligible for SHI nor Medicare.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefit payments	13
Active employees	<u>138</u>
	<u>151</u>

B. Total OPEB Liability

The School District's total OPEB liability of \$3,107,291 was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

C. Significant Assumptions Used to Measure the Total OPEB Liability

Inflation	3.00%
Salary Increases	3.00%
Discount Rate	2.98%
Healthcare Cost Trend Rates	7.5% in 2018, grading down to 6.75% uniformly over 4 years and then following the Getzen model thereafter

D. Change in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 3,058,340
Changes for the year:	
Service Cost	143,437
Interest	89,918
Benefit Payments	<u>(184,404)</u>
Net Changes	<u>48,951</u>
Balance at June 30, 2019	<u>\$ 3,107,291</u>

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

E. Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the School District reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.98%) or one percentage point higher (3.98%) than the current discount rate:

	1.00% Decrease	Current Rate	1.00% Increase
	1.98%	2.98%	3.98%
Total OPEB Liability	\$ 3,380,814	\$ 3,107,291	\$ 2,847,801

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

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

	1.00% Decrease	Healthcare Cost Trend Rates	1.00% Increase
Total OPEB Liability	\$ 2,726,272	\$ 3,107,291	\$ 3,560,683

Note 15 - Other Post-Employment Benefits - PSERS

A. Summary of Significant Accounting Policies

Other Post-Employment Benefits

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

B. General Information about the Health Insurance Premium Assistance Program

1. Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

2. Premium Assistance Eligibility Criteria

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

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

3. Pension Plan Description

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

4. Benefits Provided

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School District's contractually required contribution rate for fiscal year ended June 30, 2019 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School District were \$74,195 for the year ended June 30, 2019.

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

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

At June 30, 2019, the School District reported a liability of \$1,364,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2017 to June 30, 2018. The School District's proportion of the net OPEB liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the School District's proportion was 0.0654%, which was an increase of 0.0009% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2019, the School District recognized OPEB expense of \$68,153. At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,000	\$ -
Changes in assumptions	22,000	52,000
Net difference between projected and actual investment earnings	2,000	-
Changes in proportions	26,000	-
Difference between employer contributions and proportionate share of total contributions	551	-
Contributions subsequent to the measurement date	<u>74,195</u>	<u>-</u>
	<u>\$ 132,746</u>	<u>\$ 52,000</u>

\$74,195 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	\$ 153
2021	153
2022	153
2023	92
2024	(1,000)
Thereafter	<u>7,000</u>
	<u>\$ 6,551</u>

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

1. Actuarial Assumptions

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

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

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

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2016 determined the employer contribution rate for fiscal year 2018.
- Cost Method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market Value.
- Participation rate: 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 Combined Disabled Tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 Combined Healthy Annuitant Tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

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

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

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

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

2. Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.98%. Under the plan’s funding policy, contributions are structured for short term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan’s fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a “pay-as-you-go” plan. A discount rate of 2.98% which represents the S&P 20 year Municipal Bond Rate at June 30, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2018, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2017, 93,380 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2017, 1,077 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on Healthcare Cost Trends as depicted below.

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

	(In Thousands)		
	1.00% Decrease	Current Rate	1.00% Increase
System net OPEB Liability	\$ 1,363	\$ 1,364	\$ 1,364

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

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

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

	(In Thousands)		
	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	1.98%	2.98%	3.98%
School District's proportionate share of the net OPEB liability	\$ 1,551	\$ 1,364	\$ 1,208

5. OPEB Plan Fiduciary Net Position

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

Note 16 - 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 \$2,176,613 and \$2,209,714 for the years ended June 30, 2019 and 2018, respectively.

Participating school districts are permitted to withdraw from the Consortium under terms specified in the agreement. Withdrawing participants are entitled to or responsible for a proportionate share of the Consortium net position or deficiency in net position, respectively, as determined on the fiscal year-end date after withdrawal. As of June 30, 2019, the net position of the Consortium was \$62,172,279 of which \$496,480 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.

Allegheny Valley School District
Notes to Financial Statements
June 30, 2019

Note 17 - On-Behalf Payments

The amounts recognized for revenues and expenditures for on-behalf payments relating to fringe benefits for the year ended June 30, 2019, was \$1,815,612.

This includes \$1,481,881 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 \$333,731 to the federal government for social security and Medicare taxes for the year ended June 30, 2019. The School District pays these on-behalf payments directly to PSERS and the government and is reimbursed by the Commonwealth for their appropriate share.

Note 18 - Derivative Instruments

A. Details of Instruments

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

Governmental Activities	<u>Change in Fair Value</u>		<u>Fair Value at June 30, 2019</u>		Notional in Thousands
	Classification	Amount	Classification	Amount	
Basis Swaps	Investment				
Series of 2004A Bonds	Revenue	\$ 87,842	Investment	\$ (54,563)	\$ 14,345

The fair values of the interest rate swaps are estimated based on economic assessment of the transaction or instrument and is derived from model prices, external sources or market prices.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**

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

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local Sources				
Taxes				
Current Real Estate Taxes	\$ 14,107,175	\$ 14,107,175	\$ 14,730,616	\$ 623,441
Public Utility Realty Taxes	15,940	15,940	16,294	354
Payments in Lieu of Current Taxes	13,600	13,600	-	(13,600)
Local Services Taxes	33,476	33,476	38,421	4,945
Earned Income Taxes	1,049,567	1,049,567	1,137,870	88,303
Real Estate Transfer Taxes	152,958	152,958	148,093	(4,865)
Delinquencies on Taxes	578,232	578,232	652,707	74,475
Earnings on Investments	30,000	30,000	223,463	193,463
Other Local Revenues				
Federal Revenues from IU	150,000	150,000	221,702	71,702
Contributions & Donations from Private Sources	-	-	2,500	2,500
Rentals	7,204	7,204	5,974	(1,230)
Refund of Prior Years Expenditures	18,027	18,027	29,125	11,098
Miscellaneous Revenue	26,135	26,135	135,020	108,885
Total Revenues from Local Sources	<u>16,182,314</u>	<u>16,182,314</u>	<u>17,341,785</u>	<u>1,159,471</u>
State Sources				
Basic Instructional & Oper. Subsidies				
Basic Instructional Subsidy	2,542,880	2,542,880	2,532,611	(10,269)
Tuition	-	-	2,938	2,938
Subsidies for Spec. Educ. Programs				
Special Education of Excep. Pupils	706,146	706,146	701,880	(4,266)
Subsidies for Noneduc. Programs				
Transportation (Regular & Additional)	278,086	278,086	464,688	186,602
Rentals & Sinking Fund Payments	344,666	344,666	276,302	(68,364)
Ready to Learn Block Grant	104,493	104,493	104,493	-
Health Services	20,000	20,000	18,362	(1,638)
State Property Tax Reduction	396,445	396,445	396,445	-
Other State Grants	84,535	84,535	5,197	(79,338)
Social Security Payments	332,056	332,056	324,502	(7,554)
State Retirement Revenue	1,507,442	1,507,443	1,442,593	(64,850)
Total Revenues from State Sources	<u>6,316,749</u>	<u>6,316,750</u>	<u>6,270,011</u>	<u>(46,739)</u>

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Federal Sources				
Restricted Grants-In-Aid from the Fed. Gov't. through the Commonwealth				
Title I	207,113	207,113	258,927	51,814
Title II	31,129	31,129	27,237	(3,892)
Title IV	17,294	17,294	16,005	(1,289)
Title XIX	-	-	1,263	1,263
Medical Assistance - Access	20,000	20,000	-	(20,000)
	<u>275,536</u>	<u>275,536</u>	<u>303,432</u>	<u>27,896</u>
Total Revenues from Federal Sources				
	<u>22,774,599</u>	<u>22,774,600</u>	<u>23,915,228</u>	<u>1,140,628</u>
Expenditures				
Instruction				
Regular Programs				
Personal Services				
Salaries	4,724,778	4,724,778	4,584,038	140,740
Employee Benefits	3,062,977	3,062,977	3,012,497	50,480
Purchased Prof. and Tech. Services	233,413	233,413	199,045	34,368
Purchased Property Services	33,559	33,560	24,513	9,047
Other Purchased Services	189,902	189,902	281,007	(91,105)
Supplies	214,694	214,694	233,087	(18,393)
Property	25,231	25,231	24,734	497
Other Objects	14,232	14,232	4,544	9,688
	<u>8,498,786</u>	<u>8,498,787</u>	<u>8,363,465</u>	<u>135,322</u>
Total Regular Programs				
Special Programs				
Personal Services				
Salaries	1,109,285	1,109,285	1,114,580	(5,295)
Employee Benefits	691,743	691,743	669,583	22,160
Purchased Prof. and Tech. Services	607,706	607,706	618,964	(11,258)
Other Purchased Services	412,404	412,404	620,341	(207,937)
Supplies	20,054	20,054	9,848	10,206
Property	3,240	3,240	-	3,240
Other Objects	10,910	10,910	1,960	8,950
	<u>2,855,342</u>	<u>2,855,342</u>	<u>3,035,276</u>	<u>(179,934)</u>
Total Special Programs				

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

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Vocational Education Programs				
Other Purchased Services	<u>309,082</u>	<u>309,082</u>	<u>168,786</u>	<u>140,296</u>
Other Instructional Programs				
Purchased Prof. and Tech. Services	-	-	2,447	(2,447)
Other Purchased Services	<u>92,000</u>	<u>92,000</u>	<u>170,267</u>	<u>(78,267)</u>
Total Other Instructional Programs	<u>92,000</u>	<u>92,000</u>	<u>172,714</u>	<u>(80,714)</u>
Nonpublic School Programs				
Purchased Prof. and Tech. Services	<u>2,700</u>	<u>2,700</u>	<u>3,297</u>	<u>(597)</u>
Total Instruction	<u>11,757,910</u>	<u>11,757,911</u>	<u>11,743,538</u>	<u>14,373</u>
Support Services				
Pupil Personnel				
Personal Services				
Salaries	302,496	302,497	247,365	55,132
Employee Benefits	188,585	188,584	145,971	42,613
Purchased Prof. and Tech. Services	61,155	61,155	3,962	57,193
Purchased Property Services	3,234	3,234	3,542	(308)
Other Purchased Services	6,600	6,600	1,682	4,918
Supplies	11,870	11,870	4,857	7,013
Property	692	692	-	692
Other Objects	<u>1,155</u>	<u>1,155</u>	<u>6,262</u>	<u>(5,107)</u>
Total Pupil Personnel	<u>575,787</u>	<u>575,787</u>	<u>413,641</u>	<u>162,146</u>

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

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Instructional Staff				
Personal Services				
Salaries	468,737	468,738	360,093	108,645
Employee Benefits	257,124	257,123	202,616	54,507
Purchased Prof. and Tech. Services	45,600	45,600	52,893	(7,293)
Purchased Property Services	5,840	5,840	25,813	(19,973)
Other Purchased Services	1,000	1,000	1,550	(550)
Supplies	70,075	70,075	23,383	46,692
Property	-	-	1,042	(1,042)
Other Objects	2,000	2,000	8,939	(6,939)
	<u>850,376</u>	<u>850,376</u>	<u>676,329</u>	<u>174,047</u>
Total Instructional Staff				
Administration				
Personal Services				
Salaries	819,428	819,428	804,250	15,178
Employee Benefits	542,412	542,412	514,739	27,673
Purchased Prof. and Tech. Services	168,300	168,300	156,317	11,983
Purchased Property Services	20,078	20,078	15,095	4,983
Other Purchased Services	41,250	41,250	81,063	(39,813)
Supplies	53,899	53,899	48,895	5,004
Property	-	-	5,708	(5,708)
Other Objects	37,800	37,800	40,276	(2,476)
	<u>1,683,167</u>	<u>1,683,167</u>	<u>1,666,343</u>	<u>16,824</u>
Total Administration				
Pupil Health				
Personal Services				
Salaries	133,836	133,836	123,901	9,935
Employee Benefits	70,434	70,434	64,812	5,622
Purchased Prof. and Tech. Services	14,000	14,000	10,195	3,805
Other Purchased Services	500	500	719	(219)
Supplies	8,274	8,274	6,758	1,516
Property	3,000	3,000	934	2,066
Other Objects	-	-	268	(268)
	<u>230,044</u>	<u>230,044</u>	<u>207,587</u>	<u>22,457</u>
Total Pupil Health				

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

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Business				
Personal Services				
Salaries	211,661	211,662	211,524	138
Employee Benefits	146,743	146,743	133,062	13,681
Purchased Prof. and Tech. Services	21,500	21,500	16,542	4,958
Purchased Property Services	17,461	17,461	4,179	13,282
Other Purchased Services	24,500	24,500	15,548	8,952
Supplies	11,500	11,500	2,428	9,072
Property	2,000	2,000	2,867	(867)
Other Objects	2,000	2,000	1,216	784
	<u>437,365</u>	<u>437,366</u>	<u>387,366</u>	<u>50,000</u>
Total Business				
Oper. and Maint. of Plant Svcs.				
Personal Services				
Salaries	908,574	908,574	849,785	58,789
Employee Benefits	660,405	660,405	610,714	49,691
Purchased Prof. and Tech. Services	16,100	16,100	36,448	(20,348)
Purchased Property Services	311,044	311,044	360,947	(49,903)
Other Purchased Services	86,000	86,000	82,950	3,050
Supplies	530,266	530,266	477,180	53,086
Property	43,400	43,400	52,098	(8,698)
Other Objects	670	670	8,223	(7,553)
	<u>2,556,459</u>	<u>2,556,459</u>	<u>2,478,345</u>	<u>78,114</u>
Total Oper. and Maint. of Plant Svcs.				
Student Transportation Services				
Personal Services				
Salaries	33,761	33,761	27,868	5,893
Employee Benefits	14,114	14,114	11,733	2,381
Other Purchased Services	1,047,151	1,047,151	1,214,768	(167,617)
Supplies	900	900	1,641	(741)
	<u>1,095,926</u>	<u>1,095,926</u>	<u>1,256,010</u>	<u>(160,084)</u>
Total Student Transportation Services				

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

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Central				
Personal Services				
Salaries	179,117	179,117	157,404	21,713
Employee Benefits	132,389	132,389	134,283	(1,894)
Purchased Prof. and Tech. Services	101,160	101,160	102,991	(1,831)
Purchased Property Services	61,512	61,512	41,777	19,735
Other Purchased Services	31,100	31,100	30,169	931
Supplies	10,125	10,125	22,561	(12,436)
Property	-	-	59,624	(59,624)
Other Objects	-	-	377	(377)
Total Central	<u>515,403</u>	<u>515,403</u>	<u>549,186</u>	<u>(33,783)</u>
Other				
Personal Services				
Salaries	17,052	17,052	15,979	1,073
Employee Benefits	119,669	119,669	6,744	112,925
Other Purchased Services	21,677	21,677	20,951	726
Total Other	<u>158,398</u>	<u>158,398</u>	<u>43,674</u>	<u>114,724</u>
Total Support Services	<u>8,102,925</u>	<u>8,102,926</u>	<u>7,678,481</u>	<u>424,445</u>
Noninstructional Services				
Student Activities				
Personal Services				
Salaries	366,534	366,534	321,532	45,002
Employee Benefits	162,201	162,200	134,249	27,951
Purchased Prof. and Tech. Services	37,843	37,843	78,290	(40,447)
Purchased Property Services	4,000	4,000	5,750	(1,750)
Other Purchased Services	56,828	56,828	56,220	608
Supplies	65,789	65,789	37,357	28,432
Property	1,650	1,650	675	975
Other Objects	12,500	12,500	9,380	3,120
Total Student Activities	<u>707,345</u>	<u>707,344</u>	<u>643,453</u>	<u>63,891</u>

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

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Community Services				
Purchased Prof. and Tech. Services	25,000	25,000	6,459	18,541
Other Purchased Services	100	100	-	100
Supplies	2,000	2,000	1,600	400
Other Objects	5,000	5,000	5,000	-
Total Community Services	<u>32,100</u>	<u>32,100</u>	<u>13,059</u>	<u>19,041</u>
Total Noninstructional Services	<u>739,445</u>	<u>739,444</u>	<u>656,512</u>	<u>82,932</u>
Debt Service				
Interest	1,035,819	1,035,819	1,016,347	19,472
Refunds of Prior Years Receipts	20,000	20,000	3,974	16,026
Redemption of Principal	1,110,000	1,110,000	1,156,473	(46,473)
Total Debt Service	<u>2,165,819</u>	<u>2,165,819</u>	<u>2,176,794</u>	<u>(10,975)</u>
Total Expenditures	<u>22,766,099</u>	<u>22,766,100</u>	<u>22,255,325</u>	<u>510,775</u>
Other Financing Uses				
Fund Transfers				
Capital Reserve Fund	-	-	1,659,903	(1,659,903)
Special Revenue Fund	8,500	8,500	-	8,500
Total Other Financing Uses	<u>8,500</u>	<u>8,500</u>	<u>1,659,903</u>	<u>(1,651,403)</u>
Total Expenditures and Other Financing Uses	<u>22,774,599</u>	<u>22,774,600</u>	<u>23,915,228</u>	<u>(1,140,628)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2018	<u>9,517,387</u>	<u>9,517,387</u>	<u>10,331,508</u>	<u>814,121</u>
Fund Balance - June 30, 2019	<u>\$ 9,517,387</u>	<u>\$ 9,517,387</u>	<u>\$ 10,331,508</u>	<u>\$ 814,121</u>

Allegheny Valley School District
Note to the Required Supplementary Information
Budget Comparison
June 30, 2019

Note 1 – Budgetary Information

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

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

**Allegheny Valley School District
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability
and Related Ratios
Last Three Years**

	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability			
Service cost	\$ 143,437	\$ 139,259	\$ -
Interest	89,918	88,501	-
Benefit payments	<u>(184,404)</u>	<u>(168,306)</u>	<u>-</u>
Net Change in Total OPEB Liability	48,951	59,454	-
Total OPEB Liability - Beginning	<u>3,058,340</u>	<u>2,998,886</u>	<u>-</u>
Total OPEB Liability - Ending	<u>\$ 3,107,291</u>	<u>\$ 3,058,340</u>	<u>\$ 2,998,886</u>
Covered-Employee Payroll	\$ 8,685,734	\$ 8,432,751	N/A
Total OPEB Liability as a Percentage of Covered-Employee Payroll	35.77%	36.27%	N/A

Notes to Schedule:

GASB 75 was implemented beginning with fiscal year ended June 30, 2018.

Assumption Changes:

Discount rate used for fiscal year ending:

2019 and 2018	2.98%
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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.

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

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution	\$ 2,888,276	\$ 2,778,867	\$ 2,481,059	\$ 2,046,514	\$ 1,670,088
Contributions in Relation to the Contractually Required Contribution	<u>2,888,276</u>	<u>2,778,867</u>	<u>2,481,059</u>	<u>2,046,514</u>	<u>1,670,088</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 8,900,576	\$ 8,802,006	\$ 8,592,118	\$ 8,277,023	\$ 8,319,763
Contributions as a Percentage of Covered Payroll	32.45%	31.57%	28.88%	24.73%	20.07%

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

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

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

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
School District's Proportion of the Net Pension Liability (Asset)	0.0654%	0.0645%	0.0639%	0.0646%	0.0643%	0.0634%
School District's Proportionate Share of the Net Pension Liability (Asset)	\$ 31,395	\$ 31,856	\$ 31,677	\$ 27,982	\$ 25,451	\$ 25,953
School District's Covered Payroll	\$ 8,802	\$ 8,592	\$ 8,277	\$ 8,320	\$ 8,205	\$ 8,133
School District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	356.68%	370.76%	382.71%	336.32%	310.19%	319.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

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

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

	June 30, 2019	June 30, 2018
Contractually Required Contribution	\$ 74,195	\$ 73,468
Contributions in Relation to the Contractually Required Contribution	<u>74,195</u>	<u>73,468</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 8,900,576	\$ 8,802,006
Contributions as a Percentage of Covered Payroll	0.83%	0.83%

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

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

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

	June 30, 2018	June 30, 2017
School District's Proportion of the Net OPEB Liability (Asset)	0.0654%	0.0645%
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,364	\$ 1,314
School District's Covered Payroll	\$ 8,802	\$ 8,592
School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	15.50%	15.29%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	5.56%	5.73%

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

SINGLE AUDIT SECTION

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Members of the Board
Allegheny Valley School District
Cheswick, Pennsylvania

Dear Members:

The reports contained in this single audit section are required in addition to the financial statements. The various reports for Allegheny Valley School District for the period ended June 30, 2019 were prepared to fulfill the requirements of the Government Auditing Standards and the Uniform Grant Guidance. A summary of the reports are as follows:

- A. Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- B. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
- C. Schedule of Findings and Questioned Costs
- D. Schedule of Expenditures of Federal Awards
- E. List of Report Distribution

Respectfully submitted,

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
February 28, 2020

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EXHIBIT A

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Members of the Board
Allegheny Valley School District
Cheswick, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Allegheny Valley School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Allegheny Valley School District's basic financial statements, and have issued our report thereon dated February 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Allegheny Valley School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Allegheny Valley School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Allegheny Valley School District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Allegheny Valley School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
February 28, 2020

HOSACK, SPECHT, MUETZEL & WOOD LLP
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EXHIBIT B

**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by the Uniform Guidance**

Members of the Board
Allegheny Valley School District
Cheswick, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Allegheny Valley School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Allegheny Valley School District's major federal programs for the year ended June 30, 2019. Allegheny Valley School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Allegheny Valley School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Allegheny Valley School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Allegheny Valley School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Allegheny Valley School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Allegheny Valley School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Allegheny Valley School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Allegheny Valley School District's internal control over compliance.

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

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

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

Hosack, Specht, Muetzel & Wood LLP

HOSACK, SPECHT, MUETZEL & WOOD LLP
Pittsburgh, Pennsylvania
February 28, 2020

**Allegheny Valley School District
Schedule of Findings and Questioned Costs
June 30, 2019**

EXHIBIT C

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report was unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified? _____ yes ✓ none reported

Type of auditor's report issued on compliance for major programs was unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes ✓ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? ✓ yes _____ no

**Allegheny Valley School District
Schedule of Findings and Questioned Costs
June 30, 2019**

EXHIBIT C

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were noted.

Section IV – Status of Prior Year’s Findings

No prior year’s findings.

Allegheny Valley School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Exhibit D

Federal Grantor/ Pass Through Grantor/ Project Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue 07/01/18	Revenue Recognized	Expendi- tures	Accrued or (Deferred) Revenue 06/30/19
U.S. Department of Education										
Passed through the Pennsylvania										
Department of Education										
Title I Improving Basic Programs	I	84.010	013-190005	09/07/18-09/30/19	\$ 220,692	\$ 118,903	\$ -	\$ 220,692	\$ 220,692	\$ 101,789
Title I Improving Basic Programs	I	84.010	013-180005	08/30/17-09/30/18	239,203	67,690	29,455	38,235	38,235	-
						186,593	29,455	258,927	258,927	101,789
Title II Improving Teacher Quality	I	84.367	020-190005	09/07/18-09/30/19	31,092	31,092	-	27,237	27,237	(3,855)
Title II Improving Teacher Quality	I	84.367	020-180005	08/30/17-09/30/18	40,240	8,579	8,579	-	-	-
						39,671	8,579	27,237	27,237	(3,855)
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-190005	09/07/18-09/30/19	17,294	13,303	-	13,158	13,158	(145)
Title IV Student Sup. and Acad. Enrichment	I	84.424	144-180005	08/30/17-09/30/18	10,000	-	(2,847)	2,847	2,847	-
						13,303	(2,847)	16,005	16,005	(145)
Passed through the Allegheny Intermediate Unit										
Title III	I	84.365	N/A	07/01/18-09/30/19	428	428	-	428	428	-
Special Education Cluster										
IDEA B Section 619	I	84.173	N/A	07/01/18-06/30/19	494	494	-	494	494	-
IDEA B	I	84.027	N/A	07/01/18-09/30/19	176,061	-	-	176,061	176,061	176,061
Subtotal Special Education Cluster						494	-	176,555	176,555	176,061
Total U.S. Department of Education						240,489	35,187	479,152	479,152	273,850
U.S. Department of Health and Human Services										
Passed through the Pennsylvania										
Department of Public Welfare										
Medical Assistance Reimb. for Adm. Title 19	I	93.778	N/A	07/01/18-06/30/19	N/A	723	-	1,263	1,263	540
U.S. Department of Agriculture										
Nutrition Cluster										
Passed through the Pennsylvania										
Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/18-06/30/19	N/A	207,981	2,302	213,506	213,506	7,827
National School Breakfast Program	I	10.553	N/A	07/01/18-06/30/19	N/A	76,330	773	78,199	78,199	2,642
Passed through the Pennsylvania										
Department of Agriculture										
National School Lunch Program (Donated Commodities Non Cash Assistance)	I	10.555	N/A	07/01/18-06/30/19	N/A	29,904	(1,891)	29,485	29,485	(2,310)
Total U.S. Department of Agriculture and Nutrition Cluster						314,215	1,184	321,190	321,190	8,159
Total Federal Financial Assistance						\$ 555,427	\$ 36,371	\$ 801,605	\$ 801,605	\$ 282,549

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Allegheny Valley School District
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

EXHIBIT D

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Allegheny Valley School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Allegheny Valley School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Allegheny Valley School District.

Note B - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Allegheny Valley School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note C - Source Code

The Source Code (I) indicates funds received indirectly.

Note D - Reconciliation with Subsidy Confirmation

Amounts Received Per Schedule	\$ 555,427
Less: Commodities Received	(29,404)
Less: Passage Through AIU	(922)
Less: Title 19	(723)
Add: State Funding on Confirmation	<u>16,134</u>
 Per Subsidy Confirmation	 <u><u>\$ 540,512</u></u>

Note E - Subrecipients

The School District did not pass through any federal expenditures to subrecipients.

**Allegheny Valley School District
List of Report Distribution
June 30, 2019**

EXHIBIT E

1 Copy – Bureau of Audits

1 Copy – Bureau of the Census