

NORTHGATE SCHOOL DISTRICT
Financial Statements
June 30, 2020

NORTHGATE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of School Directors
Northgate School District
Pittsburgh, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Northgate School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Northgate 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 Northgate School District as of June 30, 2020, 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, pension information, and other post-employment benefit information as listed 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 Northgate School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, on our consideration of Northgate 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northgate 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 Northgate School District's internal control over financial reporting and compliance.

M. J. S. Patsy & Associates, LLC

Carnegie, Pennsylvania
December 2, 2020

NORTHGATE SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2020

The Management's Discussion and Analysis (MD&A) of the Northgate School District ("School District")'s financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis 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 fiscal year and the prior fiscal year is required to be presented in the MD&A.

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 U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement. 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 Northgate School District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

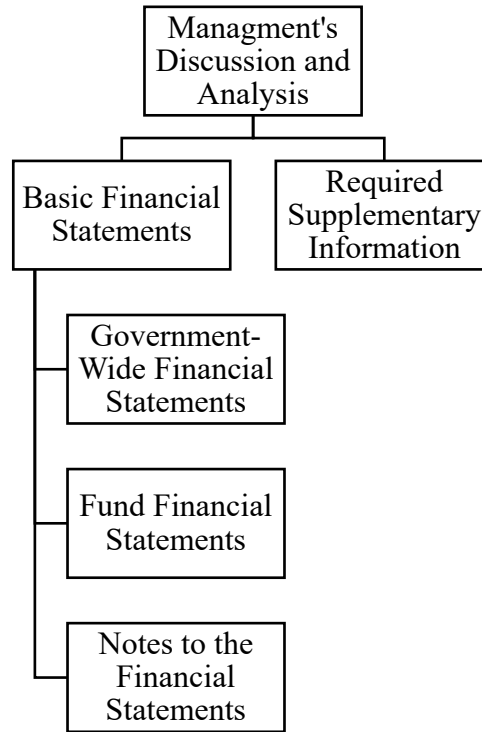
The first two statements are government-wide financial statements - the statement of net position and the statement of activities. These provide both long-term and short-term information about the School District's overall financial status.

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

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

NORTHGATE SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2020

The figure below shows how the required parts of the financial section are arranged and relate to one another:



The following table 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.

	Government- Wide Statements	Governmental	Proprietary	Fund Statements Fiduciary
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 fund net position; statement of cash flows	Statement of fiduciary net position; statement of changes in fiduciary net position

NORTHGATE SCHOOL DISTRICT
Management’s Discussion & Analysis
June 30, 2020

Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of in-flow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Overview of Financial Statements

Government-Wide Financial 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, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between the assets plus deferred outflows of resources less liabilities and deferred inflows of resources is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the School District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensation absences).

To assess the overall health of the School District, non-financial factors must be considered. These factors include changes in the School District’s property tax base and the performance of students.

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

Governmental Activities

The School District's basic services include instruction, support services, administration, and community services. Property and earned income taxes, state and federal subsidies, and local grants finance most of these activities.

Business-Type Activities

The School District operates a food service operation. Fees charged to staff and students as well as state and federal funding are used to cover the costs related to the food service operations.

Fund Financial Statements

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

Governmental funds

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

Proprietary funds

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

Other funds reported by the School District include:

Agency fund

This fund represents the School District's student activity funds.

Private purpose trust fund

This fund represents the School District's scholarship fund.

Financial Analysis of the School District as a Whole

The statement of net position provides the perspective of the School District as a whole. Much of the change in this statement is a result of payment of debt, payment of tax refunds due to tax appeals, and completion of capital projects.

NORTHGATE SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2020

	2020			2019		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
Current assets	\$ 15,243,586	\$ 298,978	\$ 15,542,564	\$ 17,341,285	\$ 275,302	\$ 17,616,587
Noncurrent assets	7,233,719	49,127	7,282,846	6,457,099	22,968	6,480,067
Total assets	22,477,305	348,105	22,825,410	23,798,384	298,270	24,096,654
Deferred outflows	5,963,110	-	5,963,110	7,419,753	-	7,419,753
Current liabilities	2,983,952	23,392	\$ 3,007,344	6,860,710	22,147	6,882,857
Noncurrent liabilities	43,435,241	-	43,435,241	42,319,420	-	42,319,420
Total Liabilities	46,419,193	23,392	46,442,585	49,180,130	22,147	49,202,277
Deferred inflows	3,164,790	-	3,164,790	898,458	-	898,458
Net position						
Net invest. in cap. assets	6,004,216	49,127	6,053,343	4,267,732	22,968	4,290,700
Restricted	179,687	-	179,687	176,757	-	176,757
Unrestricted	(27,327,471)	275,586	(27,051,885)	(23,304,940)	253,155	(23,051,785)
Total Net Position	\$ (21,143,568)	\$ 324,713	\$ (20,818,855)	\$ (18,860,451)	\$ 276,123	\$ (18,584,328)

The School District's total net position was a deficit of \$(20,818,855) at June 30, 2020 and a deficit of \$(18,584,328) at June 30, 2019.

Current assets include cash and cash equivalents (money in banks and liquid investments), net taxes receivable (fund accounting includes only property and earned income taxes anticipated to be received within 60 days of the close of the fiscal year, June 30), subsidies still to be received from state and federal government, and inventories.

Capital assets include land values, site improvements, building and building improvements, furniture, and equipment (all net of amortization or depreciation). Current liabilities include accounts payable, the current portion of long-term debt, short-term payables, and accrued salaries and benefits (July and August costs for teachers who do not take "balance of contract" in June).

Long-term liabilities include bonds payable and unamortized bond premiums, the long-term portion of other post-employment benefits (medical and dental insurances for retirees paid by the School District under the retirement incentive plans), and the long-term portion of compensated absences (value of sick days should employees use all their accumulated entitlements).

Buildings, land, and equipment make up most of the School District's net position in the net investment in capital assets. Capital assets of the School District are shown at cost less accumulated depreciation, which does not reflect market values. The remaining net position consists of restricted and unrestricted amounts. Restricted net position is the 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 as shown in the following table. 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.

NORTHGATE SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2020

	Governmental Activities	2020 Business- Type Activities	Totals	Governmental Activities	2019 Business- Type Activities	Totals
Revenues						
Program revenues						
Charges for services	\$ 27,181	\$ 193,974	\$ 221,155	\$ 56,773	\$ 254,388	\$ 311,161
Operating grants & contrib.	4,650,673	337,741	4,988,414	4,935,639	382,833	5,318,472
Capital grants & contrib.	385,029	31,044	416,073	96,549	-	96,549
General revenues						
Property taxes	12,077,078	-	12,077,078	11,655,276	-	11,655,276
Other taxes	1,995,229	-	1,995,229	1,946,935	-	1,946,935
Grants, subsidies & contrib.	4,834,689	-	4,834,689	4,808,220	-	4,808,220
Other	187,023	-	187,023	208,801	-	208,801
Total revenues	24,156,902	562,759	24,719,661	23,708,193	637,221	24,345,414
Expenses						
Instruction	17,052,806	-	17,052,806	15,587,252	-	15,587,252
Instructional student suppt.	2,263,843	-	2,263,843	2,162,050	-	2,162,050
Admin. & Finan'l services	3,111,482	-	3,111,482	2,699,849	-	2,699,849
Operations & maintenance	2,601,748	-	2,601,748	2,080,602	-	2,080,602
Pupil transportation	492,469	-	492,469	687,112	-	687,112
Student activities	433,292	-	433,292	431,083	-	431,083
Community services	75,590	-	75,590	149,183	-	149,183
Interest on L-T debt	117,526	-	117,526	154,525	-	154,525
Food service	-	514,169	514,169	-	598,811	598,811
Total expenses	26,148,756	514,169	26,662,925	23,951,656	598,811	24,550,467
Increase(decrease) in net position	(1,991,854)	48,590	(1,943,264)	(243,463)	38,410	(205,053)
Net position - beginning (restated)	(19,151,714)	276,123	(18,875,591)	(18,616,988)	237,713	(18,379,275)
Net position - ending	\$ (21,143,568)	\$ 324,713	\$ (20,818,855)	\$ (18,860,451)	\$ 276,123	\$ (18,584,328)

The School District's largest functions are instruction, instructional support, administration and financial support, and operation and maintenance. Those amounts are shown in the next table at net cost for governmental activities only. This table also shows the net costs offset by the other unrestricted grants, subsidies, and unrestricted contributions to show the remaining financial needs supported by local tax efforts and other miscellaneous revenues. Prior year information is again provided to allow for a comparative analysis.

NORTHGATE SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2020

Functions/Programs	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 17,052,806	\$ 13,402,857	\$ 15,587,252	\$ 11,572,474
Instructional student support	2,263,843	1,891,385	2,162,050	1,898,539
Admin. & fin'l suppt. services	3,111,482	2,822,358	2,699,849	2,443,257
Op. & maint. of plant services	2,601,748	2,165,074	2,080,602	1,855,959
Pupil transportation	492,469	348,309	687,112	472,208
Student activities	433,292	388,019	431,083	371,175
Community services	75,590	57,328	149,183	140,956
Interest on long-term debt	117,526	10,543	154,525	57,976
Total governmental activities	\$ 26,148,756	\$ 21,085,873	\$ 23,951,656	\$ 18,812,544
Less: unrestricted grants, subsidies		(4,834,689)		(4,808,220)
Total needs from local taxes and other revenues		\$ 16,251,184		\$ 14,004,324

Increases in the net cost of services were primarily affected by regular salary increases and related benefits for teachers and paraprofessional staff.

The following table reflects the food service program, the School District's only business-type activity.

Functions/Programs	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Food service	\$ 514,169	\$ (48,590)	\$ 598,811	\$ (38,410)

School District Funds

General Fund Budget

	Budget Revenues	Actual Revenues	Variance
	2019-2020	2019-2020	
Local	\$ 14,149,848	\$ 14,863,101	\$ 713,253
State	9,254,567	8,986,365	(268,202)
Federal	602,814	561,846	(40,968)

Local revenues exceeded the budget due to the fact that the School District experienced a higher collection of current and delinquent real estate taxes. State source revenues were primarily related to expenditure driven subsidies for retirement and social security and were under budget due to positive budget variances for salaries and benefits.

NORTHGATE SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2020

	Budget Expenditures 2019-2020	Actual Expenditures 2019-2020	Variance
Instruction	\$ 15,155,076	\$ 15,472,966	\$(317,890)
Support services	8,240,947	7,374,980	865,967
Noninstructional	584,111	508,330	75,781
Facilities	2,117,820	1,444,157	673,663
Debt service	784,180	754,019	30,161

Instructional expenditures exceeded the budget by approximately \$300,000 for tuition to charter schools and approved private schools due to additional enrollments during the school year. The support services budget surplus resulted from savings in instructional staff and operations and maintenances costs. Budgeted expenditures for facilities not expended at June 30, 2020 relate to outstanding contract commitments in the amount of \$305,242 for building security improvements. In addition, the School District was able to pay for a significant portion of construction projects toward the end of the 2018-2019 year that were included in the 2019-2020 facilities budget due to faster than anticipated progress.

Capital Assets and Debt Administration

Capital Assets

	Capital assets, net of accumulated depreciation	
	June 30, 2020	June 30, 2019
Governmental activities		
Land	\$ 821,234	\$ 821,234
Site improvements	175,701	195,600
Buildings and improvements	4,756,368	3,979,152
Furniture and equipment	1,480,416	1,461,113
	\$ 7,233,719	\$ 6,457,099
Business-type activities		
Buildings and improvements	\$ -	\$ -
Furniture and equipment	49,127	22,968
	\$ 49,127	\$ 22,968

During the 2019-2020 school year, the School District completed various security upgrades at its three school building entrances, the relocation of an electrical transformer and the replacement of its main switchgear at Bellevue Elementary School, a chiller at the High School, and renovations at the Alumni Stadium. Total capital additions for governmental activities were \$1,375,187, and depreciation expense was \$598,567 for the year ended June 30, 2020.

NORTHGATE SCHOOL DISTRICT
Management's Discussion & Analysis
June 30, 2020

Debt Administration

As of July 1, 2019, the School District had total outstanding debt of \$2,240,647 which included the School District's share in the amount of \$381,440 of the A. W. Beattie Career Center bond and \$22,219 in compensated absences and retirement incentives. During 2019-2020, the School District made principal payments in the amount of \$31,040 towards the A. W. Beattie Career Center bond and also made principal and interest payments of \$700,000 on the Capital Appreciation Bond, resulting in ending outstanding debt at June 30, 2020 of \$1,602,512.

Outstanding Debt		
	June 30, 2020	June 30, 2019
General obligation bonds		
Series of 2016	\$ 350,400	\$ 381,440
Capital appreciation, Series B of 1997	1,205,817	1,807,927
Unamortized bond premium	26,032	29,061
Compensated absences	20,263	22,219
	\$ 1,602,512	\$ 2,240,647

More detailed information regarding the School District's debt is included in Note 10 to the financial statements.

Financial Highlights

The School District's general fund balance was \$7,565,798 at fiscal year end June 30, 2020, and \$8,708,938 at fiscal year end June 30, 2019, which is a decrease of \$1,143,140.

During the June 30, 2020 fiscal year, federal subsidies increased by \$20,714 while state subsidies decreased by \$42,573. An increase in real estate taxes accounted for most of the remaining overall increase in general fund local revenues over the prior year by \$739,621.

A construction project at A.W. Beattie Career Center required a bond issue by the nine participating school districts during the June 30, 2009 fiscal year. Northgate's share of the cost was \$668,480 over 20 years. During the June 30, 2017 fiscal year, the bond was refinanced with Northgate's share of the cost at \$472,480. A principal payment of \$31,040 was paid during the June 30, 2020 fiscal year. At June 30, 2019, the School District's balance was \$350,400.

Expenditures were 4.9% under the budgeted amount, caused mostly by budgeted capital projects relating to outstanding contract commitments at June 30, 2020 and other projects budgeted in 2019-2020 but completed earlier than expected.

The school district incurred some additional costs as a result of the COVID-19 shutdown, and most of these costs were covered by grants. Overall, the shutdown effect was a net financial savings, primarily related to transportation and utilities. In 2018-2019, utility costs for gas and electric bills for all three buildings totaled \$362,492. In 2019-2020, they were only \$323,629, largely because our buildings were closed from mid-March on.

NORTHGATE SCHOOL DISTRICT
Management's Discussion & Analysis
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The School District experienced an even larger savings in transportation. In 2018-2019, our contracted transportation cost was \$660,946 and in 2019-2020 was \$478,150. The School District was not obligated to pay its transportation contractor once the shutdown occurred.

Another area, where the School District experienced significant savings as a result of the shutdown, was in substitute teacher costs. There were some substitute costs related to remote learning, but these were nominal relative to typical charges during a normal school year. In 2018-2019 we paid our substitute service provider \$191,836, and in 2019-2020 that amount dropped to \$136,384.

Actual expenditures were up 3.0% over 2018-2019. This was primarily a result of increases in expenditures in regular and special programs for teachers, paraprofessionals, and charter school tuition.

Actual revenues were higher than 2019-2020 budgeted revenues by 1.68%. This was a result of higher than anticipated collection of real estate taxes, both current and delinquent.

The Northgate Board of School Directors has for many years approved a budget adequate to cover necessary expenditures, but which is not necessarily a commitment to spend. Administrators and staff are directed to continue careful evaluation of expenditures throughout the year. When revenues meet or exceed what is anticipated and budgeted, spending less than budgeted contributes even more to the fund balance and provides capital for improvements, which are the foundations of fiscal health.

Rebuilding the fund balance and preparing for major capital expenses is not a small thing for a school district with no industry, little commercial developments, nor land for residential development. Maintaining the quality level of education and the wide variety of extra-curricular and athletic opportunities available to the students of Avalon and Bellevue are of paramount importance. Providing that in a safe and healthy environment with a secure future is a goal of the Northgate School District.

The School District's business-type activities net position increased \$48,590, including \$4,885 of depreciation expense and \$31,044 of capital contribution from the governmental activities.

Summary

With no expectation of future growth given the residential nature of the communities of Avalon and Bellevue and the fact that both have been fully developed for decades, the Northgate School District has successfully executed its strategy to rebuild an unrestricted fund balance and set aside money for unexpected and foreseeable capital improvements.

The School District is actively preparing for unexpected and proposed capital projects each year. In order to fund these projects without the need for additional borrowing issues or tax increases, the School District has established the Capital Reserve Fund and makes transfers from the available fund balance of the General Funds when possible. In addition, the Board has budgeted additional monies in a capital projects line item in the general operating budget.

Northgate School District continues to budget for significant increases in health benefit costs, retirement contributions, and increases in the cost of transportation and charter schools. Special education costs are dependent upon the types of students enrolled in the School District each year, and enrollment or withdrawal of a severely handicapped student would cause this expenditure to fluctuate. As previously reported, the School District budgets to meet anticipated expenditures but does not necessarily spend all budgeted revenue.

Also, the School District applies for federal, state, and local grants, which cannot always be anticipated in the budgeting process. When grant applications are funded, this revenue is above and beyond what was estimated to pay for budgeted expenses. While these grants frequently cannot be used to “supplant” programs we would provide but instead “supplement,” the money can impact the fund balance.

Contacting the District Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, students, investors, and creditors with a general overview of the School District’s finances and to show the Board’s accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Christopher J. Ursu, Director of Finance and Operations, at Northgate School District, 591 Union Avenue, Pittsburgh, PA 15202-2958, or via e-mail at cursu@northgate.k12.pa.us.

NORTHGATE SCHOOL DISTRICT**Statement of Net Position****June 30, 2020**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 2,569,314	\$ 267,907	\$ 2,837,221
Investments	5,902,495	-	5,902,495
Taxes receivable, net	5,440,776	-	5,440,776
Internal balances	36,778	(36,778)	-
Due from other governments	1,195,014	17,310	1,212,324
Other receivables	-	25,516	25,516
Inventories	98,959	25,023	123,982
Prepaid expenses	250	-	250
Total current assets	15,243,586	298,978	15,542,564
Noncurrent Assets			
Land	821,234	-	821,234
Site improvements, net	175,701	-	175,701
Buildings and building improvements, net	4,756,368	-	4,756,368
Furniture and equipment, net	1,480,416	49,127	1,529,543
Total noncurrent assets	7,233,719	49,127	7,282,846
TOTAL ASSETS	22,477,305	348,105	22,825,410
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	5,611,209	-	5,611,209
Related to PSERS OPEB	250,379	-	250,379
Related to District OPEB	82,400	-	82,400
Related to retirement incentives OPEB	19,122	-	19,122
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,963,110	-	5,963,110

(Continued)

NORTHGATE SCHOOL DISTRICT

Statement of Net Position

June 30, 2020

	Governmental Activities	Business-type Activities	Total
<i>(Continued)</i>			
LIABILITIES			
Current Liabilities			
Accounts payable	378,144	14,838	392,982
Accrued salaries and benefits	1,407,765	-	1,407,765
Payroll deductions and withholdings	444,422	-	444,422
Accrued interest	2,621	-	2,621
Unearned revenues	25,040	8,554	33,594
Current portion of long-term debt	725,960	-	725,960
Total current liabilities	2,983,952	23,392	3,007,344
Noncurrent liabilities			
Bonds payable, net	856,289	-	856,289
Compensated absences	20,263	-	20,263
Net pension liability	34,572,000	-	34,572,000
Net OPEB liability	7,986,689	-	7,986,689
Total noncurrent liabilities	43,435,241	-	43,435,241
TOTAL LIABILITIES	46,419,193	23,392	46,442,585
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	2,201,000	-	2,201,000
Related to PSERS OPEB	96,000	-	96,000
Related to District OPEB	855,238	-	855,238
Related to retirement incentives OPEB	12,552	-	12,552
TOTAL DEFERRED INFLOWS OF RESOURCES	3,164,790	-	3,164,790
NET POSITION			
Net investment in capital assets	6,004,216	49,127	6,053,343
Restricted for:			
Capital projects	179,687	-	179,687
Unrestricted	(27,327,471)	275,586	(27,051,885)
TOTAL NET POSITION	\$ (21,143,568)	\$ 324,713	\$ (20,818,855)

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

NORTHGATE SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2020

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	\$ 17,052,806	\$ -	\$ 3,649,949	\$ -	\$ (13,402,857)	\$ -	\$ (13,402,857)
Instructional student support	2,263,843	-	372,458	-	(1,891,385)	-	(1,891,385)
Admin. & financial support services	3,111,482	-	289,124	-	(2,822,358)	-	(2,822,358)
Oper. of plant & maint. services	2,601,748	14,400	144,228	278,046	(2,165,074)	-	(2,165,074)
Pupil transportation	492,469	-	144,160	-	(348,309)	-	(348,309)
Student activities	433,292	12,781	32,492	-	(388,019)	-	(388,019)
Community services	75,590	-	18,262	-	(57,328)	-	(57,328)
Interest on long-term debt	117,526	-	-	106,983	(10,543)	-	(10,543)
Total governmental activities	26,148,756	27,181	4,650,673	385,029	(21,085,873)	-	(21,085,873)
Business-type activities:							
Food service	514,169	193,974	337,741	31,044	-	48,590	48,590
Total primary government	\$ 26,662,925	\$ 221,155	\$ 4,988,414	\$ 416,073	\$ (21,085,873)	\$ 48,590	\$ (21,037,283)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					12,077,078	-	12,077,078
Earned income tax					1,698,125	-	1,698,125
Other taxes levied for general purposes					297,104	-	297,104
Grants, subsidies, & contributions, not restricted					4,834,689	-	4,834,689
Investment earnings					123,867	-	123,867
Miscellaneous income					63,156	-	63,156
Total general revenues					19,094,019	-	19,094,019
Change in net position					(1,991,854)	48,590	(1,943,264)
Net position-beginning (restated)					(19,151,714)	276,123	(18,875,591)
Net position-ending					\$ (21,143,568)	\$ 324,713	\$ (20,818,855)

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

NORTHGATE SCHOOL DISTRICT

**Balance Sheet
Governmental Funds
June 30, 2020**

	General Fund	Capital Reserve Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,569,314	\$ -	\$ 2,569,314
Investments	5,722,808	179,687	5,902,495
Taxes receivable, net	5,440,776	-	5,440,776
Due from other funds	36,778	-	36,778
Due from other governments	1,195,014	-	1,195,014
Prepaid items	250	-	250
TOTAL ASSETS	\$ 14,964,940	\$ 179,687	\$ 15,144,627
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 378,145	\$ -	\$ 378,145
Accrued Salaries and Benefits	1,407,765	-	1,407,765
Payroll Deductions and Withholdings	444,422	-	444,422
Unearned revenues	25,040	-	25,040
Total Liabilities	2,255,372	-	2,255,372
Deferred Inflows of Resources			
Unavailable revenues - property taxes	5,143,771	-	5,143,771
Fund Balances			
Nonspendable	250	-	250
Restricted	-	179,687	179,687
Assigned	5,607,251	-	5,607,251
Unassigned	1,958,296	-	1,958,296
Total Fund Balances	7,565,797	179,687	7,745,484
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,964,940	\$ 179,687	\$ 15,144,627

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

NORTHGATE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
To the Statement of Net Position
June 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 7,745,484

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 \$20,426,613, and the accumulated depreciation is \$13,192,894. 7,233,719

Property taxes receivable will be collected next year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 5,143,771

The governmental funds follow the purchase method of inventory; therefore, no inventory is reflected on the balance sheet. However, the Statement of Net Position uses the consumption method of inventory. 98,959

Deferred outflows and inflows of resources for pension and OPEB are applicable to future periods, and, therefore, are not reported in the governmental funds. 2,798,320

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

Bonds payable	\$ (1,556,217)	
Unamortized bond premiums	(26,032)	
Accrued interest on the bonds	(2,621)	
Net Pension liability	(34,572,000)	
Net OPEB liability	(7,986,689)	
Compensated absences	(20,263)	(44,163,822)

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES **\$ (21,143,569)**

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

NORTHGATE SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Capital Projects Fund	Totals
REVENUES			
Local sources	\$ 14,863,100	\$ 2,930	\$ 14,866,030
State sources	8,986,365	-	8,986,365
Federal sources	561,846	-	561,846
Total Revenues	24,411,311	2,930	24,414,241
EXPENDITURES			
Instruction	15,472,966	-	15,472,966
Support services	7,374,980	-	7,374,980
Noninstructional Services	508,330	-	508,330
Capital outlay	1,444,157	-	1,444,157
Debt service	744,397	-	744,397
Refunds of prior year receipts	9,622	-	9,622
TOTAL EXPENDITURES	25,554,452	-	25,554,452
Excess (Deficiency) of revenues over expenditures	(1,143,141)	2,930	(1,140,211)
Net change in fund balances	(1,143,141)	2,930	(1,140,211)
Fund balance - July 1, 2019 (restated)	8,708,938	176,757	8,885,695
Fund balance - June 30, 2020	\$ 7,565,797	\$ 179,687	\$ 7,745,484

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

NORTHGATE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement
of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2020

Total net change in fund balances - governmental funds \$ (1,140,211)

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

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

Depreciation expense	\$ (598,567)	
Capital outlays	<u>1,375,187</u>	776,620

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Deferred tax liabilities in the revenues decreased by this amount this year. (247,335)

Governmental funds use the purchase method of inventory, where all items purchased are charged as expenditures. However, the governmental activities are reflected on the consumption method of recording inventory items; therefore, this adjustment reflects the inventory difference. 6,803

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 731,040

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	314	
Amortization of premiums on bonds	3,029	
Accretion of interest on the district's capital appreciation bonds	<u>(97,890)</u>	(94,547)

(Continued)

NORTHGATE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement
of Revenues, Expenditures and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2020

(Continued)

In the Statement of Activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, the liability for compensated absences decreased by this amount. 1,956

Governmental funds report district pension and OPEB contributions as expenditures. However in the governmental activities, the cost of benefits earned is reported as an expense.

Pension contributions	3,470,209	
Cost of pension benefits earned	(4,221,765)	
OPEB contributions	184,425	
Cost of OPEB benefits earned	(1,459,050)	(2,026,181)

Change in Net Position of governmental activities **\$ (1,991,855)**

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

NORTHGATE SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2020

	Food Service Fund
ASSETS	
Cash and cash equivalents	\$ 267,907
Due from other governments	17,310
Other receivables	25,516
Inventories	25,023
Machinery & equipment, net	49,127
TOTAL ASSETS	\$ 384,883
LIABILITIES AND NET POSITION	
Liabilities	
Due to other funds	\$ 36,778
Accounts payable	14,838
Unearned revenues	8,554
Total Liabilities	60,170
Net Position	
Net investment in capital assets	49,127
Unrestricted	275,586
Total Net Position	324,713
TOTAL LIABILITIES AND NET POSITION	\$ 384,883

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

NORTHGATE SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Food Service Fund
Operating revenues	
Food service revenue	\$ 193,974
Total operating revenues	193,974
Operating expenses:	
Purchased property service	3,916
Other purchased service	471,182
Supplies	33,691
Depreciation	4,885
Other operating expenses	495
Total operating expenses	514,169
Operating loss	(320,195)
Nonoperating revenues	
State sources	15,060
Federal sources	322,681
Total nonoperating revenues	337,741
Income before capital contributions	17,546
Capital contributions	31,044
Change in net position	48,590
Net position - July 1, 2019	276,123
Net position - June 30, 2020	\$ 324,713

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

NORTHGATE SCHOOL DISTRICT**Statement of Cash Flows****Proprietary Fund Types****For the Year Ended June 30, 2020**

	Food Service Fund
Cash flows from operating activities	
Cash received from users	\$ 199,374
Cash payments to suppliers for goods and services	(489,395)
Cash payments for other operating expenses	(495)
Net cash provided used in operating activities	(290,516)
Cash flows from noncapital financing activities	
State sources	16,734
Federal sources	314,265
Net cash provided by noncapital financing activities	330,999
Net increase in cash and cash equivalents	40,483
Cash and cash equivalents, beginning of year	227,424
Cash and cash equivalents, end of year	\$ 267,907
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (320,195)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and net amortization	4,885
Donated commodities	33,207
(Increase) Decrease in accounts receivable	(3,154)
(Increase) Decrease in inventories	(6,504)
Increase (Decrease) in accounts payable	(7,309)
Increase (Decrease) in unearned revenue	8,554
Total adjustments	29,679
Cash provided by (used for) operating activities	\$ (290,516)
Schedule of noncash investing, capital, and financing activities	
The food service fund received contributed capital assets through governmental funds.	\$ 31,044
During the year ended June 30, 2020, the school district received USDA donated commodities.	\$ 33,207

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

NORTHGATE SCHOOL DISTRICT
Statement of Net Position
Fiduciary Funds
June 30, 2020

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and cash equivalents	\$ -	\$ 21,086
Investments	159,531	-
<hr/>		
LIABILITIES		
Other current liabilities	-	21,086
<hr/>		
NET POSITION		
Held in trust for scholarships	\$ 159,531	\$ -

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

NORTHGATE SCHOOL DISTRICT
Statement of Changes in Net Position
Fiduciary Funds
Year Ended June 30, 2020

	Private Purpose Trust Fund
<hr/>	
ADDITIONS	
Interest	\$ 2,601
<hr/>	
TOTAL ADDITIONS	2,601
<hr/>	
DEDUCTIONS	
Scholarships Awarded	-
<hr/>	
Change in net position	2,601
NET POSITION - JULY 1, 2019	156,930
<hr/>	
NET POSITION - JUNE 30, 2020	\$ 159,531
<hr/>	

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

Note 1 – Summary of Significant Accounting Policies

Northgate School District (School District) is located in Allegheny County, Pennsylvania, and provides public education to residents of the Boroughs of Avalon and Bellevue.

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Northgate School District, this includes general operations, food service, and student related activities of the School District.

In evaluating the School District as a primary government in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, management has addressed all potential component units. Consistent with this statement, the criteria used by the School District to evaluate possible inclusion of related entities within its reporting entity are financial accountability and the nature and significance of the relationship. Upon review of this criteria, the School District determined that there were no potential component units that met the criteria for inclusion in the reporting entity.

The School District is however a participant in a jointly governed organization: A. W. Beattie Career (Center). The Center is not considered part of the reporting entity, as the School District is not financially accountable for the school.

Basis of Presentation

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

The School District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide financial statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are

not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business activity or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds, if applicable, are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds

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 School District 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, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due. Property taxes and interest associated with past and current fiscal periods are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period if they are collected within 60 days of the end of the current fiscal period. All other property taxes associated with past and current fiscal periods are deferred in the Governmental fund financial statements.

The School District reports the following major governmental funds:

General Fund

The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Capital Reserve Fund

The School District's capital reserve fund is authorized by Municipal Code P.L. 145, Act of April 30, 1943, also known as Purdon's 53 § 1431, accounts for (1) monies transferred during any fiscal year from appropriations made for any particular purpose which may not be needed, (2) surplus monies in the General Fund of the treasury of the LEA at the end of any fiscal year, and (3) interest earnings of the fund itself. Bond proceeds and other local, state or federal revenue received by the school may not be deposited into this fund. No transfers out of this fund are allowable for any purpose.

Proprietary Funds

Proprietary funds may be used to account for any activity for which a fee is charged to external users for goods or services. Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities. All proprietary funds are shown on the government-wide statements as business type activities.

Enterprise Fund

Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

The School District reports the following major proprietary funds:

Food Service Fund

Food Service Fund accounts for the financial transactions related to the food service operations of the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds, of which the School District reports the following:

Private Purpose Trust Fund

Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs.

Scholarship Fund

This is a non-expendable trust fund established to provide income for a continuing scholarship. The basis of accounting for non-expendable trust funds is full accrual.

Agency Funds

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These organizations exist with the explicit approval of and are subject to revocation by the Board.

Student Activity Fund

This fund is utilized to account for monies authorized by Section 511 of the Public School Code of 1949 for student activities, publications, and organizations.

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The statement of revenues, expenditures and changes in fund balances reflects the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, grants, interest, tuition and student fees.

Unearned Revenues

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Process

The School District passed an appropriated budget for the fiscal year ending June 30, 2020 with revenues totaling \$24,007,229 and expenditures totaling \$26,882,135. The budget was balanced with the prior year fund balance.

The School District is required by state law to adopt an annual budget for the General Fund only. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles (GAAP). The state does not require any other funds to have an annual budget adopted; therefore, no budgetary comparisons schedules are shown except for the General Fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Preliminary Budget

The preliminary budget for each year must be adopted (via Board vote) 90 days prior to the Primary Election, unless the School District adopts a Resolution indicating that it will not raise the rate of any tax by more than its index. The Resolution must be adopted 110 days prior to the Primary Election and the School District must adopt a Resolution that follows traditional budget guidelines.

A proposed version must be prepared at least 20 days before adoption; this work-in-progress budget, defined as the proposed preliminary budget, must be made available for public inspection no later than 110 days prior to the Primary Election. Public notice of the intent to adopt the preliminary budget must be published no later than 10 days before adoption of the preliminary budget (100 days before Primary Election).

Final Budget

The final budget for each year must be adopted (via Board vote) by June 30 of the preceding school fiscal year.

A proposed version must be prepared and adopted (via Board vote) no later than May 30 of the preceding school fiscal year (at least 30 days before adoption); this work-in-progress budget, defined as the proposed final budget, must be made available for public inspection no later than June 10 of the preceding school fiscal year (20 days before adoption on June 30). Public notice of the intent to adopt the final budget must be published no later than June 20 of the preceding school fiscal year (10 days before adoption on June 30).

For the adopted preliminary budget to become the proposed final budget, the school board must take action.

Once the budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board of Directors. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year- end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Directors. All budget appropriations lapse at year-end unless the School District chooses to utilize encumbrance accounting. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Encumbrances

Encumbrances at year-end are reported in the fund financial statements as reservations of fund balance since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent year. As of June 30, 2020, the School District has no encumbrances.

Cash and Cash Equivalents

The School District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Pennsylvania School District Liquid Asset Fund (PSDLAF) and Pennsylvania Local Government Investment Trust (PLGIT).

The School District’s general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists, which guarantees a higher value. The term “short-term” refers to investments that have a remaining term of one year or less at the time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes.

Fair Value Measurements

When applicable, the School District measures investments at fair value. The fair value measurement guidelines, set forth by generally accepted accounting principles, recognize a three- tiered fair value hierarchy as follows:

Level 1 inputs

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure the fair value in that particular market.

Level 2 inputs

The categorization of an asset or liability as Level 1 requires that it is traded in an active market. If an instrument is not traded in an active market, it may fall to Level 2. Level 2 inputs are inputs that are observable, either directly or indirectly, but do not qualify as Level 1.

Level 3 inputs

Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

Investment Risks

Custodial Credit Risk

Custodial credit risk is the risk of loss resulting from the failure of the custodian such that the custodian would not be able to recover the value of its investments or collateral securities in the possession of the custodian. The School District is permitted to invest funds consistent with sound business practices in the following types of investments, certain money market mutual funds, and deposit accounts:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth of Pennsylvania, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Act 20, a Pennsylvania law enacted in June of 1995, expands the allowable investment vehicles to include certain money market mutual funds rated as AAA whose investments are limited to those mentioned in the previous paragraph.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a fixed income investment. 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.

Concentration of Credit Risk

Credit risk concentration is the risk of loss attributed to investments (other than those issued or guaranteed by the U.S. Government) in anyone organization that represented 5 percent or more of the plan's net position. The School District places no limit on the amount it may invest in any one issue.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2020

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are offset against each other in the governmental and business-type activities columns of the statement of net position, except for amounts due to/from other funds, which are not presented in the statement of net position.

Inventories

On government-wide statements, inventories are stated at cost using the purchase method. The purchase method means that food products, materials, and supplies are charged as expenses when acquired. Inventory on hand at the end of the year is then recorded as an asset by offsetting the appropriate expense account. The inventory for governmental activities at June 30, 2020 is \$98,959 and the inventory for business-type activities at June 30, 2020 is \$25,023.

On fund financial statements, inventories are stated at cost using the purchase method for proprietary funds. The inventory at June 30, 2020 is \$25,023. Inventories are not maintained in governmental funds for fund financial statement reporting.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following useful lives:

	Governmental Activities	Business-Type Activities
Description	Estimated Lives	Estimated Lives
Site Improvements	15-20 years	N/A
Buildings and Improvements	10-50 years	10-50 years
Furniture and Equipment	5-20 years	5-20 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements; and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the enterprise fund financial statements.

NORTHGATE SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and capital leases are recognized as a liability on the governmental fund financial statements when due.

Compensated Absences/Retirement Incentives

Compensated Absences

School District employees accrue sick leave and personal leave annually. The liability recorded in the government wide statement of net position is based on the employees' contract rate and accumulated days as of June 30, 2020. Compensated Absences for governmental activities at June 30, 2020 is \$20,263.

Retirement Incentives

The School District measured and recognized an "other post-employment benefit" (OPEB) liability in accordance with provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. This statement provides guidance on accounting and financial reporting for "other postemployment benefits" accounted for in financial statements of plan sponsors and employers. OPEB refers to non-pension benefits provided after the termination of employment. One example of this type of benefit is healthcare insurance premiums paid by employers on behalf of former employees. Governmental entities have traditionally accounted for OPEB on a pay-as-you-go basis. The guidance in this statement rests on the assumption that OPEB should be accrued as service is provided by employees. More information on these liabilities is included later in these notes.

The liabilities for the above items are reported on the government-wide financial statements. For governmental funds, the current portion of the liabilities is the amount that is normally expected to be paid using expendable financial resources. In proprietary funds, if applicable, the entire amount of the liabilities is reported as a fund liability.

Bond Discount and Premium

Bond discounts and premiums are deferred and accreted over the term of the bonds. Bond discounts and premiums are presented as a reduction or addition to the face of amount of the bonds.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet includes 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reported \$5,963,110 in the governmental activities as deferred outflows of resources related to pension and OPEB.

In addition to liabilities, the statement of net position and/or the balance sheet 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School District reported \$3,164,790 in the governmental activities as deferred inflows of resources related to pension and OPEB.

The School District also had \$5,143,771 of deferred inflows of resources from unavailable property tax revenue reported on the balance sheet as of June 30, 2020.

Equity Classifications

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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 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 – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2020, by the School District are nonspendable in form.

Restricted – includes amounts that are restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of School Directors, the School District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of School Directors.

Assigned – includes amounts that the School District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School District's established policy, amounts may be assigned by the Director of Finance and Operations of the School District.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the general fund.

Guidelines

The school district will strive to maintain an unassigned general fund balance of not less than six percent (6%) and not more than eight percent (8%) of the budgeted expenditures for that fiscal year.

The total fund balance, consisting of several portions including restricted, committed, assigned and unassigned, may exceed eight percent (8%).

If the unassigned portion of the fund balance falls below the threshold of six percent (6%) of budgeted expenditures, the Board will pursue options for increasing revenues and decreasing expenditures, or a combination of both until six percent (6) is attained. If the unassigned portion of the fund balance exceeds eight percent (8%) of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for expenditures. The goal shall be to use any excess fund balance for nonrecurring expenditures, not for normal operating costs.

Use of Fund Balance

The restricted fund balance shall be reduced to the extent that the underlying reason for the restriction has been eliminated.

If the district experiences an excess of expenditures over revenues for a given fiscal year, the fund balance shall be consumed in the following order:

- Restricted fund balance to the extent that expenditures related to the restriction contributed to the excess of expenditures over revenues.
- Committed fund balance to the extent that expenditures related to the commitment contributed to the excess of expenditures over revenues. If a plan for periodic use of committed fund balance is reviewed and approved by the Board, the committed fund balance will not be reduced by more than the amount designated in the plan.
- Assigned fund balance to the extent that expenditures related to the assignment contributed to the excess of expenditures and revenues.
- Unassigned fund balance for any remaining excess of expenditures over revenues.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pending Pronouncements

GASB Statement No. 84, *Fiduciary Activities* will be effective for the School District for the year ended June 30, 2021. The objective GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, *Leases* will be effective for the School District for the year ended June 30, 2022. The objective of GASB Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 87 increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will be effective for the School District for the year ended June 30, 2022. GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB Statement No. 90, *Majority Equity Interest*, will be effective for the School District for the year ended June 30, 2021. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

GASB Statement No. 91, *Conduit Debt Obligations*, will be effective for the School District for the year ended June 30, 2023. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice.

Note 2 – Restatement of Beginning Net Position and Fund Balance

Beginning fund balances and net position for governmental activities at June 30, 2019 were restated for correction of errors as follows:

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2020

	General Fund Balance	Capital Reserve Fund Balance	Total Governmental Fund Balance	Governmental Activities - Net Position
Balance at June 30, 2019, as previously state	\$ 9,176,958	\$ -	\$ 9,176,958	\$ (18,860,451)
Record unearned revenues	(291,263)		(291,263)	(291,263)
Reclassify capital reserve fund balance	(176,757)	176,757	-	-
Net position at July 1, 2020 - restated	\$ 8,708,938	\$ 176,757	\$ 8,885,695	\$ (19,151,714)

Note 3 – Cash and Investments

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 is required by state statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, Commonwealth of Pennsylvania or any political subdivision. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit. 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. Of the bank balance, \$275,875 was covered by federal depository insurance and \$2,994,899 was collateralized by the School District's depositories in accordance with Act 72.

Investments

As of June 30, 2020, the School District had the following investments:

	Fair Value (Level 1)	Standard & Poor's Rating
Pennsylvania Local Government Investment Trust	\$ 6,039,662	AAAm
Pennsylvania School District Liquid Asset Fund	22,364	AAAm
Total	\$ 6,062,026	

The Pennsylvania Local Government Investment Trust (PLGIT), the Pennsylvania School District Liquid Asset Fund (PSDLAF), and the Pennsylvania Treasurer's Investment Program (INVEST) are investment pools. The fair value of the investment pool is the same as the value of the pool shares owned. Although the pools seek to maintain the net position value of \$1 per share, there can be no guarantee that the net asset values will not vary from this price.

PLGIT's regulatory oversight resides with the Board of Trustees and Trust Administration. The participants of the trust annually select an independent auditing firm to examine, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The Trust is not registered with the Securities and Exchange Commission. Contacts with prospective investors relating to the shares of the

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2020

pool are conducted through the Investment Adviser's wholly owned subsidiary, PFMAM, Inc., member NASD.

PSDLAF's internal oversight resides with a Board of Trustees consisting of local school board members, school business officials and the Executive Directors of PASBO and PSBA. For outside oversight, the Fund is monitored on a weekly basis by Standard & Poor's, which has rated PSDLAF AAAM, the highest rating available for a money market fund.

Note 4 – Property Taxes

Based upon assessed valuations provided by the County, the municipal tax collector bills and collects property taxes on behalf of the School District.

The schedule for property taxes levied for 2019-2020 is as follows:

July 1, 2019	-	tax levy date
Through August 31, 2019	-	2% discount period
Through October 31, 2019	-	face payment period
Beginning November 1, 2019	-	10% penalty period

The School District tax rate for all purposes in 2019-2020 was 25.500 mills (\$25.50 per \$1,000 assessed valuation). Collections for the 2019-2020 year were \$10,974,810.

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 is net of the estimated uncollectible amount of \$1,285,868 and are reported on the balance sheet in the amount of \$5,215,222 along with other taxes receivable of \$225,554.

Note 5 - Due from Other Governments

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2020, the following amounts are due from other governmental units:

	Governmental Fund	Enterprise Fund	Total
Federal (through State)	\$ 19,970	\$ 16,667	36,637
Federal (through Local sources)	248,704	-	248,704
State	919,275	643	919,918
Local	7,065	-	7,065
Total	\$ 1,195,014	\$ 17,310	\$1,212,324

Note 6 – Interfund Balances and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2020 consisted of the following fund receivables and payables:

	Receivables	Payables
General fund	\$ 36,778	\$ -
Food service fund	-	36,778
Total	\$ 36,778	\$ 36,778

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

Note 7 – Fund Balance

Fund balances in the School District’s general fund total \$7,565,798 consisting of \$250 nonspendable, \$2,637,611 assigned for 2020-2021 appropriations, \$2,969,640 assigned for future capital projects, and \$1,958,297 that is unassigned. In addition, \$179,687 is a restricted for capital projects in the capital reserve fund.

NORTHGATE SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2020

Note 8 - Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
Non-depreciable assets:				
Land	\$ 821,234	\$ -	\$ -	\$ 821,234
Depreciable assets:				
Site improvements	1,344,044	-	-	1,344,044
Buildings	11,595,659	1,119,884	-	12,715,543
Equipment	5,409,885	255,303	119,396	5,545,792
Totals at historical cost	19,170,822	1,375,187	119,396	20,426,613
Less accumulated depreciation for:				
Site improvements	1,148,444	19,899	-	1,168,343
Buildings	7,616,507	342,668	-	7,959,175
Equipment	3,948,772	236,000	119,396	4,065,376
Total accumulated depreciation	12,713,723	598,567	119,396	13,192,894
Governmental activities capital assets, net	\$ 6,457,099	\$ 776,620	\$ -	\$ 7,233,719
Business-type activities				
Depreciable assets:				
Buildings	\$ 376,509	\$ -	\$ -	\$ 376,509
Equipment	285,453	31,044	1,432	315,065
Totals at historical cost	661,962	31,044	1,432	691,574
Less accumulated depreciation for:				
Buildings	376,509	-	-	376,509
Equipment	262,485	4,885	1,432	265,938
Total accumulated depreciation	638,994	4,885	1,432	642,447
Business -type activities capital assets, net	\$ 22,968	\$ 26,159	\$ -	\$ 49,127

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2020

Depreciation was charged to functions as follows:

Governmental activities	
Instruction	\$ 171,470
Instructional student support	111,368
Admin. & financial support	5,763
Operation & maintenance	298,805
Pupil transportation	688
Central services	2,310
Student activities	8,163
	\$ 598,567
Business-type activities	
Food service	\$ 4,885

Note 9 - General Long-Term Debt

Changes in the School District's long-term obligations during the fiscal year ended June 30, 2020, were as follows:

	Beginning Balance	Additions/ Accretion	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable	\$ 2,189,367	\$ 97,890	\$ 731,040	\$ 1,556,217	\$ 725,960
Bond premiums, net	29,061	-	3,029	26,032	-
Bond payable, net	2,218,428	97,890	734,069	1,582,249	725,960
Compensated absences	22,219	12,519	14,475	20,263	-
Net pension liability	36,772,000	-	2,200,000	34,572,000	-
Net OPEB liability - PSERS	1,597,000	-	25,000	1,572,000	-
OPEB liability - School Plan	5,609,727	380,490	-	5,990,217	-
OPEB liability - Ret. Incentives	276,756	207,716	60,000	424,472	-
Total long-term liabilities	\$ 46,496,130	\$ 698,615	\$ 3,033,544	\$ 44,161,201	\$ 725,960

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2020

Note 10 – General Obligation Bonds

The School District had the following general obligation bonds and notes outstanding at June 30, 2020:

Description	Amount
2016 general obligation refinancing bonds, due in annual installments of \$44,237 to \$44,432, beginning October 15, 2016 through April 15, 2029, interest from 3.00% to 4.60%	\$ 350,400
1997 Series B general obligation refunding bonds due in annual installments of \$5,000 to \$700,000 (principal and interest for accretion), beginning August 15, 1997 through August 15, 2021, interest from 5.75% to 8.05%	1,205,817
Total general obligation bonds	\$ 1,556,217

Payments on general obligation bonds are made by the General Fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2020, including interest payments, are as follows:

<u>General Obligation Bonds, Series of 2016</u>			
Year ending			
June 30,	Principal	Interest	Total
2021	\$ 32,640	\$ 11,765	\$ 44,405
2022	34,240	10,093	44,333
2023	36,000	8,337	44,337
2024	37,760	6,493	44,253
2025	39,680	4,557	44,237
2026-2029	170,080	7,406	177,486
	\$ 350,400	\$ 48,651	\$ 399,051

The annual requirements to amortize all general obligation capital appreciation bonds outstanding as of June 30, 2020, including interest payments are as follows:

<u>General Obligation Refunding Bonds, Series of 1997</u>			
Year Ending		Initial Stated	
June 30	Maturity Value	Value	Accreted Value
2021	\$ 700,000	\$ 113,372	\$ 693,320
2022	560,000	81,956	512,497
	\$ 1,260,000	\$ 195,328	\$ 1,205,817

General obligation bonds as of July 1, 2019 have been increased by \$97,890 to include accumulated accretion of the School District's capital appreciation bonds. Annual accretion is recognized as interest in the statement of activities.

Note 11 - Pension Plan

Summary of Significant Accounting Policies

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 addition 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.

General Information about the Pension Plan

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.

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.

Contributions

Member Contributions

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

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

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

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (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, 2020, was 33.43% 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 \$3,470,209 for the year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2020, the School District reported a liability of \$34,572,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. 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, 2020, the School District's proportion was 0.0739%, which was an decrease of 0.0027% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized pension expense of \$4,172,000. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 190,000	\$ 1,146,000
Changes in assumptions	330,000	-
Net difference between projected and actual investment earnings	-	99,000
Changes in proportions	1,621,000	956,000
Contributions subsequent to the measurement date	3,470,209	-
	<u>\$ 5,611,209</u>	<u>\$ 2,201,000</u>

\$3,470,209 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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,	
2021	\$ 714,000
2022	(168,000)
2023	(666,000)
2024	60,000
	<u>\$ (60,000)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2019, 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

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combined to produce a long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	20.0%	5.6%
Fixed income	36.0%	1.9%
Commodities	8.0%	2.7%
Absolute return	10.0%	3.4%
Risk parity	10.0%	4.1%
Infrastructure/MLPs	8.0%	5.5%
Real estate	10.0%	4.1%
Alternate investments	15.0%	7.4%
Cash	3.0%	0.3%
Financing (LIBOR)	-20.0%	0.7%
	100.0%	

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, 2019.

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.

Sensitivity of the 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.

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	1 % Decrease	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%
School District's proportionate share of the net pension liability	\$ 43,064,000	\$ 34,572,000	\$ 27,382,000

Pension plan fiduciary net position

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

Note 12 – Other Post-Employment Benefits, PSERS Health Insurance Premium Share

Summary of Significant Accounting Policies

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 PSERS and addition 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.

General Information about the Pension Plan

Health Insurance Premium Assistance Program

The System provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2019, there were no assumed future benefit increases to participating eligible retirees.

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.

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.

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, 2019, there were no assumed future benefit increases to participating eligible retirees.

Employer Contributions

The School Districts' contractually required contribution rate for the fiscal year ended June 30, 2020 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 \$87,379 for the year ended June 30, 2020.

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

At June 30, 2020, the School District reported a liability of \$1,572,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, 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, 2018 to June 30, 2019. 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, 2020, the School District's proportion was 0.0739% percent, which was an decrease of 0.0027% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, the School District recognized OPEB expense of \$91,000. At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 9,000	\$ -
Changes in assumptions	52,000	47,000
Net difference between projected and actual investment earnings	3,000	-
Changes in proportions	99,000	49,000
Contributions subsequent to the measurement date	87,379	-
	\$ 250,379	\$ 96,000

\$87,379 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 OPEB liability in the year ended June 30, 2021. 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,	
2021	\$	14,000
2022		14,000
2023		14,000
2024		13,000
2025		16,000
Thereafter		(4,000)
	\$	67,000

Actuarial Assumptions

The total OEPB liability as of June 30, 2019 was determined by rolling forward the System’s total OPEB liability as of June 30, 2018 to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 2.79% - 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.

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- 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 2019.
- 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	13.2%	0.2%
US Core fixed income	83.1%	1.0%
Non-US developed fixed	3.7%	0.0%
	100.0%	

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, 2019.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.79%. 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

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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, 2019, was applied to all projected benefit payments to measure the total OPEB liability.

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

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2019, 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, 2019, 93,339 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2019, 780 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 for June 30, 2019, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if it health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	Current Healthcare Cost		
	1 % Decrease	Trend	1% Increase
System net OPEB liability	\$ 1,570,000	\$ 1,572,000	\$ 1,572,000

Sensitivity of the 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 2.79%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.79%) or 1-percentage-point higher (3.79%) than the current rate:

	Current Discount		
	1 % Decrease	Rate	1% Increase
	1.79%	2.79%	3.79%
School District's proportionate share of the net OPEB liability	\$ 1,791,000	\$ 1,572,000	\$ 1,390,000

OPEB plan fiduciary net position

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

Note 13 – Other Post-Employment Benefits – School District Plan

Plan Description

The School District provides other post-employment benefits for certain employees for current and future health, prescription drug, dental, and vision insurance benefit expenses through a single-employer defined benefit plan. A biennial actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2019. The post-retirement plan does not issue stand-alone financial reports.

Benefits Provided

Any administrator or teacher who fully retires under the PSERS system prior to June 30, 2002 may opt to continue medical, prescription drug, dental, and vision insurance benefit coverages until the employee reaches Medicare eligibility. The School District pays the premium for these benefits; however, the retiree must reimburse the School District as follows:

Premium Sharing: The member pays the full premium for Vision. If the member has 30 or more years of PSERS service, the School District pays the full premium for medical, prescription drug, and dental for the member and spouse, less the \$100 PSERS supplement (if applicable). If the member has coverage for any other eligible dependents, he or she must pay any additional premium due to the coverage of the dependents. If the member elects the PPO plan, the member must pay the difference in premiums from the EPO plan. Upon death of the member, the spouse and any eligible dependents may continue similar coverage as described above.

Any administrator or teacher who full retires under the PSERS system after July 1, 2002, may opt to continue medical, prescription drug, dental, and vision insurance benefit coverages until the earlier of 7 years or the employee reaches Medicare eligibility for subsidized retirees or until Medicare eligibility for unsubsidized retirees. The School District pays the premium for these benefits; however, the retiree must reimburse the School District as follows:

Premium Sharing: The member pays the full premium for Vision. If the member has 30 or more years of PSERS service, the School District pays the full premium for medical, prescription drug and dental for the member and spouse for up to 7 years after the date of retirement, less the \$100 PSERS supplement (if applicable). If the member has coverage for any other eligible dependents, he or she must pay any additional premium due to the coverage of the dependents. If the member elects the PPO plan, the member must pay the difference in premiums from the EPO plan. After 7 years, if the member or spouse is under 65, the member or spouse can continue coverage by paying the full premium. Upon death of the member, the spouse and any eligible dependents may continue similar coverage as described above.

The current superintendent or custodians may continue coverage for themselves and their spouse and dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determined for the purpose of COBRA.

Administrative clerical, secretaries, and teacher assistants who fully retire under the PSERS system may opt to continue medical, prescription drug, dental, and vision benefits until the employee reaches Medicare eligibility. The School District pays the premium for these benefits; however, the retiree must reimburse the School District as follows:

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Premium Sharing: The member pays the full premium for vision. If the member reaches age 60 and 20 years of PSERS service, the District pays the full premium for medical, prescription drug, and dental coverage that the member is currently receiving at the time he or she retires, less the \$100 PSERS supplement (if applicable). If the member elects the PPO plan, the member must pay the difference in premiums from the EPO plan. Upon death of the member, the spouse and any eligible dependents may continue similar coverage as described above.

Membership in the plan consisted of the following at July 1, 2019, the date of the last actuarial valuation:

Active participants	160
Retired participants	8
	168

The OPEB Liability is calculated as follows:

	Total OPEB Liability
Balance at June 30, 2019	\$ 5,609,727
Changes for the year	
Service cost	337,845
Interest	175,032
Changes of benefit terms	762,841
Differences between expected and actual experience	(568,852)
Changes of assumptions or other inputs	(189,731)
Benefit payments	(136,645)
Net change	380,490
Balance at June 30, 2020	\$ 5,990,217

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following is the total OPEB liability to the District as well as the total OPEB liability using a discount rate that is 1-percentage-point lower and 1-percentage-point higher than the current discount rate:

	1 % Decrease	Discount Rate	1% Increase
	2.36%	3.36%	4.36%
Total OPEB Liability	\$ 6,497,662	\$ 5,990,217	\$ 5,510,283

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

The following is the total OPEB liability to the District as well as the total OPEB liability using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

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	Healthcare Cost		
	1 % Decrease	Trend	1% Increase
Total OPEB Liability	\$ 5,226,996	\$ 5,990,217	\$ 6,886,867

Actuarial assumptions used were as follows:

Cost Method	Entry age normal
Discount Rate	3.36% - Based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2019.
Mortality	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
Retirement	Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.
Healthcare Trend	6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

The changes of assumptions includes:

1. The discount rate changed from 2.98% to 3.36%.

The changes of benefit terms include:

- a. Administrators and teachers must also reach highest step of salary schedule in order to receive subsidized coverage and either have attained age 55, or 30 years of PSERS service.

For the year ended June 30, 2018, the School District recognized OPEB expense of \$3,943,021, comprised of the following:

Service cost	\$ 337,845
Interest on total OPEB liability	175,032
Changes of benefit terms	762,841
Amortization of deferred inflows	(80,954)
Total OPEB expense	\$ 1,194,764

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At June 30, 2020, 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	\$ -	\$ 521,448
Changes in assumptions	-	333,790
Contributions subsequent to the measurement date	82,400	-
	<u>\$ 82,400</u>	<u>\$ 855,238</u>

The 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,	
2021	\$ (80,954)
2022	(80,954)
2023	(80,954)
2024	(80,954)
2025	(80,954)
Thereafter	(450,468)
	<u>\$ (855,238)</u>

Note 14 –Other Post-Employment Benefits – Retirement Incentive

Plan Description

The School District provides retirement incentive post-retirement benefits for certain employees through a single-employer defined benefit plan. A biennial actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2019. The post-retirement plan does not issue stand-alone financial reports.

Benefits Provided

Administrators

Upon retirement through PSERS, each administrator is eligible for two different benefits that are payable over a period of three years. The first benefit is calculated based on the members years of service with the School District. The member will receive a total of \$1,000 for each year of service with the School District up to 30 years of service at which point the benefit is \$35,000. The total benefit is paid to the member in three equal annual installments starting at the time of retirement. The second benefit begins at the time that the retirement is announced. The member will receive payments over three years. The annual payment over each of those three years will be equal to 10% of the total benefit calculated above.

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Teachers

Upon retirement through PSERS with over ten years of service, each teacher will receive a one-time payment at the time of retirement based on the member's years of service with the School District according to the following table:

<u>Years of service</u>	<u>Payment</u>
10-14 years	\$ 3,000
15-19 years	5,000
20-24 years	8,000
25+ years	12,000

Secretaries and Teacher Aides

Upon retirement through PSERS with over ten years of service, each Secretary and Teacher Aide will receive a one-time payment at the time of retirement based on the member's years of service with the School District according to the following table:

<u>Years of service</u>	<u>Payment</u>
10-14 years	\$ 1,500
15-19 years	1,750
20+ years	2,000

Custodial

Upon retirement through PSERS, each Custodial will receive a one-time payment at the time of retirement of \$2,500.

Membership in the plan consisted of the following at July 1, 2019, the date of the last actuarial valuation:

Active participants	160
Retired participants	0
	<hr/>
	160

The OPEB Liability is calculated as follows:

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	Total OPEB Liability
Balance at June 30, 2019	\$ 276,756
Changes for the year	
Service cost	16,295
Interest	8,395
Changes of benefit terms	148,628
Differences between expected and actual experience	3,139
Changes of assumptions or other inputs	(7,838)
Benefit payments	(20,903)
Net change	147,716
Balance at June 30, 2020	\$ 424,472

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following is the total OPEB liability to the District, as well as the total OPEB liability using a discount rate that is 1-percentage-point lower and 1-percentage-point higher than the current discount rate:

	1 % Decrease	Discount Rate	1% Increase
	2.36%	3.36%	4.36%
Total OPEB Liability	\$ 445,045	\$ 424,472	\$ 403,842

Actuarial assumptions used were as follows:

Discount Rate	3.36% - Based on S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2019.
Mortality	Separate rates are assumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation. Incorporated into the table are rates projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.
Retirement	Assumed retirement rates are based on PSERS plan experience and vary by age, service and gender.

The changes of assumptions include:

1. The discount rate changed from 2.98% to 3.36%.

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2020

The changes of benefit terms include:

1. Teacher benefit payments based on years of service were adjusted as follows:

Years of service	Previous	Current
10-14 years	\$ 3,000	\$ 3,000
15-19 years	4,000	5,000
20-24 years	5,000	8,000
25+ years	6,000	12,000

For the year ended June 30, 2020, the School District recognized OPEB expense of \$172,568, comprised of the following:

Service cost	\$	16,295
Interest on total OPEB liability		8,395
Changes of benefit terms		148,628
Amortiation of deferred outflows		385
Amortization of deferred inflows		(1,135)
Total OPEB expense	\$	172,568

At June 30, 2020, 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	\$ 2,898	\$ -
Changes in assumptions	1,578	12,552
Contributions subsequent to the measurement date	14,646	-
	\$ 19,122	\$ 12,552

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NORTHGATE SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2020

Year Ended June 30,		
2021	\$	(750)
2022		(750)
2023		(750)
2024		(750)
2025		(750)
Thereafter		(4,326)
	\$	(8,076)

Note 15 - Jointly Governed Organizations

The School District is one of nine member school districts of the A.W. Beattie Career Center (Center). The Center is controlled and governed by the Joint Board, which is composed of all the school board members of all the member districts. Direct oversight of the Center’s 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 The Center. The School District’s share of annual operating and capital costs for the Center fluctuates based on the percentage enrollment in the school and is reflected as intergovernmental expenditures of the General Fund. The audit report may be obtained by calling the business office of the School District.

The School District's share of annual operating and capital costs for the Center fluctuates, based on the percentage of enrollment of each member district in the school. The School District's financial obligation to the Center for the year ended June 30, 2020 was \$634,690 which has been reported in the School District's general fund.

Note 16 – Health Insurance Consortium

The School District is one of fifty-one members of the Allegheny County Schools Health Insurance Consortium (Consortium). The Consortium is a public entity risk pool, which provides health care coverage for members’ employees on a pooled basis. The School District pays premiums to the Consortium based upon rates established by the trustees of the Consortium. These rates are established with the objection of satisfying current costs and claims of covered health care services, as well as providing a residual sufficient to satisfy work capital requirements and promote premium stabilization for periods when actual costs of coverage exceed premiums collected from members. In addition, the Consortium maintains a percentage of its fund balance to cover potential future catastrophic losses. The Consortium or the School District does not maintain independent insurance coverage for catastrophic losses.

At June 30, 2020, such net residual net assets were \$75,471,061 for the Consortium as a whole, of which a share of the residual net assets of \$517,529 was attributable to the School District. The agreement permits members to withdraw from the Consortium under specified terms. In such event, the withdrawing member is entitled to or responsible for a proportionate share of the Consortium’s net assets or deficit as determined on the date of withdrawal.

Audited financial statements for the Consortium through the fiscal year ended June 30, 2020, are available by calling the School District business office.

Note 17 - Risk Management

The School District is exposed to various risks of loss related to certain torts, thefts, damages, catastrophic loss of assets, errors and omissions, injury to employees and natural disasters. The School District manages most of its risk through the general fund with the purchase of commercial insurance coverage.

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

Note 18 – Contingencies

Litigation

The School District is potentially liable for any expenditure that may be disallowed pursuant to the terms of grant programs. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2020.

Note 19 – Construction Commitment

The general fund had uncompleted construction contracts at June 30, 2020, of approximately \$305,242 for building improvements.

**Required
Supplementary Information**

NORTHGATE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources				
Taxes				
Current real estate tax	\$ 10,613,153	\$ 10,613,153	\$ 10,974,810	\$ 361,657
Public utility realty tax	13,230	13,230	12,241	(989)
Current per capita taxes - sec. 679	18,030	18,030	19,148	1,118
Per capita taxes	18,030	18,030	19,148	1,118
Local services taxes	11,665	11,665	11,269	(396)
Earned income taxes	1,564,715	1,564,715	1,698,125	133,410
Real estate transfer taxes	186,170	186,170	183,775	(2,395)
Delinquencies on taxes	1,192,915	1,192,915	1,401,125	208,210
Earnings on investments	163,240	163,240	120,943	(42,297)
Other local revenues				
Revenue from student activities	17,135	17,135	12,781	(4,354)
Federal revenues from IU sources	250,885	253,710	253,568	(142)
Rentals	18,270	18,270	14,400	(3,870)
Contributions & donations from private sources	59,390	59,390	78,613	19,223
Miscellaneous revenue	12,870	12,870	35,873	23,003
Refunds	10,150	10,150	27,281	17,131
Total local sources	14,149,848	14,152,673	14,863,100	710,427
State sources				
Basic instructional & oper. subsidies				
Basic instructional subsidy	4,139,640	4,586,738	4,537,859	(48,879)
Tuition for orphans subsidy	12,225	12,225	-	(12,225)
Special education funds for school-aged pup	938,692	938,692	953,254	14,562
Pre-K Counts	161,500	161,500	166,250	4,750
Subsidies for noneducational programs				
Transportation subsidy	138,680	138,680	144,160	5,480
Rentals & sinking fund payments	108,765	108,765	106,983	(1,782)
Health services	22,740	22,740	19,257	(3,483)
State property tax reduction	697,574	697,574	697,574	-
Safe schools	266,264	266,264	278,046	11,782
Ready to learn block grant	201,103	201,103	201,103	-
PA CEEG grant	-	-	9,538	9,538

NORTHGATE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Social security payments	447,098	-	-	-
State retirement revenue	2,120,286	2,120,286	1,872,341	(247,945)
Total state sources	9,254,567	9,254,567	8,986,365	(268,202)
Federal sources				
Restricted grants-in-aid from the fed.				
Gov't. through the commonwealth				
Impact aid				
Title I	401,074	401,074	389,628	(11,446)
Title II	53,603	53,603	54,464	861
Title III	2,825	-	-	-
Title IV	-	-	29,888	29,888
Medical assistance- access	145,312	145,312	75,688	(69,624)
Medical assistance- admin	-	-	12,178	12,178
Total federal sources	602,814	599,989	561,846	(38,143)
TOTAL REVENUES	24,007,229	24,007,229	24,411,311	404,082
EXPENDITURES				
Instruction				
Regular programs				
Personal services				
Salaries	4,958,784	4,958,784	5,128,878	(170,094)
Employee benefits	3,074,754	3,074,754	3,203,640	(128,886)
Purchased prof. & tech. services	187,835	187,935	143,072	44,863
Purchased property services	4,050	4,050	400	3,650
Other purchased services	1,355,745	1,358,105	1,408,746	(50,641)
Supplies	141,315	148,279	165,040	(16,761)
Other objects	2,770	2,770	1,262	1,508
Total regular programs	9,725,253	9,734,677	10,051,038	(316,361)
Special programs				
Personal services				
Salaries	1,381,554	1,381,554	1,438,451	(56,897)
Employee benefits	783,314	783,314	786,424	(3,110)
Purchased prof. & tech. services	129,865	129,865	93,882	35,983
Purchased property services				-
Other purchased services	876,300	870,850	1,121,939	(251,089)
Supplies	42,725	42,725	19,610	23,115

NORTHGATE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Property	3,260	3,260	-	3,260
Total special programs	3,217,018	3,211,568	3,460,306	(248,738)
Vocational education programs				
Personal services				
Salaries	272,496	272,496	158,956	113,540
Employee benefits	172,746	172,746	97,555	75,191
Other purchased services	660,000	660,000	634,690	25,310
Supplies	8,380	8,380	5,739	2,641
Total vocational education programs	1,113,622	1,113,622	896,940	216,682
Other instructional programs				
Personal services				
Salaries	391,034	391,034	374,194	16,840
Employee benefits	259,650	259,650	252,066	7,584
Purchased prof. & tech. services	198,100	199,350	204,015	(4,665)
Other purchased services	6,275	6,275	3,944	2,331
Supplies	2,550	2,550	-	2,550
Total other instructional programs	857,609	858,859	834,219	24,640
Higher education programs				
Other purchased services	54,990	54,990	43,604	11,386
Total higher education programs	54,990	54,990	43,604	11,386
Pre-kindergarten				
Personal services				
Salaries	110,683	110,683	113,343	(2,660)
Employee benefits	66,081	66,081	67,161	(1,080)
Other purchased services	880	880	587	293
Supplies	8,940	8,940	5,768	3,172
Total Pre-kindergarten	186,584	186,584	186,859	(275)
Total instruction	15,155,076	15,160,300	15,472,966	(312,666)

NORTHGATE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Support services				
Pupil personnel				
Personal services				
Salaries	594,899	594,899	606,207	(11,308)
Employee benefits	375,099	375,099	385,168	(10,069)
Purchased prof. & tech. services	63,800	63,800	54,743	9,057
Other purchased services	9,385	9,745	1,262	8,483
Supplies	11,980	12,530	7,391	5,139
Total pupil personnel	1,055,163	1,056,073	1,054,771	1,302
Instructional staff				
Personal services				
Salaries	425,120	425,120	369,526	55,594
Employee benefits	250,299	250,299	190,982	59,317
Purchased prof. & tech. services	18,500	18,725	7,576	11,149
Purchased property services	3,730	3,730	6,424	(2,694)
Other purchased services	11,050	11,050	4,820	6,230
Supplies	207,250	205,066	173,185	31,881
Property	61,960	65,110	12,562	52,548
Other objects	300	300	-	300
Total instructional staff	978,209	979,400	765,075	214,325
Administration				
Personal services				
Salaries	1,015,014	1,015,014	1,077,262	(62,248)
Employee benefits	595,767	595,767	593,606	2,161
Purchased prof. & tech. services	246,440	246,440	158,579	87,861
Other purchased services	64,040	64,695	56,546	8,149
Supplies	63,355	63,470	40,917	22,553
Other objects	14,540	16,085	21,004	(4,919)
Total administration	1,999,156	2,001,471	1,947,914	53,557
Pupil health				
Personal services				
Salaries	174,099	174,099	168,277	5,822
Employee benefits	94,538	94,538	88,472	6,066

NORTHGATE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Purchased prof. & tech. services	5,290	5,330	3,877	1,453
Supplies	15,260	15,620	8,278	7,342
Total pupil health	289,187	289,587	268,904	20,683
Business				
Personal services				
Salaries	207,418	207,418	201,674	5,744
Employee benefits	141,429	141,429	139,479	1,950
Purchased prof. & tech. services	1,285	1,285	963	322
Purchased property services	78,435	78,435	76,643	1,792
Other purchased services	3,066	3,066	2,102	964
Supplies	95,155	95,155	94,739	416
Other objects	8,985	13,930	6,095	7,835
Total business	535,773	540,718	521,695	19,023
Operation & maintenance of plant svcs.				
Personal services				
Salaries	783,970	783,970	680,317	103,653
Employee benefits	539,232	539,232	493,806	45,426
Purchased prof. & tech. services	114,150	114,150	81,019	33,131
Purchased property services	243,420	244,360	276,624	(32,264)
Other purchased services	47,090	47,090	53,188	(6,098)
Supplies	515,645	515,645	389,454	126,191
Property	46,400	46,400	13,308	33,092
Other objects	17,280	17,280	17,547	(267)
Total oper. & maint. of plant svcs.	2,307,187	2,308,127	2,005,263	302,864
Student transportation services				
Other purchased services	678,610	678,610	491,781	186,829
Total student transportation svcs.	678,610	678,610	491,781	186,829
Central				
Personal services				
Salaries	-	-	51,474	(51,474)
Employee benefits	31,600	31,600	49,271	(17,671)
Purchased prof. & tech. services	266,500	258,335	118,387	139,948
Other purchased services	9,400	9,400	4,369	5,031

NORTHGATE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Supplies	40,900	40,900	44,193	(3,293)
Property	35,765	35,765	39,472	(3,707)
Total central	384,165	376,000	307,166	68,834
Other				
Other purchased services	13,497	13,497	12,411	1,086
Total other	13,497	13,497	12,411	1,086
Total support services	8,240,947	8,243,483	7,374,980	868,503
Operation of noninstructional services				
Student activities				
Personal services				
Salaries	196,400	196,400	181,955	14,445
Employee benefits	83,337	83,337	63,348	19,989
Purchased prof. & tech. services	40,295	40,295	36,454	3,841
Purchased property services	9,000	9,000	5,568	3,432
Other purchased services	88,670	88,670	47,218	41,452
Supplies	75,285	75,285	58,650	16,635
Property	7,540	7,540	31,868	(24,328)
Other objects	510	510	300	210
Total student activities	501,037	501,037	425,361	75,676
Community services				
Personal services				
Salaries	48,576	48,576	45,880	2,696
Employee benefits	16,448	16,448	16,108	340
Purchased prof. & tech. services	12,950	12,950	5,879	7,071
Property	100	100	102	(2)
Total community services	78,074	78,074	67,969	10,105
Scholarships and awards				
Other objects	5,000	5,000	15,000	(10,000)
Total community services	5,000	5,000	15,000	(10,000)
Total oper. of noninstructional svcs.	584,111	584,111	508,330	75,781

NORTHGATE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balance
General Fund - Budget and Actual
For the Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Facilities acquisition, construction and improvement services				
Purchased property services	2,117,820	2,110,060	1,444,157	665,903
Total facilities acquisition, construction and improvement services	2,117,820	2,110,060	1,444,157	665,903
Debt service				
Interest	580,855	580,855	590,794	(9,939)
Refunds of prior years receipts	39,780	39,780	9,622	30,158
Redemption of principal	163,545	163,545	153,603	9,942
Total debt service	784,180	784,180	754,019	30,161
TOTAL EXPENDITURES	26,882,134	26,882,134	25,554,452	1,327,682
Revenues & other financing sources				
Over (under) expend. & other				
Financing uses	(2,874,905)	(2,874,905)	(1,143,141)	1,731,764
Fund balance - July 1, 2019 (restated)	7,590,712	7,590,712	8,708,938	1,118,226
Fund balance - June 30, 2020	\$ 4,715,807	\$ 4,715,807	\$ 7,565,797	\$ 2,849,990

See accompanying notes to required supplementary information

NORTHGATE SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net Pension Liability
Pennsylvania Public School Employees' Retirement System
Last 10 Fiscal Years¹

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
School District's proportion of the net pension liability	0.0739%	0.0766%	0.0724%	0.0695%	0.0682%	0.0682%
School District's proportionate share of the net pension liability	\$ 34,572,000	\$ 36,772,000	\$ 35,757,000	\$ 34,442,000	\$ 29,541,000	\$ 26,994,000
School District's covered payroll	\$ 10,186,121	\$ 10,315,856	\$ 9,642,680	\$ 9,005,802	\$ 8,773,224	\$ 8,698,500
School District's proportionate share of the net pension liability as a percentage of its covered payroll	339.40%	356.46%	370.82%	382.44%	336.72%	310.33%
PSERS' plan fiduciary net position as a percentage of PSERS' total pension liability	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%

See notes to required supplementary information.

¹The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

NORTHGATE SCHOOL DISTRICT
Schedule of School District Pension Contributions
Pennsylvania Public School Employees' Retirement System
Last 10 Fiscal Years¹

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Contractually required contributions	\$ 3,470,209	\$ 3,320,675	\$ 3,274,253	\$ 2,815,663	\$ 2,251,451	\$ 1,798,511	\$ 1,391,760
School District contributions recognized by the pension plan	\$ 3,470,209	\$ 3,320,675	\$ 3,274,253	\$ 2,815,663	\$ 2,251,451	\$ 1,798,511	\$ 1,391,760
Difference between contractually required employer contribution and contributions recognized by PSERS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 10,402,304	\$ 10,186,121	\$ 10,315,856	9,642,680	9,005,802	8,773,224	8,698,500
Contributions recognized by the pension plan as a percentage of covered payroll	33.36%	32.64%	31.74%	29.20%	25.00%	20.50%	16.00%

See notes to required supplementary information.

¹This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

NORTHGATE SCHOOL DISTRICT
Schedule of the School District's Proportionate Share of the Net OPEB Liability
Pennsylvania Public School Employees' Retirement System
Last 10 Fiscal Years¹

	6/30/2020	6/30/2019	6/30/2018
School District's proportion of the net OPEB liability	0.0739%	0.0766%	0.0724%
School District's proportionate share of the net OPEB liability	\$ 1,572,000	\$ 1,597,000	\$ 1,475,000
School District's covered payroll	\$ 10,186,121	\$ 10,315,856	\$ 9,642,680
School District's proportionate share of the net OPEB liability as a percentage of its covered payroll	15.43%	15.48%	15.30%
PSERS' plan fiduciary net position as a percentage of PSERS' total OPEB liability	5.56%	5.56%	5.73%

See notes to required supplementary information.

¹The amounts presented for each fiscal year were determined as of the measurement date, which is June 30 of the immediately preceding fiscal year. This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

NORTHGATE SCHOOL DISTRICT
Schedule of School District OPEB Contributions
Pennsylvania Public School Employees' Retirement System
Last 10 Fiscal Years¹

	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Contractually required contributions	\$ 87,379	\$ 84,545	\$ 85,718	\$ 85,748
School District contributions recognized by the OPEB plan	\$ 87,379	\$ 84,545	\$ 85,718	\$ 85,748
Difference between contractually required employer contribution and contributions recognized by PSERS	\$ -	\$ -	\$ -	\$ -
School District's covered payroll	\$ 10,402,304	\$ 10,186,121	\$ 10,315,856	9,642,680
Contributions recognized by the OPEB plan as a percentage of covered payroll	0.84%	0.83%	0.83%	0.89%

See notes to required supplementary information.

¹This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

NORTHGATE SCHOOL DISTRICT

Schedule of Changes in the School District's Total OPEB Liability and Related Ratios School Plan Last 10 Fiscal Years¹

The schedule below reports the change in the District's OEPB Liability:

	6/30/2020	6/30/2019	6/30/2018
Total OPEB liability - beginning of year	\$ 5,609,727	\$ 5,337,378	\$ 1,841,735
Service cost	337,845	320,427	94,868
Interest	175,032	173,378	44,787
Changes of benefit terms	762,841	-	3,820,890
Differences between expected and actual experience	(568,852)	-	-
Changes of assumptions	(189,731)	(2,584)	(210,288)
Benefit payments	(136,645)	(218,872)	(254,614)
Net change in total OPEB liability	380,490	272,349	3,495,643
Total OPEB liability - end of year	\$ 5,990,217	\$ 5,609,727	\$ 5,337,378
Covered-employee payroll	\$ 9,997,970	\$ 9,663,643	\$ 9,663,643
Net OPEB liability as a percentage of covered payroll	59.91%	58.05%	55.23%

The schedule below reports the change in the Retirement Incentives' OPEB:

	6/30/2020	6/30/2019	6/30/2018
Total OPEB liability - beginning of year	\$ 276,756	\$ 272,707	\$ 217,639
Service cost	16,295	15,258	13,447
Interest	8,395	8,645	5,545
Changes of benefit terms	148,628	-	58,476
Differences between expected and actual experience	3,139	-	-
Changes of assumptions	(7,838)	1,866	(6,913)
Benefit payments	(20,903)	(21,720)	(15,487)
Net change in total OPEB liability	147,716	4,049	55,068
Total OPEB liability - end of year	\$ 424,472	\$ 276,756	\$ 272,707
Covered-employee payroll	\$ 9,997,970	\$ 9,663,643	\$ 9,663,643
Net OPEB liability as a percentage of covered payroll	4.25%	2.86%	2.82%

See notes to required supplementary information.

¹This schedule is intended to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School District is presenting information for those years only for which information is available.

Note 1 – Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at year-end.

All budgets 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).

The School District expenditures may not legally exceed the budget amounts by amounts in total for the fund unless funds are received in excess of the budgeted State allocation levels. Accordingly, the legal level of budgetary control is at the object level within each subfunction and fund.

Note 2 – Pension Information: PSERS

Changes of benefit terms

With the passage of Act 5, Class T-E and T-F members are now permitted to elect a lump sum payment of member contributions upon retirement.

Changes of assumptions

June 30, 2016

The investment rate of return was adjusted from 7.50% to 7.25%. The inflation assumption was decreased from 3.00% to 2.75%.

Salary growth changed from an effective average of 5.50% (including inflation at 3.00%) to an effective average of 5.00% (including inflation at 2.75%).

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) to 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.

Note 3 – OPEB Information: PSERS Premium Assistance Plan

Changes of benefit terms

None.

Changes of assumptions

June 30, 2018

The discount rate decreased from 3.13% to 2.98%.

June 30, 2017

The discount rate increased from 2.71% to 3.13%.

June 30, 2016

Salary growth changed from an effective average of 5.50% (including inflation at 3.00%) to an effective average of 5.00% (including inflation at 2.75%).

Mortality rates were modified from the RP-2000 Combined Healthy Annuitant Tables (male and female) to 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.

Note 4 – OPEB Information: School Plan

Plan assets

No assets are accumulated in a trust that meets all of the following criteria of GASBS No. 75, paragraph 4, to pay benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

Changes in benefit terms

June 30, 2020

Administrators and teachers must also reach highest step of salary schedule in order to receive subsidized coverage and either have attained age 55, or 30 years of PSERS service.

Changes of assumptions

June 30, 2020

The discount rate used for fiscal year ending June 30, 2020 was increased to 3.36% from 2.98%.

June 30, 2019

The discount rates used for fiscal year ending June 30, 2019 was decreased to 3.87% from 3.58%.

June 30, 2018

GASBS No. 75 was implemented with the fiscal year ended June 30, 2018. Changes were made to the aging factors, the mortality table, the cost method, the percent married assumption, the medical participation assumption, the retirement rates, and the assumed salary increases.

Note 4 – OPEB Information: Retirement Incentives Plan

Plan assets

No assets are accumulated in a trust that meets all of the following criteria of GASBS No. 75, paragraph 4, to pay benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

Changes in benefit terms

June 30, 2020

Teacher benefit payments based on years of service were adjusted as follows:

<u>Years of service</u>	<u>Previous</u>	<u>Current</u>
10-14 years	\$ 3,000	\$ 3,000
15-19 years	4,000	5,000
20-24 years	5,000	8,000
25+ years	6,000	12,000

Changes of assumptions

June 30, 2020

The discount rate used for fiscal year ending June 30, 2020 was increased to 3.36% from 2.98%.

June 30, 2019

The discount rates used for fiscal year ending June 30, 2019 was decreased to 2.98% from 3.13%.

June 30, 2018

GASBS No. 75 was implemented with the fiscal year ended June 30, 2018. Changes were made to the aging factors, the mortality table, the cost method, the percent married assumption, the medical participation assumption, the retirement rates, and the assumed salary increases.

Single Audit

NORTHGATE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

For the Year Ended For the Year Ended June 30, 2020

Federal Grantor		Federal	Pass Through	Grant Period	Program or	Total Received	Accrued or	Revenue	Revenue	Expenditures	Accrued or	Pass
Pass Through Grantor	Source	CFDA	Grantor	Beginning/	Award	for the Year	(Deferred)	Recognized			(Deferred)	Through to
Project Title	Code	Number	Number	Ending Date	Amount		Revenue				Revenue	Sub-
							07/01/19				06/30/20	recipients
U.S. Department of Agriculture												
Child Nutrition Cluster												
Passed through the Pennsylvania Department of Education												
School Breakfast Program	I	10.553	N/A	07/01/18-06/30/19	N/A	\$ 8,583	\$ 8,583	\$ -	\$ -	\$ -	\$ -	\$ -
School Breakfast Program	I	10.553	N/A	07/01/19-06/30/20	N/A	52,731	-	52,731	52,731	-	-	-
COVID-19 School Breakfast Program	I	10.553	N/A	07/01/19-06/30/20	N/A	6,266	-	12,698	12,698	6,432	-	-
Total CFDA #10.553						67,580	8,583	65,429	65,429	6,432	-	-
National School Lunch Program	I	10.555	N/A	07/01/18-06/30/19	N/A	32,875	32,875	-	-	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	203,842	-	203,842	203,842	-	-	-
COVID-19 National School Lunch Program	I	10.555	N/A	07/01/19-06/30/20	N/A	9,968	-	20,202	20,202	10,234	-	-
Passed through the Pennsylvania Department of Agriculture												
National School Lunch Program	I	10.555	2-04-02-687	07/01/19-06/30/20	40,854	33,207	-	33,207	33,207	-	-	-
Total CFDA #10.555						279,892	32,875	257,251	257,251	10,234	-	-
Total Child Nutrition Cluster						347,472	41,458	322,680	322,680	16,666	-	-
U.S. Department of Education												
Passed through the Pennsylvania Department of Education												
Title I	I	84.010	013-200303	07/01/19-9/30/20	389,628	389,628	-	389,628	389,628	-	-	-
Title II Improving Teacher Quality	I	84.367	020-200303	07/01/19-9/30/20	54,464	47,258	-	54,464	54,464	7,206	-	-
Student Support and Academic Enrichment Program	I	84.424	144-190303	07/01/18-09/30/19	27,603	1,972	1,972	-	-	-	-	-
Student Support and Academic Enrichment Program	I	84.424	144-200303	07/01/19-9/30/20	29,888	25,903	-	29,888	29,888	3,985	-	-
Total CFDA #84.424						27,875	1,972	29,888	29,888	3,985	-	-
COVID-19 Education Stabilization Fund												
	I	84.425D	200-200303	03/13/20-09/30/21	320,019	-	-	-	-	-	-	-
Passed through Allegheny Intermediate Unit												
English Language Acquisition	I	84.365	010-200603	07/01/19-09/30/20	2,384	2,384	-	2,384	2,384	-	-	-
Special Education Cluster												
Special Education-Preschool	I	84.173	131-19-0-003	07/01/19-06/30/20	2,480	2,480	-	2,480	2,480	-	-	-
Special Education-IDEA	I	84.027	062-19-0-003	07/01/18-09/30/19	250,887	43,025	43,025	-	-	-	-	-
Special Education-IDEA	I	84.027	062-20-0-003	07/01/19-09/30/20	235,898	-	-	235,898	235,898	235,898	-	-
Passed through IU13												
Special Education-PaTTAN	I	84.027	062-20-0-000	07/01/19-06/30/20	20,000	-	-	12,806	12,806	12,806	-	-
Total CFDA #84.027						43,025	43,025	248,704	248,704	248,704	-	-
Total Special Education Cluster						45,505	43,025	251,184	251,184	248,704	-	-
Total U.S. Department of Education						512,650	44,997	727,548	727,548	259,895	-	-

(Continued)

NORTHGATE SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended For the Year Ended June 30, 2020

Federal Grantor		Federal	Pass Through	Grant Period	Program or		Accrued or			Accrued or	Pass
Pass Through Grantor	Source	CFDA	Grantor	Beginning/	Award	Total Received	(Deferred)	Revenue	Revenue	(Deferred)	Through to
Project Title	Code	Number	Number	Ending Date	Amount	for the Year	07/01/19	Recognized	Expenditures	06/30/20	Sub- recipients
<i>(Continued)</i>											
U.S. Department of Health and Human Services											
Passed through the Pennsylvania											
Department of Human Services											
Medicaid Cluster											
Medical Assistance Program	I	93.778	N/A	07/01/19-06/30/20	N/A	3,399	-	12,178	12,178	8,779	-
Total Federal Financial Assistance						\$ 863,521	\$ 86,455	\$ 1,062,406	\$ 1,062,406	\$ 285,340	\$ -

See accompanying notes to the Schedule of Expenditures of Federal Awards.

NORTHGATE SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
June 30, 2020

Note 1 – Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of School District under programs of the federal government for the year ended June 30, 2020. 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

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. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 2 – De Minimis Cost Rate

The School District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Source Code

The source code “I” indicates funds received indirectly.

Note 4 – Reconciliation with Subsidy Confirmation

Amount Received Per Schedule	\$863,521
Add: State Funding on Confirmation	191,754
Add: Medical Assistance – Access	74,981
Less: Passed through IUs	(47,889)
Less: Donated Commodities	(33,207)
Less: Medical Assistance	(3,399)
Less: Title II Refund	(18)
<u>Per Subsidy Confirmation</u>	<u>\$1,045,743</u>

Note 5 – Budgetary Data

The Northgate School District passed and had approved by the appropriate agency, budgets for the fiscal year ending June 30, 2020 for all federal programs.

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
Northgate School District
Pittsburgh, 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 Northgate School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Northgate School District's basic financial statements, and have issued our report thereon dated December 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northgate 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 the Northgate School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northgate 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northgate 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

Northgate School District
Independent Auditor's Report on Internal
Control over Financial Reporting and on
Compliance and Other Matters

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.

Myers, Patsy & Associates, LLC

Carnegie, Pennsylvania
December 2, 2020

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
Northgate School District
Pittsburgh, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Northgate 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 the Northgate School District's major federal programs for the year ended June 30, 2020. Northgate 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 the Northgate 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 the Northgate 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 the Northgate School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Northgate 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, 2020.

Northgate School District
Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control Over
Compliance

Report on Internal Control over Compliance

Management of Northgate 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 the Northgate 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 the Northgate 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Myers, Patsy & Associates, LLC

Carnegie, Pennsylvania
December 2, 2020

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified, prepared in accordance with generally accepted accounting principles
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	No

Major Programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Child Nutrition Cluster	10.553, 10.555
Special Education Cluster (IDEA)	84.027, 84.173
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section 2 – Findings Related to Financial Statements Required to be Reported Under GAGAS

Significant Deficiency in Internal Controls over Financial Reporting

Finding 2020-001

Criteria

The Fixed Asset Clerk submits purchase requests, receives incoming material, issues equipment to the floor, and records related transactions, including deleting transactions in the fixed asset system. The risks to the School District include errors, unintentional losses, and misappropriation of assets.

Condition

During the audit, we noted that one person is responsible for, or has access to, the handling, recording, and maintaining the fixed assets.

Cause

The School District does not have the number of employees necessary in the business office to properly segregate all duties.

Effect

Misappropriation of School District fixed assets could occur and go undetected.

Recommendation

The School District does not have sufficient employee resources to ensure adequate segregation of duties over the fixed assets function. The Fixed Asset Clerk submits purchase requests, receives incoming material, issues equipment to the floor, and records related transactions, including deleting transactions in the fixed asset system. The risks to the School District include errors, unintentional losses, and misappropriation of assets. We recommend that the School District implement the following compensating controls to provide reasonable assurance that assets are physically accounted for, transactions are recorded properly, and fixed assets balance:

- Fixed assets should be periodically spot-checked, both at regular intervals and at unannounced times

Views of Responsible Official and Planned Corrective Action:

See corrective action plan included in this report package.

Section 3 – Findings and Questioned Costs for Federal Awards

None.

Section 4 – Status of Prior Audit Findings

Material Weaknesses

2019-001 Limited Staff

Condition

The School District has a limited staff responsible for or access to:

- a) receipts
- b) check writing
- c) posting to the general ledger
- d) payroll records
- e) inventory records
- f) invoice approval

Because of limited staff, we realize segregation of the above duties is not practical, if not impossible. Because of this internal control situation, the responsibility of the Director of Finance and Operations is greatly increased because the Board must rely on the Director of Finance and Operations' knowledge of the everyday operations to discover any material changes in the School District's financial position.

Recommendation

Ideally, the School District would hire the number of staff necessary to segregate all duties. However, we realize segregation of duties is not practical, if not impossible. Because of this internal control situation, the responsibility of the Director of Finance and Operations is greatly increased because the Board must rely on Director of Finance and Operations' knowledge of the everyday operation to discover any material changes in the School District's financial position.

Current Status

Resolved.

2019-002 Preparation of Financial Statements

Condition

During the audit, the School District did not present financial statements reported in compliance with accounting principles generally accepted in the United States of America.

Recommendation

We realize that additional staffing costs would be needed to acquire the internal expertise to perform this function, which could significantly outweigh the benefits derived. We, as your auditors, can propose adjustments and assist the School District in assembling or drafting the financial statements; however, we cannot establish or maintain the School District's controls over preventing or detecting material misstatements in the preparation of financial statements.

Therefore, we recommend the School District carefully review the financial statements, ensuring they agree to the School District's internal records and the School District fully understands and accepts responsibility for the financial statements and notes.

Current Status

Resolved.

2019-003 Service Organization Control Report

Condition

The School District was not able to obtain a Service Organization Report from their financial software provider.

Recommendation

The financial software provider should have the necessary procedures performed over their internal controls in order to obtain a SOC report.

Current Status

Resolved.

Significant Deficiency

2019-004 Compensating Controls Over Fixed Assets

Condition

During the audit, we noted that one person is responsible for, or has access to, the handling, recording, and maintaining the fixed assets.

Recommendation

The School District does not have sufficient employee resources to ensure adequate segregation of duties over the fixed assets function. The Fixed Asset Clerk submits purchase requests, receives incoming material, issues equipment to the floor, and records related transactions, including deleting transactions in the fixed asset system. The risks to the School District include errors, unintentional losses, and misappropriation of assets. We recommend that the School District implement the following compensating controls to provide reasonable assurance that assets are physically accounted for, transactions are recorded properly, and fixed assets balance:

- Fixed assets should be periodically spot-checked, both at regular intervals and at unannounced times

Current Status

Improvements were made during the fiscal year, but this finding continues at the School District.



NORTHGATE SCHOOL DISTRICT

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CHRISTOPHER J. URSU, BSME, MBA
DIRECTOR OF FINANCE & OPERATIONS

Corrective Action Plan for Findings in June 30, 2020 Audit Report

Name and Title of Person Responsible for Corrective Action:

Christopher Ursu, Director of Finance & Operations

Corrective Action Planned:

Finding 2020-001:

Periodic spot checks of fixed assets will be added to the business office master schedule, to be carried out both at regular intervals and at unannounced times. Logs will be maintained to record results and actions taken.

Anticipated Completion Date:

The anticipated completion date for the first regularly scheduled spot check is March 18, 2021.

Signature

11-29-2020

Date